THE “BUSINESS” OF STATE-BUILDING: THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON STATE DEVELOPMENT IN EQUATORIAL GUINEA

By

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To my family

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Life is sometimes what happens when you are thinking about something else. Over much of the seven years that I lived in Gainesville I dreamed of being somewhere else. A silly way to live life, that. I eventually came to appreciate the life that I carved out in Gainesville, and a number of people I was fortunate enough to befriend along the way are a big part of that. My time in Gainesville (and beyond) was enriched by the following cast of characters (not already mentioned elsewhere): Avani, Polly Beckington, Thomas Biebricher, Katie Corson, Matt DeSantis, Jamie Hilde, Steve Marr, Sara Messer, Marilyn Ochoa, Juliana Peters, Bec Prince, Austin Scott, Shari Wellen, and Jessica York.

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Now let's go do something fun.

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LIST OF ABBREVIATIONS

AED	Academy for Educational Development
AMPCO	Atlantic Methanol Production Company
BCCCC	Boston College Center for Corporate Citizenship
BIC	Bank Information Center
BIMCP	Bioko Island Malaria Control Project
BMI	Business Monitor International
CMS	*Consejo Militar Supremo* (Supreme Military Council)
CED	Committee for Economic Development
CPDS	*Convergencia para la Democracia* (Social Convergence for Social Democracy)
CPLC	Community of Portuguese Language Countries
CSR	Corporate Social Responsibility
DFID	Department for International Development (UK)
EIA	United States Energy Information Administration
EIR	Entomological Inoculation Rate
EITI	Extractive Industries Transparency Initiative
EIU	Economist Intelligence Unit
FCPA	Foreign Corrupt Practices Act
IEG	International Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
IPGE	*Idea Popular de Guinea Ecuatorial* (Popular Idea of Equatorial Guinea)
ISO	International Standards Organization

ITN	Insecticide-Treated Net
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MCDI	Medical Care Development International
MMIE	Ministry of Mines, Industry, and Energy
MECD	Ministerio de Educación, Ciencias, y Deportes (Ministry of Education, Science, and Sports)
MNCs	Multinational Corporations
MONALIGE	*Movimiento Nacional de Liberación de Guinea Ecuatorial* (National Liberation Movement of Equatorial Guinea)
MUNGE	*Movimiento Nacional de Unidad de Guinea Ecuatorial* (National Unity Movement of Equatorial Guinea)
NCCS	National Center for Charitable Statistics
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OWDG	One World Development Group
PDGE	*Partido Democrático de Guinea Ecuatorial* (Democratic Party of Equatorial Guinea)
PRODEGE	*Programa de Desarrollo Educativo de Guinea Ecuatorial* (Equatorial Guinea Education Development Program)
PUNT	*Partido Único Nacional de Trabajadores* (Sole National Workers' Party)
SIDA	Swedish International Development Cooperation Agency
SAPs	Structural Adjustment Programs

UB	Unión Bubi (Bubi Union)
UNCHR	United Nations Commission on Human Rights
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNGE	Universidad Nacional de Guinea Ecuatorial (The National University of Equatorial Guinea)
UNHCHR	United Nations High Commissioner for Human Rights
UNICEF	United Nations Children's Fund
WHO	World Health Organization

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Corporate Social Responsibility (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 based on their view that multinational corporations are the only entities in the world with the technology, resources, capacity, and global reach necessary to effectively accomplish sustainable development. Critics, on the other hand, condemn CSR as corporate window dressing that fails to address the root causes of underdevelopment. In reality, insufficient empirical evidence of CSR efforts in developing countries exists to draw any definitive conclusions about their impacts on development. This study, drawing upon fieldwork in Equatorial Guinea, assesses the strengths and weaknesses of CSR projects implemented in a developing country context. Among other findings, this study suggests that CSR programs can represent a mechanism for pressuring recalcitrant governments to invest greater financial and human capital in social service programs, but they also can be used for public relations

purposes by political regimes with poor human rights and governance records to improve their images with both international and domestic audiences.

CHAPTER 1
MULTINATIONAL CORPORATIONS AND DEVELOPMENT PROJECTS

Introduction

In the gated community of the Hess Corporation in Bomé, a few kilometers south of Bata, Equatorial Guinea, foreign oil company employees live in large, well-appointed American-style homes complete with central air conditioning, satellite television, high-speed internet, washer and dryer, and hot running water. Their kitchens are stocked with virtually every appliance one could need (including bread makers), yet these typically go unused since most employees living at the compound work 10 hour days, seven days a week. They normally eat their three meals a day at the company-provided dining hall buffet, where the meal options sometimes include imported veal or duck. Most employees at the compound have access to a golf cart and sport utility vehicle for transportation around and outside the compound. A well-stocked bar, mini movie theater, indoor racquetball court, and large swimming pool stand ready to help employees unwind at the end of the workday, and lend an air of day-spa to the compound. A state-of-the-art security system and a guarded razor-wired fence secure the compound.

If you exit the compound—referred to at times as “Club Med” or “Little America”—and walk a few hundred meters south along the white, nearly pristine (and empty) beach, you may run into Joel and Rosel, two local boys between ages five and 10 with distended bellies and little clothing.[1] They live with their family in a ramshackle

[1] It is common to see young children with distended bellies in Equatorial Guinea. The likely cause of most cases is worms, the consequence of poor sanitary conditions and lack of access to health facilities.

deteriorating blue house a stone's throw from the surf of the Atlantic Ocean. Their front yard is noteworthy only for the impressive amount of trash it contains.

It is temptingly easy to use such heart-wrenching dichotomies between the haves- and the have-nots living or operating in developing countries to perpetuate narratives about neo-imperialism—this time at the hands of multinational corporations (MNCs)—and its role in exacerbating poverty in the developing world. Many choose to do so (see for instance Brundenius 1972; Udofia 1984; Branson 2002). The complete story regarding MNC engagement in developing countries is—as is often the case when discussing complex and multifaceted global issues—far more complex and nuanced than it may initially appear. It is true that multinational oil companies are heavily invested in developing countries and are earning sizeable profits. Oil companies have been accused of obfuscating international efforts to promote much needed transparency in the contracts and revenues they exchange with the governments of developing countries (see for instance Global Witness 2004). They have at-times remained silent (or in the case of Nigeria and Burma, were allegedly complicit) when human rights abuses were committed in countries where they operate (Human Rights Watch 1999; Baker 2005; EarthRights International 2009a). There is evidence to support each of these claims. However, focusing solely on the negative aspects of MNCs leaves part of the story untold and therefore unanalyzed. Apart from the economic impacts resulting from their business operations, do MNCs have positive impacts on developing countries?

Analyze the activities of MNCs operating in developing countries today and you notice that an increasing number of companies are involved in activities that lie far

outside the traditional realm of business. For instance, MNCs are hunting mosquitoes and training teachers in Equatorial Guinea, providing clean water to communities across Africa, making medicines and medical equipment available to hospitals and clinics in Ghana and South Africa, providing mobile libraries to schools in Lebanon, helping cotton farmers increase their yields and minimize pesticide use in India, and contributing to educational improvements in Central America. The efforts of MNCs to actively contribute to social development represent one aspect of what has become known as Corporate Social Responsibility (CSR), a set of conceptually and programmatically broad ideas and actions centered around the notion that businesses should make decisions based on their impacts on all stakeholders—not just shareholders— in an effort to limit negative, and maximize positive, societal externalities.[2] As MNCs continue to expand in size and into new markets, their contributions to social development are likely to increase. Yet despite the fact that we have witnessed a substantial increase in the number of MNCs willing to tackle the development challenges confronting developing countries, very few systematic studies have analyzed their impacts.

Let's briefly return to Joel and Rosel, who along with their family live in poverty in the shadows of what by their—and those of the world's other 2.5 billion abjectly poor citizens'—standards must seem a rather luxurious oil company compound. Judging by the compound's amenities—and Hess's annual reports—the company is profiting from its business relationship with the Equatorial Guinean government. Less visible to the common observer, however, is the fact that Hess is investing in social development projects intended to improve the lives of poor families, and in particular, children like

[2] As is discussed in greater detail in Chapter 2, stakeholders can include employees and their families, local communities, consumers, shareholders, and society writ large.

Joel and Rosel. Hess is one of several MNCs in Equatorial Guinea making contributions to social development projects, an arena that—until relatively recently—was primarily the well-established domain of non-governmental organizations (NGOs) and bilateral and multilateral aid organizations. The intent of this study is to analyze the social development projects of MNCs in Equatorial Guinea in order to outline the opportunities, obstacles, and perils associated with private-sector initiated development projects in developing countries.

Why Study Corporate Social Responsibility?

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 NGOs financed by donors far removed—both geographically and operationally—from the actual development projects. In recent years, however, a different type of non-state actor—the MNC—has emerged as a significant hands-on donor to and, increasingly, an initiator of development projects in developing countries. Through CSR programs, MNCs—which for more than a century have indirectly supported development efforts through philanthropic contributions to foundations and charity organizations—are increasingly moving beyond traditional philanthropy and taking a more direct, hands-on approach to addressing development needs in countries where they operate. Although corporate philanthropy dates back at least as far as the mid-19th century, the nature and scope of corporate engagement on social issues have changed. Businessmen and women, scholars, policymakers, and activists now wonder *how*—not *if*—business should engage on issues of community development, poverty reduction, and conflict prevention.

CSR, as both a concept and programmatic activity, has grown rapidly. Surprisingly, given its proliferation, few empirical studies have assessed CSR's ability to generate sustainable development or analyzed the impacts of MNCs taking over the delivery of social services, a responsibility commonly assigned to the state. The scarcity of knowledge about CSR's outcomes, however, has not fettered speculation about CSR's value as a development vehicle. Proponents of CSR laude it as a new development paradigm and the solution to 50 years of failed development efforts (Hopkins 2007), based on the argument 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, we lack sufficient empirical evidence of CSR outcomes in developing countries to draw definitive conclusions about CSR's impacts on development (Carroll 1999; Blowfield 2007; Visser 2008).[3]

This study contributes to our understanding of CSR by addressing the gap that exists between CSR in theory and CSR in practice. Its starting point is the broad question: What are the impacts of CSR on development? The study provides a nuanced answer to this question by addressing several related sub-questions: Can CSR lead to substantive improvements in social services in the short-term? Can CSR projects designed as public-private partnerships between MNCs and a government strengthen state capacity and improve a government's ability to provide social services, thereby making short-term CSR gains sustainable in the long-term? Do CSR efforts place

[3] A small number of studies that empirically assess the outcomes of CSR have recently emerged. See for instance Fig (2005) and Glover (2007).

pressures on governments to invest more heavily in social services? What are the positive and negative consequences of development projects initiated by the private sector, and how does private sector development differ or resemble the development efforts of more traditional development organizations? Finally, can CSR projects that involve mapping, data collection, and the codification of previously unknown features of society lead to the enhancement of state control?

This study, drawing upon fieldwork in Equatorial Guinea, analyzes two CSR projects to arrive at answers to these questions, thereby deepening our understanding of CSR's actual impacts in a developing country context. While the study focuses on two particular CSR projects, it also incorporates broader lessons learned from other CSR projects implemented in Equatorial Guinea. The study relies primarily on qualitative empirical evidence to assess the advantages and disadvantages of CSR projects. The study assesses the impacts that MNCs, as non-state organizations, are having both on the provision of public goods and on efforts to strengthen the capacity of the formal Equatorial Guinean state. Analyzing the roles of MNCs in this context is important for several reasons: 1) The economic and political power of MNCs is increasing concomitantly with their global expansion; 2) The number of MNCs directly engaging in development efforts in developing countries has increased significantly in recent years; 3) MNCs, via CSR efforts, are increasingly providing public goods at the same time that the global development paradigm is reversing direction and calling for states to take greater responsibility for public goods provisioning; and 4) The importance of good governance and strong state capacity has received mainstream

recognition, and MNCs, given their economic and political power, are likely to impact these variables, both through their business operations and CSR projects.

Specifically, this study analyzes two CSR projects 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 non-governmental organization 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 is discussed in detail in Chapters 4 through 7, MNCs' hands-on participation, substantial resources, access to key government officials, awareness of local 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.

Over the past 30 years, non-state actors have increasingly stepped in to fill the public goods void created by weak African states and stringent structural adjustment programs that often diminished the role of the state in providing social services and public goods. Non-state actors have included international organizations such as the International Monetary Fund (IMF), the World Bank, and the United Nations (UN), bilateral aid organizations such as the United States Agency for International Development (USAID), the Department for International Development (DFID), and

Swedish International Development Cooperation Agency (SIDA), non-governmental organizations (NGOs), civil society groups, and local religious organizations.[4] Scant attention has been paid, however, to the escalating number of efforts by MNCs to deliver public goods in situations where the state is either unable or unwilling to do so. Given both the increasing number of MNCs engaged in this endeavor and the economic and political leverage such organizations often wield, it is imperative that we analyze and understand the impacts that private sector public goods provisioning has on both its beneficiaries and the state.

The increased interest in and expansion of CSR is occurring in parallel to the expansion of corporate engagement around the world. There were 7,258 MNCs in the world in 1969 (Drucker 2005); by 2006 the number of MNCs had grown exponentially, to an estimated 78,000 parent companies with 780,000 foreign affiliates, whose annual sales totaled $25 trillion (UNCTAD 2008). 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. 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. 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.,

[4] For an interesting analysis of the role of religious organizations in development projects, see Leinweber's (2010) discussion of Muslim churches in the Democratic Republic of Congo.

Europe, and East Asia.[5] 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 (See Table 1-1). 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 gross domestic product (GDP) of 170 countries, and their revenues combined were nearly equivalent to the total GDP of the 48 countries of sub-Saharan Africa.[6] The *profits* of Exxon Mobil ($45 billion) alone were larger than the GDP of 118 countries in 2009 (CIA 2009; Fortune 2009). While the disproportionate power of MNCs in the world economy 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 increased significantly in the second half of the 20th century. At the turn of the 21st century, the world's top 1000 MNCs were responsible for approximately 80% of the world's industrial output (Gabel and Bruner 2003).

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[5] Coca-Cola, for instance, has identified Africa as the "last frontier" in which to expand in an effort to expand its market share. See Stanford (2010) for an interesting discussion of the potential consequences for both Coca-Cola (and other MNCs) and Africans.

[6] 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).The combined revenue of these two MNCs ($901 billion) rivals the combined GDP of all 48 sub-Saharan African countries ($922 billion).

Table 1-1. The world's largest economic entities

	GDP/Revenue (in billions)		GDP/Revenue (in billions)
1. United States	14,270	25. Norway	369
5. France	2,635	-- BP	367
10. Canada	1,319	33. Thailand	266
20. Belgium	462	-- Chevron	263
-- Royal Dutch Shell	458	34. Finland	242
-- Exxon Mobil	443	-- Total	235
21. Poland	423	-- ConocoPhillips	230
-- Wal-Mart	406	35. Colombia	229

Source: CIA 2009; Fortune 2009

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. Over the past 40 years we have witnessed a surge in foreign direct investment (FDI) to developing countries, from less than $4 billion in 1970 to more than $620 billion in 2008 (see Figure 1-1). FDI surpassed Official Development Assistance (ODA) to developing countries in 1993 (See Figure 1-2). FDI flows to developing countries as a *proportion* of global FDI flows have increased as well, from 25.2% in the period 1970-1989 to 30.5% in the period 1990-2008, reaching 37% in 2008 (UNCTAD 2009a). Some estimates project that in 2009 the proportion of FDI flows to emerging markets will surpass 50% for the first time in history (Kekic 2009).

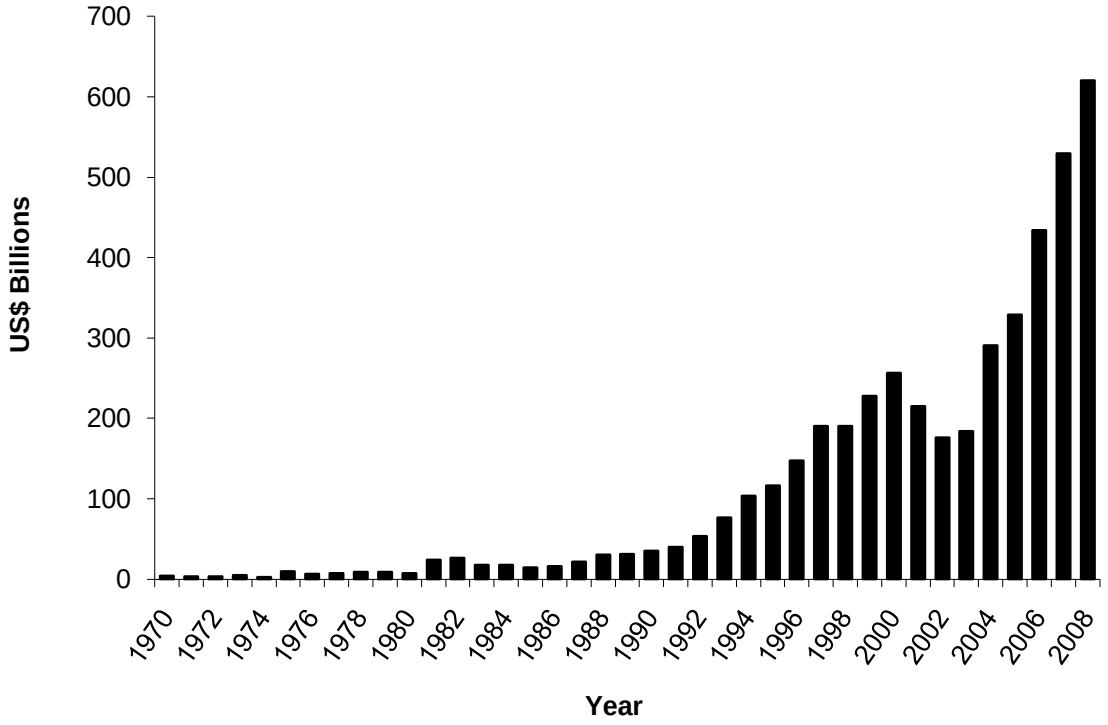

Figure 1-1. Foreign direct investment to developing countries, 1970-2008. Compiled using data from UNCTAD 2009a

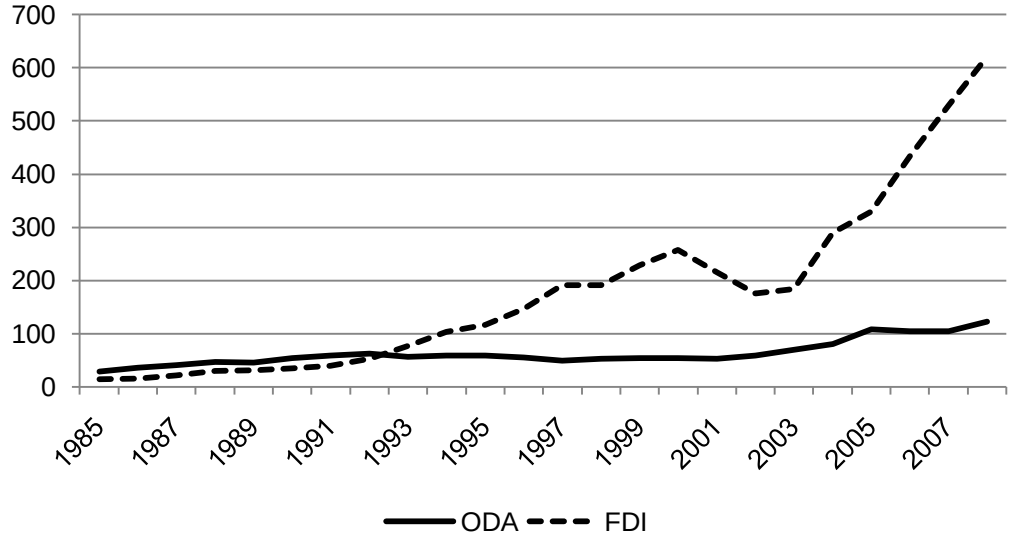

Figure 1-2. Foreign direct investment and official development assistance to developing economies 1985-2008. Compiled using data from OECD 2010 and UNCTAD 2009a

Resource flows from the U.S. to developing countries highlight this broader global trend in resource shifts from public to private sources. According to the Hudson Institute's Index of Global Philanthropy and Remittances (see Table 1-2), 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% of total public-private resource flows, up from about 30% in the 1960s.[7] In contrast, public funding of development has diminished in relative terms, accounting for around 14% of total U.S. ODA in 2007, even as the value of U.S. ODA increased from $7.14 billion in 1980 to $21.8 billion in 2007.[8] Furthermore, the $6.8 billion that U.S. corporations contributed to international development assistance in 2007 represented a 24% increase over their $5.5 billion contributions for 2006.[9]

Table 1-2. 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 2009, p. 16

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

[7] Data for the 1960s was taken from USAID (2007).

[8] Data for 1980 was drawn from USAID (2007). It is worth noting that reconstruction and other assistance in Afghanistan and Iraq accounted for 40% of U.S. ODA in 2005. Without these two conflicts, it is possible that ODA would have been significantly lower.

[9] This includes both cash and in-kind contributions.

31% of U.S. ODA to developing countries (see Table 1-2). In some developing countries, particularly natural resource rich countries whose high GDPs makes them ineligible for substantial ODA, the philanthropic contributions of MNCs to development efforts exceed those of public development institutions. For instance, the CSR spending of MNCs in both Angola and Equatorial Guinea is greater than the USAID's budget in those countries (Schneidman 2007; Personal interview with a USAID official in Equatorial Guinea, September 2008).

Events in recent years provide evidence of a growing unease with the increased economic clout of MNCs and the perception that "people's lives across the globe appear increasingly to be controlled and shaped no longer by governments but by corporations" (Matten 2006: 31). Backlash against corporate power and globalization has taken the form of street demonstrations (such as the 1999 anti-World Trade Organization protests in Seattle), targeted attacks on specific corporations (such as oil platform takeovers in Nigeria, sabotaged oil pipelines in Columbia, or a farmer's dismantling of a semi-constructed McDonalds in Paris in 1999), and "buy local" grassroots efforts in the U.S. (see for instance Kingsolver 2007). A recent slew of best-selling books, including David Korten's *When Corporations Rule the World* (1995), Noreena Hertz's *The Silent Takeover* (2001), Naomi Klein's *No Logo* (2000) and *The Shock Doctrine* (2008), and John Perkins' *Confessions of an Economic Hitman* (2004) have further popularized the anti-corporate theme while concomitantly highlighting the role that the global expansion of free-market capitalism has played in granting greater influence to MNCs.

With the increased geographic and economic presence of MNCs and the downsizing of state authority that have occurred under the globally dominant neoliberal

ideology, it is perhaps not surprising that corporations are under greater pressure to account for their social and environmental impacts on society. The rapid global expansion of MNCs has coincided with a shift away from the "command and control" state of the 1970s that enforced environmental and social regulations, toward less state regulation and oversight and more informal and voluntary corporate self-regulation (Garvey and Newell 2005, 390). As Chapter 2 discusses in detail, this transformation has converged with societal shifts in the U.S. and Western Europe that have increased the social and environmental expectations placed on MNCs.

Despite early attempts to resist or deflect these emerging expectations, a rapidly increasing number of MNCs now embrace them, resulting in an escalation in the number of MNCs with CSR programs and the proliferation of CSR projects around the world.[10] Nearly all Fortune 500 companies claim to have incorporated social and environmental concerns into their core values, and the majority of these companies have initiated CSR programs. CSR is rapidly becoming a mainstream development practice recognized and promoted by traditional development organizations such as the World Bank and USAID, which now actively foster development partnerships between the public and private sectors.

As CSR enters into the mainstream of development policy and practice, what do we know about its impacts? The vast majority of the literature focuses on CSR from the business perspective. For instance, a burgeoning literature assesses corporate motives and rationales for dedicating resources to social issues (see chapter 2). In particular,

[10] A distinction is intentionally drawn here between CSR program and CSR project; the former refers to an ongoing series of projects organized around a set of overarching goals and strategies while the latter refers to a specific and finite task with a relatively narrow objective.

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 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 important consequences 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).[11]

[11] It is worth noting that MNCs are not the only organizations that have not developed systematic mechanisms for assessing the outcomes of social projects. A report by the Independent Evaluation Group

Empirically analyzing CSR efforts helps deepen our understanding of certain forces at play in developing countries, enabling us to assess both the usefulness and the limitations of established theories. CSR, for instance, complicates the well-entrenched viewpoint advanced by dependency theorists in the field of political economy. Classical dependency theorists view the global capitalist system as the perpetrator and perpetuator of economic asymmetries that trap the developing countries (or the "periphery") into a cycle of continued dependence on the developed countries of the "core" (see for instance Dos Santos 1970). Evans (1979), recognizing the role that domestic actors play in enabling these dependent relations and the potential for these dependent relationships to contribute to "dependent development" that decreases a country's overall degree of dependence, offers an insightful corrective to traditional dependency theory. Evans suggests that the "triple alliance" between MNCs, local capital, and the state facilitates dependent relationships between core and periphery countries while concomitantly providing periphery countries access to markets and financial and technical capital. These international-domestic linkages, according to Evans, contribute to economic growth that can transform periphery countries into semi-periphery countries.

Evans accurately exposes the role that local actors can play in forming asymmetrical relations, and he highlights the possibility for the latter to ultimately contribute to a country's development. The theory that Evans advances, however, misses some important forces at work in resource-rich countries of the "periphery." In resource-rich countries, the "triple alliance" that Evans contends occurs between MNCs,

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(IEG), for instance, concluded that only 37% of World Bank projects completed in 2007-2008 had substantial monitoring and evaluation systems (IEG 2009). This issue is addressed in Chapter 7.

local capital, and the state is distinct; in resource-rich countries, local capital seldom involves the industrial bourgeoisie Evans imagines. Instead, local capital is closely linked to the state, and serves primarily as enablers for MNCs to gain access to highly competitive oil or mineral contracts. “Local capital” is based more around relationships and networks than indigenous investment.

The close alignment between local capital and the state has very real consequences for the type of development that results from “dependent development.” Evans (1979, 32) theorizes that the “triple alliance” relationship can lead to “capital accumulation and diversified industrialization of a more than superficial sort” that transforms a country’s economy and social structure. An increasingly established literature—supported by empirical evidence—on the relationship between natural resources and development, however, reveals a different story in resource-rich developing countries. In these cases, the winner-take-all incentives for state control that are already present in many, if not most, weak African states are heightened by the size of the prize: control over a country’s lucrative natural resources. The zero-sum politics typical in these contexts, combined with the centrifugal forces that center a resource-rich country’s economy on the extraction of resources to the detriment of non-resource sectors of the economy, creates a narrow, politically connected elite more intent on accumulation for the sake of consumption and power than on long-term investment. In this context, elites certainly have incentives for entering into dependent relationships with MNCs—after all, without the technical and capital investments of MNCs the

resources would, in most cases, remain in the ground—but the outcome is neither the economic diversification nor the sustainable development about which Evans opines.[12]

Rather, in many African countries—and particularly those rich in natural resources— elites and the governments to which they are invariably connected make rhetorical allusions to development, but their primary focus remains consumption, exposing their rhetoric as little more than illusion. In these contexts, leaders opportunistically utilize connections to external actors as "a major resource in the process of political centralization and economic accumulation" (Bayart 1993, 24). The outcome of this type of behavior—what Bayart (2000) labels "extraversion"—is not development, as Evans suggests, but a rational calculation by leaders to maximize and protect their own economic and political interests. In such cases, long-term state development typically takes a backseat to personal enrichment, a by-now well documented phenomenon that has had detrimental impacts on state development across the African continent (see for instance Jackson and Rosberg 1982; Sandbrook 1985; Bayart et al. 1999; and Hyden 2006). That leaders of resource-rich countries forge alliances with MNCs to bolster their personal economic and political prowess, often to the detriment of state development, should no longer come as any surprise (see for instance Soares de Oliveira 2007).

What remains to be analyzed, however, is how CSR projects initiated by MNCs in developing countries fit into the equation of development and/or dependency. This study finds evidence that political leaders can, and do, use the CSR efforts of MNCs to

[12] In the case of natural resources that require relatively little infrastructural or technological investments, such as diamonds, the resources can be extracted without the assistance of MNCs, although the latter still typically play a role in getting the resources to market (see for instance Campbell 2004).

promote and protect their own economic and political interests. As Chapter 3 discusses, the ruling regime in Equatorial Guinea strategically uses CSR projects to improve its international and domestic image in order to enhance its power. This finding, however, should not be taken as a wholesale indictment of CSR as a vehicle for development. This study also provides evidence that CSR projects can lead to meaningful development projects that improve the lives of ordinary citizens. Furthermore, CSR projects can actually push a government to focus greater attention on development projects than it likely would have otherwise done, both by serving as an example of "best practices" for development and by enabling MNCs to pressure governments to engage more resources on development efforts. But, as Chapter 7 highlights, the incentive structures confronting both MNCs and the government can pose significant obstacles for efforts to translate CSR projects into sustainable development.

This study, therefore, represents an empirical effort to help fill the wide gap that currently exists in the CSR literature between normative and theoretical discussions of CSR on the one hand and, on the other hand, the impacts that CSR has on its intended beneficiaries. Rather than utilize deductive theories of the firm that start from one of two premises popular in the CSR literature—1) a firm's activities must always focus on profits, or 2) a firm has a social obligation to contribute positively to solving social problems—this study inductively arrives at conclusions about the appropriate role(s) of the firm by empirically assessing the effectiveness of CSR efforts.

It is important to keep in mind that this study focuses primarily on two CSR programs initiated by one industry (oil and natural gas) in one country (Equatorial Guinea); thus, its intent is not to arrive at an answer to the philosophical question

regarding whether or not firms should *ever* engage in CSR. Rather, this study represents an empirical analysis that deepens our understanding of the impacts—intended and unintended—that MNCs have on the problem(s), the people, and the states they aim to assist through their CSR efforts. The analysis outlines activities and roles in which CSR can be effective, and areas in which it is likely to be ineffective or even counterproductive. Given the principal focus of this study—the developmental impacts of CSR—it is worth emphasizing that the conclusions drawn here refer to the ability of CSR to achieve its development goals and not (unless otherwise noted) to CSR's impact on MNCs. Only by understanding the impacts of CSR efforts on its intended beneficiaries can we assess whether such programs are desirable, justifiable, or inadvisable from a development perspective.

Why Equatorial Guinea?

Equatorial Guinea is a compelling case in which to analyze the effectiveness of CSR programs. Although the country has been collecting substantial revenues from oil since the mid-1990s, it 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 and nephew to Macías, 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.

As discussed in detail in Chapter 3, Equatorial Guinea—like most oil-rich developing countries—is a study in contrasts, where opulence clashes with abject poverty. In the capital Malabo, the elites' Mercedes Benzes, BMWs, and Land Rovers crawl over pot-holed roads surrounded by dilapidated wooden shacks with rusted corrugated tin roofs. Some of the many Malabo residents without access to potable water retrieve water for drinking and bathing from the polluted river that lies in the shadow of Malabo's ultra-modern glass telecom building. Meanwhile, the President has embarked on a campaign to construct lavish presidential palaces in numerous cities across the country, and on the outskirts of the city, oil workers flown in from the United States, Europe, Australia, and Asia live in climate-controlled suburbias complete with modern beachfront homes, fitness centers, swimming pools, plasma screen televisions, and Starbucks® bottled frappuccinos.

Although the country's substantial oil reserves provide it with money that could be channeled to support improvements in social services, it faces numerous challenges, in particular weak state capacity that has inhibited the delivery of health and education services (Klitgaard 1991; IMF 2006b). With its population of about 660,000 and daily oil production of 346,016 barrels of oil per day (U.S. EIA 2009), the country produces more than 3.5 barrels of oil per person each week, one of the highest ratios of oil-to-citizens in the world. In 2008, hydrocarbons (oil and natural gas) accounted for 99.3% of the nation's $14.5 billion exports (IMF 2010a).

Despite this resource wealth, most citizens lack access to quality health and education services. An estimated 60% of Equatoguineans lived on less than $1 a day in 2006, and more than half of the country's population did not have access to potable

drinking water (IMF 2006b). Equatorial Guinea ranked 118th out of 182 countries in the United Nations Development Program's 2009 Human Development Index (UNDP 2009). The country's education system is in sub-par condition, lacking in both adequate financial and human resources. Government spending on education as a percentage of total spending places the country among the lowest in Africa. More than half of the country's primary school teachers lack certification and training, and fewer than one out of three children finish primary school (United Nations 2008).

Equatorial Guinea represents an interesting context in which to analyze CSR efforts for other reasons. 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 analyzed in this study to be scaled up to the national level, increasing their potential impacts. In addition, given its substantial oil reserves (approximately 1.7 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, or the "resource curse" (Sachs and Warner 1995; Ross 2001a). 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—57 by one count—finding ways for countries to mitigate or reverse the development-stunting effects of the "resource curse" is particularly pertinent (BIC & Global Witness 2008). As is discussed below, studying CSR projects 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.

Given that many oil rich developing countries will deplete their oil reserves within 40 years (see Figure 1-3), it is imperative to find ways to ensure that these countries seize this window of opportunity to use resource revenues to promote sustainable development.

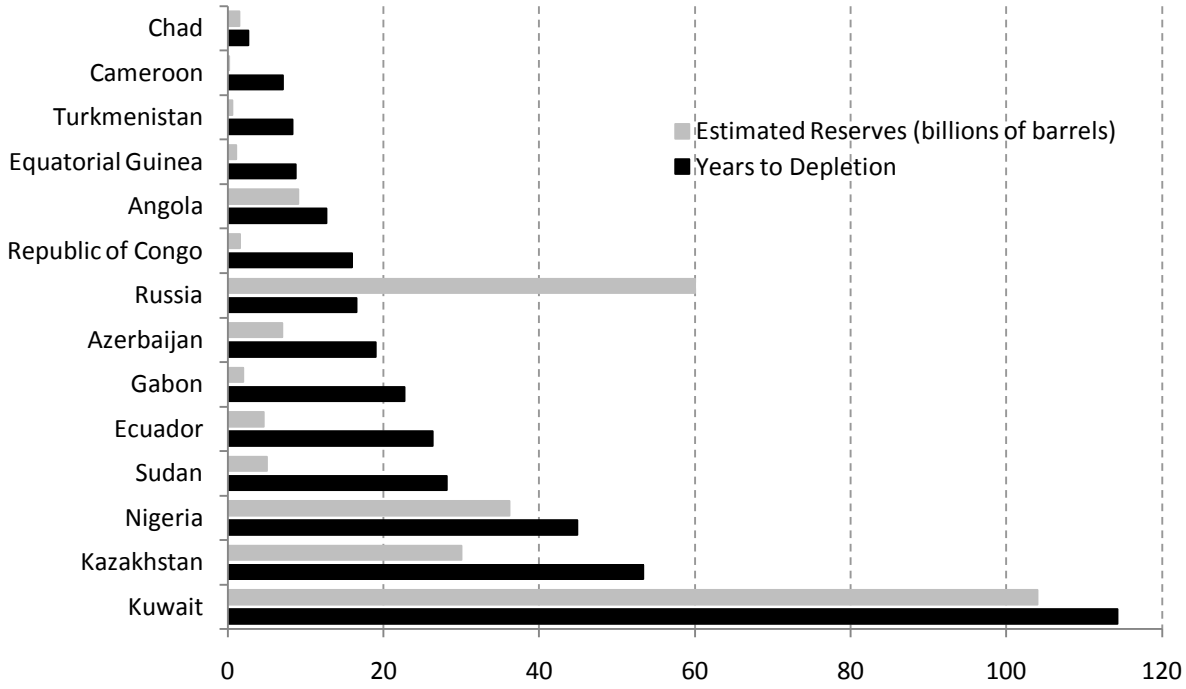

Figure 1-3. Proven oil reserves and minimum time to depletion based on current production rates. Compiled using 2009 oil production and reserves data from the U.S. Energy Information Adminstration (EIA 2010)

By agreeing to work with the oil companies on the implementation of the CSR projects, the government of Equatorial Guinea 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.[13] The financial boon provided by natural resources decreases the need of resource rich countries to turn to foreign donors for 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 assist—and if necessary, pressure—governments to improve state institutions and redistribute wealth more equitably 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. My research on Equatorial Guinea suggests that the oil company–host government interface via CSR projects constitutes a potential entry point for engaging resource rich countries on the issues of improved governance and more equitable redistributions of wealth. The Equatorial Guinea case suggests that CSR projects facilitate interactions and dialogues that promote better governance and enable MNCs to pressure the Equatorial Guinean government to dedicate greater resources to the improvement of social services. My research on CSR in Equatorial Guinea lends support to other 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 are able to improve state capacity and pressure the government to improve social services in a country whose population has been

[13] In fact, the high GDPs of such countries often make them ineligible for many types of bilateral and multilateral foreign assistance.

victimized by dictatorship and other elements of the “resource curse”, their lessons could inform development efforts in other developing nations, both resource rich and resource poor.

Yet it is critical not to overstate the positive impacts that CSR projects can make in developing countries. The conclusions of this study—summarized in Chapter 7—offer a nuanced assessment of both the potential strengths and shortcomings of CSR projects specifically, and the engagement of MNCs in development efforts more generally. CSR projects are neither a general antidote to be prescribed for whatever ails poor countries, nor are they a cynically devised placebo intended to trick patients into thinking they are improving while the real causes of their malady continue to thrive. CSR projects can contribute to improvements in social services, quality of living, and even governance. But they are not, by themselves, sufficient solutions to poverty or bad governance. Rather, they represent one potential mechanism for tackling the numerous obstacles preventing citizens of developing countries from escaping the shackles of poverty and bad governance. They are one more potential weapon in the fight against rampant inequality and injustice, but they are not sufficient to overcome the multifaceted factors responsible for both.

Decades of development efforts have demonstrated that development is complex and involves a large number of actors and factors, making it impossible for one—or even a set of—organizations to “solve” all the problems facing developing countries. As Chapter 2 details, development scholars and practitioners are increasingly focusing on broad, collaborative efforts to make development projects more inclusive and synergistic. This represents a more holistic approach that attempts to maximize the

combined efforts of a large cross-section of actors, including governments, international organizations, corporations, consumers, and civil society groups. In that sense, MNCs talking about and paying greater attention to the social and environmental factors that shape the world in which we live may itself be a good thing.

The Structure of the Study

Given the paucity of studies that examine the outcomes of CSR projects in developing countries, this study analyzes CSR projects in Equatorial Guinea to advance our knowledge about the potential possibilities and limits of this type of development effort. Before discussing these issues, however, the study takes two detours to provide the background and context necessary to adequately understand and analyze the CSR projects implemented in Equatorial Guinea. Chapter 2 provides an overview of the history and evolution of CSR, tracing its trajectory from the early days of limited philanthropy in the 19th century through the more widespread "checkbook philanthropy" of the mid-1950s to the 21st century anointing of CSR as the "new development paradigm". The chapter explores the forces that influenced the transition of CSR from a marginal to a mainstream concept and summarizes its current state today.

Chapter 3 analyzes the history, politics, and socioeconomic realities of Equatorial Guinea in order to highlight the need for improvements in social services and governance as well as to outline the considerable challenges CSR projects must confront if they are to positively impact these issues. Equatorial Guinea, a country virtually unstudied by English-speaking scholars (and not much-studied in general), received little attention outside of Africa until after the sudden discovery of oil there in the 1990s. The influx of Western oil workers and oil revenues in recent years has catalyzed significant changes, yet the country, its people, and the CSR projects being

implemented there still face considerable challenges. To recognize and appreciate the impacts of the CSR projects—as well as the serious obstacles they confront—it is imperative to understand the context in which they are being implemented.

Chapters 4 through 7 form the core of this study in that they provide the descriptions, evidence, and conclusions of original empirical research conducted in Equatorial Guinea, Spain, and the United States between June 2007 and August 2010. Chapter 4 outlines the structure and nature of two CSR projects implemented in Equatorial Guinea, including the projects' objectives, implementation strategies, and key actors. Chapter 5 assesses the impacts of the CSR projects on social service provisioning in Equatorial Guinea. The chapter examines the extent to which each project has been successful in achieving its goals regarding social service improvements. Chapter 6 analyzes the extent to which the CSR projects have been able to improve the state's capacity to effectively manage the improved health and education services created by the CSR projects. Many of the findings in Chapter 6 are by necessity tentative given that both projects are still being implemented and that improvements in state capacity occur incrementally. However, Chapter 6 provides a number of important assessments regarding the efforts of MNCs to improve state capacity via CSR projects, shedding light on their potential to be successful in the long-term.

Finally, Chapter 7 advances a number of key lessons learned from this study regarding the impacts of CSR projects and the advantages and disadvantages associated with MNC-led development efforts. CSR projects have advantages over other types of development projects, not least of which are the ability of MNCs to act

quickly and decisively and to use their leverage to facilitate project implementation. But CSR projects suffer from shortcomings as well, including a lack of willingness or awareness on the part of MNCs to better coordinate their development efforts with other development organizations and agencies. In addition, CSR projects suffer from an inherent tension between the business interests and development intentions of MNCs. The dominant global economic ideology still views profit-taking as the primary objective of MNCs, suggesting that CSR—given its voluntary nature—is not sufficient to guarantee that MNCs always place social and environmental concerns on equal footing with financial concerns. Thus, CSR should not be viewed by advocates of free-market capitalism as proof that MNCs have become sufficiently accountable for the social and environmental consequences of their actions and policies. CSR represents a way in which MNCs can take greater account of their societal impacts, but it does not replace or negate the role of governments, international organizations, and civil society in working with MNCs to continually monitor and improve the impacts of CSR projects and the actions of MNCs.

CHAPTER 2
CORPORATE SOCIAL RESPONSIBILITY

Introduction

On May 21, 2010, the Aquarium of the Pacific in Long Beach, California hosted an opening ceremony for its new BP Sea Otter Habitat. BP, one of the world's six "supermajor" oil companies, had donated $1 million to make the exhibit possible.[1] For BP, however, the timing of this environment-themed event proved awkward, since it occurred amidst a BP oil spill that was releasing an estimated 40,000–100,000 barrels of oil per day into the Gulf of Mexico. In the days immediately preceding the exhibit's opening ceremony, the first substantial amounts of spilled oil had washed ashore in Louisiana, BP had come under attack for concealing the extent of the spill (MacDonald et al. 2010), and government officials began investigating whether BP—in an effort to cut costs and maximize profits—had intentionally bypassed safety measures designed to prevent oil well blowouts from occurring (Gold and King 2010).

The irony of the BP-financed aquarium exhibit was not lost on the media or those who attended the exhibit's opening. The BP representative who attended the event admitted discussing with aquarium officials the possibility that he skip the ceremony to avoid drawing attention away from what was intended to be a celebration. When asked by a journalist whether the aquarium should return BP's donation, an attendee at the ceremony replied that "BP is giving to a good cause, and they need to give to a lot of causes because they have done a lot of damage" (Kahn 2010).

[1] "Supermajor" is an oil industry term that refers to the world's six largest non-state owned petroleum companies. The others are Chevron, ConocoPhillips, ExxonMobil, Royal Dutch Shell, and Total.

The inauguration of the BP Sea Otter Habitat at the Aquarium of the Pacific highlights several fundamental points concerning the state of CSR today, particularly in the advanced industrialized countries. First, as the attendee's response suggests, citizens are not only willing to hold corporations accountable for their impacts on the environment and society, they *expect* corporations to compensate society for the negative externalities of their business operations. Second, the scope of corporate activity—in this case the technological capacity to discover and extract oil located thousands of feet below the ocean's surface—and the heightened ability of a global media to instantaneously monitor and report on it have both grown. Third, BP's donation to a marine educational facility whose grand opening occurred against the backdrop of one of the worst environmental disasters in U.S. history poignantly exposes the tension inherent in CSR between responsible corporate citizenship and the corporation's perpetual drive for greater financial profitability. This chapter explores the evolution of CSR, analyzes the complex motives behind it, and discusses the particular challenges and opportunities that confront CSR in the context of developing countries.

Key Characteristics of CSR

CSR refers to the obligations that companies have to their stakeholders and—more broadly—to society, for the impacts of corporate policies and practices. CSR marks a shift away from a narrow focus on corporate profits toward broader corporate considerations of social and environmental impacts; more alliteratively, CSR incorporates corporate concern for the three Ps: people, planet, and profit. By adhering to this new "triple bottom line", businesses signal that social, environmental, and financial considerations will be weighted equally when determining and implementing their policies and procedures. CSR suggests that companies are responsive to the

impacts their actions have on all stakeholders, including consumers, employees and their families, local communities, and shareholders, in addition to a broader commitment to being mindful of the consequences that business operations have on society in general (e.g. air or water pollution). The boundary where CSR begins—at the point where a company is no longer legally bound to act or not act—is fairly well established, but the boundary that delimits the nature and scope of a company's social responsibilities is less well defined, leading to criticisms that CSR is too unclear and unfocused (Beesley and Evans 1978; Smith 2003). Despite this shortcoming, CSR represents a potentially significant shift toward a world in which MNCs pay greater attention to the effects of their actions beyond the economic realm.

Over the past century, there have been several important shifts in the nature of corporate philanthropy. The amount of money that corporations are contributing to philanthropic efforts has increased exponentially in the last 70 years. While corporate pretax profits increased roughly 43-fold between 1942 and 2004, corporate philanthropic contributions surged 122-fold.[2] Corporate contributions to philanthropy increased from less than 0.4% of pretax profits in the 1930s to more than 1% for most of the period from 1960-2010, peaking at 2% in 1986 (See Figure 2-1).

In addition, corporations are going beyond check-writing philanthropy and becoming actively engaged in the *processes* associated with initiating and implementing social projects. Over the last two decades, an increasing number of corporations have shifted their philanthropic efforts from detached charitable donations to hands-on efforts in which they take an active role in the design, implementation, and evaluation of

[2] Pretax profits and philanthropic contributions for corporations in the U.S. were $23.14 billion and $98.3 million respectively in 1942, and $985.3 billion and $12 billion respectively in 2004.

projects. It is this aspect of corporate participation that makes recent developments in CSR particularly new and interesting. In contrast to traditional philanthropic efforts—where a corporation would make a financial contribution to a charitable organization with little or no input into where and how the money was spent—CSR efforts are increasingly becoming what might be labeled *participatory philanthropy*. In this type of philanthropy, MNCs take an overtly active role in the design, implementation, and evaluation of projects carried out using their charitable donations.

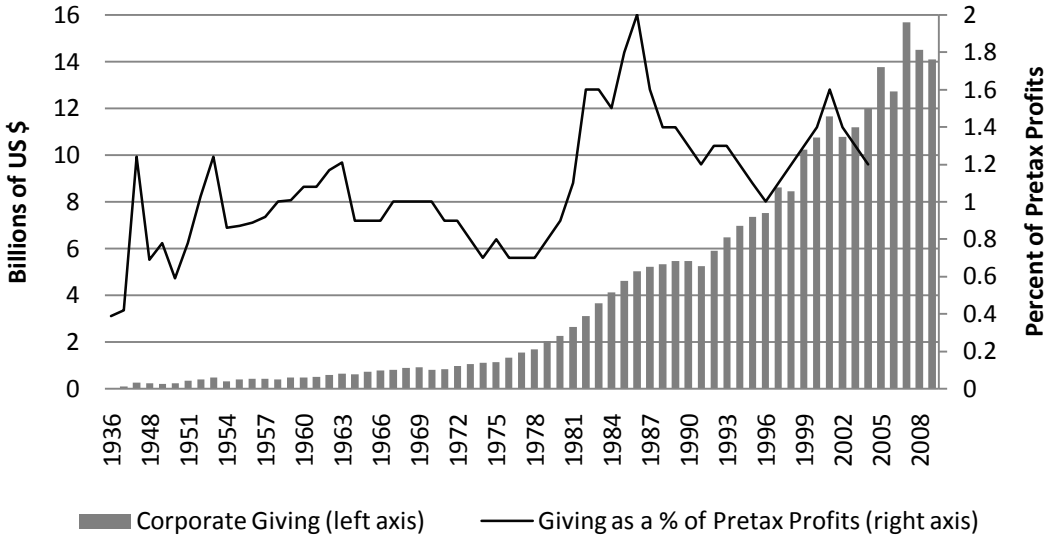

Figure 2-1. Corporate contributions to philanthropy, 1936-2009.[3] Compiled using data from Giving USA Reports (various years 1956-2010) and Heald 1970, 260

It is important to note that the ideas underlying CSR are not new. What is new, however, is the degree to which businesses now accept and actively engage on these broader sets of responsibilities. As Smith (2003, 55) observes, corporate discussions about CSR are "no longer about whether to make substantial commitments to CSR, but how?" This chapter traces the evolution of CSR from a marginal to a mainstream concept, outlines the reasons for this shift, discusses the numerous business motives

[3] Due to gaps in the available data, only data for 1936, 1942, and 1945 are shown for the period 1936-1947. Data for all years 1948-2009 are included.

for engaging in CSR, and enumerates the unique challenges and opportunities facing CSR in developing countries.

The Proliferation of CSR

In recent years, the attention paid to CSR by businesses, scholars, and practitioners 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).[4] The number of Google™ entries for "corporate social responsibility" surged 240% in just six years, from 1.6 million (November 2003) to 3.89 million (November 2009).[5] More than 7700 corporate participants and stakeholders from over 130 countries currently support the UN Global Compact, an initiative for businesses committed to advancing socially responsible practices in the areas of human rights, labor, environment, and corruption (UN Global Compact 2010).[6] 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% 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

[4] 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, 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).

[5] The November 2003 figure is from Leisinger (2005). The 2009 figure reflects a Google™ search conducted by the author on November 13, 2009.

[6] The number of participants and stakeholders in the UN Global Compact surged from 5200 to 7700 between October 5, 2009 and July 31, 2010 (based on searches of the website by the author on those two dates). According to a 2007 McKinsey survey, more than 90% of 391 companies participating in the United Nations Global Compact reported doing more to incorporate environmental, social, and governance issues into their core strategies compared to just five years earlier (Bielak et al 2007).

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 20 in 1995 to 745 in 2008, a 3600% increase (See Figure 2-2).[7] This trend parallels the findings of De Bakken et al. (2005), whose more extensive study of the period 1969-2002 documented the rapid growth in scholarly interest of CSR.

[7] Google™ Scholar search conducted July 22, 2010. Only articles were searched. Patents, legal opinions, and legal journals were excluded from the search.

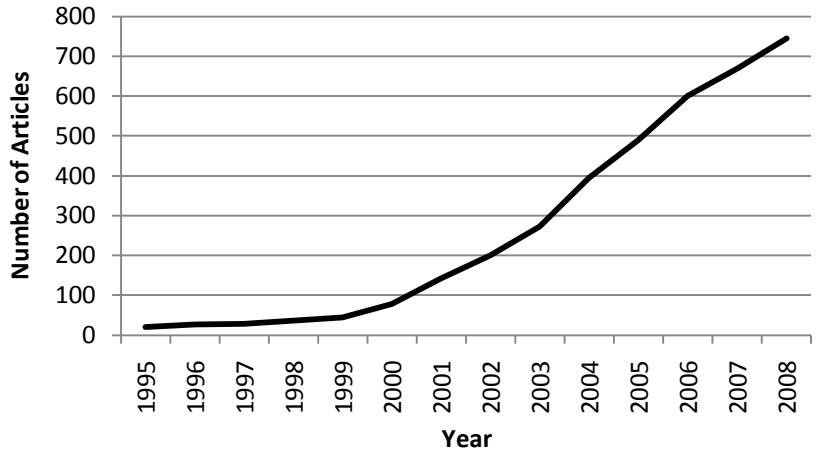

Figure 2-2. Number of academic articles with "Corporate Social Responsibility" in title, 1995-2008. Compiled using Google™ Scholar (accessed July 22, 2010)

The increased interest in CSR is not limited to companies based in the advanced industrialized nations. Amaeshi et al. (2006) detail the emergence of CSR within the local business community in Nigerian. In China, CSR business organizations, conferences, and forums have emerged in the past five years.[8] 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 are the most advanced management practices (see Colwell and Beckman 2007). A number of countries, including Equatorial Guinea and Nigeria, now require companies operating in the extractive industries to invest in social responsibility projects.[9] Stock exchanges in Brazil, South Africa, and Malaysia require disclosure of environmental, social, and governance issues (Baue 2007). CSR reporting is becoming more common in emerging

[8] 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.

[9] Nigerian law requires that oil companies allocate 3% of their operating budgets to the Niger Delta Development Commission. Legislation currently under consideration in Nigeria would require companies to pay 3.5% of their gross profits to CSR initiatives.

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).

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, acknowledging 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.[10] As then UN Secretary-General Kofi Annan stated in 1999, "peace and prosperity cannot be achieved without partnerships involving governments, international organizations, the business community and civil society." 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. The International Finance Corporation (IFC), a member of the World Bank Group, facilitates collaborations between the private sector and local government and community leaders. 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

[10] For an interesting discussion on how this has shaped the global health industry, see Buse and Walt (2000).

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, the fundamental underlying ideas of CSR are not new, and can be traced back to the origins of the corporation.[11] Tensions have always existed between business and society, with the former besieged to varying degrees by the criticisms, demands, and expectations of the latter. As is discussed below, the business community historically has made occasional efforts to accommodate societal demands and expectations. What is new, however, is that over the past two to three decades the ideas underlying CSR have moved from the margins to the mainstream, both within the business community and across society at large. Today the legal views of, societal attitudes toward, and corporate engagement with social responsibility are markedly different from what existed for most of the past 200 years. Society is placing more demands and higher expectations on the business community, urging it to take greater responsibility for the environmental and social consequences of business operations. This process has been facilitated by value shifts, rapid technological innovations, economic growth, and the global 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. To both link the current CSR movement to the broader evolution of business philanthropy and to highlight the ways in which the current movement demonstrates a shift in the nature of corporate giving, we turn to the evolution of business social responsibility in the U.S.

[11] Eells and Walton (1961, 455-457) even go as far as to link the ideas underlying CSR back to the origins of Christian ideals, which they contend compelled the powerful to assume some responsibility for the welfare of those less prosperous, and to the French idea of *noblesse oblige*.

The Evolution of Corporate Philanthropy

For both practical and theoretical reasons, the overview of CSR provided in this chapter focuses predominantly on the evolution of CSR in the context of the United States. This is appropriate from a practical standpoint since the two CSR projects in Equatorial Guinea that form the core of this study are being driven primarily by American MNCs. Existing research suggests that the meaning and practice of CSR is socio-culturally embedded (Amaeshi et al. 2006; Smith et al. 2008; Stolz 2010). Thus, in an endeavor to understand both the decisions of American MNCs to invest in CSR projects in Equatorial Guinea and their implementation strategies, it is necessary to assess the cultural context that has helped to shape and influence those decisions. From a theoretical standpoint, focusing on CSR in the context of the United States is appropriate since formal writing on CSR has been the most prevalent in the United States and given rise to a substantial literature and debate on CSR (Carroll 1999, 268).

In his detailed account of the social responsibilities of business between 1900 and 1960, Morrell Heald (1970, 299) contends that the social dimensions and responsibilities of the business community have always been “a central feature of the evolution of modern business institutions and thought.” What is open for debate, he suggests, are the scope and significance of social responsibility efforts on the part of businesses. What is certain is that an ongoing struggle to define the appropriate scope of the business community’s obligations to society is inherent in the business-society relationship. Over time, as this relationship has evolved, society’s expectations of business social performance have changed. While the literature of CSR in the U.S. depicts a long tradition of business engagement on social issues, the scope and complexity of this engagement have increased significantly over time.

Although social philanthropy existed in the 19th century, the donors were primarily individuals and not businesses. This stemmed from an absence of standards for company participation in social programs augmented by the pervasive rationale that philanthropy was a matter for individual, not corporate, concern (Heald 1970). Businesses did occasionally engage in philanthropy, but these efforts were sporadic, fragmented, and often motivated by narrow business interests. In rural areas for instance, it was not uncommon for companies to provide services such as improved housing and schools for their employees, especially in "company towns" located in remote areas. These types of what we might today label "CSR" were done out of the necessity to attract and retain a stable and contented workforce to difficult jobs in isolated areas. These limited and narrow efforts to win the hearts and minds of workers and society, however, were frequently undermined by low wages, long hours, and difficult working conditions that resulted in worker strikes and protests (Heald 1970; Zinn 2001), as "good intentions failed to outweigh the pressures of competition…[and] the drive for profits" (Heald 1970, 5).

The relative disengagement of American businesses in philanthropic activities in the late 19th century may have been their greatest contribution to the emergence of a theory and practice of social responsibility in the 20th century (Heald 1970). Criticism and protests against the disruptive consequences of industrialization outpaced the philanthropic engagement of businesses, which until then had largely reacted to public disenchantment with mild concern or contempt. Societal backlash against the negative effects and excesses of business led to heightened demands on the business community to engage and expand its commitments to society.

Between 1900 and 1960, efforts by business leaders to address the social consequences of their companies' actions increased slowly, catalyzed by a combination of financial opportunism, societal pressure, and war-driven and ideologically-rooted patriotism. One key driver was financial gain: changes in stockholder and government rules regarding corporate charity created incentives for business philanthropy. Stockholder-approved initiatives during WWI enabled corporate executives to divert dividend payouts to charities, leading to an escalation in business philanthropy during the war. In 1935, U.S. Congressional approval of the Five Percent Amendment to the Revenue Act established corporate tax breaks for charitable contributions up to 5% of annual income. In addition to giving corporations an incentive to engage in philanthropy, the Amendment effectively signaled public and governmental support for the use of corporate funds for social activities at a time when the legality of such activities was still uncertain (Hoffman 2007).[12] An excess profits tax levied during WWII made philanthropy an attractive alternative to paying higher taxes, and led to a short-term increase in business philanthropic contributions.

Increased productive capacities, particularly in the post-World War periods of the 1920s and 1950s, placed pressure on business to enlarge the workforce and expand

[12] For instance, in the 1916 lawsuit Dodge vs. Ford Motors Co., a group of minority shareholders of the Ford Motor Co. sued Henry Ford—the company's majority shareholder—after his decision to use company profits to cut prices and protect high employee wages rather than distribute them to shareholders as dividend payments. The court sided with the plaintiffs, asserting that "[a] business corporation is organized and carried on primarily for the profit of the stockholders…and does not extend to … other purposes." (*Dodge v. Ford Motor Co.*, 170 N.W. 668 (1919). A number of subsequent legal cases and legal scholars have challenged the court's narrow interpretation of the corporation's charter (see Stout 2007). Today, the legal boundaries for the use of corporate profits vary depending upon where corporations are incorporated, but in many countries corporations can pursue activities with no direct link to profit maximization. In the U.S., a majority of state codes contain "other constituency" provisions that authorize corporate directors and managers to consider the interests of other entities besides shareholders—including communities, creditors, customers, and employees—when making business decisions (Mitchell 1992, 579-580; Subramanian 2002).

into new markets. The business community's recognition that it needed to incur the public's good favor to achieve this expansion catalyzed a softening in the business-society relationship. In this environment, social responsibility increasingly entrenched itself as a mechanism to promote favorable public attitudes toward business (Heald 1970). As part of this effort, in 1924 the U.S. Chamber of Commerce adopted a statement of "Principles of Business Conduct," a code of ethics that outlined the measures to be taken by business to inspire public confidence. Included in the statement was an explicit acknowledgement that businesses have obligations to stakeholders other than shareholders. By 1925, 750 member organizations representing 300,000 individuals had approved the statement. The Chamber's President, Richard F. Grant noted that "there is a rising tide of conviction that business does not exist for itself alone, but is an institution which should serve the common lot and inspire men to give the best that is in them for the common good." (Heald 1970, 93-94)

Societal pressure also served as a catalyst for businesses to increase their philanthropic activities. Prior to the Great Depression, societal discontentment with the business community focused on specific grievances and instances of business abuse. The Great Depression catalyzed—for the first time in U.S. history—widespread disenchantment toward the business community as a whole. Anger, frustration, and mistrust toward business were strong, as the public blamed the excesses and shortcomings of the business community for the economic downturn and questioned a system that enabled it to cause such catastrophic harm to society (Steiner and Steiner 1980, 94). In an effort to polish its tarnished image, the business community engaged in

greater levels of philanthropy to signal its willingness to shoulder new social burdens (Heald 1970).

Rising frustration within the working class over low wages also created pressures on business to act more responsibly. Financially costly strikes and disruptions for businesses became almost commonplace. During WWII, for instance, despite an atmosphere of patriotism and no-strike pledges by the CIO and AFL—two of the nation's largest labor unions, representing some 12 million workers—there were 14,000 strikes involving 6,770,000 workers, more than in any comparable period in U.S. history (Zinn 2001, 417, 425).[13] Such anger and frustration placed even greater pressure on corporations to engage in social philanthropy to ease popular dissent and improve the image of corporations.

Patriotism, idealism, and a fear of radicalism helped spur business philanthropy during WWI and WWII as well. Business philanthropy increased from $30 million in 1936 to $266 million in 1945 (Heald 1970, 260). Philanthropy represented a way for businesses to sustain a society engaged in the war effort. In addition, philanthropy was viewed through moral and ideological lenses as the appropriate action to safeguard against radical or ideological threats to American capitalism. In the prosperous post-WWII period, universal access to quality education became seen as a social imperative for moral, economic, and ideological reasons. An educated society would provide businesses with the skilled workforce necessary to fill the jobs created by the post-war economic boom, and WWII had demonstrated to industry the importance of university-generated research and innovation. On ideological grounds, education expansion and

[13] The discontent continued after the war ended, with another three million going on strike in the first half of 1946 (Zinn 2001, 417).

support for the arts were viewed as means to combat the spread of socialism, both at home and abroad. Corporate support for education increased from $24 million to $325 million between 1947 and 1967 (Koch 1979, 241). By 1975, corporate support for the arts, a notable expansion of corporate philanthropy that began in the early 1950s, had reached $200 million (Koch 1979, 242).

In summary, the history of business social responsibility in the U.S. prior to 1960 involved a gradual increase in the willingness of businesses to engage in socially responsible behavior. The scope of business social responsibility, however, remained relatively limited. For most businesses "social responsibility" meant little more than "checkbook philanthropy"—making annual contributions to charitable organizations or not-for-profit foundations. The business community was reactionary in regards to social and environmental concerns; the typical business response to social demands was defensive and obfuscatory, and social and environmental considerations took a distant backseat to profit maximization. Beginning in the 1960s, business social responsibility began a fairly rapid transformation; in the course of a few decades, CSR transitioned from an afterthought in the business community to a mainstream concept widely discussed and put into practice.

A Transformation in the Business-Society Relationship

Despite numerous strikes and protests against business during and immediately following World War II, overall public opinion of business remained quite favorable in the 1940s and 1950s due to the business community's widely heralded war-time effort and its role in bringing about rapid post-war economic expansion and prosperity (Bowen 1953, 44-45; Votaw 1981, 45). In the 1960s, however, as American society underwent rapid changes that transformed the business-society relationship in meaningful ways,

the business community came under attack from a number of quarters, significantly increasing the expectations society levied against the business community and eventually leading businesses to engage more broadly on social and environmental concerns. A growing conviction would emerge that the business community could achieve its full potential only if it focused on its social as well as economic performance.

Catalysts for the Expansion of CSR

Transitioning values: One of the most significant changes was a transition in social values. In the U.S. (and most other advanced industrialized countries), individuals' primary concerns shifted from a focus on material well-being and economic security to an emphasis on improved quality and meaning of life (CED 1971, 12; Steiner and Steiner 1980, 77-90; Inglehart 1997) as economic growth, material advance, and technological achievement "proved inadequate sources for collective contentment and hope" and "unable to satisfy the human spirit" (Heilbroner 1975, 21, 26).[14] With this shift, consumers grew increasingly concerned with the impact that products and the businesses that produced them had on consumer safety, the lives of the workers making the products, the communities affected by production, and the distribution of wealth. In short, society began to demand that "quality of life become the business of business" (Drucker 1969, 77). This expanded understanding of business engagement represented a marked change from the past, and the resulting pressures and expectations placed upon business have shaped the business-society relationship in meaningful ways.

[14] This included goals such as: eliminating poverty and providing good health care; equal opportunity for all individuals regardless of race, sex, or creed; expanded job opportunities for all parts of society; the provision of decent housing, safe streets, efficient transportation, a clean and pleasant environment, and good educational opportunities (CED 1971, 13).

Decline in public trust of corporations: The change in society's expectations of business coincided with a decrease in the public's trust of large institutions (Lipset and Schneider 1983; Inglehart 1997, 323).[15] Trust in government declined from nearly 80% in the late 1950s to 33% in 1976. Similarly, confidence in business dropped from around 70% in the late 1960s to just 15% in 1977 (Yankelovich 1977, cited in Lipset and Schneider 1983, 380). Social upheaval caused by the Vietnam War, civil rights movement, and exposés like Rachel Corson's *Silent Spring*—which detailed a number of harmful products and practices of corporations—contributed to the public's diminished confidence in governmental and corporate entities. Declining trust in business made people more likely and willing to question business's motives and to criticize its perceived failures, placing greater pressures on business managers to alter their strategies in order to regain societal trust and refortify business legitimacy.

Expansion of NGOs and civil society groups: Business came under pressure from other quarters as well during this period. The number of interest groups advocating on behalf of citizens and the number of watchdog groups monitoring business activities increased substantially in the 1960s and 1970s, exerting greater pressure on corporations and the public policy process (Steiner and Steiner 1980, 29; Holcomb 1981, 304). The civil rights and anti-Vietnam War movements in the 1960s played roles in this escalation, as did the alienation toward large institutions, the inability of political parties to satisfy popular demands, the increased ability of the media to transmit issues of public concern, and increased funding for these groups by leading foundations (Holcomb 1981, 305).

[15] It is worth noting that Americans have traditionally had antipathy toward an over-concentration of power in both private and public institutions (see for instance Steiner and Steiner 1980, 95).

NGOs have increased in number, scale, and scope. Globally, the number of international NGOs increased from less than 2000 in 1964 to nearly 10,000 in 1978 (Union of International Associations 1999). In 2008, there were more than 1.5 million nonprofit organizations in the U.S. alone (NCCS 2010). Many of these groups have networks that extend across the globe. Amnesty International—with a global membership of nearly two million—has members located in every country where MNCs operate, and the World Wildlife Fund has over five million members worldwide. Both of these groups, along with thousands of others, have played an important role in forcing companies to account for their social and environmental impacts. The emergence of transnational civil society organizations came at a time when technological innovation and globalization have concomitantly opened up new spaces for MNCs while limiting the extent to which states can govern them (Florini and Simmons 2000).

Increased concern over widening socioeconomic disparities: Shifting expectations of business during this period were also rooted in a growing unease about the moral and practical dangers inherent in the widening disparity between the wealth of Americans and the majority of the world's people. For some observers, this inequality gap confronted Americans with a choice between selfish consumption that would take the U.S. down the "fatal road of other wealthy elites, like the pampered courts of Cnossus or the French nobility at Versailles…until the unfolding of a wider destiny engulfs us all," and the use of American wealth to expand freedom and opportunities to individuals "who everywhere labor and look for change and growth with minds divided between penury and hope" (Ward 1959), a view eloquently reiterated by Kingsolver (2002, 22-30) following the attacks of September 11, 2001. By the early 1970s, the

spread of affluence and economic stability to a wide swath of the American public helped to highlight the areas of society that had not prospered, and raised questions about this troubling discontinuity.

By 1970, two-thirds of Americans believed that business had a moral obligation to help advance social progress, even at the expense of profitability (CED 1971, 13-15). The expanding sense that business had a greater obligation to society beyond providing "good, well-paying jobs for employees, and…a profit to owners commensurate with the risks involved" (Yntema 1958) was influenced by the increased size of the corporation. As corporations grew larger, they had a larger impact on communities and the nation. The corporate constituency had become so large and diverse that it effectively represented a microcosm of society (CED 1971, 20). In many instances, it represented the primary source of jobs and economic prosperity for entire communities. Increasing corporate power led the prominent business scholar Keith Davis (1960, 71) to articulate an "Iron Law of Responsibility" that asserted that the social responsibilities of businesses need to be commensurate with their social power.

As the wellbeing of individuals and communities became increasingly intertwined with corporations, the wellbeing of the corporation became increasingly dependent upon the wellbeing of the individuals it employed and the communities in which it operated. Confronted with this reality, the modern corporation began to dedicate greater attention and resources to concerns other than profit maximization, including corporate image and reputation, community relations, and environmental impacts. In the late 1960s for instance, when it became apparent in the U.S. that government alone was not capable of solving the "urban crisis", both the public and private sector appealed for businesses

to increase their participation in community planning and action groups, job training and educational projects for the under-skilled, low income housing projects, urban renewal, and pollution control (Giving USA 1969, 23).

The process of greater social involvement on the part of the business community has been facilitated by changes in the internal dynamics of corporations. Unlike individual entrepreneurs, who are likely to view their business as an extension of themselves and delimited to the duration of their lifetimes, corporations are regarded and operated as permanent institutions in which individuals play only transient roles. This holds significant meaning for the social responsibilities of business, since it necessitates that business develop and achieve long-term goals. As such, the successful corporation needs to cultivate relationships with societies that enable it to remain viable and profitable in the distant future.[16] This necessitates that business heed the demands of society, and implies that business will willingly forego short-term profitability to ensure improvements in the institutions and relationships that can be expected to contribute to the long-term growth of the corporation (CED 1971, 22-23).

Despite the mounting pressures on business to broaden its focus beyond profit-taking, business at first resisted. In the 1970s, although a large number of firms were disclosing social and environmental information in their annual reports[17] (Owen and O'Dwyer 2008), business leaders on the whole refused to play a proactive role in

[16] A 1981 study revealed that companies that reported CSR information tended to be larger in size, have high systemic risk, and placed greater emphasis on the long term than did companies that failed to disclose such information.

[17] A 1978 survey by the accounting firm Ernst & Ernst revealed that 89.2% of Fortune 500 companies were making some form of social disclosure, with information on pollution control, energy conservation, and equal employment opportunity being the most common types of disclosure (Owen and O'Dwyer 2008).

addressing societal concerns and making the changes necessary to narrow the gap between expectations and performance. Many businesses chose instead to act defensively in response to public criticisms (Post 1978, 130; Sethi and Swanson 1981, viii). The resultant increased incompatibility between the goals and values of corporations and those of society at large exacerbated the tensions between business and society—leading to even greater pressure on the former by the latter—and left business leaders on the sidelines during an important national debate about the appropriate role of business in society (Hammond 1969).

CSR's Move to the Mainstream

By the late 1970s, the business community had begun to recognize that "a new legitimacy for the corporation as a public institution" was evolving (Van Dusen Wishard 1977, 226), a legitimacy dependent upon the relationship between a corporation and its constituency (Ackerman and Bauer 1976, 15). As society placed greater demands on the wealth of business, and governments and interest groups constrained business activities by setting limits on the powers of that wealth, business managers were increasingly forced, as Eells and Walton (1961, 429) had predicted in 1961, to "move out of the ethical vacuum of pure economic theory and into the main stream of human existence." Taking defensive or reactionary positions in response to social pressures were no longer effective strategies. The business literature from this period called upon business managers to be more proactive in addressing society's needs and to emphasize the social role business plays in providing for and protecting the public good (see for instance Sethi and Swanson 1981, vii-ix). Contributing to the public good meant engaging the power and resources of business for ends other than economic gain.

Growing business community acceptance of the expansion of its social responsibilities coincided with the ascendancy of neoliberalism in the United States under Ronald Reagan (and Margaret Thatcher in the UK), which curtailed the role of the state in providing public goods and a social safety net. Paradoxically, at the same time that neoliberal policies were being enacted, society was becoming aware of the distinction between “equality of opportunity” and “equality of outcome” and increasingly recognized that the latter was not the inevitable outcome of the former (Sethi and Swanson 1981, viii). Demands grew for greater “equality of condition” (Votaw 1981, 39). With the downsizing of government—the actor traditionally bestowed the obligation of bridging the gap between opportunity and outcome—society sought new ways of accomplishing this task while ensuring that the costs of doing so were shared by all societal institutions. Given its ubiquity, power, and resources, the business community came under increasing pressures to help fill this gap. Donors and organizations began to look for collaborators beyond the state to assist in the funding and implementation of development projects (Buse and Walt 2000).

In the 1980s, businesses not only accepted its expanded social obligations, but began looking for ways to turn their social responsibilities into business opportunities (Drucker 1984, 62; Carroll 1999, 286). Checkbook philanthropy began to give way to strategic philanthropy—combining marketing goals with socially conscious behavior—often through partnerships with nonprofit organizations that contribute to social causes while concomitantly boosting sales (PR News 2000).

The available evidence suggests that most business leaders are cognizant of the sea-change in public sentiment regarding the social responsibilities of their companies.

In a 2007 McKinsey survey of 391 CEOs, 95% acknowledged that society's expectations that businesses would assume public responsibilities had increased in the previous five years, and roughly 60% believed that societal expectations of business involvement on these issues would increase even more in the next five year period (Bielak et al. 2007). Sixty-nine percent of 756 business executives surveyed feel that corporate citizenship needs to be a priority for companies, while 57% believe that the public has a right to expect good corporate citizenship from companies (BCCCC 2009).

MNCs' Motivations to Engage in CSR

A number of motivations exist to explain the increasing number of MNCs engaging in CSR (See Figure 2-3).[18] Many companies view CSR as a way to improve company image, reputation, and profits. Voluntary efforts to be more socially responsible may stem from a desire to avoid the imposition of government regulation, to retain a license to operate in a given country, to protect the legitimacy of the individual company, or to safeguard the long-term viability of the power wielded by business as an institution in society. MNCs and their employees also are influenced by socio-cultural norms that guide their behavior; as such, a powerful catalyst for CSR is that it reflects "the right thing to do." The proliferation of CSR also is linked to an increased awareness of the ubiquity of social problems, the increased direct contact MNCs have with these issues as they expand globally, the uneven success other actors—such as NGOs and multilateral aid organizations—have had in combating social concerns, and the unique set of resources and skills businesses can contribute to these issues. In addition, MNCs recognize that preemptively addressing social problems is often easier—and cheaper—

[18] The following paragraph is based on the author's personal interviews with oil company officials, as well as Davis (1973).

than treating them after they have sparked societal unrest and ill-will. In this section, we take a closer look at several of the business motivations for engaging in CSR, keeping in mind that this list is by no means exhaustive.

Figure 2-3. Corporate motivations for CSR according to a survey of 756 U.S. business executives. Compiled using data from BCCCC 2009

Improved Reputation and Brand

Reputation has become an important, if invisible, component of a company's balance sheet. An estimated 53% of the value of Fortune 500 corporations—$24.27 trillion—is accounted for through intangible assets (Regester and Larkin 2005), of which reputation and brand attributes are critical components. A study by Fombrun and Van Riel (2003) concluded that reputation accounts for between 6% and 10% of the total market value of a company, depending on the industry. A company's brand may be worth much more; in 1988, Philip Morris paid $12.6 billion for Kraft—six times the company's estimated value on paper—because it placed a premium on the value and marketability of the Kraft® brand name.

Over the past two decades companies have invested a great deal of thinking, strategizing, and resources into creating brands that evoke a cultural, personal, spiritual,

and emotional experience rather than merely images of specific products (Klein 2000). Starbucks®, for instance, brands itself as a “Third Place” where customers can go to feel part of a community that exists outside of work and home and enjoy a cup of coffee that “comes from a magical place: the earth” (Starbucks Coffee Company 2010). Coca-Cola® urges consumers to “explore a world of refreshing ideas”, to “open happiness”, and to “pop open good times” (Coca-Cola Company 2010). Reebok® strives to inspire customers to “fulfill their true potential and reach heights they may have thought un-reachable” (Reebok 2010). Beyond merely marketing individual products, branding aims to create psychological bonds with consumers and investors in an effort to increase a company’s intangible value.

It is no coincidence that the proliferation of CSR projects in the past two decades has occurred alongside the deepening and expansion of carefully choreographed corporate branding campaigns. As noted previously, corporations are sensitive to societal demands and are attempting to align corporate values and behaviors with societal expectations about CSR. One part of the corporate branding strategy over the past two decades has focused on presenting corporations as responsible corporate citizens eager to protect and promote the wellbeing of the earth and its inhabitants. Indeed, 70% of executives in a recent survey identified reputational concerns as the number one catalyst for corporate responsibility efforts (BCCCC 2009). Given that reputation is invariably linked to several factors that can influence a company’s bottom line—including sales, obtaining and retaining a license to operate, employee morale and retention, and stock price—its importance as a driver of CSR is no great surprise.

Research suggests that CSR efforts yield dividends for corporate brands. Several studies have concluded that a positive link exists between corporate social performance and corporate reputation (Fombrun and Shanley 1990; Turban and Greening 1997; Schmidt Albinger and Freeman 2000). Survey research by the Reputation Institute (2008) suggests a positive linear relationship between a company's social responsibility track-record and its reputation amongst U.S. consumers, and a Cone/Roper study indicates that two-thirds of consumers have greater trust in companies that support a social issue (PR News 2000). Even the tobacco company Philip Morris—besieged by an aggressive anti-smoking campaign in the 1990s—successfully marketed its CSR efforts to improve its reputation with the American public (Tesler and Malone 2008).[19]

Corporations are image sensitive and understand that improved social behavior is likely to enhance their reputations and strengthen their brands. More than three-fourths of MNCs have a corporate reputation measuring system in place to gauge their public image (Pharoah 2003). A survey of 800 corporate chief executives and senior managers revealed that 88% believe that social responsibility initiatives significantly contribute to their company's overall reputation (Hill and Knowlton 2002). A survey of 320 business executives worldwide found that 'better reputation among customers' (59%) and 'better reputation among investors' (30%) outpaced other motives for socially responsible behavior (such as new business opportunities, enhanced competitive positioning, and increased profitability) related to effective environmental risk management (EIU 2008). Companies' decisions are strongly influenced by the desire to

[19] A 1999-2000 Roper Starch poll found that the percentage of Americans who believed that Philip Morris was becoming "a more responsible corporate citizen" increased from 39% to 61% after Philip Morris initiated an aggressive marketing campaign of its CSR efforts (Tesler and Malone 2008).

improve or protect their reputations, and some have appealed for companies to engage in “CSR branding” as a means to improve company image (Ogrizek 2002). While companies engage in reputation promoting behavior to improve sales or attract or retain employees (Pharoah 2003), they also may do so for defensive reasons, such as avoiding government intervention (Davis 1960). Companies viewed favorably by society are less likely to attract negative public attention that can lead to public demands for increased government regulation of business behavior (Regester and Larkin 2002, 3).

In the Reputation Institute’s annual survey that ranks major U.S. corporations based on their reputations, U.S. oil companies do not fare well. Of the 153 companies rated in 2008, the highest ranked oil company (Hess) comes in at number 89. The other U.S. oil producers ranked in the survey fare much worse: Marathon (131), ConocoPhillips (134), Occidental Petroleum (146), Chevron (147), and ExxonMobil (151). It is insightful to note that these latter companies scored in the same neighborhood as General Motors (136) and AIG (152), which in the financial crisis of 2008 and 2009 attracted headlines as well as negative popular sentiment by declaring bankruptcy and receiving a government bailout, respectively (Kneale 2009).

Company Tradition and Values

Corporations insist that their interest in CSR is motivated in part by a desire to link their actions to the core values of the company. Core values reflect the fundamental operating philosophies or principles that guide a company’s internal conduct and its interactions with the outside world. Adherence to a meaningful set of core values can contribute to the formation of organizational identity and purpose, attract, unify, and motivate employees, simplify decision making and improve efficiency, build trust with customers and communities, and contribute to society at large (Serrat 2010). An

increasing number of companies are establishing and communicating a framework of values that outlines their aspirations for being responsible, ethical, and successful corporate citizens (Farren 2010). For instance, virtually all of the multinational oil and natural gas companies operating in Equatorial Guinea have defined core values or business principles (See Table 2-1)

Table 2-1. Core values of select extractive companies operating in Equatorial Guinea

Marathon Oil Company	Petrobras
▪ Health & Safety ▪ Environmental Stewardship ▪ Honesty & Integrity ▪ Corporate Citizenship ▪ High Performance	▪ People & Respect for Life ▪ Sustainable Development ▪ Integration & Results ▪ Readiness for Change ▪ Entrepreneurship and Innovation ▪ Ethics & Transparency ▪ Human & Cultural Diversity
Hess Oil Company	**BG Group**
▪ People, Integrity, Performance ▪ Social Responsibility ▪ Independent Spirit ▪ Value Creation	▪ People, Society, Environment ▪ Conduct
Atlantic Methanol Production Company	**ExxonMobil Corporation**
▪ Honesty, Trust, Ethical Practices ▪ Health & Safety ▪ Respect for Environment ▪ Respect (People, Employees, Country) ▪ Reputation ▪ Reliability & Commitment ▪ Social Responsibility ▪ Diversity & Creativity	▪ Long-Term Profitability ▪ Innovative & Responsive ▪ Open Communication & Trust ▪ Corporate Citizenship
China National Petroleum Corporation	**Noble Energy**
▪ Dynamic, loyal, honest, committed ▪ Excellence through innovation & integrity	▪ Manage a portfolio of superior assets ▪ Execute a best-in-class exploration program ▪ Invest in people and technology ▪ Maintain investment and fiscal discipline ▪ Demonstrate leadership in environment, health, safety, compliance management and corporate citizenship

Source: Companies' websites, accessed July 28, 2010

Upper management, driven by moral imperatives, can also serve as drivers of social responsibility within corporations (Swanson 2008). Inside the walls of the

seemingly homogenous outward face of corporations are hundreds or thousands of individuals, each with their own values and perspectives. The values and ethics of the individuals working inside corporations have been shown to have meaningful impacts upon the values and ethics of the corporation as a whole (see for instance Moberg 1997). Interviews with oil company executives in Equatorial Guinea suggest that values, including altruism, played a contributing role in the companies' decisions to scale-up their CSR efforts. These executives expressed their companies' desire as "human beings" and "guests" in Equatorial Guinea to help improve the lives and well-beings of the local population.[20]

Competitive Advantage

The increase in the number of MNCs engaging in CSR stems in part from a growing belief—both amongst business leaders and some scholars—that firms engaging in CSR may enjoy certain competitive advantages over firms that do not engage in CSR. The link that corporations draw between socially responsible behavior and competitive advantage is succinctly summarized in a 2001 Starbucks CSR Report:

> Consumers are demanding more than "'product" from their favorite brands. Employees are choosing to work for companies with strong values. Shareholders are more inclined to invest in businesses with outstanding corporate reputations. Quite simply, being socially responsible is not only the right thing to do; it can distinguish a company from its industry peers. (Starbucks Coffee Company 2002, 3)

It is useful to briefly analyze the ways in which CSR can translate into competitive advantages for corporations with competitors, consumers, investors, and employees.

[20] Interviews with representatives of Marathon Oil (via phone to Houston, Texas), Noble Energy (Malabo, Equatorial Guinea), Hess (Bata, Equatorial Guinea), and EG LNG (Malabo, Equatorial Guinea), June-July 2007.

Versus competitors: Social investment may provide companies with a competitive advantage vis-à-vis less socially engaged companies. More than two-thirds (68%) of the more than 250 business executives that participated in an IBM Global Business Services survey in 2008, for instance, are engaging in CSR activities in order to generate new revenue streams, and 54% believe that CSR activities give their companies an advantage over their competitors. Companies may highlight their CSR track record to distinguish themselves from competitors in an effort to secure a license to operate or win a bidding process. This is often in evidence in oil-producing countries, where numerous extractive companies actively compete for the host government's good favor and exclusive exploration rights. For instance, in Angola Chevron Texaco's announcement of a US$50 million partnership with USAID and UNDP in November 2002 coincided with negotiations over access to Angola's most productive oil block.[21] Chevron Texaco won the contract, and in early 2004 pledged an additional US$80 million to a social fund (Frynas 2005). CSR projects are also becoming increasingly important selling points for Western oil companies attempting to compete with the resources-for-infrastructure model being successfully used by Chinese extractive companies to win contract agreements with Africa's resource-rich countries.

With consumers: CSR can help a company differentiate its brand from its competitors, especially when other consumer considerations such as price, quality, and convenience are fairly equal (McElhaney 2008, 4). Some survey research suggests that consumers are responsive to a company's CSR record. For instance, in a 2000 MORI survey of 12,000 consumers across 12 European countries, 70% of respondents

[21] Chevron dropped the Texaco moniker in 2005. Texaco still exists as a Chevron brand.

claimed that company commitment to social responsibility is an important consideration when they buy a product or service, and more than 40% expressed willingness to pay a premium for environmentally and socially responsible products (CSR Europe 2000). From 2006 to 2008, the percentage of people that considered respect for human rights important when making a judgment about a company rose from 38% to 51% (BITCI/Ipsos MORI 2009).

The evidence about the impact that CSR has on consumer behavior is mixed, however. Some studies suggest that "[t]here is a major gap between what consumers say they would do and their actual behavior" (Vogel 2005, 48). Focus group research on consumer behavior casts doubt on the degree to which corporate reputation influences the purchasing decisions of consumers (Boulstridge and Carrigan 2000). In one study, 70% of consumers in the United Kingdom, 64% in the United States, and 65% in Japan claimed either not to think about corporate responsibility while they were shopping or placed price and quality considerations above corporate reputation issues (Page and Fearn 2005). Research by Bhattacharya and Sen (2004) and Devinney et al. (2006) further supports the tendency of consumers to prioritize price and quality above CSR considerations. Page and Fearn (2005) conclude that consumers pay greater attention to the direct impact of a company's behavior on themselves or their families (such as bad service, high prices, and poor product quality) than to ethical considerations about a company's broader social and environmental impact. A 2004 European study found that while 75% of respondents claimed that social and environmental considerations would cause them to modify their purchasing decisions, only 3% had actually done so (Vogel 2005). Findings such as these led Bhattacharya and Sen (2004) and Kimeldorf et al.

(2006) to conclude that while some consumers are willing to pay more for CSR products, these likely represent only a minority of all consumers.

The wide gap between consumer opinions and consumer behavior regarding CSR does not mean that consumer attitudes of CSR are irrelevant for firms. As Smith (2008) argues, CSR's impacts on consumer sales may be relatively small, but CSR may impact consumers' views and result in economic impacts on companies. Positive word-of-mouth, increased customer loyalty, or a greater willingness to give a company the benefit of the doubt or to forgive a one-time CSR transgression are examples of indirect ways in which CSR behavior can still impact a firm. For instance, survey research from the Reputation Institute (2008) suggests that 65.7% of the U.S. public would recommend the top 20 socially responsible companies while only 25.9% would recommend the bottom 20 companies. Additionally, more than 27% would not recommend companies not seen as socially responsible. Thus, improvements or erosions in a company's CSR behavior over time can impact its overall brand image and impact a company's long-term performance.

With investors: The past two decades have witnessed a substantial increase in the number of investor funds and portfolios that base their decisions to invest in a firm in part on its adherence to social and environmental principles. The growth in socially responsible investing has outpaced the overall market, increasing from $639 billion to $2.71 trillion between 1995 and 2007 (Social Investment Forum 2007). The Social Investment Forum (2010) estimates that one dollar in ten of the assets under professional management in the U.S. today ($2.71 trillion out of $25.1 trillion) is invested according to socially responsible investment principles.

The escalation in social investing has been driven in part by shareholders, who have placed demands on investment funds to invest in socially responsible corporations and to divest in companies implicated in human rights violations and public health, community or environmental degradation. There are several recent examples of this. In January 2010, TIAA-CREF announced that it had divested shares worth $60 million from a group of Asian oil companies that refused to initiate progressive dialogue with the Sudanese government over human rights violations.[22] In 2008, as a first-time shareholder proponent the non-profit organization Investors Against Genocide was able to get its proposal for genocide-free investment portfolios on the proxy ballots of 21 funds at Fidelity Investments. The 14 proposals that reached the required 50% quorum received an average of 26% "yes" votes, strong support for first-time proposals (Meacham 2009, 18-19).

With employees: There is evidence to suggest that a company's social performance impacts both its ability to attract and to retain employees. Turban and Greening (1997) conclude that a company's CSR reputation impacts its attractiveness to prospective employees. In considering whether to accept a job offer, approximately 90% of MBA students in the U.S. claim that responsible corporate governance, transparent business practices, and responsible practices in overseas operations are either "very important" or "somewhat important," and 85% feel the same about open, fair community relations and responsible environmental practices. At least in part this trend is rooted in a personal desire amongst U.S. MBA students to make a meaningful contribution to society through their jobs—in a 2008 poll, 26% voiced this as an

[22] The companies were China's PetroChina Co Ltd, CNPC Hong Kong, and Sinopec, and India's Oil and Natural Gas Corp.

important factor in their job selection, compared to 15% in 2002 (Aspen Institute of Business and Society Program 2008).

Corporate social performance seems to have an impact on employee loyalty to a firm as well. Survey research suggests that three-quarters of U.S. workers believe that companies have a responsibility to give back to their communities (Hudson 2007).[23] An alignment between individual and business values can translate to greater employee loyalty. In a 1997 Walker Information survey of 1,694 employees, 86% of respondents who had favorable opinions of their companies' ethics were strongly committed to their organizations (Stodder 1998). In companies with a CSR program, nearly two-thirds of their employees participate in it (Hudson 2007).

Cost and Risk Reduction

Financial and security concerns are prime motivators of CSR. As corporations expand globally to take advantage of newly emerging markets, they become increasingly vulnerable to political instability in developing and transition countries. In a rapidly changing world in which companies operate in more and more places and increase their exposure to uncertainty, they will need to engage in “competitive imagination” and anticipate the demands of previously marginalized shareholders (for instance, the poor, weak, isolated) in order to decrease risk and avoid business disruptions (Hart and Sharma 2004).

In developing countries, CSR programs can represent a strategic calculation on the part of corporations to secure their business investments and improve shareholder

[23] Interestingly, the belief that companies should contribute to the greater good of society increases with age. In one study, two-thirds of those between 18-29 years of age agreed with it, compared to 83% of those over 65. Income also matters. Only 64% of those who earn less than $20,000 think companies are responsible for the greater good, compared to 80% of those who earn $75,000 to $100,000 (Hudson 2007).

wealth (Wenger and Möckli 2003; Godfrey 2005). Research suggests that improving relationships with all stakeholders reduces costs to the firm (Barney and Hansen 1994; Jones1995). Corporate managers of MNCs in Equatorial Guinea are quick to acknowledge that their CSR efforts are motivated in part by a desire to avoid the kind of violent, disruptive, and financially costly backlashes that have cost Shell and Chevron billions of dollars in Nigeria.[24] The experience of oil companies in Nigeria demonstrated to MNCs the importance of "framing"; once a MNC gets framed by the media and local activists as a moral actor, it is difficult for the company to deny its responsibility for environmental or human rights abuses (Holzer 2007). Oil companies in Equatorial Guinea are intentionally looking to build positive relationships with local communities and the local government through their CSR efforts rather than attempting to use them as damage control after a negative event has disenchanted the local population, as was (and is) the case in Nigeria.

Companies also are motivated to participate in CSR because doing so reduces their tax burden. A number of countries allow companies to deduct a certain percentage of pretax philanthropic contributions from their income taxes. In the U.S., charitable contributions were deductible up to 5% of income between 1935 and 1981; in1981, the deductible limit was raised to 10%.[25] Corporate charitable contributions are tax sensitive —i.e. contributions decrease if tax deductibility is removed—and the evidence suggests that tax deductibility influences charitable giving. One study (Carroll and Joulfaian 2005)

[24] Personal interviews with oil company officials, Bata, Equatorial Guinea, July 7, 2007 and Malabo, Equatorial Guinea, July 9, 2007. Shell estimates that smuggling and theft of oil costs the company as much as $1.6 billion annually in Nigeria (Pagnamenta 2009).

[25] Corporate charitable tax deductions cost the U.S. Treasury an estimated $2 billion each year in lost corporate income tax revenues.

estimates that a repeal of the corporate tax deductible for charitable contributions would reduce such giving by 50%. While empirical evidence suggests that this estimate may be high—for instance, corporate giving dropped by only 16% between 1945 and 1949 following Congressional repeal of the 95% excess profit tax levied during WWII (Giving USA 1956)—clearly corporate philanthropy is influenced by the costs associated with giving.

The "Business Case" for CSR

There has been a concerted effort amongst scholars and business practitioners to make a business case for CSR, that is, to find evidence that socially responsible behavior on the part of businesses helps to improve their bottom lines. If such a "holy grail" (Smith 2008) cannot be identified, CSR will be defensible on normative (moral) grounds alone—i.e. doing good because it is the "right" thing to do. Given the subjectivity and potentially legal issues associated with basing CSR decisions solely on moral grounds—particularly if CSR efforts stand at odds with a company's fiduciary responsibilities to shareholders (Smith 2003)—proponents of CSR are in search of evidence that CSR is in fact good for a company's fiscal bottom line. The identification of a "business case" for CSR would, in the eyes of its proponents, represent a win-win for all stakeholders, including shareholders.

Efforts to define a business case for CSR focus on linking corporate social performance to corporate financial performance. The evidence thus far, however, does not present a clear picture of the relationship between CSR and profits. For example, a meta-analysis of 167 studies that analyzed the relationship between corporate social performance and corporate financial performance found that acting socially responsible impacted financial performance negatively in just 2% of cases, had a positive impact

27% of the time, and a non-significant relationship in 58% of the cases analyzed (Margolis et al. 2007).[26] Overall, the study revealed a mildly positive relationship between corporate social performance and corporate financial performance, with little evidence that corporate social performance systematically destroyed shareholder value. Thus, although CSR may not, in the majority of cases, be profitable (in the sense that it generates economic rents), it is seldom a losing proposition. Instead, it means that in the vast majority of cases, CSR "pays for itself" (Reinhardt et al. 2008, 231).

CSR in Developing Countries

Analyzing CSR in the context of developing countries is of particular interest and relevance. Technological advancements (satellites, internet, cell phones, etc.) enable us to acquire a greater appreciation of the challenges confronting poor nations. Decades of empirical research by scholars and development efforts by a myriad of development organizations has provided innumerable insights into both the size and scope of these challenges and some avenues through which to overcome them. Despite this, numerous challenges remain, and the inclusion of another influential actor—the MNC—in development efforts could potentially move us one step closer to actualizing a holistic approach to development.

MNCs operating in developing countries face their own challenges as they attempt to navigate the laws and cultural norms of foreign places. Almost by definition, developing countries suffer from weak (and potentially corrupt) government institutions, inefficient bureaucracies, and insufficient levels of human capacity. These realities pose

[26] Thirteen percent of the studies did not report a sample size that could be used to test significance.

serious obstacles for both the business operations and CSR efforts of MNCs, and make assessments of CSR efforts in these contexts even more critical.

Corporations are becoming increasingly aware that CSR represents an avenue for creating and expanding new markets, which serves long-term interests such as business development, expansion, and innovation (Kanter 2003). The creation of an educated and healthy workforce capable of taking advantage of locally created job opportunities represents not only a more socially responsible global business model, it also benefits corporations by increasing the consumption capacities of nascent markets (see for instance Prahalad 2010).

CSR may also represent an opportunity for developing countries. First, given their higher levels of poverty and human need, CSR has the potential to make a greater contribution to quality of life improvements in developing countries. This is especially true given the inability or unwillingness of weak governments to meet the basic needs of their citizenry. Second, CSR may promote more responsible business activities in developing countries where the regulatory framework is weak or non existent. If governments do not have adequate human rights or environmental standards, CSR programs rooted in a company's business principles or core values have the potential to hold the company to its own higher standards.

On paper and in theory, CSR has the potential to make a meaningful contribution to efforts to promote sustainable development and substantively improve the lives of the billions of people living in poverty in developing countries around the world. But does it live up to its potential? Why or why not? Chapters 4–7 bring empirical evidence to bear on these important questions and outline a number of advantages and disadvantages

associated with CSR efforts in a developing country context. First, however, Chapter 3 introduces the historical, political, and socioeconomic context of Equatorial Guinea, the site of two intriguing CSR efforts.

CHAPTER 3
EQUATORIAL GUINEA: ANALYSIS OF AN OIL RICH STATE

Introduction

Equatorial Guinea is a country with a dismal economic and political history and sufficient natural resources to purchase a better future. It remains unclear, however, whether the country's government possesses the political will and economic discipline to ensure that the country's natural resource wealth is converted into widespread, sustainable prosperity. The regime of Teodoro Obiang Nguema—while a marked improvement over its predecessor, the regime of Macías Nguema—has perpetuated neopatrimonialism, demonstrated a lack of respect for human rights and democratic procedures, and at times implemented questionable economic policies that have raised concerns amongst international financial institutions (IFIs), international NGOs, and local civil society organizations about the regime's desire or ability to maximize the developmental opportunities created by the country's geological good fortune: the discovery of oil in the 1990s.

In many ways, Equatorial Guinea is a country of contrasts: in its economics, as opulent wealth clashes with abject poverty on the streets of Malabo and Bata; in its politics, as the country's self-described democratic government is contradicted by repressive security forces, flawed elections, and the notable absence of an independent media; and in its history, as the country's current oil prosperity stands in stark relief to the desperation and desolation that characterized its pre-oil era. The website of Equatorial Guinea's Ministry of Information, Culture, and Tourism describes Equatorial Guinea as "*un país cuyo desarrollo crece día a día*" ("a country whose development

grows day by day").[1] This description certainly is true today, thanks to the country's considerable oil reserves, but the development noted by the Ministry is neither evident in, nor consistent across, all sectors of the economy or classes of society.

Equatorial Guinea is a small country both demographically and geographically. With a population of roughly 660,000, it is one of the least populated countries in Africa.[2] It is also one of the smallest geographically, with 28,051 square kilometers (slightly smaller than the US state Maryland) spread between several small islands in the Gulf of Guinea and a mainland territory (Río Muni) sandwiched between Cameroon and Gabon (see Figure 3-1). Thanks to the discovery of oil, it is no longer one of the world's poorest nations. The country enjoyed one of the fasted growth rates in the world during the 1990s and 2000s, placing its GDP per capita on par with many industrialized nations. Thus far, however, most of the oil wealth has accrued to a small elite class and bypassed the majority of citizens, who continue to rely on day-to-day survival strategies.

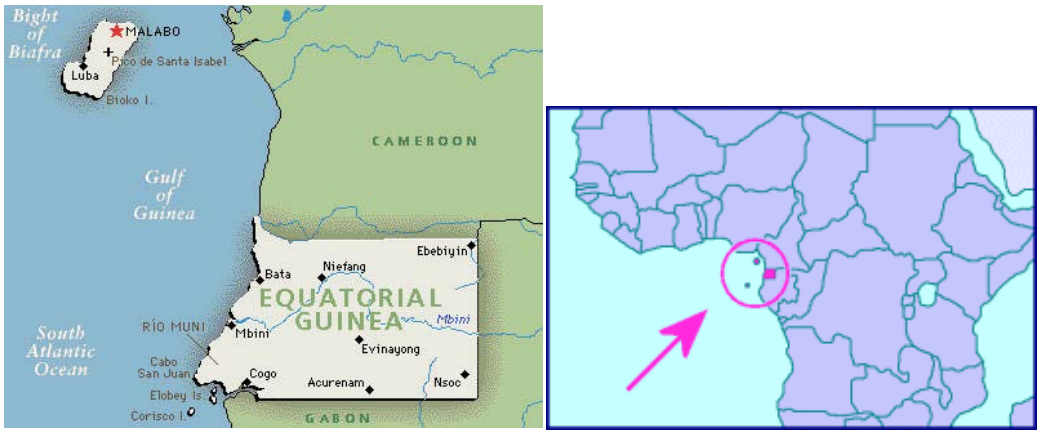

Figure 3-1. Map of Equatorial Guinea

[1] http://www.guineaecuatorialpress.com/noticia.php?id=131. Accessed May 22, 2010.

[2] It should be noted that differing data circulate regarding the country's population. The government of Equatorial Guinea places the population figure at just over one million, a statistic disregarded by most international organizations, which accuse the government of inflating the actual number for political reasons. The statistic used here is from the World Bank (2010a) and lies within a range used by most international organizations (the World Bank's precise estimate is 659,197).

Yet, in notable contrast to both the country's pre-oil period and the experience of other oil-rich developing countries, the attention brought to the country as a result of its oil has generated pressure for government reforms that has opened up spaces for negotiation and dialogue with the government. Prior to its discovery of oil, Equatorial Guinea was virtually unknown in the West; oil has brought greater international attention to the country and cast a spotlight on its poor performance in the areas of human rights, democracy, and socioeconomic equality. NGOs and human rights activists have taken advantage of the attention being given this formerly marginalized country to publicly urge foreign actors—including MNCs—to pressure the Obiang regime to curb its excesses and ensure that the country's oil wealth is equitably used to improve the lives of ordinary Equatoguineans.

Unlike a number of other oil-rich countries with troubling human rights and democracy records that have resisted international appeals for reforms (for instance: Chad, Gabon, Iran, Iraq under Saddam Hussein, Kazakhstan, Myanmar, Saudi Arabia, Sudan, Venezuela), Equatorial Guinea has signaled a willingness to engage the international community on some of these issues. The Obiang regime has demonstrated a marked concern for improving its international image and is engaged in an overt effort to capitalize on the power and visibility afforded by its oil wealth to increase its domestic and—in particular—its international image and legitimacy. To these ends, the Obiang regime has embarked on a proactive campaign to reinvent itself as a benevolent, well-intentioned, and democratic government focused on delivering Equatorial Guinea into a prosperous future. While evidence to date suggests that at least some of the government's reform promises are little more than strategic rhetoric

calculated to appease international pressures for reform while concomitantly improving the regime's image and power at home and abroad, the desire of the Obiang regime to improve its image *has* opened up a window of opportunity for international actors to pressure the regime for meaningful political and economic reforms. The CSR projects headed by MNCs represent one aspect of that effort.

To properly understand the potential significance of—and challenges confronting—the two CSR projects at the center of this study, it is critical to understand the economic, historical, and political landscape into which these projects are being implemented. CSR projects aimed at improving the country's health and education sectors are taking place in a country whose social services were either destroyed or neglected, first by Spanish colonialism, then by the dictatorial rule of the Nguema family, which has controlled Equatorial Guinea since the country gained its independence from Spain in 1968. The purpose of this chapter is to analyze the economic, historical, and political dynamics that have shaped Equatorial Guinea in order to highlight the challenges that CSR projects face, to understand the reasons for CSR's successes and failures in attempting to transform the country's health and education systems, and to gain insight into the Government's motivations for engaging MNCs on CSR projects.

This chapter first analyzes how Spanish colonialism shaped the economic and political dynamics in place at independence. Then we explore the policies of the country's first president, Macías Nguema, whose brutal 11-year reign decimated the country's economy and ravaged the country's social, economic, and political institutions in ways that continue to haunt the country today. Subsequently, the chapter analyzes the country's economic and political conditions under the country's second (and current)

president, Teodoro Obiang Nguema. This analysis is broken down into two distinct periods: pre-oil exploitation (1979-1994) and post-oil exploitation (1995-present). Although the first commercially viable quantities of oil in Equatorial Guinea were discovered in 1991, significant oil reserves were not realized until the discovery of the large Zafiro oil field in 1995. Therefore, it was not until after 1995 that oil began to substantively shape the political leadership's economic and political aspirations. For this reason, this study uses the period 1979-1994 instead of 1979-1991 to denote the pre-oil period. Analyzing these periods separately allows us to assess how the government has or has not attempted to utilize oil revenues to advance the socioeconomic wellbeing of ordinary citizens and to improve its own image and hold on power.

Colonial Rule

The first Europeans to explore what today is Equatorial Guinea were not Spanish, but rather Portuguese sailors in search of an overseas route to East Asia.[3] Early in the 1470s these sailors "discovered" and named the islands of Sao Tomé, Principe, Annobón, and Formosa ("Beautiful"). The latter island officially became known as Fernando Po (supposedly after a Portuguese captain named Fernao de Póo), but was renamed Bioko Island following the country's independence. The Portuguese immediately recognized the potential economic and strategic importance of Fernando Po, with its fish-rich seas and a rich volcanic soil capable of producing a wide array of agricultural products. Despite its appeal, however, Fernando Po—with high levels of rainfall and humidity, an abundance of poorly understood tropical diseases, resistance by the local Bubi population, and difficult-to-clear dense rainforest—proved not to be a

[3] The following section on the colonial period relies extensively on Fegley 1991.

tropical paradise and was largely ignored by the Portuguese. The island remained sparsely settled, although the Portuguese did introduce coffee cultivation, which would later become one of the island's economic mainstays alongside cacao.

With the Treaty of San Ildefonso, signed on October 1, 1777, Portugal granted Spain the rights to Fernando Po, Annobón, and a section of the West African coast in exchange for minor Spanish territories adjacent to modern-day Brazil. Six months later, the Treaty of El Pardo reaffirmed Spanish sovereignty over these territories and determined that Spain's territorial rights extended from the Niger River to the Ogoowe River (a total of 800,000 square kilometers). A disastrous Spanish expedition shortly thereafter, in which 124 of 150 men died and the survivors were arrested when they landed on Portuguese-controlled Sao Tomé, curbed Spain's enthusiasm for actively exploring and colonizing its African territories. This, combined with Great Britain's outlawing of slavery in 1807 and Spain's subsequent agreement (under British pressure) to abolish slave trade north of the Equator, led the Spanish government to conclude that Fernando Po held little value.[4]

In 1817, Spain leased Fernando Po to Great Britain as a forward naval base for anti-slavery patrols, and it remained under complete British control until 1843 (Liniger-Goumaz 2000). The resettlement of slaves rescued by British anti-slavery patrols was

[4] An opinion Spain seemed to hold during much of its reign over the territory. For instance, Madrid did not send a Spanish-born governor to Fernando Po until 1858, eighty years after claiming the island. Spanish efforts to colonize its territories did not start until 1859, and went very badly, with a high percentage of the white colonists dying from tropical disease within the first few years. In the 1860s, several hundred freed black Cubans migrated to Fernando Po, followed shortly by Cuban political dissidents and prisoners (Sundiata 1990). Between 1858 and 1910 the colony was controlled by 65 different governor generals (Liniger-Goumaz 2000). It was not until 1910 that the Bubi ethnic group, which had continued to resist Spanish colonization, was brought under Spanish control. Spain's attempts to exert control over the Fang ethnic group living on the mainland lasted well into the 1920s. Perhaps most indicative of Spain's disregard for its African territory, the Spanish government floated plans to turn the colony over to concessionaires as late as 1914 (Sundiata 1990, 30-33)

the most lasting impact of the British influence on Fernando Po.[5] Liberated slaves, along with immigrants from Liberia and (what are today) Sierra Leone and Nigeria, became known as Fernandinos, and served as an entrepreneurial group and intermediaries between Europeans and the region's native occupants. It was a Fernandino who brought cacao to Fernando Po, which quickly developed a one-crop plantation economy based on the plant.[6] By 1900, the main Fernandino families had become planters.

Spain ultimately lost out in the European "Scramble for Africa", securing only Fernando Po, Annobón Island, a handful of other micro-islands, and a slice of the mainland between Germany's holdings in Kamerun to the north and France's holdings in Gabon to the south. By the end of the 19th century, Spain, which claimed 800,000 square kilometers on mainland Africa in 1778, held territorial rights to only 26,000 square kilometers on mainland Africa (and just over 28,000 square kilometers total).

Like in other parts of Africa, the economic success of the colony relied upon a steady supply of cheap (and often free) labor, and resistance was squashed with crushing and often brutal force. Since the territories were sparsely populated, and the local populations persistently resistant to colonial control, Spanish colonial administrators relied on forced local labor and labor recruits brought in from other West African territories. The living, working, and wage conditions of these laborers were often

[5] Ironically, Spain's agreement with Britain occurred at about the same time that Spanish slave trading reached its apogee. In the 1830s, Corisco Island, located just offshore of the mainland, was visited by more than 100 Spanish ships per year, many of which relied on it as a base for the transportation of slaves to the Caribbean. In November 1840, the British attacked the island and captured one of the largest Spanish slave trading vessels (Sundiata 1990, 20).

[6] Sundiata (1990, 24) asserts that cacao pods first arrived on Fernando Po in 1836 from Sao Tome. In 1928, approximately 98.6% of Fernando Po's cultivated land was devoted to cacao (Sundiata 1990, 37 citing Rodriquez 1986, 251).

abysmal. A 1930 League of Nations commission concluded that a large number of the Liberian contract laborers shipped to Fernando Po were “recruited under conditions of criminal compulsion scarcely distinguishable from slave raiding and slave trading.” (Fegley 1991, xxviii). Colonial administrators subsequently turned to British controlled Nigeria, and Nigerians eventually outnumbered all other foreign workers combined. By the mid-1960s approximately 85,000 of the 100,000 people on Fernando Po were Nigerians (Sundiata 1990, 47 citing Osuntokun 1977, 33).

While the colony’s economy expanded in the decades prior to independence, its administration was authoritarian and primitive. Emancipation was a key instrument of Spanish colonial policy. Effectively a Spanish variant of the divide-and-rule colonial tactic used elsewhere on the continent, the colonists divided the population into *emancipados* (assimilated citizens) and *menores* (literally minors, but referring to less educated and more “primitive” natives). Natives who converted to Christianity and received higher education, salaries of more than 500 pesetas a year, or held posts in the civil service were granted *emancipado* status, which entitled them to certain rights, including access to Spanish courts, release from obligatory plantation work, the right to own freehold land, and the ability to serve as leaders of cooperatives. However, in the mid-1950s, only around 100 Africans out of a total population of over 100,000 were considered *emancipados* (Sundiata 1990, 33). Even these few were not able to escape the racial stereotypes and epithets of the European population.

The emancipation system was controlled by the *Patronato de Indígenas* (Native Patronage), perhaps the most important institution of colonial rule. Following reforms in 1928 and 1938, this non-governmental organization headed by the bishop of Santa

Isabel (the colonial name for what is today the nation's capital of Malabo) became a de facto government and exerted a degree of control over the lives of Spanish Guineans unmatched by colonial officials. It acquired properties and businesses, provided legal assistance, controlled the colony's media and education systems, and worked with colonial officials to formulate policy.

Anti-colonial sentiments began to surface in the early 1950s with the formation of local grassroots movements. With all of Spanish Guinea's neighbors gaining independence in 1960, international pressure in general—and from Gabonese government officials with ethnic and familial links to Fang living in the Spanish colony in particular—forced Spain to make concessions. In 1960, the Franco government introduced "provincialization", officially turning Fernando Po and Río Muni into provinces of Spain, and granting the colony's people Spanish citizenship. The colony's first local system of government took control of the *Patronato*. In reality, however, the local government wielded little authority, and a small group of Spanish officials continued Spain's de facto control over the colony. One real consequence of provincialization, however, was the allocation to Spanish Guinea of six seats in the *Cortes*, Spain's parliament located in Madrid. Three of the delegation's members were African.

Provincialization and the ongoing debate over independence exacerbated a growing rift between the different native ethnic groups—particularly the Bubi and Fang groups—living in Fernando Po and Río Muni. In general, the Bubi population that dominated the island of Fernando Po doubted the wisdom of independence, which they correctly believed would place them under the control of the more numerous Fang that inhabited mainland Río Muni. The majority of the islanders preferred either to remain a

Spanish territory or to gain independence as a nation separate from the mainland. The Fang population in Río Muni, which had been largely marginalized by Spanish colonial officials, favored independence as a singular nation comprised of both the mainland and the islands. With its electoral advantage, the Fang, which outnumbered all other ethnic groups combined by more than three to one, easily ensured in the 1968 referendum that Spanish Guinea would achieve independence as a territorially unified nation.[7]

Macías Nguema and the Reign of Terror, 1968-1979

From 1968 to 1979, Equatorial Guinea was victimized by the totalitarian rule of Francisco Macías Nguema, a Fang from the Esangui clan in the Mongomo district in Río Muni and the country's first president. Macías Nguema's emergence onto the national political scene was marked by opportunism, good fortune, and Spanish patronage.[8] A man of unremarkable intellectual capabilities who possessed an inferiority complex toward foreigners and educated persons, an admiration of Spain's totalitarian leader Francisco Franco, and a disdain for Equatoguineans not capable of speaking Spanish, Macías gained the favor of Spanish colonial officials by remaining respectful of Spanish authority at a time when many others were publicly calling for increased autonomy from the metropole.[9] Working first as a clerk in the colonial administration's Public Works service, then as an assistant interpreter in the native court in Mongomo—where he distinguished himself by praising the Spanish judges in his translations into Fang—and subsequently as mayor of Mongomo from 1960 to 1964, Macías was

[7] In 1960, Spanish Guinea was comprised of 170,000 Fang, 20,000 Bubi, 3000 Fernandinos, 6000 whites, and about 20,000 others (including Ndowe).

[8] This section relies extensively on Liniger-Goumaz 1989

[9] Macías needed four tries to pass the exam required to achieve *emancipado* status, and then only with overt favoritism on the part of Spanish authorities (Decalo 1985).

nominated as Minister of Public Works in the autonomous Government established after Spain granted the colony provincial status in 1964.

With the guidance of Antonio García-Trevijano, a Spanish lawyer and politician with close ties to Spanish and French financial interests, Macías calculatingly played the political process to his ultimate advantage. Inactive in politics until joining a political party in 1963, Macías switched party allegiances twice in the subsequent year. At the Constitutional Conference convened in Madrid in October 1967, Macías's strategic decision to position himself as someone above the political wrangling between the Spanish government and the leading Guinean political parties helped him secure the strong support of dissidents from other political parties, who set up a "joint secretariat" around Macías. The resulting *Grupo Macías* became the vehicle for Macías's successful campaign to be the Republic's first president.

For all practical purposes, Macías was the "creation of his colonialist masters".[10] His early speeches were ghost-written, his political platform was literally typed for him, and his political tactics were laboriously defined and explained, generally by his primary patron García-Trevijano (Decalo 1985). It is notable that the draft constitution that emerged from the Constitutional Conference and was approved by popular referendum in August 1968 had many parallels to both Franco's regime and the regime in power during the colony's period of autonomy from 1964-68. The draft constitution called for a highly centralized power structure in which the President had the authority to nominate the Vice-President and half of the ministers, dissolve *La Asamblea de la República* (parliament), and suspend the people's fundamental rights for a fortnight.

[10] *Africa Research Bulletin* September 1979, cited in Decalo 1985, 218.

Through the support of the *Grupo Macías*, posters and leaflets coming from Madrid, and splits amongst his opponents, Macías, campaigning under the slogans "*Macías Siempre Cumple Con Sus Palabras*" and "*En Marcha Con Macías*",[11] easily won the country's first presidential election. It is noteworthy that his main opponent Ondo Edu carried the support of not only the Bubi ethnic group, but of several Fang districts as well, including Nguema's home base of Mongomo, where he had been mayor for four years. Most intellectuals, especially teachers, also voted against the soon-to-be president.

Macías Nguema became the country's first president on October 12, 1968, the date that also marks the nation's Day of Independence. He quickly surrounded himself with former members of the *Grupo Macías*, as well as family and friends from his Fang ethnic group. While some political offices were parceled out to rivals in an obvious effort at cooptation, seven out of nine members in his cabinet (the Council of Ministers) belonged to *Grupo Macías*, including his cousin Masié Ntutumu, the Minister of Interior and one of the orchestrators of Macías's reign of terror. His nephew and eventual successor Teodoro Obiang Nguema, along with various cousins and companions of Obiang's class at Spain's Zaragoza Military Academy, were promoted into the regime. Although only nine of the 35 Deputies in parliament belonged to the *Grupo Macías*, Mba Ada, the President of the Senate (*Consejo de la República*) and the only person capable of constitutionally blocking the executive branch, was a *Grupo Macías* member. Thus, Macías effectively wielded near total control over the government.

[11] "Macías Always Keeps His Promises" and "Progress with Macías", respectively.

Macías moved quickly to consolidate his power. After Independence, Macías's deep-seated resentments toward Spain were revealed; he quickly moved to exile remaining Spanish citizens and to nationalize Spanish interests.[12] On March 3, 1969, following anti-Spanish demonstrations (some of which were violent) incited by Macías's inflammatory speeches directed at Spain, Macías declared a state of emergency. After an alleged coup attempt two days later, Macías suspended the fundamental constitutional guarantees (Liniger-Goumaz 2000). Numerous opposition party leaders were summarily jailed and executed.

The state of emergency and the suspension of the constitution marked the beginning of Equatorial Guinea's long downward political and socioeconomic spiral.[13] Macías held only a rudimentary understanding of economics and affairs of the state, and he never formulated a cohesive set of policies or national goals (Decalo 1998). National policies were haphazard, counterproductive, and shortsighted formulations marked by Macías's paranoid and selfish personality. In January 1970, the Council of Ministers suppressed all political parties and created *el Partido Unico Nacional de Trabajadores* (Sole National Workers' Party, or PUNT), with links to a paramilitary youth movement known as *La Juventud en Marcha con Macías* (Youth in Motion with Macías), which Macías used to guard against and remove subversive elements. In May of the same year, following another alleged coup attempt, Macías abolished the Senate and amended the Constitution, granting himself all legislative, executive, and judicial powers. Subsequently, Macías nominated all judges and prosecutors. Individuals

[12] Resentment toward Spain still resonates in the country today.

[13] Forebodingly, the members of Macías Nguema's ruling structure called themselves "Nguemists" (a parallel to the "Francoists" terrorizing Spain). During a speech at the Constitutional Conference, Macías referred to Adolf Hitler as "the savior of Africa."[13]

accused of subversion lost all individual rights (Sundiata 1990, 67). Macías placed a Fang from his mainland hometown of Mongomo in the vice-presidency, a position constitutionally reserved for an islander.[14] On July 14, 1972, Macías declared himself President for Life. In August 1973, PUNT proclaimed Macías "the tireless and sole miracle of Equatorial Guinea"; a subsequent government edict mandated this slogan be read at all church services and that the President's portrait be displayed in all churches. Keeping with his continued self-aggrandizement, Fernando Po was renamed Macías Nguema.[15]

Macías Nguema's introverted nature, underwhelming intellect, and resentment of foreigners and educated persons fueled his paranoiac and destructive style of rule. He remembered past slights—real or imagined—and disdained science, technology, and education (Decalo 1985). Despite his honorific title as "Grand Master of Education, Science, and Culture" (Klinteberg 1979), Macías prohibited the use of the word "intellectual", even fining his Minister of Education for pronouncing the word at a Cabinet meeting (Liniger-Goumaz 2000). Intellectuals were hunted down and liquidated, creating an exodus of the educated that left the country without a single university graduate at the end of Macías's reign in 1979. All libraries were closed, and book and newspaper publishing became nonexistent. Macías instituted rigid censorship and banned all foreign journalists (Klinteberg 1979). His marked disregard and disdain for formal education were evident in his 1973 decision to confer a medical degree and the

[14] This constitutional measure was intended to protect the rights of the Bubi, since the Bubi were the dominant ethnic group on Bioko Island (formerly Fernando Po).

[15] It was renamed Bioko Island after Macías was deposed in a coup d'état in 1979. For the sake of clarity, the island will be referred to as Bioko Island from this point forward.

post of hospital director to a football player (and member of *La Juventud*) lacking any knowledge of medicine or administration (Decalo 1998).

The Economy

After an incident in 1976—in which soldiers of the National Guard, acting on the order of Obiang Nguema, attacked a group of Nigerian plantation laborers, killing eleven—the Nigerian government organized a massive evacuation.[16] Approximately half the Nigerian workforce in Equatorial Guinea returned to Nigeria, with disastrous effects on the country's cocoa industry, which was dependent on Nigerian labor. In March 1976, Macías introduced forced labor and placed conscription obligations of 2500 laborers on each of the country's ten districts in an effort to meet the industry's manpower needs. To meet these requirements, the teacher training center in Bata and most secondary schools were closed.

By 1975, the country's per capita gross national product (GNP)—which was $170 at the end of 1967—had plummeted to $70, and the country's economy was in a tailspin. The departure of the Nigerian workforce contributed to severe declines in cacao and coffee production between 1968/69 and 1976/77, from 34,000 tons to 8000 tons, and 8500 tons to 5000 tons respectively (Liniger-Goumaz 1989). By 1979, cacao production had declined to 3000 tons (Decalo 1998).[17] Imports were halted for months

[16] This incident merely served as a last straw for the Nigerian government, which had seen its workforce in Equatorial Guinea consistently mistreated, first by Spanish colonial authorities, then by Macías. In 1971-1972, 95 Nigerians were killed when they demanded payment of back wages, and the following year 20,000 cocoa workers returned to Nigeria, most with substantial unsettled wage claims (Decalo 1998).

[17] It is important to note that, during the colonial period, a Spanish-controlled cacao syndicate fixed the crop price at 150% the world market price, which inflated cacao production and effectively created a market bubble that likely could not have been maintained after independence even had Macías not destroyed the sector. Similar price advantages were provided to the producers of lumber and coffee during the later years of the colonial period. By the 1960s, production of coffee and cacao had consolidated into the hands of a few Spanish families and conglomerates, which further exacerbated the

at a time due to severe trade imbalances, and the central market in Malabo closed due to lack of produce (the country having become dependent on imported food). Fishing by locals—a once viable industry due to the country's fertile coastal waters—was banned to prevent people from fleeing the country by boat (Klinteberg 1979). In a desperate attempt to raise money, Macías Nguema's government charged for the release of detained foreigners, including $57,600 for a German woman, $40,000 for a Spanish professor, and $6800 for the body of a deceased Soviet citizen. Meanwhile, the President slept in a $4400 bed inside the $12 million Presidential Palace he ordered constructed in Malabo (Decalo 1998). All of the country's domestic and foreign currency were stored in suitcases at the President's house in Mongomo—along with the nation's entire supply of pharmaceuticals—and distributed at Macías's discretion. The money economy subsequently collapsed, and both domestic and foreign trade devolved into barter systems (Decalo 1998). In short, the rule of Macías was marked by the "cultural, economic, political, and administrative regression of the country down to the level of his own limited intellect and understanding" (Decalo 1985, 216).

Political and Human Rights Abuses

Under Macías, threats—whether perceived or real—resulted in swift and harsh government retaliation. Diplomats and officials representing foreign governments and international organizations were arbitrarily expelled from the country. Four foreign employees of the UNDP were deported and the program closed in 1973 after alleged involvement in a coup plot (Sundiata 1990, 70). Diplomatic relations with the United

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production drop-off following independence. In 1962, 2.3% of the farms on Bioko Island controlled 53% of the cultivated land (Sundiata 1990, 49). The average non-African owned plantation was 61 hectares, while African farms averaged 5.7 hectares (Harrison Church et al 1977, 278 cited by Sundiata 1990, 47).

States were severed on March 15, 1976 by means of an insulting note handed to the US Ambassador at the Malabo airport (Liniger-Goumaz 1989).

In a strategy later duplicated by his successor, Macías repeatedly used alleged coup attempts to purge opponents, sometimes from within his own government. Macías once claimed that he had survived 14 attacks on his life, an assertion never validated by evidence. It is likely that such claims were fabrications used to eliminate opponents and demonstrate Macías's invulnerability and divine protection (Klinteberg 1979). Of the 46 politicians who attended the 1967-1968 Constitutional Conference in Madrid, 36 were dead by 1979; most were put to death by the regime. Over two-thirds of the first legislative assembly died violently or disappeared (Sundiata 1990, 68). In 1975, a former vice-president and scores of others were rounded up and killed after Macías learned that a poster bearing his image was anonymously torn down and mutilated in Malabo. Their execution was widely publicized as a "'lesson' to all other 'antisocial' elements in the country" (Decalo 1998, 88). When the director of statistics published a census in 1970 deemed too low (thus offending Macías's self esteem by highlighting the relative global insignificance of his fiefdom), the President had him dismembered to "help him learn to count" (Liniger-Goumaz 1980, 290 cited in Decalo 1998, 94). After a group of 100 magistrates and senior civil servants petitioned Macías in December 1976 to alter his ruinous economic policies, all were summarily rounded up and jailed, and several were executed. A group of army officers, including several relatives of the President, were shot after approaching Macías to inquire about pay they had not received over a period of several months (Liniger-Goumaz 1989).

Average citizens did not escape the arbitrary and brutal “justice” and paranoia of Macías and his state security apparatus. Since Macías had rewritten the Constitution and abrogated judicial independence, the court system was systematically bypassed. Trials were a rarity; instead, punishments were administered directly by security forces and suspects were imprisoned without due process. In June 1974, 118 prisoners were tortured and killed in Bata’s central prison after an alleged coup attempt (Sundiata 1990, 68). Many members of the supposed coup plotters’ families mysteriously died shortly thereafter in an epidemic of “suicides” (Decalo 1998). *Comités de base* (committee bases), comprised of local members of PUNT and La Juventud, took root in every village, effectively establishing a grassroots surveillance network. *Jefes de seguridad* (security chiefs) at the village level arrested, interrogated, and often tortured suspects denounced by other villagers. Residents had to receive a “*credencia*” permit for all travel and movement within the country, and such movement was monitored by military checkpoints set up at roads throughout the country (Klinteberg 1979). Postal censorship, the abolition of passports, and rigid restrictions on both domestic and international travel further monitored and controlled citizen activity. After a group of exiled students occupied the Equatorial Guinean embassy in Madrid in protest of the regime’s abuses, many of their relatives living in Equatorial Guinea were murdered. Macías’s systematic and tactical terror seemed to emulate Idi Amin, Haile Selassie, Mobutu Sese Seko, Marien Ngoubi, and Jean-Bedel Bokassa, other African leaders for whom he expressed admiration (Sundiata 1990).

In addition to overt repression, Macías relied upon his carefully and consciously constructed charisma to legitimize and consolidate his rule. He built up the image of his

supernatural powers, claiming the ability to control tigers and exploiting traditional beliefs in witchcraft and sorcery to instill dread of his magical powers amongst the people. In addition to using clan leaders and elders, as well as praise singers, to spread fear of his magical prowess, he collected some 45 different titles, including "The Only Miracle" and "The Tiger". Unquestioning belief in his supernatural powers permeated society and inspired loyalty and obedience, even though Macías was not well liked (Decalo 1998). Party officials often stated "*No hay más Dios que Macías*" (there is no other God than Macías), and the slogan "God created Equatorial Guinea thanks to Macías. Without Macías, Equatorial Guinea would not exist" became mandatory in church services.[18] The army itself was afraid of Macías's renowned powers. When Macías was executed by firing squad on September 29, 1979, it was Moroccan, rather than local, troops that pulled the triggers; the latter feared that Macías would return in death as a tiger and hunt down his killers.[19] The deep-seated belief in Macías's supernatural powers continued even after his death, as rumors widely circulated that his ghost continued to walk the land (Decalo 1998, 97).

Macías effectively used the instruments of the modern state to appeal to Fang nationalism and disrupt the class structure of colonial society. In reality, while he successfully destroyed the class structure, his appeal to Fang nationalism was misleading, for he predominately displayed favoritism toward individuals from his own Esangui clan of Fang, based in the far eastern part of Río Muni. At independence, the

[18] The increasingly antagonistic relationship between Macías and the Catholic Church came to a head in 1975, all Catholic priests and nuns were arrested. The use of Christian names was banned by Presidential Decree in February 1976. Macías declared Equatorial Guinea an "atheistic country" in May 1978 (Klinteberg 1979).

[19] *Africa Research Bulletin* (October 1979), cited in Decalo 1998, 79.

4000 members of the Esangui represented just 1.5% of the country's total population (Sundiata 1990, 66). While Macías initially extended political offices to opposition figures, by 1978 he had solidified the control of the Esangui clan, in particular his family, over government offices. He had effectively created a political dynasty that continues to rule today, even if some of the faces and names of those in power have changed.

Among this governing cohort of family and friends was his nephew Teodoro Obiang Nguema, also from the Esangui clan of Mongomo. Obiang was promoted to lieutenant colonel and made Macías's right hand man in 1975. Under Macías he served as the governor of Bioko Island and as the director of the infamous Black Beach prison, renowned for its incarceration and torture of political prisoners, which Obiang oversaw. Obiang presided, along with his relatives, close relations, and members of the army, over the Supreme Military Council (*Consejo Militar Supremo*, or CMS), which residents labeled "***C**on **M**ongomo **S**iempre*" (Always with Mongomo), a cynical reference to the Esangui clan's monopoly of government positions (Liniger-Goumaz 2000).

The human toll of Macías's reign was staggering. The country's educational and health systems were decimated and became virtually non-existent (Decalo 1998). A cholera outbreak on Annobón Island was allowed to run its course after Macías delayed a shipment of United Nations (UN) and World Health Organization (WHO) vaccines, medical supplies, and food to the island for nearly a year.[20] The survivors of the epidemic were conscripted to work on the cocoa plantations of Bioko Island. A teacher training institute in Bata, set up under the auspices of the United Nations Educational, Scientific and Cultural Organization (UNESCO), made little progress due to Macías's

[20] It has been suggested that this occurred due to Macías lack of trust in the islanders' presidential loyalties (Sundiata 1990). 192 of the island's 400 inhabitants are reported to have died (Klinteberg 1979).

lack of support. By the end of the Macías era, the entire educated class and most of the country's early nationalist leaders, clergy, and politicians had been liquidated or were living in exile. While estimates vary, between 50,000 and 100,000 of the nation's 300,000 people were killed and another 50,000 – 125,000 people fled the country.[21] While the exact numbers are unknown, it is clear that a significant number of the country's people were either killed or exiled during Macías's reign. Those who stayed behind endured one of the most brutal periods of dictatorship in modern times.

By 1979, the country's political and economic systems had largely ceased to function. Klinteberg (1979), who visited the country in 1978, reported that only four government ministries seemed to be functioning, with most other ministries appearing to have been closed for a long time. Other sources claim that no official business had occurred in the country for more than a year (Globe and Mail 1979). A number of donor-nations, including China and the European Economic Community, had withdrawn their support in response to the regime's excesses. In 1978, the remaining expatriate teachers provided by UNESCO and Spain left the country.

The arbitrary nature of Macías's brutality and the lack of material accumulation under his haphazard rule led to the regime's downfall in 1979. Macías had increasingly withdrawn from actively governing the country and isolated himself in his compound in Mongomo, leaving Obiang and his cohorts in charge of the daily tasks of governing. Macías continued his paranoid purge of suspected opposition, liquidating several high level officials, including one of Obiang's brothers. Concerned for his own survival,

[21] This data comes from Artucio 1980 (cited in Sundiata 1990, 65), *West Africa,* August 13, 1979 (cited in Decalo 1998, 87), and Liniger-Goumaz 2000. Klinteberg (1979), who snuck into the country in 1978 and provided the Western world a rare glimpse into Equatorial Guinea during this period, estimated that at least 101,000 refugees fled the country.

Obiang successfully recruited his civil and military comrades to overthrow Macías, a task easily accomplished against a highly unpopular and marginalized leader.[22]

Before moving on to discuss Equatorial Guinea's efforts to recover from the devastating brutality of the Macías years, it is worth emphasizing how it was that one man, with the tacit support of only a small fraction of the population, managed to remain in power for 11 years. Certainly the high degree of repression—facilitated by his control over the military and security forces—was one key factor. Equally important, however, was the ability of Macías—by playing upon religion, traditional beliefs, and superstitious elements in society—to inspire a feeling of fear "so strong that it cause[d] almost total apathy and political impotence" (Klinteberg 1979, 52). As we assess the post-Macías period under the rule of Teodoro Obiang Nguema, it is worth noting certain parallels that emerge in the strategies used by the two rulers. The dynamic of fear and apathy created during the Macías regime is still palpable in Equatorial Guinea today.

The Obiang Nguema Regime: Petroleum, Prosperity, and Plunder

In making comparisons between the regimes of Macías Nguema and Obiang Nguema, it could be argued that—although the latter's tenure has been less brutal and less destructive—the differences are in degree and not in kind. Unlike other African countries that have endured violence and repression on par with Equatorial Guinea under Macías—most notably the Central African Republic under Jean-Bédel Bokassa and Uganda under Idi Amin—Equatorial Guinea did not experience a change in regime type after the dictatorship came to an end. Under Obiang, arbitrary violence and forced

[22] The coup was also likely motivated by Obiang Nguema's realization that, given the role he had played in the regime of Macías, his survival in a post-Macías world was far from certain. Before the coup, he reportedly admitted to his cousin Oyon Ayingono that he was afraid of being hanged by the people if Macías was ever overthrown (Liniger-Goumaz 2000).

disappearances have declined, and a certain degree of civil administration and rational economic planning has been restored, although it is still unclear whether this is a good-faith effort to modernize and develop the country or an attempt to make the dictatorship "more cost-efficient, personally lucrative, and less repugnant abroad" (Decalo 1998, 53). Yet the personal rule institutionalized by Macías—marked by a highly centralized power structure, an instrumental view of formal institutions, and impulsive and self-aggrandizing behavior—was carried forward into Obiang's regime and continues to influence many aspects of politics, economics, and society. This is discernible in Obiang's carefully constructed larger-than-life image and sometimes self-serving policies that undermine long-term state development. It is evident in the institutionalized neopatrimonialism that permeates all levels of the government bureaucracy and anchors it to society. It is visible in the inability or unwillingness of bureaucrats to think and act independently without consulting a superior, a principal contributor to the bureaucratic paralysis that manifests itself as government inefficiency. It is apparent in the acquiescent and frightened majority that continues to live in poverty while a relatively small elite class enriches itself on the country's oil largesse.

The biggest development during the Obiang regime has been the discovery and exploitation of oil and natural gas, which have substantively altered the economic prospects and political aspirations of this small African country. With the discovery of oil in 1991, Equatorial Guinea began its transition from a virtually unknown country to a country courted by the most powerful countries in the world. The leadership in Equatorial Guinea has sought to exploit this sudden change in fate by leveraging its oil wealth to improve its international image and to increase its influence and legitimacy,

both at home and abroad. Interestingly, while the country's oil wealth presents the country with some of the challenges commonly associated with resource-rich poor countries—such as Dutch disease, which is discussed in detail below—it also has exposed the country to greater scrutiny by international observers. The country's oil wealth has attracted greater international attention to the corruption, human rights abuses, and undemocratic practices of the Obiang regime. Given its global importance, oil makes for a sexy story, and journalists in search of a byline and international NGOs engaged in their perpetual quest for donor funding have focused greater attention on Equatorial Guinea since its discovery of oil, even though the corruption, human rights abuses, and undemocratic practices they demonize existed long before the country's first successful oil well was drilled. The attention that journalistic and humanitarian campaigns have brought to bear on the problems of Equatorial Guinea and the abuses of the Obiang regime has led foreign governments and MNCs to push the Obiang regime to enact reforms and to improve living conditions for ordinary Equatoguineans. The pressure of MNCs on the Obiang regime is rooted in their desire to minimize the potentially reputation-damaging criticism stemming from their associations with an undemocratic regime with a poor human rights record.[23]

The remainder of this chapter explores the fascinating juxtaposition of the pre- and post-oil discovery years of the Obiang regime. It first outlines the policies and practices that have attracted the ire of the regime's critics—particularly its poor human rights record, non-democratic methods, and persistent neopatrimonialism—and

[23] For reports critical of MNC operations in Equatorial Guinea given the country's poor human rights, corruption, and democracy records see Blum 2004; Maass 2005; Global Witness 2009; and Human Rights Watch 2009.

assesses the conditions of the country's health and education sectors. Then we assess the role that oil played in catalyzing the regime's desire to improve its tarnished image, analyze the tactics used to achieve this, and finally, explore the likelihood that the regime's rhetoric and actions will translate into actual improvements in governance and the quality of life for ordinary citizens.

The Obiang Nguema Regime, 1979-1994

Politics

Events immediately following the 1979 coup signaled that Obiang did not intend a drastic departure from the political trajectory set by his predecessor. Political appointees in the new regime were many of the same individuals that had—until the coup d'état—faithfully served the Macías regime, raising the concern that "although the head of the snake has been cut off, Equatorial Guinea is still left with the same snake."[24] Indeed, with the "Old Guard" that had constituted the core base of support for Macías surviving at every level of government, "it [was] difficult to evade the stark conclusion that anybody who survived under [Macías] in a position of any influence was more than a passive witness to the excesses of his regime."[25] With relatively few exceptions, the perpetrators of violence and repression during the Macías years became the key architects of the Obiang regime.

Although the extent to which the Obiang regime used torture and violence to exert control over the state was less compared to the Macías regime, they remained notable features of the political landscape. Opponents of the government—perceived or real—were frequently arrested or detained. Some were tortured. Like the Macías

[24] Africa Confidential, cited in Decalo 1998, 99.

[25] ibid.

regime, the Obiang regime used alleged coup d'état attempts to purge government opponents. Inter- and intra-ethnic conflict persisted, with discrimination against minority groups and internal squabbles amongst the ruling Fang a frequent occurrence (Klitgaard 1991).

Electoral politics were not democratic. In 1982, Obiang—running unopposed, since political parties were not legal—won a constitutional referendum that granted him a seven year term (the referendum received support from 95.8% of voters). In the 1983 parliamentary elections, individuals (political parties still did not exist) supporting Obiang won all 41 seats. Following the election, Obiang created a one-party state and organized the *Partido Democrático de Guinea Ecuatorial* (Democratic Party of Equatorial Guinea or PDGE). In the 1988 parliamentary elections, the PDGE won all 41 seats (see Table 3-2). In the run-up to the June 1989 presidential election, meetings of more than four people were prohibited. In that year's election Obiang won 99.96% of the vote (see Table 3-1).

In 1991, a new constitution was introduced that guaranteed civil liberties and instituted multipartyism. It is likely that this relatively small degree of political liberalization was the consequence of the intense leveraging by Western countries and institutions, including the IMF and the World Bank, that occurred throughout much of Africa (and other parts of the world) following the downfall of the Soviet Union, and was unrelated to the discovery of oil in that same year.

The narrow political opening did not alter the regime type or fundamentally transform the nature of Equatorial Guinea's politics. The constitutional referendum—in addition to declaring that Obiang could not be "prosecuted, judged or called as witness

before, during and after his mandate"—instituted a 10 year minimum residency requirement for the office of the president, effectively excluding any presidential challenge from the thousands of exiles still living abroad, particularly the opposition parties in exile in Spain.[26] In 1993, a similar 5 year residency electoral law was passed for participation in the legislature (Liniger-Goumaz 2000). In the early 1990s, a Presidential Decree mandated that new political parties had to deposit more than $150,000 with the electoral commission at a time when the nation's per capita income was less than $350 per year (Aidoo 1993), effectively limiting political participation to the small elite class already allied with the PDGE. An election boycott by opposition parties in 1993 set off a series of political assassinations (disguised as suicides à la Macías), mass arrests, and torture. In 1994, John Bennett—the United States ambassador to Equatorial Guinea from 1991 to 1994—received a death threat and left the country. The government accused Bennett of using witchcraft to help the opposition win elections. Bennett asserts that the death threat was government retaliation for having highlighted instances of government torture (Leung 2004).

Economy

Having endured years of austerity under the incompetent and unpredictable rule of Macías, the repackaged ruling Esangui elite wasted little time enriching itself from the government treasury. Between 1979 and 1981, much of the $36 million in foreign aid (equal to roughly $150 per capita) that poured into the country was allegedly stolen by the "Tropical Gangsters" that worked for—or enjoyed the favor of—the Obiang regime,

[26] Article 33 of Constitutional Law No. 1/1995 enacted on January 17, 1995 decreased the residency requirement to five years. The country's Constitution is available at http://www.ceiba-guinea-ecuatorial.org/guineeangl/nvelle_const.htm.

leading international organizations to threaten the discontinuation of aid until the funds reached their intended targets.[27] By 1983 luxurious estates were springing up around the capital (Decalo 1998), a phenomenon that accelerated after the discovery of oil in the 1990s.

Prior to the discovery of oil, the country's economy languished due to the devastation wrought by the Macías regime, poor government planning and policies, declining cocoa and coffee production, high debt, and few productive economic sectors (Klitgaard 1991). A quick glance at the available economic data for this period reveals a country in poor economic health. Between 1985 and 1994, the country's GDP grew at an average annual rate of 2.8% from a relatively small GDP base of $194 million in 1985 (see Figure 3-2).[28] The country was heavily reliant on primary products: agricultural products, forestry, and fishing accounted for between 45% and 50% of total GDP between 1992 and 1994 (IMF 1998).[29] The country also was dependent on ODA during this period; between 1985 and 1994 Equatorial Guinea received average ODA equivalent to 39% of gross national income (GNI), peaking at 54% of GNI in 1989 (see Figure 3-2).[30]

[27] Tropical Gangsters is the term Klitgaard (1991) used to describe the corrupt and opportunistic ruling class (i.e. the Obiang regime) that controlled the country when he served as a World Bank-affiliated consultant in Equatorial Guinea in the late 1980s.

[28] Reliable information about the country's GDP prior to 1985 is unavailable.

[29] The paucity of reliable economic data relating to GDP by sector for the country makes it difficult to state for certain the exact composition of the country's GDP prior to 1992, but anecdotal evidence (for instance Klitgaard 1991) suggests that the country was reliant upon primary products during the 1980s as well.

[30] ODA increased from $2.6 million in 1979 to $30 million in 1994, peaking at $62 million in 1992. Reliable information about the amount of ODA the country received between 1980 and 1985 is unavailable.

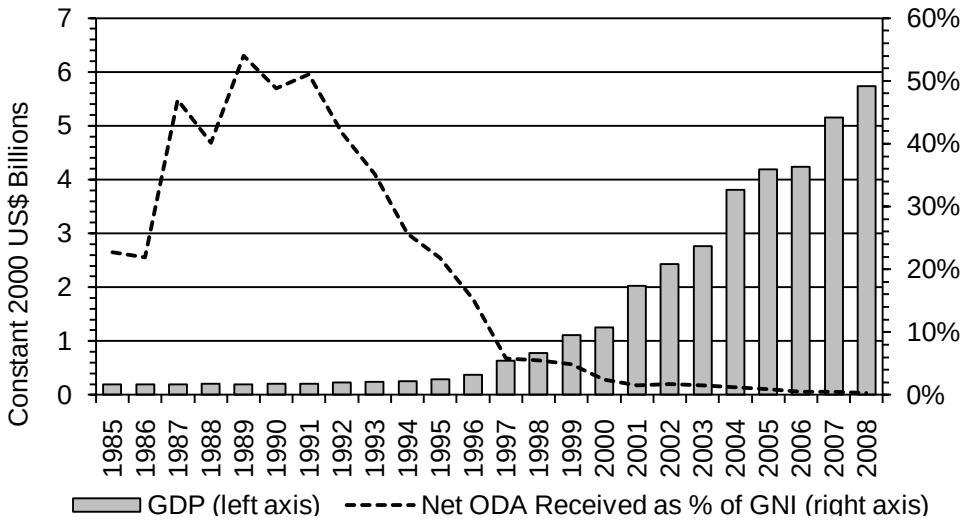

Figure 3-2. GDP and ODA, 1985-2008. Data from the World Bank (2010a).

Education

Few reliable statistics exist for the status of the country's education and health systems between 1979 and 1994; although anecdotal evidence suggests that neither improved significantly during this period. The sparse data available, however, does highlight a small number of modest improvements, at least in comparison to the Macías years. Public spending on education as a percentage of total government spending increased from 3.9% in 1988 to 5.6% in 1993. Gross primary school enrollment increased from 174% in 1980 to 185% in 1984, and gross secondary school enrollment increased from 9% in 1980 to 31% in 1994 (World Bank 2010a) as students denied access to education during the Macías years returned to school.[31]

[31] Gross school enrollment refers to the total number of children enrolled in school, regardless of age, expressed as a percentage of the total number of students of official school age. If, as is the case in Equatorial Guinea, students above (or below) the official school age are enrolled in school, this number can exceed 100%. The education statistics provided here should be viewed with caution, however, since the amount of missing data for this period (data is only available for two, four, and three years respectively for government spending on education, primary school enrollment, and secondary school enrollment) raises questions about the accuracy and timeliness of data recording and reporting.

Although Obiang took steps to reopen some of the schools closed during the Macías era and expanded primary education, the government's efforts on education during this period were noteworthy only when placed in comparative context alongside the devastating impact Macías had on the country's education system. While schools had officially reopened, they were in poor condition. A UNESCO visit to 17 schools on Bioko Island in the mid-1980s revealed that none had blackboards, pencils, or textbooks (Klitgaard 1991), and teachers frequently operated without adequate pay (Decalo 1998).

Health

Life expectancy increased from 42 to 48 years between 1979 and 1994 (World Bank 2010a), undoubtedly influenced by the decrease in extrajudicial killings following the removal of Macías and the rapid escalation of ODA during this period. Infant mortality rates (per 1000 births) declined modestly from 130 in 1985 to 111 in 1995 while under-five mortality (per 1000 children) declined from 215 to 182 during the same period (World Bank 2010a). Due in large part to an aggressive World Health Organization (WHO) vaccination campaign, vaccination rates between 1985 and 1994 increased from 3% to 77% for DPT and from 11% to 80% for measles (World Bank 2010a).[32] According to a World Bank-affiliated economist stationed in Equatorial Guinea in the late 1980s, the country's overall health conditions—in particular malaria—may have worsened in the 1980s, however (Klitgaard 1991).

[32] The success of the WHO campaign was brought to my attention during a personal interview with the country director of an international health organization in Malabo, Equatorial Guinea on January 15, 2010.

The Obiang Nguema Regime, 1995-2010

Politics

Although the country proclaims itself a democratic constitutional republic—and despite repeated pro-democracy pronunciations and overtures over the past two decades —here is still a lack of will on the part of Obiang to hold open, fair, and multiparty elections.[33] In the 1996, 2002, and 2009 presidential elections Obiang won between 95% and 99% of the vote (See Table 3-1). Numerous irregularities were associated with all three elections. In the 1996 election, Obiang received more than 100% of the vote in some parts of the country (Rodrigues 2006). Freedom House (2010) gives Equatorial Guinea its lowest possible score (seven) for civil liberties and political rights, placing the country in rather dubious company alongside Burma, Libya, North Korean, Somalia, and Sudan.

Table 3-1. Presidential elections in Equatorial Guinea, 1968-2009

Year	Winner (Political Party)	Votes Received %	Notes
1968	Francisco Macías Nguema (IPGE)	39.6 (1st Round) 62.3 (2nd Round)	
1973	Francisco Macías Nguema (PUNT)	--	Ran unopposed. Macías declared "President for Life" in 1972.
1982	Teodoro Obiang Nguema (No Party Affiliation)	95.8	Constitutional referendum granting Nguema a year term. Ran unopposed.
1989	Teodoro Obiang Nguema (PDGE)	99	Ran unopposed.
1996	Teodoro Obiang Nguema (PDGE)	97.9	Opposition parties boycotted.
2002	Teodoro Obiang Nguema (PDGE)	97.1	Four candidates withdrew alleging fraudulent conditions.
2009[a]	Teodoro Obiang Nguema (PDGE)	95.4	International election monitors noted numerous irregularities.

Source: African Elections Database 2006; a. Government of Equatorial Guinea 2009

[33] A government press release issued one day before the May 4, 2008 elections, carrying the title "Democracy At Its Peak in Equatorial Guinea," un-ironically observed that "Everything leads to the military brother and founding president of the PDGE, Obiang Nguema Mbasogo." available at http://guinea-equatorial.com/News/?NewsID=392.

Table 3-2. Parliamentary elections in Equatorial Guinea, 1968-2008

Year	Winner	Number of Seats	% of Seats Won by Parties (or Individuals) Affiliated with President
1968	National Liberation Movement of Equatorial Guinea (MONALIGE) National Unity Movement of Equatorial Guinea (MUNGE) Popular Idea of Equatorial Guinea (IPGE)* Bubi Union (UB)	10 10 8 7	23%
1983	Individuals (No political parties allowed)	41	100%
1988	Democratic Party of Equatorial Guinea (PDGE)**	41	100%
1993	Democratic Party of Equatorial Guinea (PDGE)** Convergence for Social Democracy (CPDS) Social Democratic Union (UDS) Liberal Democratic Convention (CLD)	68 6 5 1	85%
1999	Democratic Party of Equatorial Guinea (PDGE)** Popular Union (UP) Convergence for Social Democracy (CPDS)	75 4 1	94%
2004	Democratic Party of Equatorial Guinea (PDGE) & Allies - PDGE** - Democratic Opposition** Convergence for Social Democracy (CPDS)	98 {68} {30} 2	98%
2008*	Democratic Party of Equatorial Guinea (PDGE) & Allies - PDGE** - Democratic Opposition** Convergence for Social Democracy (CPDS)	99 {89} {10} 1	99%

Source: African Elections Database 2006; * Election Guide 2008
** Denotes affiliation with the President

Obiang and his ruling party rely on several time-tested methods to ensure their electoral dominance. Although multipartyism was established in 1991, opposition parties and their supporters have routinely and consistently been subject to suppression, harassment, and even violence. Government authorization is required for private meetings of more than ten persons (EG Justice 2008). In presidential elections, Obiang has unexpectedly advanced the voting day—from June to February in 1996, and from December to November in 2009—leaving the opposition off-balance and unprepared.

Parliamentary elections have been marred by high degrees of vote-rigging and intimidation and consequently weaken the opposition's ability to gain a foothold. In May 2008, the parliamentary representation of CPDS—the only political party not affiliated with the PDGE to win a seat—was reduced from two to just one of the 100 parliamentary seats. A coalition comprised of PDGE and nine smaller parties (collectively calling themselves the Democratic Opposition, although they are widely believed to be Obiang supporters) won 99 seats (see Table 3-2). Allegations of electoral irregularities were widespread, and the President's coalition reportedly won 100% of the vote in many districts (Freedom House 2010). The opposition fared no better in municipal elections, winning just 13 of 332 seats (Reuters 2008). The government closely monitors opposition parties, in particular the CPDS, and opposition party members are occasionally imprisoned, denied exit visas to travel abroad, or interrogated upon their return.

In addition, Obiang habitually and conveniently finds reasons to ban opposition parties and candidates from effectively participating in elections. Reminiscent of the Macías strategy for purging opponents and perceived threats—and continuing a practice carried out in the pre-oil period—coup plots are "exposed" with regularity and used to justify the purging of key opposition leaders.[34] Legitimate opposition candidates are routinely harassed and prevented from campaigning, which includes having passports confiscated at airports and being prevented from driving to and attending campaign rallies. There are no independent newspapers or media outlets, making it

[34] Dozens of members of the Popular Union opposition party were arrested during the parliamentary elections in March 1999; In June 2002, six months before the presidential election, 68 people, including main opposition leader Placido Mico Abogo, were jailed for an alleged coup plot (BBC News 2008).

difficult for opposition parties to effectively disseminate their messages. Despite being a right guaranteed by the Constitution, legitimate opposition parties receive zero airtime on the lone national TV and radio stations, both which are state-controlled.[35] This contrasts starkly with the treatment of pro-government "opposition" parties, which according to state media were offered more than $1.7 million and several luxury cars for the 2008 electoral campaign to rally for "the expansion of Obiang Nguema Mbasogo's work" (Angue Nguema 2008).

With the exception of two or three small parties, all "opposition" parties are allied with the ruling party, PDGE. This serves a dual purpose. First, it enables Obiang to appease international pressures to democratize by pointing to his multi-party coalitional government as evidence of democratic progress without allowing any significant political space for a true opposition. Second, it allows Obiang's regime to monitor attendance at meetings held by the faux-opposition and identify potential true opposition supporters by noting the individuals who do not attend.

While the above methods are used to limit voter choice, other government orchestrated strategies for maintaining ruling party hegemony focus on limiting or influencing voter participation. The government restricts voting by confiscating (or not issuing) the voting cards of known opposition supporters and monitors party loyalty by staging PDGE meetings and subsequently harassing non-attendees.[36] At polling stations, numerous methods are employed to intimidate and influence. According to a disgruntled PDGE insider with firsthand experience of vote-riggin, people are handed

[35] Personal interview with opposition party member, Malabo, Equatorial Guinea, October 24, 2008.

[36] Interview with opposition party member, Malabo, Equatorial Guinea, October 24, 2008.

different colored ballots for each political party prior to entering the voting room, where often only PDGE party observers are allowed to accompany voters. People are instructed to cast one ballot and throw the remaining unused ballots on the floor. PDGE poll workers are instructed to remove any PDGE ballots from the floor, thereby maintaining the appearance that no one is voting for an opposition party (a subtle "hint" to others entering the room).[37] Despite a 1998 electoral law mandating secret voting, there are reports that open voting still occurs. In one version recounted to me, voting officials assemble voters in a room and ask who plans to vote for parties other than PDGE and then cast the votes on their behalf (i.e. voters never touch the ballots).[38]

In addition, it can be difficult or impossible to get a job if not aligned with PDGE, and people can lose their jobs for supporting opposition parties or publicly criticizing the government.[39] During the November 2009 presidential campaign, locals not interested in attending campaign rallies still took time off from work to attend Obiang's campaign speeches out of fear that non-attendance would result in negative personal consequences.[40] The military and police forces are extremely paranoid and suspicious.

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[37] Personal informant, Malabo, Equatorial Guinea, October 7, 2008.

[38] Personal interview, Malabo, Equatorial Guinea, October 24, 2008.

[39] Interview with opposition party member, October 24, 2008, Malabo, Equatorial Guinea. An encounter with an outspoken critic of the government in January 2010 lends support to the claim that government opponents can find gainful employment difficult to secure. This individual had recently lost a job working with an international organization when the government sent a letter informing the organization that it could no longer employ the individual (I personally viewed the document). While the letter did not state a reason for the person's dismissal, a pattern of government harassment of this person suggests a targeted attack due to anti-government views. In a separate incident, the leader of a civil society organization—upon returning to the country from a trip to the U.S.—learned that he had been suspended from teaching at the National University. His superior refused to state a reason for his suspension, only stating that he would need to discuss the matter with President Obiang Nguema. His trip to the U.S. included a presentation at a conference in which he enumerated several shortcomings of the current government (Personal correspondence, June 10, 2010).

[40] Phone interview with international technical advisor present in Equatorial Guinea in November 2009.

People are afraid to openly challenge or confront others, even for things such as reckless driving, because one never knows who might be connected to the government or police.[41] In the past, citizens have been jailed for posting comments critical of Obiang on the internet (BBC News 2002), and rumors circulate in Malabo and Bata that the government monitors internet use, including email. In 2004, after local coverage of the U.S. Senate's investigation of the Riggs Bank scandal caused a stir on the streets of Malabo, the Ministry of Information cautioned local providers of foreign satellite television channels to be more "selective" in their programming choices (Mayoux 2004).

Just in case limiting voter choice and voter freedom are not enough to guarantee the desired electoral outcomes, the ruling party takes measures to alter voter incentives. Reports of cash and truckloads of consumer goods such as satellite dishes and flatscreen televisions being handed out at PDGE electoral rallies have been reported (Angue Nguema 2008).

Although the population is no longer subject to the same degree of violence and repression as existed during the Macías years, both are weapons still wielded by Obiang's regime to maintain control. Even though in 1985 it became the 31st state to sign the UN Charter of Human Rights, a host of international observers have consistently documented the human rights abuses of the Obiang regime. After concluding a November 2008 visit to Equatorial Guinea the UN Special Rapporteur on torture reported that "torture is systematically used by the police forces against persons who refuse to 'cooperate'" (UNHCHR 2008). The U.S. Department of State annually compiles a long-list of the regime's human rights abuses. In its 2008 Country Report on

[41] Interviews with local citizens, October 2008, Bata, Equatorial Guinea and January 2010, Malabo, Equatorial Guinea.

Human Rights Practices for Equatorial Guinea, the State Department noted numerous problems, including restrictions on freedom of speech and of the press, instances of physical abuse and torture of prisoners and detainees by security forces, arbitrary arrest, impunity, judicial corruption and lack of due process, restrictions on the right of assembly, association, and movement, government corruption, gender based violence and discrimination, suspected trafficking in persons, discrimination against ethnic minorities, and restrictions on labor rights (U.S. Department of State 2008a). The U.S. State Department (2003) alleges that the nation's security forces, headed by the President's brother Armengol Ondo Nguema, have committed grave human rights abuses, including torture and the killing of at least five prisoners.[42]

Anecdotal evidence collected from locals and visitors suggests that overt repression is less commonplace today than it was even 10 or 15 years ago. In the course of conducting field research in Equatorial Guinea in January 2010, I heard stories of security forces beating individuals in the street in the mid-1990s for slight or even perceived offenses.[43] A journalist recounted a story about seeing the mutilated naked body of Obiang Nguema's Russian pilot hanging dead in the central market in Malabo during a visit in 1999.[44] Such instances of public violence by the state's security apparatus today are uncommon, yet this does not necessarily mean that repression has lessened. Foreigners who have been visiting the country for at least five years report a

[42] See also a 1999 U.S. Department of State report that concluded that "Police reportedly urinated on prisoners, kicked them in the ribs, sliced their ears with knives, and smeared oil over their naked bodies in order to attract stinging ants. The President and senior government officials acknowledged that the security forces had committed excesses, but attributed them to rogue elements. However, according to credible reports, this torture was approved at the highest levels of the Government and was directed personally by the chief of presidential security, Armengol Ondo Nguema."

[43] Personal interviews, Malabo, Equatorial Guinea, January 2010.

[44] Email correspondence, March 29, 2007.

discernible improvement in the way that security is enforced.[45] However, some citizens believe that active repression by security forces still occurs, but now it is carried out secretly instead of in plain view. If this is true, it would make it extremely difficult to systematically assess the degree to which repression has increased or decreased over time. Out-of-sight repression is also problematic because it decreases the ability of both local and international groups to pressure the government for reform. As one local citizen put it, "if the violence today occurs in the forest, outside the public's eye, is that better or worse than before?"[46]

Much like his predecessor, Obiang's rule has been marked by a high degree of paranoia and suspicion, exhibited in his reliance on heavy handed and omnipresent security forces. Like his predecessor, Obiang's Presidential Guard is comprised of Moroccan soldiers, suggesting a distrust of the military. Arbitrary arrests still occur, and as noted above, torture is still used as a mechanism of fear and reprisal. Security and suspicion are ratcheted up after each proclaimed coup d'état, including the infamous "Wonga coup" attempt in 2004, although rumors of coup plots have circulated the streets of Malabo at least three times since then.[47]

In the course of conducting field research for this study I experienced first hand the paranoia and suspiciousness of the country's security forces. While attempting to conduct interviews in Bata in October 2008, I was detained by military and police

[45] Personal interviews, Malabo, Equatorial Guinea, July 2007.

[46] Personal interview, Malabo, Equatorial Guinea, January 2010.

[47] For a detailed account of the 2004 coup attempt by South African and British mercenaries financed in part by Mark Thatcher, see Roberts' *The Wonga Coup* (2006). The most recent alleged coup attempt occurred on February 17, 2009, when several boats filled with gunmen allegedly attacked the Presidential compound in Malabo. Government state radio accused Nigeria's Movement for the Emancipation of the Niger Delta (MEND) for the attack, which MEND denied. The attack was thwarted by government forces, including the country's limited air force (Reuters 2009).

personnel for questioning. Over the course of five hours I was interviewed by more than a dozen individuals, who tried (unsuccessfully) to obtain the identities of the people with whom I had spoken before being detained. In addition, I was reprimanded for moving about the country without a local escort,[48] for asking people questions about the government's effectiveness in providing social services, and for inquiring about the importance of ethnicity in the formation of individuals' identities.[49]

Economy

The country's economic fortunes took an unexpected positive turn with the discovery of oil in the 1990s. Although petroleum exploration began in 1965—prior to Independence—and continued sporadically in the 1980s after the destructive rule of Macías came to a close, no commercially viable wells were discovered until 1991.[50] In the early 1990s, a number of American oil companies were granted concessions—the first were Walker International, Mobil (now ExxonMobil), and United Meridian Corporation (now Ocean Energy Corporation)—and quickly discovered viable oilfields. In 1995, United Meridian and Mobil discovered the Zafiro oilfield—the largest discovered in the country to date—and oil production from the field came online in 1996, markedly increasing the country's oil production and revenues (MMIE 2009). Other companies—including Marathon and Hess—later obtained exploration and production

[48] There is no law requiring foreigners to be accompanied by a local guide. Up until the day of my temporary detention (including a visit the previous year) I moved independently about the country. I continued to do so after my release, including a subsequent research trip December 2009—February 2010, without further incident.

[49] The Secretary General at the Bata police station angrily informed me that such questions were "very dangerous," but he did not state why, to whom, or for whom they were dangerous.

[50] The Alba field, one of the country's largest natural gas fields, was discovered in 1983 by the Spanish-Equatorial Guinean joint venture firm GEPSA, but was not deemed at the time to be commercially viable.

rights to other offshore blocks.[51] Today, a number of oil and gas companies from around the world—including Brazil, China, Germany, India, Japan, Portugal, Russia, South Africa, Spain, United Kingdom, and the United States—are actively exploring for or producing hydrocarbons in Equatorial Guinea. Consequently, annual FDI to Equatorial Guinea has soared, from $17 million in 1994 to $1.29 billion in 2008, peaking at $1.87 billion in 2005 (see Figure 3-3), making it one of the largest recipients of FDI in Sub-Saharan Africa during that period. By the end of 2008, the country had received $12.04 billion in total FDI (see Figure 3-3). These investments greatly improved Equatorial Guinea's petroleum extractive capabilities, helping make the country the third largest producer of oil in Sub-Saharan Africa, behind Angola and Nigeria.

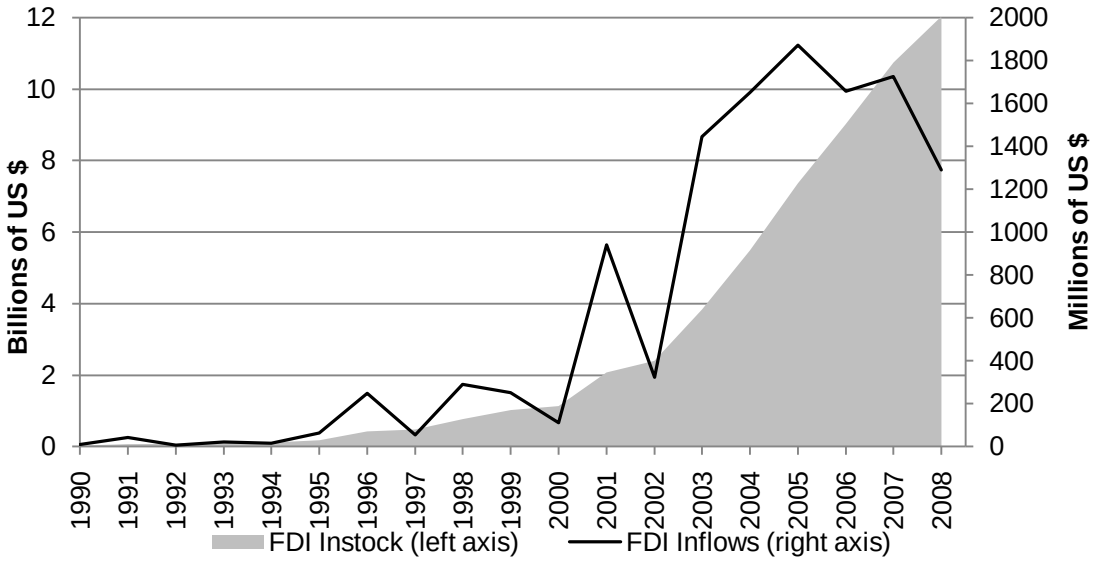

Figure 3-3. FDI instock and inflows, 1990-2008. Data from UNCTAD 2009b.

The start of oil production in the Zafiro field in 1996 initiated a period of tremendous economic growth, with rapid increases in GDP growth rates and per capita GDP. Fueled by real GDP growth rates that averaged nearly 23% between 1995 and

[51] To date, all oil discoveries have occurred offshore.

2008 (peaking at 71% and 62% in 1997 and 2001 respectively), per capita GDP (in constant 2000 US$) surged from $641 to $8692 during this period (see Figure 3-4). Real GDP (in constant 2000 US$) increased nearly 20-fold in the same period, from just under $290 million to more than $5.7 billion (World Bank 2010a).[52]

Today oil, and little else, drives the economy of Equatorial Guinea. In 2008, hydrocarbons accounted for 99.3% of the nation's $14.5 billion exports (IMF 2010a). In 2008, oil accounted for 98% of total government revenues (IMF 2010a; República de Guinea Ecuatorial 2010), which in 2008 totaled more than $6 billion (see Figure 3-5).[53]

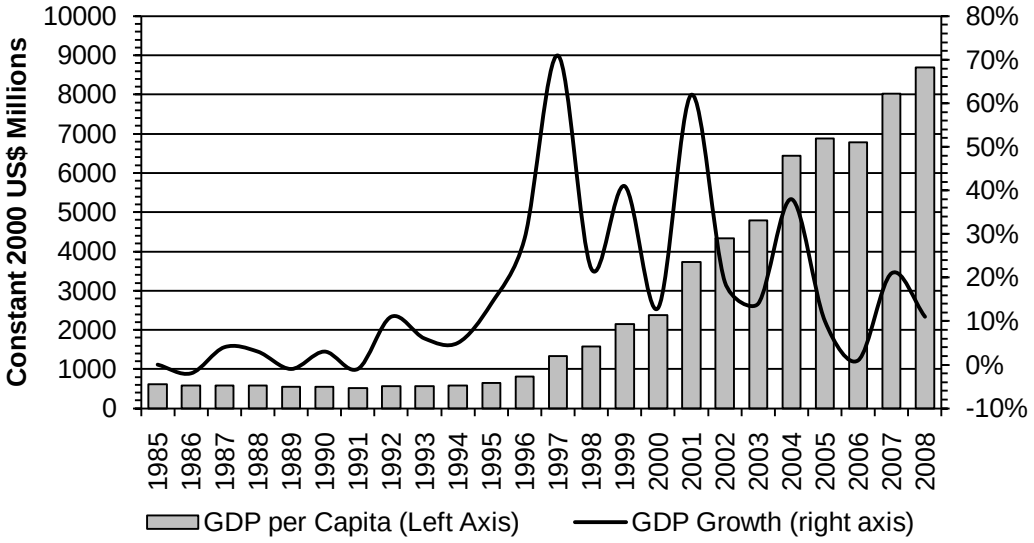

Figure 3-4. GDP annual growth and per capita GDP rates, 1985-2008. Data from World Bank 2010a.

[52] It is important to note that different statistics abound regarding the country's GDP and per capital GDP figures. For instance, the World Bank (2010) places the country's 2009 GDP in current US$ at $18.53 billion and its current per capita GDP at $28,103. The CIA's World Factbook (2010) estimates the country's 2009 GDP at $11.31 billion in current US$ and $23.2 billion at purchase power parity (PPP) rates (which equals a PPP per capita GDP of $36,600). The reasons for such discrepancies are unclear, but likely are due in part to the difficulty of obtaining accurate economic data for a country with poor administrative capacity. Even using the more conservative data provided by the World Bank (2010a), however, one thing is clear: Equatorial Guinea has enjoyed tremendous economic growth since 1995.

[53] According to the country's first published report that follows the EITI guidelines, the country received $5.99 billion in revenues from hydrocarbons in 2008 (República de Guinea Ecuatorial 2010).

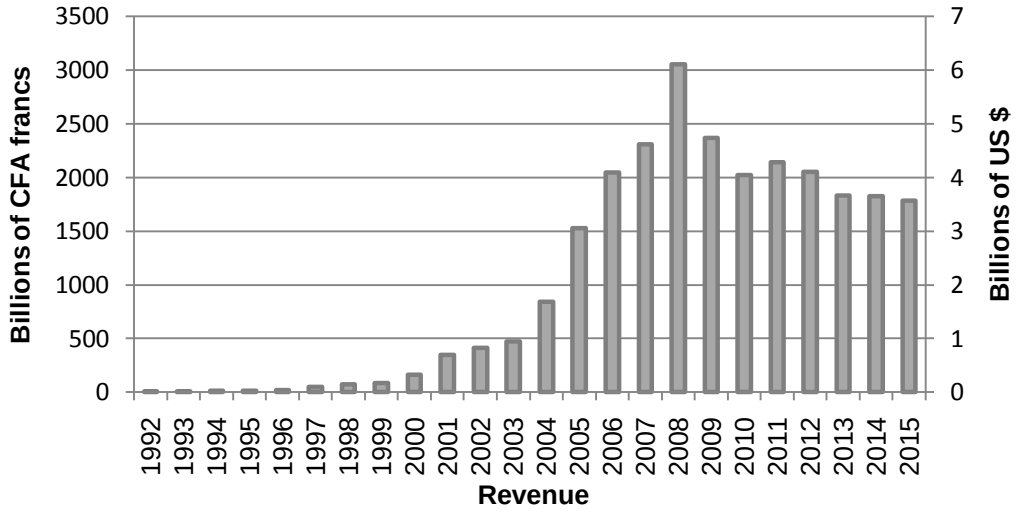

Figure 3-5. Government revenues, Equatorial Guinea, 1992-2015. Data from the IMF (1998, 2003, 2006a, 2010b). Data for 2010-2015 are based on IMF projections. US $ were calculated by author using 500 CFAs = $1.

Despite the massive oil windfalls accruing to the state, the country is marked by severe income inequality; an estimated 60% of Equatoguineans still live on less than $1 a day despite the fact that the country produces 0.52 barrels of oil per person each day, one of the highest per capita production rates in the world (IMF 2006b). Yet the country's oil wealth historically has disproportionately benefited a small elite class: in the early 2000s, 80% of oil revenues accrued directly to less than 5% of the population (Frynas 2004; Wood 2004).

The country has relatively limited oil reserves, restricting the window of opportunity available to the Government for converting the country's newfound oil wealth into sustainable prosperity. With a daily production level of 346,016 barrels (EIA 2010) and proved oil reserves of 1.7 billion barrels (BP 2010), the country's oil reserves will be exhausted in approximately 20 years unless substantial new reserves are discovered. To ensure continued economic growth after its oil is depleted, the country will need to strengthen non-oil sectors of the economy.

Resource Cursed?

The study of the relationship between natural resource wealth and economic and political development is now an established research tradition in the disciplines of comparative politics and political economy.[54] The evidence thus far overwhelmingly points to a negative relationship: natural resource abundance stymies economic development and exacerbates poor governance.[55] Natural resource wealth gives rise to incentive structures inimical to the creation and maintenance of the policies and formal institutions necessary for long-term development (Bulte el al 2005). Revenues from natural resources—a form of externally generated "rent"—generally accrue directly to the central government, which consequently becomes the focus of intense distributional pressures. Given the high start-up costs and technological barriers associated with hydrocarbon production, oil and natural gas fit this pattern particularly well since governments invariably play a central role in collecting and distributing the revenues from oil and natural gas production.

The highly centralized nature of nature resource revenues creates a number of potential economic and political challenges for resource-rich countries. Intense pressures over resource revenues can result in a "zero-sum game" struggle between various groups and individuals competing for a share of government revenues, exacerbating the potential for conflict and civil war (Collier & Hoeffler 2002; Humphreys 2005). Governments of resource-rich countries can finance themselves entirely through

[54] Natural resources in this context refer specifically to natural resources that are "point-sourced," meaning that their production and revenue patterns are concentrated (Eigen-Zucchi et al 2003).

[55] The IMF (2005a, 5) provides a useful guideline for delineating natural resource abundance. It considers as resource-rich any country that obtains at least 25% of its fiscal revenues or export earnings from hydrocarbons or minerals.

resource revenues, removing the incentive for governments to implement administratively complex and politically unpopular broad-based tax systems to finance government operations. The capacity of resource-rich governments to function without extracting payments from society removes an important accountability link between government and society. This, combined with the increased ability of governments to finance military and security forces capable of repressing opposition groups, contributes to the nondemocratic nature of most resource-rich developing countries (Ross 2001a).

Intense competition over access to state revenues also creates incentives for an inequitable redistribution of wealth via asymmetrical informal institutions, which erode formal mechanisms for redistributing revenues. Governments with no need to extract broad-based taxes from society have no need to represent societal interests. Leaders of resource-dependent countries instead often attempt to purchase loyalty and legitimacy through distribution—rather than redistribution—of resource revenues. Revenues are distributed according to political favor or necessity—typically along ethnic, kinship, or religious divisions—effectively institutionalizing corruption via patron-client networks (Sachs & Warner 1999; Leite & Weidmann 1999; Collier & Gunning 1999)

Somewhat counter-intuitively, developing countries with abundant natural resources tend to experience slower economic growth than their resource-poor counterparts (Sachs and Warner 1995, 2001). Distributive demands on the state for resource rents can influence and shape government policies (Karl 1997) in ways not good for long-term economic sustainability. In addition, resource abundance tends to make non-natural resource export sectors less competitive and resource-dependent countries less likely to pursue export-led growth (Sachs and Warner 2001). Natural

resource booms increase the value of a country's currency, raising the prices of other sectors such as agriculture and manufacturing on the international market, making them less competitive. This "Dutch Disease" phenomenon discourages non-resource exports, facilitates the decay of these sectors, and contributes to a country's further economic dependence on natural resources (Gelb 1988). The fact that most extractive industries create few forward- or backward-linkages in the economy exacerbates the economic stagnation that occurs alongside resource-dependence.

Has Equatorial Guinea been "cursed" by natural resources, in this case oil? It is a relevant question given the country's high degree of dependence on oil revenues and assertions that the country has fallen victim to the resource curse (see for instance McSherry 2006). As is noted above, however, many of the problems typically attributed to the resource curse already existed in Equatorial Guinea *prior* to the discovery and subsequent exploitation of oil. The country's economy—decimated under the reign of Macías—remained stagnant during the 1980s and early 1990s before oil revitalized the economy. Prior to oil, a manufacturing sector was non-existent and the country's export sector was almost entirely limited to primary products such as timber, cocoa, and coffee. Neopatrimonialism, corruption, repression, and nondemocratic procedures were institutionalized long before oil was discovered. The government's neglect of a broad-based tax system pre-dated the oil era as well, the country's tax system having been virtually destroyed during the 1970s and never completely reestablished.

In light of these realities, it would be inaccurate to attribute Equatorial Guinea's problems entirely to oil. Instead, the evidence suggests that oil has contributed to and exacerbated—but not caused—many of the challenges confronting the country today.

Certainly the substantial inflow of oil revenues has enabled the government to increase the size and scope of patron-client networks, making it easier to purchase electoral support and to finance the luxurious lifestyles of the politically-connected class. As noted above and discussed in greater detail below, the influx of oil revenues also has contributed to questionable government policies and priorities.

The evidence does suggest that Dutch Disease, while not responsible for causing de-industrialization in Equatorial Guinea, makes industrialization and economic diversification more difficult. Rapid increases in oil revenues have caused a 49% appreciation in the country's real exchange rate, making domestically-produced goods less competitive on the global market (Salomonsson and Sandberg 2010). Value added from agriculture as a percentage of GDP fell from 10% in 2000 to 2% in 2008 (World Bank 2010b) as a result of less favorable trade terms and a significant migration of people from farms to urban areas in search of jobs in the oil industry. Despite fertile volcanic soils and having once been a net exporter of agricultural products, the country today imports the vast majority of its foodstuffs.[56] As Figure 3-6 highlights, the production of oil and oil derivatives—natural gas, liquefied natural gas (LNG), liquefied petroleum gas (LPG), and methane—dominate the country's economy, while the contributions of the non-oil primary and tertiary sectors to the country's GDP have decreased significantly since the discovery of oil. The significance of agriculture—in particular cocoa, coffee, and timber, which combined represented 49.9% of GDP in 1995—has declined sharply in the past 15 years as oil and oil derivatives have increased in significance (see Figure 3-7).

[56] According to the World Bank (2009), agricultural imports outpaced agricultural exports $50 million to $3 million.

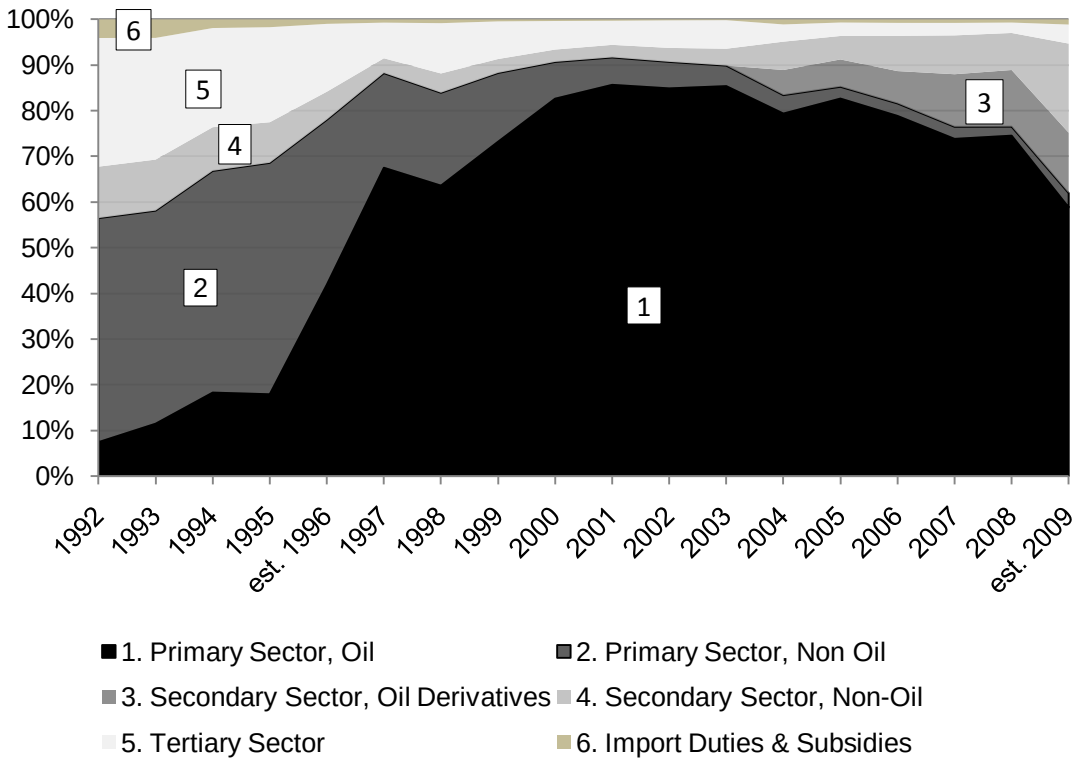

Figure 3-6. GDP at market prices, by sector. Data from the IMF (1998, 2003, 2005b, 2010a). Preference given to the most recent data in cases where inconsistencies exist between reports.

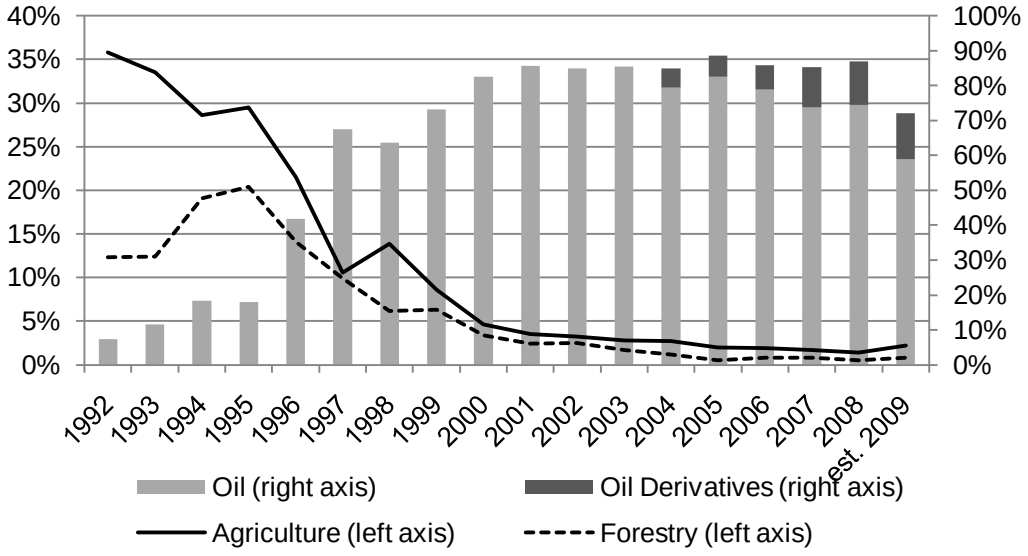

Figure 3-7. Oil, agriculture, and forestry sectors by % of GDP. Data from the IMF (1998, 2003, 2005b, 2010a). Preference given to the most recent data.

Economic diversification to reduce oil-dependence needs to occur relatively quickly in Equatorial Guinea if it hopes to convert its oil wealth into long-term sustainable economic growth. The country has a relatively limited supply of oil reserves, and annual oil production is already on the decline. This, combined with a lack of economic diversification, has contributed to a substantial slowing of the country's extraordinarily rapid economic growth; the country's economic growth is projected to average just 1.45% annually between 2010 and 2015 (IMF 2010b).

Despite detailing a large number of goals to diversify the country's economy in its *Plan 20/20* published in 2007, however, the Government of Equatorial Guinea has provided relatively few concrete policies for achieving these objectives. Judging by its policies and results thus far, the Government's primary short-term goal for diversifying the economy appears focused on an expansion into the Liquefied Natural Gas (LNG) industry. A $1.4 billion LNG facility was completed on Bioko Island in 2007.[57] While this may provide a short- to mid-term boost to the country's economy given that it may enable the country to serve as a LNG processing hub for its petroleum-rich neighbors, such diversification within the petroleum industry does not equate to true economic diversification. The LNG industry is susceptible to some of the same challenges as the oil sector—namely the creation of relatively few jobs for locals, exposure to natural resource price fluctuations, lack of long-term sustainability, and Dutch Disease—and the success of this sector is contingent upon constant natural gas streams from neighboring countries, which could be disrupted by conflict, political instability, or the formation of

[57] The LNG facility is operated by Equatorial Guinea LNG Holdings Limited (EG LNG), which is a partnership company of Marathon (60%), Sonagas (25%), Mitsui (8.5%), and Marubeni (6.5%). The plant is currently producing 3.7 million tons per year, above its 3.4 million ton capacity (Quinlan 2010), with plans to expand the facility by 2016.

LNG processing plants elsewhere.[58] Just three years after the completion of its LNG facility the country is already facing some of these challenges: a global recession has resulted in stagnated demand for LNG and Nigeria and Cameroon are both continuing to explore the construction of new LNG facilities of their own (Quinlan 2010).

The Government's plan to revitalize the agricultural, timber, and fishing industries and to expand the non-oil manufacturing sector has yielded little progress thus far. Cacao, once the mainstay of Equatorial Guinea's economy, never recovered from the neglect and misguidance of the Macías years, and current yields are a fraction of the production levels of the late 1960s. The country's only lucrative industry other than petroleum is timber, which accounted for roughly 2% of exports in 2007 (U.S. Department of State 2008b). However, timber is yet another finite natural resource susceptible to many of the same problems of the resource curse as oil (Ross 2001b). Despite its rhetoric, the government has seemingly taken few steps to develop a manufacturing sector independent of the oil sector.

How are Oil Revenues Being Spent?

Infrastructural Projects

The government has prioritized infrastructural improvements.[59] A tour of Malabo or Bata reveals a large number of building and road construction projects. Construction on a new capital city—"Malabo II"—is nearly complete. Given the abysmal state of much of the country's infrastructure, as well as the important role that quality infrastructure plays

[58] Nigeria's oil and gas production has been significantly curtailed in recent years due to conflict in the Niger Delta. In addition, Nigeria completed its own LNG processing facility in 1999 with a maximum yearly production capacity that far exceeds the Equatorial Guinean facility.

[59] Personal interview with Equatorial Guinean Government official, February 3, 2010, Malabo, Equatorial Guinea.

in the economic development of a country, it is no surprise that the Government is spending vast sums of money on such projects.[60] The country is one-third of the way to its goal of connecting every town and city with smooth, paved roads (Republic of Equatorial Guinea 2010). Between 2004 and 2008, expenditures on infrastructure averaged 43.3% of total government expenditures (IMF 2010c). However, for both economic and social reasons, the Government's prioritization of infrastructural spending over social spending—as well as the wisdom of certain infrastructural projects, such as the construction of new Presidential Palaces in several cities around the country—has been questioned, and the Government has been urged to allocate greater resources to social sectors, in particular health and education (see for instance IMF 2009; 2010b).

Health and Education

Spending on health and education continue to lag behind other government expenditures, with an average of 2.27% and 2.11% of total government expenditures spent on these sectors respectively between 2004 and 2008 (see Figure 3-8). For the period 2004-2008, the Government spent more on defense ($678 million), police ($448 million), and hotels and tourism ($270 million) than on health ($233 million) and education ($232 million), despite having few external threats, a very low crime rate, and a virtually non-existent tourist industry (IMF 2010c).[61]

[60] There is some evidence that infrastructural improvements are contributing to somewhat improved living conditions. According to one study, the percentage of households on Bioko Island with electricity as their principle source of lighting increased from 40% in 2004 to 69% in 2008 and the percentage of households with access to piped water, either in their home or from a public tap, increased from 38% in 2000 to 54% in 2008 (Kleinschmidt et al 2009). However, the country's water and electricity systems are notoriously unreliable, often leaving residents without water or electricity for hours or days at a time (based on author's observances and numerous conversations with local residents, 2007-2010).

[61] Figures were converted from CFA francs to U.S. dollars using the average exchange rate for 2004-2008 of 496 CFA francs equals $1.

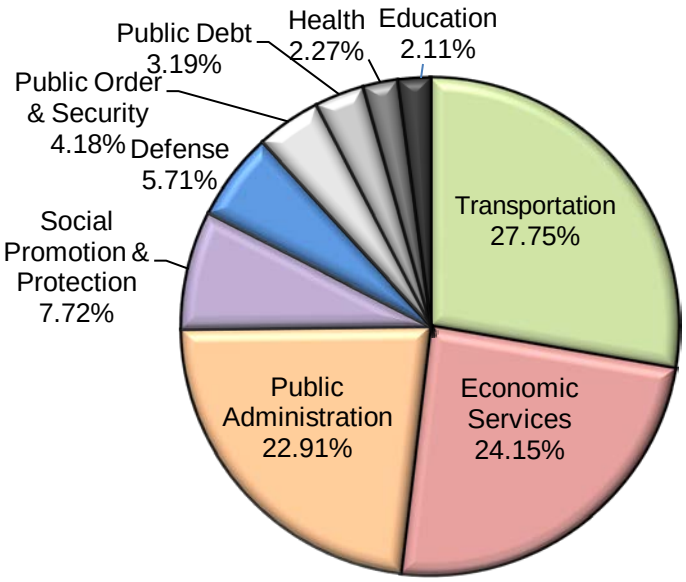

Figure 3-8. Average government expenditures by category, 2004-2008. Calculations made by the author using data from the IMF (2010c).

Health

Improvements in a country's wealth do not necessarily have a large impact on the health and wellbeing of average citizens. The case of Nigeria provides a cautionary tale: that country's under-five mortality rate reached 230 per 1000 children in 1990 and declined only modestly to 191 per 1000 children between 1990 and 2006 despite the more than $400 billion in oil revenues that have accrued to the state since 1960. Nigeria highlights the importance of direct and targeted investments by the government in improving social conditions (Countdown Coverage Writing Group 2008).

In Equatorial Guinea, the government has made investments to improve the country's health and wellbeing, but critics contend that the government should be doing more given the country's substantial oil revenues. Government expenditures on health have lagged far behind government expenditures in other sectors, suggesting that the government has not prioritized rapid improvements in the country's health system. Critics frequently point to the decline in annual health expenditures as a percentage of

GDP—from 4% in 1996 to 1.6 % in 2005 (WHO 2007)—to highlight the low levels of government spending on health. These figures, however, are actually somewhat misleading since the country's GDP increased by more than 1100% during this period. Although government spending on health has decreased as a percentage of GDP, *actual* government spending on health has increased, from $16.6 million in 2004 to $105.4 million in 2009 (see Figure 3-9). However, the fact that government spending on health as a percentage of GDP remained low and relatively constant during the same period—between 1.6% and 3.1%—provides an indication that the government has prioritized other sectors ahead of the health sector. Health expenditures as a percentage of total government expenditures averaged just 2.21% between 2004 and 2009 (See Figure 3-9), which lags far behind regional averages for Africa (8.6%) and the world (15.5%)(WHO 2008).[62]

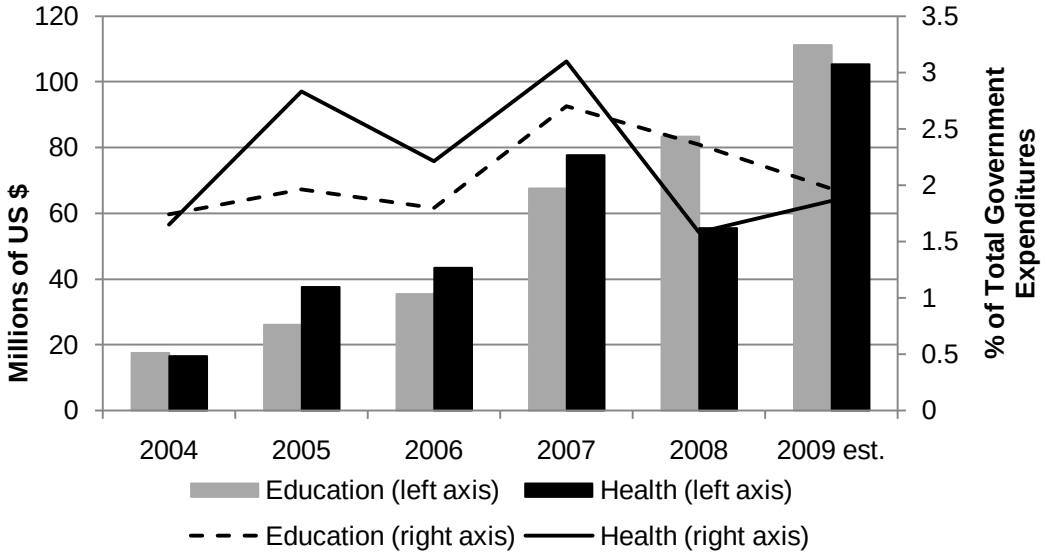

Figure 3-9. Government spending on health and education, 2004-2009. Data from the IMF (2010a) and Obiang Nguema Mbasogo (2010). Conversions to US $ calculated by the author using an exchange rate of 500 CFA francs = $1.

[62] WHO. 2008. "Health Expenditures, Regional Averages, 2000, 2005."

Life expectancy increased from 48 years in 1994 to 50 years in 2008 (World Bank 2010a; UNICEF 2008).[63] The under-five mortality rate per 1000 births decreased from 182 to 148 between 1995 and 2008 (World Bank 2010a).[64] While a marked improvement, the country's under-5 mortality rate remains above the 140 average for sub-Saharan Africa (World Bank 2009), and well above the UN Millennium Development Goal of 57 deaths per 1000 births by 2015. Infant mortality (under 1 year) declined from 120 to 90 between 1990 and 2008 (UNICEF 2010a). The WHO (2006) estimates that the country had just 153 doctors in 2004—or roughly one doctor per 3300 residents—but recent investments in training and education have likely led to significant increases in this figure since 2004. In 2009, the first class of doctors graduated from the National University of Equatorial Guinea. The construction of the La Paz Hospital—a state-of-the-art facility in Bata purported to be the best hospital in Central Africa—was completed in 2006 in Bata, and a similar hospital is being constructed in Malabo. Despite government subsidies for low-income patients, however, it is unclear whether the hospital can be afforded by the majority of the country's citizens.[65]

There is a real need for improvements in basic sanitation. In 2006, more than 21% of the population lived in urban slums (United Nations 2008), just 53% of citizens had adequate sanitation facilities (UNICEF 2008), and more than half of the country's

[63] The CIA World Factbook (2010) estimates life expectancy to be 62 years. 50 years is used here as it is the most commonly used number across a wide range of sources.

[64] Data for the country's under-five mortality rate varies considerably depending upon the source. For instance, the World Bank (2009) lists the 1990 rate as 170 and the 2006 rate as 206, while the World Bank's World Development Indicators (2010) list the 1990 rate as 198 and the 2006 rate as 152. UNICEF seems to have made some similar revisions in its figures: a 2008 report lists the 1990 rate as 170, yet a later report places the 1990 figure at 198 (UNICEF 2008; 2010). These discrepancies are likely due to poor data collection and availability.

[65] According to an IRIN report (2008), the average cost of a medical visit is $60, about one third of the monthly government minimum wage.

population did not have access to potable drinking water (IMF 2006b). Equatorial Guinea ranked 118th out of 182 countries in the UNDP's 2009 Human Development Index (UNDP 2009).[66]

Evidence of the state's weak capacity to manage responsibilities traditionally carried out by the state can be seen in the country's recent experience with vaccinations. In the late 1990s, when the WHO was managing the country's vaccination program, vaccinations rates were between 85% and 90%. The program was then handed over to the government, and by 2006 vaccination rates had fallen to 46%. Program control reverted back to the WHO and the vaccine rate was increased to 80% within three years.[67] The Ministry of Health, like most Government Ministries, is understaffed, meaning that it does not have enough people to be able to specialize and effectively focus on malaria eradication without external assistance.[68]

Malaria: Malaria is a preventable and curable yet life-threatening disease caused by *Plasmodium* parasites that are transmitted to humans through the bites of infected mosquitoes.[69] Not all mosquitoes can transmit the disease: only *Anopheles* mosquitoes are carriers and transmitters of the parasites that cause malaria, and there are approximately 20 different *Anopheles* species. Malaria is present in 108 countries and territories.

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[66] This was an increase over its 127th out of 117 country ranking in the UNDP's 2007-2008 Human Development Index (UNDP 2008).

[67] Personal interview, Malabo, Equatorial Guinea, January 15, 2010.

[68] Personal interview with foreign technical advisor, Malabo, Equatorial Guinea, July 4, 2007.

[69] *Plasmodium falciparum*, accounts for the vast majority of cases in Africa, and is the strand common to Equatorial Guinea.

Malaria has significant negative economic and social impacts on countries where it is endemic. In 2008, there were 247 million cases of malaria globally, resulting in nearly one million deaths. The vast majority of these—more than 85%—occurred in Africa, where a child dies of malaria, on average, every 45 seconds, and the disease accounts for 20% of all childhood deaths.[70] Cerebral malaria affects approximately 575,000 African children annually, killing 10%–40% of those infected. Between 5% and 20% of those who survive suffer varying degrees of neurological disorders, including learning disabilities and behavioral disorders (Sachs and Malaney 2002).

In addition to its direct health impacts, malaria also has negative economic consequences. Countries with high malaria rates can experience a decrease in GDP of as much as 1.3% (WHO 2010) due to lost worker productivity and other factors. Researchers estimate that each case of malaria results in between five and 20 days of disability (Oaks et al. 1991), and a decrease in household income of 10% (Sachs and Malaney 2002).

Year round warm temperatures and high annual rainfalls make Equatorial Guinea a prime breeding ground for *Anopheles* mosquitoes. The average annual temperature on Bioko Island is 25 degrees Celsius. The mean annual rainfall on Bioko Island varies from approximately 2000 mm (80 inches) per year in the north to more than 10,000 mm (400 inches) per year on the southern coast.[71] In Rio Muní, the average annual

[70] Transmission and mortality rates are particularly high in Africa because many of the species of *Anopheles* mosquitoes that thrive there live relatively long lives—which enables the parasite to complete its development inside the mosquito before the mosquito dies—and they prefer to bite humans rather than other animals.

[71] Rainfall amounts as high as 11,430 mm (450 inches) have been recorded in the town of Ureka on the southern coast, making it one of the three wettest places in the world (see http://ramsar.wetlands.org/Portals/15/EQUATORIAL_GUINEA.pdf).

temperature is 27 degrees Celsius, with annual rainfall ranging from 1800 mm on the eastern border to more than 4500 mm in some spots along the coast. Mosquitoes thrive in this warm, humid environment, and poor sanitation and trash collection in urban areas further exacerbate the mosquito problem for humans since this provides additional locations for breeding mosquitoes to leave their larvae.

Equatorial Guinea has three species of *Anopheles* mosquitoes that carry and transmit malaria: *Anopheles melas*, *Anopheles funestus*, and two members of the *Anopheles gambiae* complex (*Anopheles gambiae s.s. and Anopheles gambiae s.l.*). Despite relatively low population densities of malaria carrier mosquitoes, the country has a high entomological inoculation rate (EIR), which is the product of the average mosquito biting rate times the proportion of mosquitoes carrying malaria sporozoites. A study conducted in the late 1990s in two villages on Bioko Island revealed an average annual EIR of 814 (Cano et al. 2004), which is on the upper end of the scale for EIRs in Africa, where EIRs range from < 1 to >1000. In short, the study revealed that in the two communities studied, the average person received more than two bites per day prior to the initiation of the Bioko Island Malaria Control Project (BIMCP)—a malaria eradication project—by MNCs in 2004. With such high bite rates, the country's rate of infection was very high: a 1996 study estimated that malaria prevalence in children under the age of 10 exceeded 50% (Roche et al. 1996). Between 2000 and 2003, malaria was responsible for 24% of the deaths of children under the age of 5; in 2000, less than 50% of under age five children exhibiting malaria symptoms received antimalarial medicine (WHO 2006). Without appropriate drug therapy, malaria sporozoites can continue to live in the bloodstream and cause future malaria outbreaks. It is widely believed that the

vast majority of Equatoguineans carry malaria sporozoites in their blood, an ongoing challenge for efforts to reduce the impact of the disease.[72]

Education

An analysis of the changes in the quality of the country's education system since the discovery of oil reveals a mixed picture, with both improvements and marked deteriorations. While there have been slight improvements in education indicators since the mid-1990s, Equatorial Guinea's government expenditures in this sector are much lower than elsewhere in Africa, even compared to other petro-states. In 1997-2002, spending on education represented 1.67% of all government expenditures, while Angola spent 4.9%, Nigeria 12.1%, Cameroon 12.3%, and South Africa 21.9%.[73] Since 2004, actual government expenditures on education have increased—from $17.5 million in 2004 to just over $111 million in 2009 (See Figure 3-9). Yet education spending as a percentage of total government expenditures remained stagnant during this period, increasing only slightly—from 1.74% in 2004 to 1.97% in 2009—raising concerns about the government's spending priorities (see for instance IMF 2009; 2010b). While net primary school enrollment is high (approximately 87%), primary school attendance is less than 61%.[74]

The long-term deterioration of Equatorial Guinea's education system is visible in the numbers of students that are overage for their grade level. In 2007, 60% and 88% of first and sixth grade students respectively were overage for their grade level. Overall,

[72] Personal interview with a UNICEF official, Malabo, Equatorial Guinea, January 15, 2010.

[73] These statistics for government expenditures are taken from Frynas (2004, 544), who cites *Energy Compass* (2003).

[74] Net school enrollment refers to the number of official school age students enrolled in school as a percentage of total school age children in a country.

only 17% of students are at the official age for their grade (see Figure 3-9). The country's high overage student population is due to a high repetition rate and to students entering school late. In 2007, 24.3% of primary students repeated a grade, a significant increase from 1999, when the rate was 11.8%. In both enrollment ratios and repetition rates Equatorial Guinea consistently ranks behind both regional and global averages (see Table 3-3).

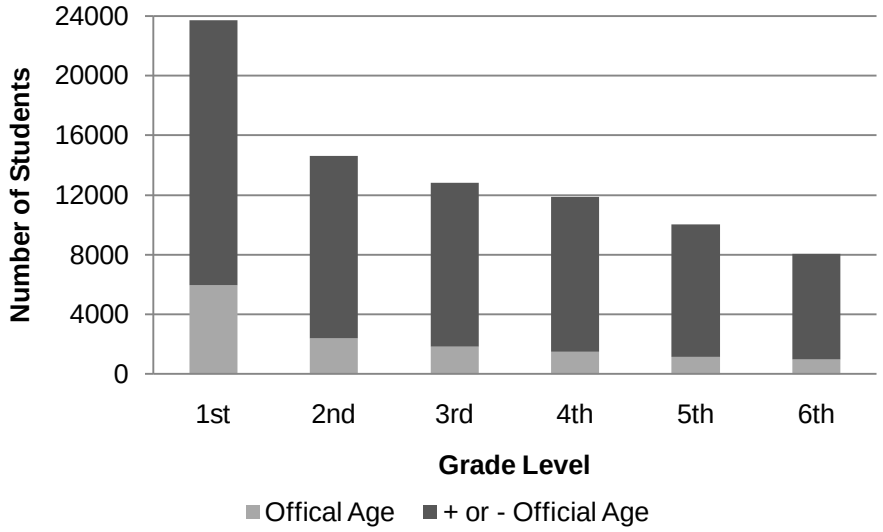

Figure 3-9. Primary school enrollment and student age. Data from PRODEGE 2008

Table 3-3. Education indicators:

	Gross Enrollment Ratio (%)			Net Enrollment Ratio (%)			Repetition Rates Grades 1-6 (%)	
	1991	1999	2007	1991	1999	2007	1999	2007
Developed Countries	103	102	101	96	97	96	1	0.6
Developing Countries	99	98	107	78	80	86	6.8	5
sub-Saharan Africa	73	78	99	53	56	73	16.3	13
Equatorial Guinea	173	142	124	96	89	67	11.8	24.3

Source: Data from UNICEF 2010b and PRODEGE 2008

As part of a coordinated effort to improve the national education system, an effort discussed in detail in Chapter 4, a systematic study of the country's primary education

system was conducted in 2007 and 2008. The study, carried out for purposes of both informing the design, and measuring the impact, of a national education reform project, provided the most informative and accurate snapshot of the Equatorial Guinean education system to date. It revealed that 81,099 students were attending a total of 813 primary schools (633 public and 180 private).[75] With 2900 teachers, the country enjoys a relatively favorable pupil to teacher ratio of slightly less than 28:1, yet only 44% of primary school teachers were certified instructors as of 2008, and 38% of primary school teachers had not completed secondary school. Less than half of first and second grade students have access to the textbooks used in their classes (PRODEGE 2009). One hundred eighty-four schools have no principal water source (rivers, lakes, and rainwater are the principal water sources at 94% of schools) and 533 schools (66%) have no source of electricity (PRODEGE 2008).

Patron-Client Networks and Corruption

The evidence suggests that corruption is a significant problem in Equatorial Guinea. The country is ranked 168 out of 180 countries in Transparency International's 2009 Corruption Perception Index. Under Obiang, corruption has become an institutionalized feature of governance, with hundreds of millions (if not billions) of oil revenue dollars landing in offshore bank accounts controlled by Obiang and his close associates. In 2001, the IMF reported that government revenues equivalent to 10% of the country's GDP vanished (Global Witness 2004). In 2005, UN military equipment valued at several millions of Euros—including 15 heavy military vehicles—was allegedly stolen from a ship docked in one of the nation's ports (Expatica News 2006).

[75] Despite comprising only 22% of all primary schools, private schools account for 47% of all primary school students.

It is the family and friends of Obiang Nguema who seem to disproportionately benefit from the spoils of oil: a 2003 study by the journal *Afrique Education* revealed that 21 of 50 government ministers were relatives of Obiang Nguema (Afrol News Agency 2003). The new Cabinet appointed by Obiang Nguema in January 2010 has 68 ministers and deputies, a 50% increase over the previous cabinet (African Economic Outlook 2010), a move that effectively enables Obiang Nguema's to expand the distribution of oil rents via government posts and extend his patronage network. According to Forbes, Obiang had a net worth of 600 million in 2006 (Kroll 2006). A 2004 U.S. Senate investigation exposed that Obiang, his family, and Equatorial Guinean officials had balances of $750 million in 60 accounts at Riggs Bank in Washington D.C. Reminiscent of a cliché Hollywood gangster film, deposits sometimes arrived in cash-stuffed suitcases (U.S. Senate 2004). Further signs of corruption are evident in the spending patterns of the president and his oldest son Teodorin. In the 1990s Obiang reportedly purchased a luxurious flat near the Porte Dauphine in Paris, a villa at Las Palmas in the Canary Islands, and a posh residence near Miami (Liniger-Goumaz 2000). In late 1999 the President purchased a house in the upscale Washington D.C. suburb of Potomac, Maryland for $2.6 million, in 2000 he purchased another home in nearby Rockville, Maryland for $1.15 million (Global Witness 2004).

The playboy lifestyle of Teodorin, Obiang's likely presidential successor and a graduate of Pepperdine University, has been well documented as well.[76] In March 2001, he purchased a $5.8 million home in the ritzy celebrity hideout of Bel Air, Los Angeles

[76] According to a source of the journalist Ken Silverstein, "[Teodorin] would frequently call his personal banker at Riggs with imperious and extravagant demands. One day he'd want arrangements made to fly his friends to Rio for Carnival; on another day he'd need to have a Bentley airfreighted from London to Los Angeles; and on another still he'd demand that a helicopter be immediately dispatched to offload a female companion from a cruise ship because she had fallen out of his favor." (Silverstein 2006a)

(Dare 2002), and in 2005 he bought two mansions in Cape Town, South Africa for $4.13 million and $3.73 million (Breytenbach 2005).[77] In 2006, Teodorin procured an 8-bedroom 15,000 square foot $35 million home located on 15.77 acres of oceanfront property in Malibu, California, the sixth most expensive home purchased in the U.S. that year (Woolsey 2006).[78] He owns Radio Asonga, the only government approved private radio station in Equatorial Guinea, and operates Television Asonga, the state-controlled television station. He once owned the hip-hop record label "TNO" (for **T**eodorin **N**guema **O**biang), registered in Beverly Hills, California. He is a frequent visitor to the Champs-Élysées, where his lavish shopping sprees have been well documented (Global Witness 2006). Teodorin spent close to $700,000 to rent Microsoft billionaire Paul Allen's 303 foot yacht to entertain rapper and then girlfriend Eve and friends during the Christmas holiday in 2005 (Rush et al. 2006).

Teodorin has a taste for expensive cars as well. In 2005, he spent $1.5 million on two Bentleys and a Lamborghini Murcielago purchased in South Africa (Breytenbach 2005). In early 2006, Teodorin purchased two Bugatti Veyrons—purportedly the fastest car in the world—at a cost of more than one million Euros each. A subsequent investigation by Tracfin, the French anti-money laundering service, concluded that the money used for the Bugatti purchases was likely "the laundered proceeds of misappropriated public funds" (Global Witness et al. 2008). A U.S. Senate investigation

[77] In February 2006 a South African court seized the two homes pending an investigation after George Ehlers, a South African businessman, sued the government of Equatorial Guinea for $7 million for unpaid construction and engineering work his company completed on Annabon Island, Equatorial Guinea. The plaintiff claimed to possess evidence that the homes were purchased with state money (a claim Teodorin denies) which would make them state assets liquefiable under South African law (Maughan 2006).

[78] According to the Real Estate blog *Big Time Listings (2006)*, while Teodorin executed an intercompany deed involving the property in 2006, public records indicate that his company Sweetwater Malibu LLC has owned the property since 1996.

concluded in February 2010 that Teodorin had used lawyers, bankers, and real estate and escrow agents to move more than $110 million in suspect funds through U.S. bank accounts between 2004 and 2008. Among other luxury items, this money was used to finance his $35 million Malibu mansion and a $38.5 million Gulfstream jet (U.S. Senate 2010a).

Teodorin's capacity to finance such extravagant purchases on the $5000 monthly salary he earns as the Minister of Equatorial Guinea's Agriculture and Forestry Ministry was revealed in a notarized affidavit filed in the South African court case to liquefy Teodorin's housing assets: "Cabinet ministers and public servants of Equatorial Guinea are by law allowed to own companies that, in consortium with a foreign company, can bid for government contracts…It means that a cabinet minister ends up with a sizable part of the contract price in his bank account."[79] Teodorin's statement provides a troubling indication that corruption is woven into the fabric of government transactions and deeply institutionalized in government procedures.[80]

Obiang Nguema frequently directs the blame for widespread government corruption on his cabinet and the parliament—as he did in August 2006 and again in July 2008 (BBC News 2008). However, evidence suggests that the President has presided as gatekeeper to the government Treasury. Government ministers asserted in 2006 that the president is the first auditor of the country and must personally approve all

[79] Case Number 1407/2006, The High Court of South Africa (Cape Provincial Division)

[80] Such practices may be legal in Equatorial Guinea, but are strictly forbidden by the U.S.'s Foreign Corrupt Practices Act, suggesting some obvious questions for American oil companies to answer regarding their own contract negotiations with Obiang's regime. Oil company payments to Obiang and his close relations exposed during the U.S. Senate's Riggs Bank investigation raise additional concerns regarding foreign complicity with Obiang's dictatorial rule. However, a U.S. Department of Justice investigation into possible violations of the Foreign Corrupt Practices Act (FCPA) by U.S. oil companies was quietly dropped without action in 2009.

government expenditures over $1900 (Global Witness 2007, 6), a claim Obiang Nguema himself made in two separate interviews in 2003 (Global Witness 2004).[81] Obiang Nguema's obsessive control over the money supply is reminiscent of Macías Nguema's control over the state's currency.

The Obiang Nguema Regime's Motives for Participating in CSR Projects

On numerous occasions in the past five years President Obiang Nguema has promised the nation that he will deliver "*salud para todos, educacion para todos*" (health for all, education for all). The Government's *Plan de Desarrollo Horizonte 2020* (2020 Development Plan), finalized in November 2007, makes the same promise. It is difficult to discern whether Obiang's rhetoric and the Government's ambitious 2020 Development Plan reflect a sincere and serious desire to improve people's lives, strategic attempts to appease the country's international and domestic critics, or pragmatic efforts to ensure political stability.

As was noted above, the Equatorial Guinean government does not have a solid track record of prioritizing the use of government revenues for improvements in health and education. It is worthwhile, therefore, to discuss potential reasons why the government has agreed to partner with MNCs on two projects that aim to significantly improve the country's health and education systems. There are a number of reasons, but they can be classified into one of three categories: legitimization (both international and domestic), benevolence, and pragmatism.

[81] According to personal interviews conducted by the author in October 2008, this apparently is no longer the case. Over the past few years the President has supposedly devolved some of his financial control to certain government ministries, although the government remains highly centralized.

International Legitimacy

Equatorial Guinea's oil reserves provide the government with both the opportunity and the leverage to expand its international presence and establish close ties with some of the international community's most powerful actors. Its oil reserves, combined with the scramble by Western powers to secure oil supplies far from the imbroglio in the Middle East, has made Equatorial Guinea—a previously unknown backwater on the African continent—a blushing bride at the altar of geopolitics. President Obiang Nguema, once considered a despot and criminal by foreign governments, is suddenly the belle of the ball, with his dance card filled with invitations to conduct business with the world's most powerful nations. For instance, the U.S., which had closed its embassy in Equatorial Guinea in 1995 over concerns about corruption and human rights,[82] reopened the embassy in 2003 to protect the more than $5 billion in U.S. investments and the 1500 Americans living and working in Equatorial Guinea's oil industry, and to enable U.S. businesses "to explore future investment opportunities in the country" (Bereuter 2002).

In what was the first visit by a U.S. Navy ship to Equatorial Guinea in more than 15 years, the USS Fort McHenry participated in maritime security training with local military personnel in January and February 2008 (Goyak 2008). The U.S. Coast Guard Cutter Dallas made stops in Malabo (July 2008) and Bata (January 2009) to carry out training exercises with local forces (Keen 2009). The trips were part of Africa Partnership Station, an international initiative developed by U.S. Naval Forces Europe-Africa as part of the U.S.'s broader Africa Command (AFRICOM) initiative aimed at improving

[82] John Bennett, the U.S. envoy to Equatorial Guinea from 1991-1994, received a death threat in 1994 at the U.S. Embassy in Malabo (Maass 2005).

maritime safety and security in the region. In May 2006, U.S. President George W. Bush asked for a provision in a Department of Defense authorization bill that would have used U.S. taxpayer money to help train and strengthen the military of Equatorial Guinea (Levin 2006). The provision was eventually removed from the bill, in part due to the advocacy efforts of NGOs. However, the Obama administration budgeted $40,000 for Equatorial Guinea in 2010 as part of the U.S.'s International Military Education and Training (IMET) program (Volman 2010).

The interest of other countries, including Brazil, China, France, Japan, Portugal, Russia, and Spain has increased due to the country's oil reserves. Gazprom Neft, the oil subsidiary of the Russian gas company Gazprom, signed a 30 year agreement with Equatorial Guinea in June 2010 to explore and develop two offshore oil fields in the Gulf of Guinea, with an initial investment of $3 billion (Anonymous 2010). In 2006, Equatorial Guinea became an Associate Observer in the Community of Portuguese Language Countries (CPLC), and President Obiang Nguema has intimated that the country would consider making Portuguese the country's third official language in an effort to become an official member of the organization (de Queiroz 2008). His desire to gain entry into the CPLC was the primary motivation of Obiang Nguema's first official visit to Cape Verde to meet with President Pedro Pires (PR Newswire 2010).

The country is making an overt effort to leverage its status as Sub-Saharan Africa's fourth largest oil producing country to acquire greater respect and authority in the international community. Over the past decade—and in particular over the past five or six years—the government has embarked on an increasingly sophisticated strategy for improving its image abroad. Nowhere is this more evident than in the country's

relations with the United States. The United States is the only country whose citizens can enter Equatorial Guinea without a visa. In September 2003, Equatorial Guinea signed an Article 98 Agreement with the United States not to surrender U.S. citizens to the jurisdiction of the International Criminal Court.[83]

Following the examples of other oil producing countries such as United Arab Emirates, Saudi Arabia, Qatar, Libya, Kazakhstan, and Azerbaijan, Equatorial Guinea has hired a number of lobbyist, public-relations, and law firms to improve the country's image amongst U.S. government officials in Washington DC.[84] In 1995, Obiang Nguema hired the American public relations firm Black, Manafort, Stone & Kelly for a six-month contract worth $56 million to improve the country's image in Washington DC (Liniger-Goumaz 2000, 487-488). Between 1999 and July 2010, the Equatoguinean government spent more than $13.5 million on lobbying and public relations activities to improve its image in the United States. As Table 3-4 highlights, the amount of money spent on lobbying and public relations has increased significantly since 2004, the year that a U.S. Senate investigation revealed a money scandal involving Equatoguinean funds at the Riggs Bank in Washington D.C. The contract signed with Cassidy and Associates, Inc. in September 2004, shortly after the U.S. Senate investigation commenced, notes that "our most urgent priority is to stop the deterioration in Equatorial Guinea's image in Washington and the U.S….as a result of Congressional activities and reports issued concerning the Riggs Bank investigation." What is needed, the contract states, is "an aggressive push to develop 'friends and allies' in Washington so we can

[83] A copy of the official document is available at http://www.ll.georgetown.edu/guides/documents/EquatorialGuinea04-89.pdf.

[84] For an interesting overview of foreign countries using lobbyists to influence U.S. government officials, see Kurlantzick 2007.

begin to reverse the negative trend" (U.S. Department of Justice 2005). In 2008, Equatorial Guinea ranked 10th amongst foreign entities in the amount of money spent on lobbying activities in the U.S. (Narayanswamy and Rosiak 2009).

Table 3-4. U.S. lobbying and public relations firms hired by the government of Equatorial Guinea, 1999 – July 2010.

Year(s)	Firm	Contract Value	Activities
1999 – 2000	AfricaGlobal Partners	$284,000	PR and Lobbying
2003 – 2005	C/R International, LLC	$500,000	PR and Lobbying
2004 – 2010	Cassidy and Associates Inc[85]	$9,680,000[86]	Lobbying
2004 – 2006	Farragut Advisors LLC[87]	$850,000	PR and Lobbying
May 2010 (ongoing)	Qorvis Communications[88]	$165,000	PR
2010 – 2011	McDermott, Will, & Emery	$2,055,000	PR and Lobbying
Total		**13,534,000**	

Source: U.S. Department of Justice, Foreign Agents Registration Act Documents, 1999-2010; U.S. Senate Office of Public Records 2010.

There are indications that the government's lobbying and public relations campaigns have yielded some dividends. On January 6, 2005, U.S. Congressman Dan Burton of Indiana gave a speech in the U.S. House of Representatives "to recognize and applaud the leadership…of Equatorial Guinea, for their generous donation of $200,000 toward the Tsunami Relief Efforts." Burton effused: "I am pleased to see President Teodoro Obiang Nguema's humanitarian spirit which has served the people of Equatorial Guinea so well, has spilled over to aid the many thousands in need in

[85] Cassidy and Associates, Inc. subcontracted PR work to OpinionMakers LLC in 2007 (for $180,000) and Qorvis Communications 2009-2010 (for $135,000).

[86] This figure includes a $600,000 contract completed in 2006, a $120,000 per month contract between October 2004 and December 2008, 2009 earnings of $1,990,000 and earnings of $970,000 between January and July 2010. Equatorial Guinea severed its relationship with Cassidy and Associates, Inc. in July 2010. The 2004-2008 earnings were calculated using information from the U.S. Department of Justice and 2009-2010 earnings were calculated using data from the U.S. Senate Office of Public Records.

[87] Farragut Advisors LLC subcontracted the law firm Barbour Griffith & Rogers, LLC in 2004-2005 (for $450,000) to carry out lobbying activities.

[88] The contract with Qorvis is for $55,000/month.

Southeastern Asia (Burton 2005). While Burton did acknowledge that the country "still faces many struggles" (Burton 2005), he mentions only the need to rebuild schools, hospitals, and infrastructure and does not mention other important issues consistently cited in U.S. State Department reports, including corruption, human rights abuses, and electoral fraud. In January 2008, the ranking member of the U.S. Senate Subcommittee on Africa Johnny Isakson visited Equatorial Guinea and met with President Obiang Nguema, his son Gabriel Lima, and several other high ranking government officials. In a July 2008 Senate speech, Isakson highlighted the development successes of Equatorial Guinea and made no mention of the country's poor human rights, corruption, or democracy record (Isakson 2008). Isakson received two campaign contributions from Gregg Hartley, a lobbyist for Cassidy and Associates, Inc. in late 2007, and had an official meeting with an undisclosed associate from Cassidy and Associates, Inc. around that same time (ProPublica and The Sunlight Foundation 2010).

The U.S. State Department seemingly suffers from internal schizophrenia when dealing with Equatorial Guinea. Career civil servants responsible for researching and writing State Department human rights reports annually compile a lengthy list of the Equatoguinean government's human rights, political, and socioeconomic abuses against its own people. Upper-level decision makers at the State Department, however, seemingly overlook these concerns when designing policies pertaining to Equatorial Guinea. For instance, shortly after the Riggs Bank scandal, in which it was revealed that top-level officials of the Equatoguinean government "misused U.S. financial institutions to launder suspect funds," the U.S. State Department lobbied U.S. banks to open accounts for the Obiang Nguema regime (Levin 2006). In April 2006, after years of

being shunned by the White House and having to settle for private meetings with mostly low-level U.S. administrative officials, President Obiang Nguema secured a private meeting with U.S. Secretary of State Condoleeza Rice. The meeting was followed by a photo-op in which Rice referred to the Equatoguinean President as a "good friend" of the United States (Rice 2006), despite her earlier admonition that "Americans must never excuse tyranny or corruption in Africa" (Rice 2004). A picture of Obiang Nguema and Rice shaking hands is still prominently displayed at the top of the Government of Equatorial Guinea's official website.[89] In September 2009, Obiang Nguema and his wife posed for a picture with President Obama and his wife at a reception at the Metropolitan Museum in New York.

There are further indications that the Obiang Nguema regime is making a concerted effort to polish its international image. The government's official website is available in English, despite the fact that very few Equatoguineans speak the language, indicating that its content is intended for a "Western" audience. The government also has an active public account on Flickr, an online photo sharing website.[90] Before May 2010, the vast majority of photos on the site displayed Equatoguinean government officials meeting with foreign government officials, particularly those from the U.S. government. Since the U.S. public relations firm Qorvis Communications was contracted in May 2010 a series of new photos have appeared that highlight the infrastructural investments of the Equatoguinean government. A number of press

[89] http://www.guineaecuatorialpress.com/ (Accessed November 24, 2010).

[90] The website is http://www.flickr.com/photos/equatorialguinea/.

releases authored by Qorvis began to appear in May 2010 as well, suggesting an escalated public relations campaign on the part of the Equatoguinean government.

Further evidence of the Obiang Nguema regime's effort to enhance its international image and legitimacy was visible in the proposed UNESCO-Obiang Nguema Mbasogo International Prize for Research in the Life Sciences, a $300,000 scientific grant to be awarded to up to three scientists each year in the name of Equatorial Guinea's President (Lynch 2010). The irony of a developing country that still faces a number of its own development challenges, including education, donating $3 million to UNESCO (through the "Obiang Nguema Mbasogo Foundation for the Preservation of Life") to establish an annual science prize was not lost on an array of international NGOs, scholars, and exiled Equatoguineans, who petitioned UNESCO to reconsider its association with the award (EG Justice 2010).[91]

The Obiang Nguema Mbasogo International Prize for Research in the Life Sciences demonstrates the contradiction between the way in which the country wishes to be viewed abroad and the shortcomings in its approach to implement the policies necessary to make this wish a reality domestically. Analogous to Teodorin's desire for stardom and attention, the country's leaders appear interested in acquiring international respect and legitimacy on the quick through superficial actions and image tweaking rather than engaging in the tedious, systematic, and difficult work of building a capable and effective state. The Prize suggests that the country's leaders are more interested in the country's outward appearance than in its internal substance, in receiving the payoff

[91] UNESCO suspended the prize indefinitely in October 2010 after intense lobbying by human rights groups and resistance by a number of countries on UNESCO's board, including the United States (see for instance BBC 2010). It should be noted that the prize was suspended, and not permanently canceled, and could be resuscitated by a unanimous vote of support by UNESCO's board.

while doing little of the hard work necessary to earn it legitimately. Further signs of this are visible in Malabo, where the government requisitioned the Texas-based firm Roth Construction Inc. to construct a presidential library and a humanitarian and peace institute (Bogardus 2010). The government also has invested hundreds of millions of dollars into two state-of-the-art hospital facilities in Bata and Malabo. While these structures potentially represent a step in the right direction on the country's path to development, the fact that the government has focused its efforts on a few expensive showpiece projects rather than initiating a systematic effort to improve hospitals and clinics nationwide—or to finance community libraries and bookstores, which have been glaringly absent for decades—suggests that the regime's actions and policies do not consistently reflect the spirit of "humanitarianism" suggested by a humanitarian peace institute.

To understand the Equatorial Guinean government's motives at the international level, it is useful to apply Bayart's (2000, 228) notion of sovereignty in Africa, as something that is "exercised through the creation and management of dependence." In its relations with the U.S., the European community, and China, the Obiang Nguema regime appears willing to barter the country's oil and natural gas in exchange for favorable international standing. While in traditional dependency theory parlance, the country's primary products trading relations with the "core" countries locks Equatorial Guinea into an asymmetrical dependent relationship, Bayart's conceptualization of "extraversion" suggests that the government intentionally and knowingly entered into this dependent relationship in exchange for internationally recognized sovereignty. Judging by the favorable treatment that several Western governments have shown the

Obiang Nguema regime despite persistent human rights abuses and its mockery of legitimate democratic processes, this tactic appears to be succeeding.

Regionally, within the African community, there is a different kind of dependency at play. Since the waves of independence that swept across the African continent in the 1950s, 1960s, and 1970s, African leaders have demonstrated a resistance to meddling in the politics of other sovereign African nations. With the colonial experience vividly implanted in their collective memories, African nations have assiduously held to a policy of noninterference and respect for African sovereignty. African countries are mutually dependent upon one another to adhere to an unofficial policy of Pan-Africanism, in which African identity is given primacy over other values, such as human rights, justice, and democracy. In a recent example of this, no African nation publicly condemned the proposed UNESCO Obiang Nguema Mbasogo International Prize for Research in the Life Sciences (Alicante 2010), and the African Union signaled that it would consider awarding the Prize if UNESCO does not (Sharma 2010).

The government of Obiang has in recent years carefully managed its relationships with a number of African nations. Heads-of-State from across Africa make frequent visits to Equatorial Guinea. The Government successfully lobbied to host the 2011 summit of the African Union and to co-host (with Gabon) the 2012 African Cup of Nations soccer tournament, and has spent considerable amounts of money building the stadiums, hotels, and meeting spaces required to host these events.

In a ceremony in Bata on December 8, 2010 to celebrate his victory in the November presidential election, Teodoro Obiang Nguema enjoyed the attendance of representatives from numerous countries and international organizations. Heads of

State from Burundi, Cameroon, Central African Republic, Chad, Ghana, Liberia, Sao Tomé, Republic of Congo, and Togo, government representatives from Benin, Cuba, France, Libya, Senegal, Spain, South Africa, and the United States, and officials from the African Union and the United Nations attended the event. The government website prominently displayed photos of many of these participants the event.[92] The same government website also routinely notes meetings between the President and high level officials from foreign governments and international organizations.

Domestic Legitimacy

While geopolitical importance as a politically stable oil producer has secured Equatorial Guinea, and by association the Obiang regime, increased legitimacy at the international level, it is informative to analyze the scope and nature of Obiang's domestic legitimacy. Although political leaders ostensibly are selected through the ballot box, Equatorial Guinea's legacy of fraudulent elections does not provide government officials the legitimacy typically associated with free and fair elections. Rather, Obiang (and Macías before him) structures his (and his regime's) legitimacy on a foundation of charisma, fear, intimidation, and when necessary, repression. On multiple occasions Obiang has proclaimed that he holds a power "which comes from God" (Liniger-Goumaz 2000: 342), an illusion to Obiang's supernatural abilities that is frequently reinforced by state radio, which has pronounced that Obiang's permanent contact with God enables him to "kill without anyone calling him to account and without going to hell because it is God himself" (BBC 2003). Parallel to Macías, Obiang has calculatedly appealed to imagery and sorcery to inflate his larger-than-life image. It is rumored that

[92] http://www.guineaecuatorialpress.com/noticia.php?id=269 (Accessed May 22, 2010).

he learned sorcery and made repeated attempts to acquire a mythical skull widely believed to hold magical powers in order to become invincible (Liniger-Goumaz 2000).

Obiang also drums up nationalistic fervor to legitimize his regime. One plausible interpretation for the high number of supposed coup d'état attempts in Equatorial Guinea during the Obiang regime—at least 12 according to Human Rights Watch (2009)—is that they represent an intentional effort to stimulate the people's sense of nationalism in the face of apparent national peril. The use of symbols and ceremonies further reinforce the notion that Obiang is savior and protector of the nation. Obiang's picture hangs in virtually every home and building in the country. Each night, as the state television station signs off, a picture of Obiang slowly fades into a picture of the national flag, a symbolic representation that Obiang *is* the nation.[93] Each year, to celebrate the nation's Independence Day, the President hosts a large parade in Bata in which thousands of people (virtually all wearing t-shirts or traditional garments professing allegiance to PDGE) march past the President's grandstand chanting party slogans and singing the President's praises.[94] Ironically then, given the frequent public displays of loyalty to Obiang, the regime continues to be sustained by well-paid and frequently rotated Moroccan Guard rather than by the loyalty of its own troops or its popularity.

Although the head of what is, despite government proclamations to the contrary, an authoritarian government, Obiang Nguema (and his regime) still must maintain a winning minimum political coalition to remain in power, especially given the widely

[93] Obiang himself has stated: "I am a charismatic leader of this people, and in myself a part of its [Equato]Guinean heritage" (Liniger-Goumaz 2000, 339).

[94] Marking a change from tradition, President Obiang held the 2010 Independence Day celebration on Annobón Island to commemorate the opening of the island's new airport.

rumored inter-family and inter-clan struggles for control. Despite being in power for more than 30 years, it is widely rumored that strong factions exist within the ruling family that could potentially dethrone Obiang. Obiang's paternalistic image as protector and provider has won him a certain degree of support locally, even if some of this support is rooted in a pragmatic acceptance that "better the devil you know than the one you don't." Obiang Nguema has carefully cultivated his paternalistic image as a protector and champion of the people. He frequently places the blame for the country's corruption on Cabinet officials and civil servants, a strategy that enjoys a certain degree of success, both domestically and internationally, in shaping his image.[95]

The Obiang Nguema regime incorporates the activities of CSR projects into a domestic campaign to improve its image. A number of President Obiang Nguema's 2009 electoral campaign slogans and posters highlighted the regime's commitment to education and health. State-owned radio and television announcements touted the regime's commitment to improving citizen wellbeing, including access to improved health and education services. The completion of CSR projects are frequently commemorated in official opening ceremonies at which Equatoguinean government officials make lengthy speeches praising the commitment of the government to improving people's lives. Some of these projects, such as The Unitary School Obiang Nguema Mbasogo of Cacahual, whose $410,000 cost was financed by the Atlantic Methanol Production Company (AMPCO), are even named after the President.

[95] Based on numerous interviews with local citizens as well as representatives from MNCs and the U.S. government in Bata and Malabo, Equatorial Guinea, October 2008 and December – February 2010.

Pragmatism

The government's interest in CSR projects is also very likely motivated by several pragmatic concerns. The government recognizes the need to diversify the economy and reduce its near complete dependence on oil. In 2006 it advanced a broad and long-range development plan, known as *Plan 20/20*, which outlines a wide-ranging strategy for developing the country's infrastructure, social services, and non-oil sectors of the economy. The government also has adopted the UN Millennium Goals, which aim to eradicate extreme global poverty by 2015.[96] The government's commitment to the UN Millennium Goals combined with its desire to achieve sustainable economic development through economic diversification, are potential motivations behind the government's effort to get MNCs to contribute to the country's socioeconomic development via CSR projects.

The government may also view CSR projects as a mechanism for appeasing local citizens' desire for a greater share of oil revenues. While the government may not be able to provide everyone with jobs, at least until the country achieves greater economic diversification, it can appear to be making an effort by supplying local people with improved social services.[97] It is important to note, given the highly repressive nature of the ruling regime, that citizens' desires for greater benefits from the country's oil wealth are typically not overt. There are no street demonstrations, political protests, and no independent media capable of expressing such sentiments. However, ordinary

[96] The eight specific goals outlined by the Millennium Challenge are: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria, and other diseases, ensure environmental sustainability, and develop a global partnership for development.

[97] Personal interview, Malabo, Equatorial Guinea, February 3, 2010.

Equatoguineans are well aware that the country is relatively wealthy due to its oil, even if a lack of government transparency prevents them from knowing precisely the extent of the wealth. Dozens of conversations with ordinary citizens during the course of fieldwork that took place over three years revealed a simmering discontent with the current distribution of oil revenues. Citizens see the luxury automobiles of government officials, recognize that these officials could not afford such luxuries based solely on their official salaries, and draw the conclusion that these are either gifts from the president or purchased using money obtained illicitly through the use of government offices. They see the construction of large houses and modern apartment complexes in and around Bata and Malabo and contrast this with the relative squalor in which most citizens live. While citizens exhibit a certain resignation and even acceptance when the state-supplied electricity fails for days at a time in the midst of the hot dry season, they do complain and criticize (albeit amongst themselves) the government for its shortcomings. Thus, while the government may not face the threat of a public uprising, it is still susceptible to popular disdain. Even the most repressive regime cannot survive indefinitely on force alone. The use of power—and coercive power in particular—involves a large expenditure of resources in return for relatively modest and limited amounts of influence over others (Tyler 2006, 376). Thus, CSR projects represent a way for the government to provide visible services to local populations.

It is also possible that government officials that have successfully enriched themselves through their government positions are now willing and ready to redistribute more of the oil revenues. There is a widely-held assumption amongst Equatoguineans that government officials “fill their pockets” first, before redistributing wealth to the rest of

society.[98] To the extent to which this local supposition holds truth, it could partially explain the government's relatively recent commitment to improving social services and initiating more social projects.

There is also a very real possibility that the CSR projects are part of a broader effort to increase government control. Both of the CSR projects that are the foci of this study contribute in differing ways and degrees to state efforts to make society more "legible" by measuring, codifying, and simplifying very complex details and translating them into understandable representations of reality (Scott 1998, 80). Ferguson (2005) compellingly argues that Scott overstates the extent to which "projects of legibility" can be carried out by either states or global capitalism in countries where natural resource abundance results in enclave production. Enclave production enables both state leaders and capital investment to focus attention on resource-rich regions whilst largely ignoring regions of a country lacking the lucrative natural resources that otherwise can support a weak government or finance the activities of a transnational extractive corporation.

Interestingly, however, one outcome of the two wide-scope CSR projects currently being implemented in Equatorial Guinea is that they are effectively increasing the state's ability to measure and codify aspects of society in ways that enhance state authority and control. The education project, for instance, has already completed a

[98] Interestingly, the notion that politicians always "fill their pockets" first and redistribute revenues second helps explain at least some of Obiang Nguema's supporters in the November 2009 presidential elections. Discussions with a number of Equatoguineans shortly after the election revealed a commonly held concern that the other presidential candidates, had they won, would have focused first on enriching themselves from the government coffers. While it is difficult, if not impossible, to gauge the popularity of President Obiang—since the results of the 2010 election were seriously flawed—my sense from talking to a large number of local citizens is that most citizens have resigned themselves to the reality that he will remain in power. And many support him, with one reason being that he has already used his time in government to enrich himself, so now he can focus his time and the government's resources on improving the lives of ordinary citizens.

national survey and mapping of all primary schools, including detailed information about each school's demographic constitution and infrastructural components. The malaria project sends sprayers into a majority of homes and buildings on Bioko Island, presenting an opportunity to collect and organize information about the locations and inhabitants of each structure that is sprayed. For any modern state, the greater legibility that results from such efforts represents considerable advances in state capacity, whether it is used positively (to inform education and health policy) or negatively (to monitor individuals' activities).

The projects may also reflect an effort by Obiang Nguema to shore-up his control on power. Obiang is walking a tightrope between several powerful forces that pose challenges to his rule. The internal dynamics within the ruling Mongomo clan are widely believed to be contentious and conflict-laden. Any serious efforts at government reform and reallocation of oil revenues run the potential risk of upsetting and alienating powerful individuals within the ruling clan who might shift their alliances away from Obiang if their self-interests are jeopardized. The frequency with which the president shuffles his cabinet officials and ministerial appointees is suggestive of a leader who prefers to rely upon neopatrimonialism to keep high level officials simultaneously satiated, off-balance, and unable to establish deeply rooted alliances or networks. Redistributing oil revenues via social projects—particularly in the personalized political style that is the norm in Equatorial Guinea—improves Obiang's domestic image and potentially garners public support that will make it more difficult for someone else to seize power in a coup d'état.

It could also be the case that Obiang is concerned about the legacy of his presidency. Obiang reportedly informed his recently hired U.S. lobbyist Lanny Davis that he “wants to turn the page” and wants “his legacy to be change and reform” (Bogardus 2010). Even people critical of Obiang have been challenged to rethink their preconceived notions when they meet him in person and confront his seeming earnestness and passion for improving the country (see for instance Klitgaard 1991).

At perhaps the most pragmatic level, the government’s motivation to participate in CSR projects may represent simple opportunism. The government recognizes its ability to increase the amount of money that MNCs spend locally by mandating minimum spending levels on social services and local content (discussed in Chapter 4), costs that MNCs do not recoup through cost recovery. In a very real sense, the government is effectively extracting additional revenues from the companies through CSR projects and other aspects of National Content requirements.

Toward the Future

Equatorial Guinea faces a number of significant challenges if it is to harness the development potential of its oil reserves. In order to diversity its economy and decrease its reliance on oil exports to generate government revenue, the country needs to take a number of measures to improve its macro-economic environment to make it more favorable to both domestic and foreign investment.[99] The country needs to establish routinized and predictable judicial and legal systems rather than operating with its current haphazard and unpredictable policies that frequently reflect the president’s whim rather than sound policy. The government needs to improve transparency, both to limit

[99] Some of the ideas developed in this section were informed by a discussion with the former IMF Mission Chief for Equatorial Guinea, March 11, 2009, Washington D.C.

corruption and to provide investors with confidence that the government will maintain an openness and fairness in its relationships and contracts with investors.[100] A system of microfinance that provides small loans to poor people would grant locals the opportunity to start businesses, an important step toward providing a local entrepreneur class in a country where most businesses are owned, managed, and staffed by foreigners.

The government needs to strengthen its institutions, increase capacity, and make government bureaucratic procedures more efficient. Currently, something as simple as obtaining a visa can take months and require repeated phone calls to high ranking government officials. Photography is frowned upon by the government, and numerous anecdotal accounts suggest that the government still arbitrarily confiscates cameras from people taking seemingly innocuous photos of buildings and places whose importance for national security is not readily apparent. The latter is particularly important if the government is serious about complementing its substantial tourist-focused infrastructural investments with living and breathing tourists.

Concomitant to capital expenditures on infrastructure and attracting investments that create jobs, the government needs to dedicate money to spending that will educate and train local workers capable of filling those jobs, improve the wellbeing of average citizens, and improve the government's capacity to effectively deliver social services. The government's involvement with oil company driven CSR projects that target health and education improvements represents a positive sign that the government is taking an interest in these areas, but government rhetoric and actual involvement in the programs

[100] EG was one of only five countries that received a score of zero on the 2008 Open Budget Index, a report that measures the transparency of a central government's budget and financial activities (International Budget Partnership. 2009).

have not yet converged, casting doubt on the seriousness of the government's commitment to social service provision. What *is* certain is that Equatorial Guinea's window of opportunity for oil-funded development is relatively short, and quickly closing.

CHAPTER 4
CSR PROJECTS IN EQUATORIAL GUINEA

Introduction

MNCs operating in Equatorial Guinea's petroleum industry are mandated by Chapter 20, Articles 88-93 of the 2006 Hydrocarbons Law to invest in the country's social development (Republic of Equatorial Guinea 2006).[1] Known as "National Content", these articles establish three categories to which companies engaged in the extraction and production of petroleum products (including contractors and service providers) must contribute:

Worker nationalization: Companies are required to train and integrate local personnel into all levels of their business operations (Article 92), including the training of Ministry personnel and the establishment, operation, and maintenance of a Hydrocarbon Technological Institute (Article 88).

Local sourcing: Companies must give preference to goods, services, human resources and capital of Equatoguinean origin (Article 91), including partnering with the national oil and gas companies (Article 89).

Social projects: Companies are required to identify, finance, and implement social projects designed to promote the country's socioeconomic development and to improve public welfare (Articles 90 and 93).[2]

The amount that companies must contribute to each category is determined by the government, but is generally calculated according to a company's degree of economic involvement in the country. The government established minimum contribution levels for

[1] The 2006 Law amended Decree Law 127, enacted in 2004, which addressed National Participation on Business Activities.

[2] National Content is also commonly referred to as "Local Content".

each category. Local workforce requirements for the oil industry are 70%, meaning that seven out of 10 employees must be Equatoguinean.[3] Currently, due to the overall low skill and education levels of locals, most of the jobs they receive are low-skilled positions, which will continue for the short- to mid-term until local capacity is sufficiently improved to allow locals to take over high-skilled jobs. This is particularly true for managerial and oil platform positions that require advanced university training. The minimum annual amounts for companies involved in petroleum exploration are $200,000 for training local personnel (plus $500,000 for the National Technological Hydrocarbon Institute of Equatorial Guinea) and $300,000 for social projects. For local sourcing, only EG LNG—a LNG company jointly owned by American and Japanese companies and the Equatoguinean government—has local minimum spending requirements.[4] Presidential Decree 127, however, requires that international companies interested in establishing a local business must have at least three local business partners and spend at least 15% of net income on locally sourced products.[5] However, as is explained in Chapter 6, "locally sourced" can simply mean that a foreign product is imported into the country through a local business, which receives a transaction fee.

For companies involved in the downstream production of petroleum products, the government makes case-by-case determinations based upon the value of specific

[3] Interestingly, workforce requirements vary by industry. Foreign construction companies, for instance, often import nearly their entire labor force from their home country. This is particularly true of the Chinese construction companies under contract in Equatorial Guinea. It is unclear why the local workforce requirement is lower for an industry with far more low-skilled jobs. It may be the result of negotiated political agreements between the Chinese and Equatoguinean governments, or perhaps a consequence of the government's fixation with capturing as much benefit from the oil industry as possible and being less concerned with the potential benefits offered from other sectors of the economy.

[4] Personal interview with oil company official, Malabo, Equatorial Guinea, October 28, 2008.

[5] Personal interview with oil company official, Malabo, Equatorial Guinea, October 28, 2008.

business projects. For instance, when the $1.4 billion LNG plant was constructed on Bioko Island, the government determined that the companies involved had to allocate $100 million to National Content. Companies that fail to comply with National Content requirements are subject to penalties double the original amount due. These are the minimum social obligations put into oil contracts, but the government encourages companies to do more. According to a high-level government official, many feel pressure to do so.[6] In 2008, the industrial complex on Bioko Island known locally as Punta Europa—which includes the companies Marathon, AMPCO, EG LNG, Noble, Mitsui, and Marubeni—spent roughly $35 million on social development and training projects, well above the combined $3.5 million required by National Content guidelines.[7] Hess spent approximately $900,000 in 2009 and planned to spend a comparable amount in 2010 on social projects.[8]

Interestingly, my research reveals that MNCs often are not aware of the National Content requirements noted above. For instance, several MNCs officials with whom I spoke in Equatorial Guinea responsible for the National Content activities of their companies were either not aware of the existence of minimum National Content requirements or were unsure of the precise minimum amounts. There are at least two likely reasons for this. First, the contributions to social projects of all the companies interviewed for this study far exceed the minimum requirement set by the government, so CSR managers do not concern themselves with minimum requirements that their

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

[7] Personal interview with oil company official, Malabo, Equatorial Guinea, October 28, 2008.

[8] Personal interview with oil company official, Bata, Equatorial Guinea, October 9, 2008 and phone interview with oil company official, Bata, Equatorial Guinea, August 23, 2010.

companies routinely surpass. Second, it appears that the government is neither sufficiently advising MNCs of nor adequately enforcing these requirements. One oil company official summarized a sentiment shared by other MNC managers: “National Content is talked about a lot in Equatorial Guinea, but there is no real pressure [from the government] to follow through.”[9] It became apparent over the course of a number of interviews with oil company officials from several companies that the government’s enforcement of CSR minimum requirements is inconsistent and uneven. The stipulation that oil sector companies’ workforces be at least 70% Equatoguinean, for instance, appears not to be enforced in practice. Government pressure on MNCs, as is discussed in greater detail below, seems to center primarily on the types of projects on which companies focus their resources. In particular, the government occasionally applies pressure on MNCs to fund infrastructural projects or the “pet” projects of individual government officials.

MNCs operating in Equatorial Guinea are involved in a broad range of activities to fulfill National Content obligations. Oil company-implemented National Content activities in Equatorial Guinea include:

Worker nationalization: To fulfill the local personnel requirement, companies have financed scholarship programs that send nationals abroad for university or vocational training. In addition, they have conducted a number of in-country training courses for their local employees on an array of topics, including business management, communications, computer skills training, English language classes, hospitality, local labor laws, maintenance, procurement, and security. Several oil

[9] Personal interview, Malabo, Equatorial Guinea, October 28, 2008.

companies initiated a Hydrocarbon Technological Institute to provide Equatoguineans with the knowledge and skills necessary to compete for high-skill positions in the petroleum industry. Companies also have held training courses aimed at improving the capacity of government ministries, including a vocational craft training program to teach electrical, scaffolding, piping, insulation, and welding skills, a Supplier Forum to organize local businesses, a Business Skills Workshop to teach planning and management skills, and a Cartography and Geographic Information Systems course designed to train ministry personnel on data collection and interpretation that can facilitate decision-making and policy planning. A number of projects—in particular those involving collaboration between oil companies and the government through public-private partnerships—have a capacity strengthening component.

Local sourcing: EG LNG exceeded its goal for local vendor expenditure in 2008 and local vendors were included in 70% of all tenders (Marathon Oil Corporation 2008). According to company officials interviewed for this study, Hess makes an effort to contract local companies to implement various components of its social projects. For instance, in addition to contracting companies to construct buildings and dig water wells, the company orders between 1500 and 2000 pieces of school furniture each year from local contractors and works diligently to ensure open-bidding procedures are followed for all locally contracted work.[10] MNCs have also held informational workshops designed to improve the capacity and involvement of local vendors as service providers for MNCs in the petroleum industry. In addition, oil companies have offered training courses to local businesses in the areas of business planning, oil company procurement

[10] Personal interviews, Bata, Equatorial Guinea, October 9, 2008 and Malabo, Equatorial Guinea, January 28, 2010, and phone interview, Bata, Equatorial Guinea, August 23, 2010.

processes, sales and marketing, computer skills, financial management and accounting, and safety training. In 2009, representatives from 42 local businesses participated in training courses (Energía Local 2009).

Social projects: MNCs tend to prefer to focus on "soft" social development projects, that is, sustainable projects that improve social services and impact a community's quality of life. The officials from the MNCs interviewed for this study asserted that their companies focus on projects aimed at improving health, education, and community welfare (such as environmental protection, women's empowerment, and improved water and sanitation). They stressed that their companies try to stay away from "hard" or "brick and mortar" infrastructural projects that are not closely related to these issues, preferring to let the government focus on general infrastructural improvements such as roads, electricity, and urban design. A sample of MNC social projects in Equatorial Guinea include:

- **Health:** Reducing malaria-related illnesses; funding for maternal and child health programs; providing medical equipment and medicines to hospitals and clinics; scholarship program that sends Equatoguineans to Dallas, Texas for a six-month biomedical technician training course; and providing impregnated bed nets.
- **Education:** An overhaul of the national education system, including a plan to train and certify all of the country's 2900 primary school teachers; the construction or rehabilitation of schools; the purchase and delivery of school supplies for local schools; a Guarantee for Entrepreneurs project that provides technical and loan assistance to small businesses; and courses for local businesses on computer skills and financial management.
- **Community Welfare:** Drilling water wells to provide communities with potable water; constructing multi-purpose youth sports facilities; sponsoring local youth sports clubs and activities; supporting local poultry farms; funding a scholarship program that sends a small number of women abroad each year for management training aimed at improving their ability to manage community organizations; and partnering with the Malabo Fire Department to improve its fire-fighting capabilities. A triumvirate of companies initiated a water research development plan to provide the government with information necessary to improve the supply of potable water on Bioko Island.

While these MNCs prefer to focus on “soft” development projects, companies do occasionally take on other types of projects, particularly when pressured by the government. Company officials noted that government pressure makes it difficult for them to entirely avoid becoming involved in “hard” development projects. As one company official noted: “Right now we’re stuck between a rock and a hard place.”[11] To preserve a friendly working relationship with the government, companies need to strike a delicate balance between hard-line and overly acquiescent responses to government requests that do not match CSR priorities.

Once they become involved in a government requested “hard” development project, MNCs are compelled to go “all in” and dedicate substantial resources to the project to avoid an undesirable outcome that could result in bad public relations or legal outcomes. Marathon, for instance, was reluctant to become involved in the construction of a landfill site in Malabo, but due to government pressure eventually agreed to a limited role in the project. The government promised to purchase from Marathon the heavy construction equipment necessary to construct the landfill and initiate the necessary training. According to a company official, however, the government failed to do the training, causing Marathon to take a greater role in the project than it had initially anticipated.[12] By the time the company completed the excavation of the site, they had effectively taken over responsibility for the project’s outcome. To avoid the unfavorable press or legal attention that might have resulted from the company’s association with the project if the government took full control but did not take the necessary measures

[11] Personal interview with oil company official, Malabo, Equatorial Guinea, October 28, 2008.

[12] Personal interview with Marathon official, Malabo, Equatorial Guinea, October 28, 2008.

to ensure the landfill met environmental protection standards, the company decided to invest further in the project, financing an expensive foundation for the landfill designed to prevent seepage contamination to the local water supply.[13]

For the most part, however, MNCs in Equatorial Guinea insist that they attempt to avoid infrastructural projects, even when the government makes specific requests. For instance, representatives from a MNC allege that the government asked the company to invest $5 million in the construction of a new central marketplace and to finance the construction of an electricity plant in Bata. The company was successfully able to sidestep both requests.[14] The MNCs interviewed for this study expressed a strong desire to avoid taking on projects and government services that the government can and should do for itself, with the exception of providing short-term assistance to jumpstart sustainable improvements to health and education services. MNCs view these types of projects as having a more sustainable impact on development than other types of projects, such as infrastructure.

Representatives from both the public and private sector admit that both MNCs and the government prefer to focus their development efforts on projects that are "visible" to the public. Interestingly, MNCs and the government have different ideas about the types of projects that fit this description. The MNCs' preference to focus their efforts on "soft" development projects such as health and education is rooted in the belief that such projects are more "visible" to ordinary people because they will have a greater impact on their lives.[15] The government, on the other hand, gives primacy to

[13] Personal conversation with Marathon employee, Malabo, Equatorial Guinea, January 22, 2010.

[14] Personal interview with oil company official, Bata, Equatorial Guinea, October 9, 2008.

[15] Personal interview with oil company official, Bata, Equatorial Guinea, October 9, 2008.

infrastructure projects that make an immediate "visible" impact due to their public and often impressive nature. Critics of the government's emphasis on infrastructural improvements contend that many of these projects do not translate into meaningful improvements in the lives of ordinary citizens (IMF 2010b).[16]

Relations between MNCs and the Government

The oil company-government interface occurs primarily through the MMIE, which coordinates most activities involving the petroleum industry and the multinational oil companies, including their social development, local content, and workforce contributions. The office of Local Content, located within the MMIE, is responsible for working directly with the MNCs to ensure compliance and effective coordination of their national content requirements. In particular, the MNCs work closely with the Director of the Local Content office—who according to multiple oil industry sources—is one of the more capable individuals within the Ministry, but whose responsibilities managing both Local Content and social projects are, according to one oil company official, "a lot for one person".[17]

In most cases, oil companies route their social projects through the MMIE, even though most projects involve health or education. Once projects are approved, the MMIE coordinates between the oil companies and the relevant ministry, typically the Ministry of Education, Science, and Sports or the Ministry of Health and Social Welfare. While ostensibly the routing of projects through the MMIE helps the government

[16] Also based on personal interviews, Malabo, Equatorial Guinea, July 9, 2007, October 28, 2008, and February 8, 2010.

[17] One informant even suggested that "nothing is likely going to happen in [the Local Content] department" during the Local Content director's extended leave of absence in 2010 (for personal reasons). Personal interview, Malabo, Equatorial Guinea, January 21, 2010.

coordinate projects to avoid project duplication, occasionally it appears that ministry officials at the MMIE exert control over projects as a form of organizational hierarchical control and power. According to company officials, individual companies have earned the MMIE's trust, however, enabling them to work relatively autonomously with the relevant government ministry without direct oversight of the MMIE, although officials at the MMIE still expect to be occasionally updated on projects.[18] Interestingly, companies are granted greater independence when working with the Ministry of Health and Social Welfare than when they are attempting to coordinate education projects with the Ministry of Education, Science, and Sports. It is unclear why this occurs, although it may be related to the internal politics of the government. The current Minister of Health is rumored to have powerful connections at high levels of the government, which may explain why officials at the MMIE are less likely to attempt to control or micromanage projects between the oil companies and that particular ministry.

Social Projects Selection Process

In theory, the initiation of social project ideas flows in both directions between MNCs and the government, but in practice the burden of project initiation appears to fall disproportionately on MNCs. The government does occasionally initiate project ideas, but to date the vast majority of project ideas seem to flow from the MNCs to the government. Interestingly, government officials fault MNCs for occasionally misidentifying communities' social needs, yet the government seems content to allow international companies to remain in the driver's seat in regards to project initiation.[19]

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[18] Personal interviews with oil company officials, Malabo, Equatorial Guinea, October 28, 2008 and January 21, 2010.

[19] Personal interviews with Equatoguinean government officials, Malabo, Equatorial Guinea, January 26, 2010 and February 9, 2010.

Oil company officials have been critical of the government for not having a list of priorities for social development projects.[20] Furthermore, some of the instances in which the government has initiated project ideas have involved “pet” projects suggested by particular government officials or ministries. For example, companies have been asked to drill a well for a local church that is attended by a high ranking government official, to donate equipment to the government for an international oil and natural gas conference, to build a central market in a local community, and to finance a kick-boxing tournament.[21]

Company officials assert that they typically develop project ideas by assessing community requests, community needs, company priorities, project feasibility, and project sustainability. They then compile a list of social projects that they give to the MMIE. In collaboration with other government ministries, the MMIE makes final determinations regarding which projects the companies can implement and provides the companies with a list of government approved projects. Companies then decide which projects they will implement, and if there are remaining gaps (geographic or needs-based), the government may request that a company implement a specific project.[22] The process of project creation—from idea to implementation—is displayed in Figure 4-1.

[20] Personal interview, Malabo, Equatorial Guinea, October 27, 2008.

[21] Personal interviews with MNCs representatives, Malabo, Equatorial Guinea, October 27-28, 2008 and Bata, Equatorial Guinea, October 9, 2008.

[22] Personal interview with Equatoguinean government official, Malabo, Equatorial Guinea, February 9, 2010.

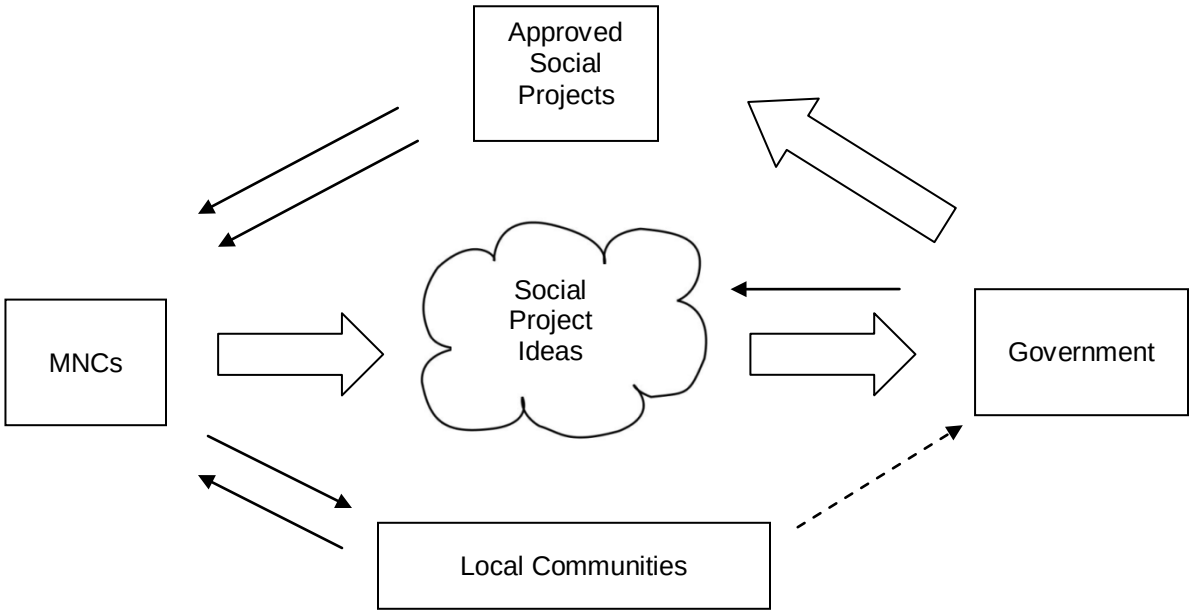

Figure 4-1. The process of social project creation

Ostensibly, this process ensures that MNC initiated social projects meet government objectives and safeguards against project replication (both by different companies and government ministries), although the latter occasionally still does occur. In one instance, a MNC initiated a project with a local community only to later discover that the community was also requisitioning similar assistance from another company and the government. To help curtail the future occurrence of such incidents—and to share best practices—in 2009 the American oil companies established a Community Development sub-Committee that operates under the umbrella of the U.S. Chamber of Commerce. It meets about once every 6 weeks, although not every company attends every meeting. Notably, other international actors involved in social development—such as the WHO, UNDP, UNICEF—do not participate in these meetings.[23]

[23] Phone interview, Bata, Equatorial Guinea, August 23, 2010.

Case Studies of Two CSR Projects

While the range of activities in which MNCs involve themselves to fulfill the National Content requirements is broad, this study focuses on two specific projects in which MNCs have partnered with the government to improve health and education.[24] One CSR project is working to improve the quality and capacity of the state's health system, working closely with the MMIE and the Ministry of Health and Social Welfare to implement a malaria reduction program. Another CSR project is working with the MMIE 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 to deliver these social services by strengthening state institutions and increasing human capacity.

To meet the first objective—improving the country's health and education—the MNCs have contracted international NGOs with extensive experience in these areas. To facilitate the second objective—increasing state capacity—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.

It is worth noting that, while the projects are being implemented separately, their outcomes are not mutually exclusive. Malaria and related health issues contribute to

[24] All of the MNCs involved in these two projects are from the petroleum sector.

absenteeism and the country's high grade repetition rates. Higher levels of education have been associated with lower levels of disease and improved health.

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 malaria-related illnesses and to reduce infant mortality by one-half.[25] 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. While there are multiple business 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 project implementation.[26] Marathon contracted with Medical Care Development International (MCDI), a U.S.-based NGO, to design and implement the project. Between 2005 and 2009, MCDI subcontracted One World

[25] 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. Some of the contributions for the program are distributed through the Atlantic Methanol Production Company (AMPCO), a jointly owned company of Marathon (45%), Noble Energy (45%), and SONAGAS (10%).

[26] 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. However, the decision of the Extractive Industries Transparency Initiative (EITI) Secretariat and Board in April 2010 to revoke Equatorial Guinea's Candidacy status in EITI due to insufficient progress in improving government transparency of oil revenues calls into question the Equatorial Guinean government's commitment to greater transparency.

Development Group (OWDG), a U.S.-based for-profit organization, to oversee the spraying component of the project.[27]

The 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 delivering one-third of the project funds, and the remaining two-thirds have been committed by Marathon, Noble Energy and business partners (Marathon Oil Corporation 2009a).[28] The project runs until 2013, at which time the government is scheduled to take over full ownership and control. The first phase of the project (2003–2008) focused primarily on eradication and containment of the disease, although the goal of eradication was altered to disease reduction due to the high difficulty associated with completely eradicating the disease in a tropical country with weak institutions and high poverty rates. The project's second phase (2008–2013) will emphasize capacity building.[29]

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.[30] The disease is the leading cause of death in children under the age of five in Equatorial Guinea. The disease also decreases productivity through illness-related absences. BIMCP is limited to Bioko Island, home of the nation's capital and roughly

[27] 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.

[28] Currently, Marathon controls the financial disbursements of the project, including the Government's share, which gets routed through Marathon.

[29] Personal interview with NGO official, Malabo, Equatorial Guinea, January 20, 2010.

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

one-third of the nation's 660,000 or so people, which has important implications for project implementation.[31] 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 40 kilometers (25 miles)—lowers the short-term threat of cross-boundary malaria re-infestation.

The 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),[32] free anti-malarial medications—particularly for children and pregnant women—improving medical facilities and staff, the distribution and promotion of insecticide-treated bed nets, mosquito collection and analysis, annual health surveys, and the use of advertising to raise awareness of the program and its goals.

The BIMCP intervention activities were launched in March 2004 with the first round of spraying, and since January 2005 spraying has occurred twice annually. In March 2005, artemisinin-based combination therapy (ACT) malaria medication was made available free of charge to children under the age of 15 and pregnant women, in association with an Intermittent Preventative Treatment of pregnant women program (IPTp) that provided additional medications and treatment to pregnant women. In October 2007, the program began a universal door to door campaign to distribute and

[31] 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.

[32] Phone interview with Marathon official, June 11, 2007, Houston, Texas.

hang long-lasting insecticide-treated bed nets (LLINs) free of charge to recipients (Kleinschmidt et al. 2009). Figure 4-2 provides an overview of the activities associated with the project during the first four years of implementation.

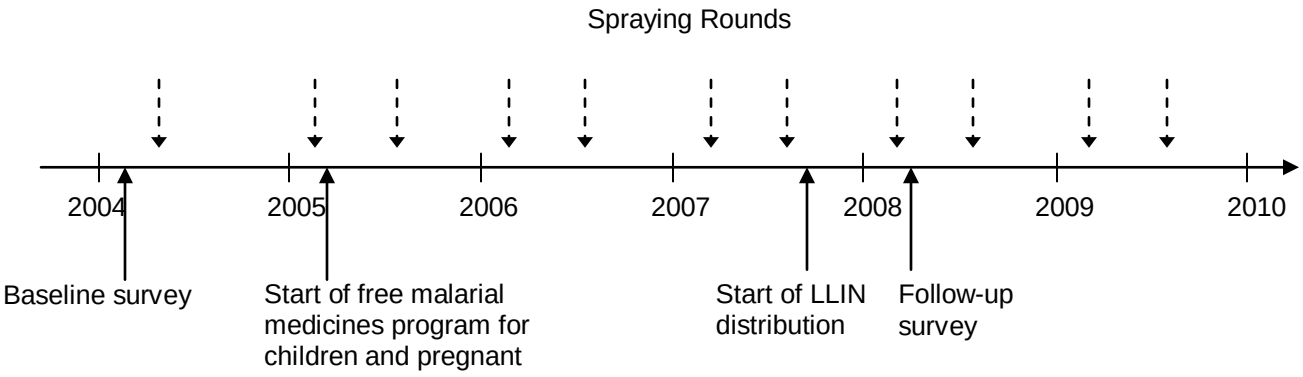

Figure 4-2. BIMCP timeline, 2004 to 2010. Adapted from Kleinschmidt et al. 2009: 84.

Programa de Desarrollo Educativo de Guinea Ecuatorial (PRODEGE)

PRODEGE, a project within the Ministerio de Educación, Ciencias, y Deportes (Ministry of Education, Science, and Sports, or MECD), is the result of a public-private partnership between Hess Corporation—an American oil company—and the government of Equatorial Guinea. The culmination of a study that outlined a 10 year strategy and a detailed five year Action Plan, PRODEGE was initiated in 2006 as a pilot project aimed at significantly improving the quality of the national education system of Equatorial Guinea.[33] Its initial focus is on the improvement of teacher training and child learning at the primary education level, with eventual expansion of the project's principles and methodology to all schools nationwide, as well as to secondary education. The original proposal outlined a ten year, $40 million initiative, with equal $20 million commitments from Hess and the Government. However, an agreement has not been finalized concerning the second 5-year phase, although sources close to both

[33] The initial study was carried out from June to November 2005

parties express optimism that this will occur before the first project phase ends in September 2011.[34]

Hess has contracted the Academy for Educational Development (AED)—an American NGO with worldwide experience in education reform projects—to design and carry out the day-to-day implementation of the project in tandem with the MECD. AED has supplied technical advisors with expertise in education development and data collection to implement the project and to transfer their knowledge to local counterparts. Each technical advisor is "shadowed" by a local counterpart who receives on the job training. The ultimate goal is to generate the human capacity necessary for the government to be able to take complete control over the implementation and maintenance of the project. PRODEGE is currently considered a project within the MECD, but the Ministry is considering making it a permanent program. As of February 2010, a representative of AED remains project director.

The first 5-year Action Plan was designed after the completion of the study that took place in 2005, during which time 11 international experts in different fields of education worked with the MECD to develop an action plan for the project. They reviewed the national education system, visited a number of local schools, met with educational professionals and parents, school teachers, and students. Ultimately, they concluded that the most critical area in which to focus was on improving student performance through quality teaching in the classroom. Teacher training was thus identified as the number one priority for improving the country's educational system (AED 2006). The implementation of the Action Plan officially began in July 2006.

[34] Personal interviews with a Hess official, Malabo, Equatorial Guinea, January 28, 2010, and PRODEGE official, Bata, Equatorial Guinea, February 1, 2010.

The first 5-year phase focuses in particular on:[35]

Training 1200 teachers in the use of active learning principles and methodology.

- Remodeling and operating two National Teaching Laboratories in existing facilities on the campuses of the National University in Malabo and Bata.
- Refurbishing and equipping 40 “model” primary schools with new modular furniture, water wells, and latrines.
- Implement school libraries in all public schools to promote reading.
- Working with local communities to increase parental and community involvement in education.
- Building the capacity of the MECD, including a policy planning unit capable of providing leadership, gathering data on the country’s education system, and using it to make policy planning decisions.

The results expected by the end of the first 5-year phase include:

- At least one-half of all primary school teachers—and all new student teachers—have received teacher training focused on active learning approaches.
- Active teaching and student guides for primary education completed.
- Some schools have been renovated following established guidelines on school layout and classroom space.
- Parents have become involved in their children’s education in at least half of all schools.
- The 40 active learning model schools have implemented self-assessment through School Report Cards.
- All schools receive active pedagogical orientation and support through school inspectors and other technical support staff.
- Primary school children in active schools are reading with comprehension, based on national reading tests.
- First grade repetition is reduced in active learning schools.
- Plans have been established and funds identified to expand the active learning model to all schools in the country.

[35] The sections pertaining to the project’s five and 10 year strategies and goals rely on AED (2006) unless otherwise noted.

- All MECD senior technical and management staff has participated in management development processes.
- Up-to-date basic information exists for all schools in the country.
- Information about change indicators is being collected and analyzed by senior management of the MECD.

The second 5-year plan has not been developed in detail, in part because the designers want to develop the second phase strategy as the first phase progresses in order to incorporate lessons learned from ongoing assessments. However, the general objectives of the second 5-year phase are:

- Escalating the achievements of the first 5-years to the national level (in particular the active learning methodology practiced in the model schools).
- Expanding educational improvements to the secondary education level.
- Implementing a Youth Educational Strategy that provides alternative educational programs (such as night school or girls education) for the approximately one-third of adolescents ages 13-18 that do not attend either primary or secondary school.[36]

The results expected by the end of year 10 include:

- All teachers and schools nationwide apply active learning methodologies.
- A doubling of the number of women student teachers, with significantly more women teachers overall.
- Children in school attend a minimum of 180 days of class per year.
- Sufficient schools and classrooms constructed to maintain a maximum of 40 students per classroom in both primary and secondary schools.
- 90% of primary schools have parent initiatives associated with classroom learning.
- Primary school children are reading with comprehension and using creative writing and mathematics, based on national tests and competitions.
- First grade repetition reduced in all schools nationwide.

[36] Approximately one-third of adolescents ages 13-18 are still in primary school due to high repetition rates and the high rate of late enrollment into primary school. This data is based on a phone interview with a PRODEGE official, Bata, Equatorial Guinea, February 1, 2010.

- A significant increase in the primary school completion rate.
- All schools applying continuous assessment.
- Alternative secondary education has doubled the coverage of junior secondary education for young people, especially girls.
- 50% of all youth are in school-based or alternative secondary education.
- Secondary school is viewed as relevant to life and work by most young people.
- A doubling of the number of girls in secondary education.
- The MECD is implementing its gender equity policy and has resulted in improved female enrollment and completion rates.
- Programs and resources earmarked for increasing girls' enrollment and retention have been expanded.
- The use of educational results to manage educational policy is standard practice at all levels of MECD.
- Current information about education quality and student performance exists for all schools and informs policy and decision-making on a regular basis.
- National testing programs have been designed and implemented.

PRODEGE is using a curriculum jointly designed by Spanish and Equatoguinean experts. The Spanish government financed the project's technical assistance and the Equatoguinean government funded the design and publication of the new curriculum's textbooks.[37] Although the first textbooks were published in 2005 for the six primary school levels, the fall of 2010 marks the first time that the new curriculum and textbooks will be in place at all schools nationwide.[38] A representative of PRODEGE, however, voiced the concern that the new curriculum and textbooks are too advanced for the current level of education in Equatorial Guinea.[39]

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[37] Personal interview with Spanish government official, Malabo, Equatorial Guinea, January 18, 2010.

[38] Personal interview, Malabo, Equatorial Guinea, January 28, 2010.

[39] Phone interview, Bata, Equatorial Guinea, February 1, 2010.

The level of the Government's financial commitment to the project was in question during the first three years of implementation. Despite its pledge to finance one-half of the project's $40 million cost, the Government did not provide financial support until 2009. There was speculation that this reflected a lack of government commitment to the project, caution on the part of President Obiang to release the money into the hands of government bureaucrats widely perceived as corrupt, the desire of the president to keep the money himself, or simply was the result of an inefficient or inept bureaucracy.[40] The government, however, eventually began delivering on its financial obligation in 2009. Hess maintains complete control over the projects finances, and the government pays for the project through in-kind payments of oil to Hess,[41] a system that effectively bypasses the Equatoguinean Treasury and the government bureaucracy, thereby saving time and potential government corruption.

The Involvement of Multinational Corporations

Marathon and Noble's Involvement

Corporate citizenship is listed as one of the core values for Marathon and Noble, the two MNCs involved in the BIMCP.[42] Both companies espouse the importance of building strong relationships with local communities and employees through socially responsible practices and the protection of the environment. Their stated goal is to create sustainable social benefits that remain in place beyond the companies' involvement by developing relationships with key local stakeholders. Marathon's CSR framework includes nine elements: capacity building, community development,

[40] Personal interviews, Bata and Malabo, Equatorial Guinea, October 2008.

[41] Personal interview with oil company official, Malabo, Equatorial Guinea, January 28, 2010.

[42] Company websites, www.nobleenergyinc.com and www.marathon.com.

education and training, environmental stewardship, human rights and performance reporting, rule of law, stakeholder engagement, and transparency. Marathon stresses the importance of strengthening institutions and local capacity along with providing improved social services (Marathon 2009).

The CSR work of both companies focuses primarily on development projects aimed at improving education and health. The BIMCP is a keystone project for both organizations. In addition to the BIMCP, both companies are involved in smaller CSR efforts in Equatorial Guinea. Among other activities, Noble is engaged in drilling water wells and building schools in several local communities, and Marathon manages an employee-driven "Books for Bioko" campaign that distributes books and supplies to local schools (seven schools in 2009).[43] Through AMPCO, in which both companies own a 45% interest, the companies have contributed to school construction and rehabilitation projects, personal development planning, overseas training, English language training, technician training, beach cleanup, and a book donation program that began distributing 6875 books to 11 schools in June 2010 (AMPCO 2010).[44]

Marathon entered Equatorial Guinea in 2002 and initiated the BIMCP in 2003.[45] Noble Energy has been engaged in the exploration, exploitation, and development of oil and gas properties in Equatorial Guinea since 1990.[46] Marathon oversees the BIMCP,

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[43] Since 2004, employees of Marathon, Noble Energy, and AMPCO have raised nearly $200,000 in cash donations and in-kind contributions for the Books for Bioko program (AMPCO 2010).

[44] AMPCO had a budget of $500,000 for social projects in 2010, which does not include the $1.5 million the company contributed to the BIMCP (Personal interview, Malabo, Equatorial Guinea, January 20, 2010).

[45] Marathon entered the Equatorial Guinea market in January 2002 when it purchased a 45% stake in AMPCO from CMS Energy. Marathon established its oil operations in Equatorial Guinea in 2003.

[46] Noble's presence in Equatorial Guinea prior to 1998 was largely through the operations of its wholly-owned subsidiary Samedan of North Africa, Inc. Noble Energy (known as Noble Affiliates, Inc. until May

while Noble's role is primarily as financier of the project, although the company receives regular updates on the project's progress. Marathon and its partners have contracted MCDI, an American not-for-profit organization, to carry out the day-to-day implementation of the BIMCP.

Although Marathon is not responsible for the day-to-day implementation of the project, the company appears to stay in close contact with MCDI and its other partners. Marathon participates in weekly teleconferences to discuss the status and challenges of the project. These teleconferences include the company's CSR director and other key staff in Houston, Texas and Equatorial Guinea and its implementing partners on the ground in Equatorial Guinea.[47] According to NGO staff, and supported by my own observations, Marathon takes a hands-off, facilitating role in the project's implementation, allowing the NGO the freedom to carry outs its operations while providing it with any support and resources that the NGO requests. A NGO representative asserts that "Marathon has been absolutely 100% committed to the project. If we can justify what we need for the project, they provide it."[48] Along with this relative operational independence and resource backstopping, Marathon seems engaged on the project, remains results oriented, and pressures the NGO to deliver on its obligations.[49] Although initially there were some uncertainties over the roles that each actor (i.e. the MNCs and NGO) should play in carrying out the project, those

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2002) itself did not enter Equatorial Guinea until March 1998 when it signed a manufacturing and marketing agreement with the Government of Equatorial Guinea to produce methanol gas.

[47] Personal interview with NGO representative, Bata, Equatorial Guinea, October 16, 2008.

[48] Personal interview, Bata, Equatorial Guinea, October 16, 2008.

[49] Personal interview with NGO representative, Bata, Equatorial Guinea, October 16, 2008. These observations were echoed by Marathon officials and other NGO representatives and match my own observations recorded during fieldwork.

responsible for implementing the project insist that the appropriate roles of the various actors have become better defined as the project has progressed.[50]

Hess's Involvement

Hess asserts that social responsibility is one of its core values and central to the way in which it conducts business. Company officials assert that the company's goal is to leave the country better off than it was when Hess arrived, and to implement projects that can continue without Hess's involvement.[51] The company prefers to invest in sustainable "soft" development projects, in particular health and education, rather than in one-time "hard" development projects such as infrastructure.[52] According to Paula Luff, director of Social Responsibilty for Hess, Hess prefers to focus on "on improving health and education in communities where there is greatest need so that we truly do make a lasting difference for future generations" (Philanthropy New York 2010).

Hess employees routinely single out the commitment of Leon Hess—the company's founder—to rebuilding schools in Saint Lucia in 1980 following Hurricane Allen, which decimated many of the island nation's schools.[53] Every Hess employee interviewed for this study emphasized the pivotal role Leon Hess's efforts in Saint Lucia played in influencing the company's commitment to social responsibility in general, and to education projects in particular. John Hess, Leon's son and current Hess President and CEO, was reportedly moved by his father's education efforts in Saint Lucia and decided to invest in a broad-based education project in Equatorial Guinea, a project

[50] Personal interview with two NGO representatives, Malabo, Equatorial Guinea, January 20, 2010.

[51] Personal interview, Bata, Equatorial Guinea, July 7, 2007.

[52] Personal interview with Hess official, Bata, Equatorial Guinea, October 9, 2008.

[53] Leon Hess Oils Limited provided partial funding for 82 primary and 17 secondary schools in Saint Lucia (UNESCO 2000).

referred to as the "John Hess Project" within the company.[54] John Hess reportedly met with President Obiang Nguema to discuss his plan, informing the president that the project would be a gift to the country and outside the normal profit relationship.[55] The company states that it receives no cost recovery through taxes or profit agreement from the project.[56]

PRODEGE is the centerpiece of Hess's CSR program (Hess 2010). Although Hess is not generally involved in the day-to-day operations of the education project, it has been a committed and active participant in the planning and oversight of the project. When it contracted with AED to carry out the initial project study, the company did not outline for the NGO how much money it would be willing to spend; rather, the company instructed AED to conduct the study and inform them how much money would be required.[57] Thus, unlike most development projects, which "deductively" determine the scope and scale of a project from the available budget, PRODEGE emerged from Hess's desire to operate "inductively", determining the budget based upon actual need. AED provides monthly updates to Hess, which has a permanent committee in Houston, Texas that reportedly meets every three months to discuss the project's progress and challenges.[58] According to an AED official who participates in meetings with Hess, Hess

[54] Personal interview with NGO official, Malabo, Equatorial Guinea, July 4, 2007.

[55] Personal interview with NGO official, Malabo, Equatorial Guinea, July 4, 2007. This claim was also made by Hess officials during interviews in Bata, Equatorial Guinea in July 2007 and October 2008.

[56] Personal interview with Hess official, Bata, Equatorial Guinea, July 7, 2007.

[57] Personal interview with NGO official, Malabo, Equatorial Guinea, July 4, 2007.

[58] Personal interview with AED official, Bata, Equatorial Guinea, February 1, 2010.

officials—and in particular John Hess—ask very insightful and difficult questions regarding the project and its progress.[59]

Hess's in-country presence appears to have pushed the education project forward. The company has operated in Equatorial Guinea since 2001 and developed a familiarity with the culture and context of the country. The company claims to possess an understanding of the obstacles that AED faces in attempting to implement the project, which company officials allege helps them to maintain a set of realistic objectives and expectations for the project and AED.[60] Importantly, it appears that Hess is able to use the connections it has established with key government officials in the course of doing business in the petroleum sector to help AED with aspects of project implementation that meet government resistance. According to company and AED officials, this was particularly true in the first year or two of the project, when there was noticeable resistance amongst some individuals in the government to defer to foreigners on development projects. As one informant present at meetings between Hess and the government recounted, when Hess and AED first started dialogue with the government, they would meet in dingy buildings with no air conditioning and no electricity, and there would be lots of shouting and table pounding from the government officials present when Hess and AED insisted on specific elements of the project. In an apparent attempt to intimidate the Hess and AED representatives, on occasion military men came into the room with their hands on their weapons.[61] Similarly, Hess officials claim to be able to

[59] Personal interview with AED official, Bata, Equatorial Guinea, February 1, 2010.

[60] Personal interviews with Hess representatives, Bata, Equatorial Guinea, October 9, 2008 and Malabo, Equatorial Guinea, January 28, 2010, and an AED representative, February 1, 2010, Bata, Equatorial Guinea.

[61] Personal interview, Bata, Equatorial Guinea, October 9, 2008.

support AED's efforts to ensure the fairness of open bidding procedures and project accountability. Furthermore, they assert that Hess's presence positions it to provide infrastructural support, such as helping get supplies or providing labor and maintenance, to AED when necessary, a claim supported by my own observations. Hess also claims to pressure the government to remain accountable for its half of the project's financial obligation.[62]

One of the interesting aspects of Hess's involvement with the project is that unlike most CSR projects, which focus on companies' own employees or the communities directly affected by their operations, the education CSR project in Equatorial Guinea is national in scope, with the potential to impact the lives of most Equatoguineans. The scope of the project could be a sign of Hess's commitment to improving the countries where it operates, or may simply reflect the fact that a national scale project is feasible given the country's small size.

Hess is involved in other social development projects besides PRODEGE. The company spent approximately $800,000 in 2008 and an estimated $900,000 in 2009 on community projects. These figures do not include the $2 million that Hess spends each year to finance its one-half share in PRODEGE. Company officials claim that Hess could and would spend more on social development projects, but its ability to do so is limited by the bottleneck created by having to acquire the approval of the MMIE for all projects, which often results in delays, and its inability to acquire sufficiently qualified local staff and contractors to implement additional projects.[63]

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[62] Personal interview with Hess official, Bata, Equatorial Guinea, July 7, 2007.

[63] Personal interviews with Hess officials, Bata, Equatorial Guinea, July 7, 2007, and October 9, 2008.

Besides its involvement with PRODEGE, Hess finances the construction or remodeling of schools, donates school supplies, provides communities with potable water by funding the drilling of water wells, and contributes to a local civil society organization focused on providing education and skills training to women. It is also planning to finance a feasibility study in 2010 for another potential joint project with the government, this time focusing on microfinance for small-scale local businesses.[64]

MNC Motivations for CSR Projects in Equatorial Guinea

What motivates MNCs operating in Equatorial Guinea to invest resources in CSR projects? While Chapter 2 outlines a broad set of factors that motivate corporations to engage in CSR, and the Equatoguinean mandates companies to invest in National Content, it is instructive to assess what motivates MNCs in Equatorial Guinea to go beyond minimum mandated spending requirements.

MNCs in Equatorial Guinea cite a number of motivations for engaging in CSR. The most common are:

- **Risk mitigation:** Helping protect a company's license to operate by improving the company's relationship with the government and local communities. As one company official noted, "there is no doubt that the government looks more favorably on companies that are willing to do things [CSR projects] than on ones that are not.[65] Another company official noted that CSR projects make good business sense because they help the local people to understand that "we're not the devil."[66]
- **Changing expectations:** Stakeholders are beginning to view CSR as part of the business cycle.
- **Company influence:** MNCs can use their influence to pressure for improvements in human rights and revenue transparency.

[64] Personal interview, Malabo, Equatorial Guinea, January 28, 2010.

[65] Personal interview, Malabo, Equatorial Guinea, October 28, 2010.

[66] Personal interview, Bata, Equatorial Guinea, October 9, 2008.

- **Good neighbor syndrome:** Company employees want to help improve the quality of life for local citizens and communities.

- **Leaving a legacy:** Companies want to leave the country better off when they leave than what conditions were like when they arrived.

- **Protect the health of employees:** This was an important motivating factor for the MNCs involved in the BIMCP, who benefit in several ways from reductions in malaria. A decreased malaria rate makes the country a more appealing location for expatriate employees traveling to Equatorial Guinea to work. It also improves the health of current employees—both local and expatriate—reducing the costs associated with lost time and lowered productivity.

- **Improved reputation:** While the company's make some attempt to use their CSR projects to improve their reputations in the U.S. (their home country), this seems relatively limited (company websites, annual reports, and an occasional press release). Companies claim to use the projects to enhance their reputations with Equatoguineans, it is unclear the extent to which this actually occurs. For instance, the companies associated with the BIMCP sought to develop a logo for the project, in part so that they could stop using company logos on the project.[67] While the companies advertise their involvement in the project on billboards and the radio, the limited media in Equatorial Guinea limits the extent to which companies can promote their involvement. Hess's role in PRODEGE is publicly acknowledged at the opening ceremonies of schools and training centers, but the creation of the PRODEGE branding of the project limits Hess's visibility.

Having outlined the structures, aims, and motivations for the two CSR projects in Equatorial Guinea, the next two chapters analyze the extent to which the projects have been able to improve social services and state capacity in Equatorial Guinea.

[67] Company officials provide two reasons for this. 1) They want to encourage government ownership of the projects; 2) They want to limit company liability in case the projects fail, which introduces an interesting tension into their desire to both promote and limit the visibility of their associations with the project (personal interviews with officials from two oil companies, Malabo, Equatorial Guinea, October 28, 2008).

CHAPTER 5
THE IMPACT OF CSR ON SOCIAL SERVICES IN EQUATORIAL GUINEA

The success of the two CSR projects in Equatorial Guinea can be assessed along two dimensions: 1) improvements in social services (the subject of this chapter), and 2) increases in state capacity. The ability of the BIMCP and PRODEGE to yield improvements in social services is discussed in this chapter. Their capacity to improve state capacity is detailed in Chapter 6).

The Impacts of the BIMCP

The BIMCP has made significant headway in its effort to substantially reduce the transmission of malaria on Bioko Island The prevalence of malaria infections in children age two to five declined from 42% in 2004 to 18% in 2008. During that same period, the incident rate of anemia (a frequent result of malaria) in children age two to five declined 86%. There has been a 64% reduction in deaths among children under the age of five on Bioko Island, signifying that Bioko Island has nearly reached the two-thirds reduction in child mortality by 2015 goal set by the United Nations Millennium Development Goals. The under-five death rate on Bioko Island declined from an estimated 152 per 1000 births in the period 1999-2004 to 55 deaths per 1000 births in the period 2004-2008 (Kleinschmidt et al. 2009).

The BIMCP's success is attributable primarily to the successes of the spraying campaign, the distribution of insecticide-treated mosquito nets, and the program to provide free malaria medicine to pregnant women and children. Although the project has not been able to meet its goal of spraying 90% of the structures on Bioko Island (the proportion of structures sprayed fell from a high of 87% in 2005 to 79% in 2008), the spraying campaign has significantly reduced the number of infected anopheline

mosquitoes on Bioko Island. Based on sampling conducted using mosquito traps positioned at various sites around Bioko Island, two of the three species of mosquitoes (*Anopheles melas* and *Anopheles funestus*) that carry and transmit malaria on Bioko Island have been virtually eliminated, and the incident rate of malaria parasites in the mosquitoes that were collected was significantly reduced, substantially lowering their transmission potential (Sharp et al. 2007).

Bed net ownership and usage have escalated dramatically during the program period. Only 26% of Bioko Island residents surveyed in 2006 reported owning an insecticide-treated net (ITN), while 94% claimed ownership in 2008, after the BIMCP had initiated its bed net distribution. ITN ownership in Equatorial Guinea in 2008 compared favorably to the average of an 18 country study conducted by the World Health Organization (2008) in Africa, which found that only 34% of households owned an ITN. Similarly, the percentage of respondents claiming to have slept under an insecticide-treated mosquito net the previous night increased from 12% to 73% between 2006 and 2008. Overall, the number of children ages two to five living in a spray treated home or sleeping under an insecticide treated mosquito net increased from approximately 4% prior to the BIMCP to 95% in 2008. In 2008, 31% of pregnant women reporting taking oral malaria medication while pregnant. According to surveys, the number of self-reported malaria episodes declined from 66% of all reported illnesses in 2005 to 16% of all reported illnesses in 2008 (Kleinschmidt et al. 2009).

Thus, the available evidence suggests that the BIMCP has been the primary catalyst for the reduction of malaria infections and malaria-related illnesses on Bioko Island in the period 2004 to 2008. No other substantial health intervention program was

introduced during this period that could account for the drastic differences in the data collected pre- and post-intervention. For instance, the malaria infection rate for mainland Equatorial Guinea remained high at 59% in 2007, where the BIMCP had not been implemented (Kleinschmidt et al. 2009).[1]

In addition to the health benefits that have accrued to the residents of Bioko Island as a result of the BIMCP, it is likely that residents—particularly the poor—have benefited economically from the project. A survey on household consumption on Bioko Island prior to the initiation of the BIMCP showed that poor households spent a disproportionately large share of their income on anti-malarial dugs. The BIMCP's initiation of free malaria treatment for children under 15 and for pregnant women in 2005 likely has had an economic impact on poor households. Estimates suggest that the first round of spraying alone may have resulted in a net savings of up to 6% of household income (BIMCP 2007). In addition, the lower rate of malaria likely benefited residents economically through a reduction in lost income due to missed work hours caused by adults having to care for sick children or themselves (Kleinschmidt et al. 2009). The benefit-to-cost ratio of the project may be as much as four to one (BIMCP 2007).

The Impacts of PRODEGE

PRODEGE has made rapid educational advances in a relatively short amount of time. Currently in its fifth year of operation, the program has achieved the two principal goals of its first (of two) five year phase: the establishment of a national teacher diploma course at 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"

[1] This is according to a baseline survey conducted prior to the implementation of the Equatorial Guinea Malaria Control Initiative, which is not part of the BIMCP.

model.[2] Between the model schools and the teacher diploma course the project is reaching approximately half of the country's primary school population (Hess 2010). Both attendance and enrollment at the model schools has increased compared to pre-project levels.[3] PRODEGE has incorporated into the project the use a new curriculum jointly designed by La Cooperativa Española and the Equatoguinean government. The first class of 982 teachers graduated from the teacher-training institute on April 21, 2010. 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.[4]

One of the more interesting aspects of PRODEGE is its incorporation of the active learning model, a pedagogy designed to encourage students to express themselves, ask questions, think creatively, and solve problems. Visits to primary schools that have transitioned to the active learning model revealed its distinct difference from the traditional "write and recite" method typically used in schools across the country. Instead of rows of students facing a teacher whose primary focus is to lecture at the front of the room, students sit at desks or tables in groups of four or five, facing one another. Many activities are designed to encourage group participation and student involvement, and the teacher moves around the room assisting or encouraging students as they work together to solve problems. Students in these settings appear to be more engaged and

[2] 54 model schools were operational as of November 18, 2009.

[3] Personal interviews with primary school teachers, Eniga Yong, Equatorial Guinea, October 17, 2008, and phone interview with PRODEGE official, Bata, Equatorial Guinea, February 1, 2010.

[4] Phone interview with PRODEGE official, Bata, Equatorial Guinea, February 1, 2010.

excited about the material than students seated in traditional classrooms that do not use the active learning model. Teachers interviewed for this study expressed their enthusiasm for the ability of the active learning model to heighten student interest, participation, and critical thinking.[5]

Getting teachers to successfully apply the skills and training they receive at the teacher training centers to a classroom setting, however, has its difficulties. Transferring skills acquired through training to a real world setting can prove difficult in any environment given the natural human resistance to replacing deeply entrenched habits and norms with new methods. Accomplishing this in a country where decades of repression have stifled free speech, critical thinking, educational advancement, and independent thought proves especially challenging. One of the legacies of the country's experience with dictatorship is an education system built on authority. More than 40 years of dictatorship has taught citizens to respect—or at least not to challenge—the rigid hierarchy established, nurtured, and preserved by the dominant political class. Teachers and students (in particular, older students) have a deeply rooted sense of their place in the social hierarchy accorded by class, ethnicity, political connectedness, and their geographical origins. Outward acceptance of, apathy toward, or support for the ruling class has long been a survival mechanism for many, if not most, of the country's citizens, even if privately they disapprove of the political regime whose power permeates through all levels of society.

In this environment where independent and critical thinking have long been neglected or outright discouraged, PRODEGE is confronted by the dual challenge of

[5] Personal interviews, Eniga Yong and Bata, Equatorial Guinea, October 17 and 21, 2008.

providing teachers with improved skills and nurturing a belief in themselves and the acceptability of independent thought in an environment traditionally associated with its repression. Overcoming the latter obstacle by instilling in teachers trust in the program is a particularly difficult challenge. In addition, the program implicitly asks teachers to soften the hierarchical boundaries between themselves and students. Switching from the traditional write-and-recite method to an active learning method where students work in groups, are active classroom participants, and are encouraged to think critically can prove a difficult transition for teachers whose personal and professional identities may be intertwined with and reconstituted by the authoritative position they enjoy in the traditional asymmetrical teacher-student relationship. Students—particularly older students—may face similar challenges in accepting and trusting this new model of learning and their redefined role within it; however, younger students are likely to quickly adapt to the new system given the lesser exposure they have experienced to both the traditional education system and broader traditional societal norms.

Additional Challenges

Despite the substantial advancements in health and education, the projects' face several challenges. Most critical is the issue of state capacity, which is discussed in detail in Chapter 6. Yet a number of other obstacles threaten the capacity of the CSR projects to deliver sustainable social service improvements.

Communicating Program Goals and Successes

An ongoing challenge for both CSR projects is effectively sensitizing citizens about the goals of the projects and informing them of the projects' progress. Both are important for garnering the support and participation of Equatoguineans, and failure to achieve either undermines project effectiveness. The BIMCP has failed to adequately

articulate to local citizens the scientific evidence that supports its strategy to combat malaria. As a result, it is facing a public perceptions problem that threatens to undercut its effectiveness. The BIMCP targets only the three specific mosquito species that carry and transmit malaria and not all mosquito species found on Bioko Island; thus, it has not drastically reduced the total mosquito population on the island. Consequently, residents assume that the project is failing because they continue to be molested by large numbers of mosquitoes. In addition, although the overall numbers of malaria cases have decreased significantly, many citizens believe the project is failing because they, or people they know, have recently suffered a malaria attack.[6] Such lack of awareness of, or belief in, the project's methods and supporting scientific evidence is partially responsible for the continued popularity of traditional cures that lack scientific merit and often harm rather than help malaria victims.[7]

The lack of faith in the BIMCP could have negative consequences for its long-term success if frustrated citizens stop permitting the BIMCP sprayers to enter their homes twice annually or if government officials—either due to pressure from citizens or due to their own lack of trust in the project—lessen their support for the project. Lagging government commitment to the BIMCP would likely reduce the government's long-term financial and human resource commitments to the project, effectively undermining the success and sustainability of the project.

[6] New malaria cases stem from the fact that the project has not entirely eradicated the disease and the reality that most Equatoguineans continue to carry malaria sporozoites in their bloodstream that can cause a reoccurrence of the disease at any time.

[7] Personal interview with NGO official, Bata, Equatorial Guinea, October 16, 2008. This sentiment was echoed in personal conversations with Equatoguineans in January 2010.

PRODEGE also suffers from a lack of awareness amongst ordinary Equatoguineans of its objectives and strategies. Approximately 25 informal interviews were conducted in October 2008 with citizens in a neighborhood in Bata whose school had been refurbished and received newly trained teachers through PRODEGE. The interviews revealed that some residents were not aware of the project or its objectives. Interestingly, a number of respondents were unsure who was responsible for their refurbished school (some said the government or Hess, others cited local religious leaders), and could not accurately identify the industry to which Hess belongs.

Poor Sanitation

Poor sanitation, particularly in the major urban centers of Bata and Malabo, pose a threat to the BIMCP's success. Poor sanitation can lead to an escalation of mosquito populations and effectively undermine efforts to reduce malaria infection rates.[8] Littering is commonplace throughout the country, and consequently streets are often littered with trash. Contributing to the problem is the inconsistent and inadequate trash collection system, particularly in Bata and Malabo. Water that collects inside refuse turns into a prime breeding ground for malaria transmitting mosquitoes. The ability of the BIMCP to make sustainable advancements against malaria is slowed by poor sanitation that catalyzes mosquito proliferation. Systematic efforts to collect trash have proved sporadic and inadequate, the result of insufficient political will and a lack of government resources. Furthermore, as was noted in Chapter 4, one of the few trash collection efforts in Malabo entangled a MNC into participating in a landfill project it would have preferred to avoid, and whose sustainability is in doubt.

[8] Personal interview with public health official, Malabo, Equatorial Guinea, January 19, 2010.

MNC and International Organization Coordination

There is a lack of coordination between the CSR projects and similar efforts being made by international organizations and the government's Social Fund. In the words of one director of an international organization, which were echoed in interviews with other international organizations working in Malabo, "We are working in silos without coordination."[9] Such "stove-piping" and lack of coordination results in an inefficient use of finite funds due to project duplication, a loss of synergy that could have been achieved if various organizations' efforts were designed to compliment and build on one another, and competition between similar projects for government involvement and resources. Numerous officials from various international organizations with operations in Equatorial Guinea expressed frustration and concern that their organizations were seldom (if ever) consulted regarding the health and education efforts of the MNCs, even though their organizations had extensive knowledge of these issue areas as well as the context into which they are being implemented.[10] In instances where international organizations did meet with the MNCs, they did not always have the opportunity to meet with the companies' partner NGOs responsible for most of the day-to-day implementation of the projects.[11]

The international aid organizations and the MNCs and NGOs engaged in CSR projects operate on the same orbital plane, but their paths seldom, if ever, cross. Their relationships with each other and the government are represented schematically in

[9] Personal interview, Malabo, Equatorial Guinea, January 15, 2010.

[10] Personal interviews, Malabo, Equatorial Guinea, January 15, 2010; January 18, 2010; January 19, 2010; January 20, 2010; and February 3, 2010.

[11] Personal interview with the director of an international organization, Malabo, Equatorial Guinea, January 15, 2010.

Figure 5-1. Both the CSR projects and the projects of international aid organizations inhabit a similar space that is simultaneously both inside and outside of the government's development strategy (Figure 5-1, points A and D). While all projects require government approval, and many, including both of the CSR projects in this study, are joint partnerships with the government, the projects themselves are never entirely incorporated inside of the government's strategy, for two reasons. First, the government does not yet seem willing or capable of completely owning the projects. Second, given their own organizational autonomy and priorities—as well as their concern over the government's priorities and capacity—external organizations (both international aid agencies and MNCs) resist handing complete control of their projects to the government. Yet despite the overlap that often exists between their projects, there has been a lack of consistent coordination between international aid organizations and the MNCs/NGOs involved in CSR projects. Instead, while they operate in the same geographical and experiential space, they remain fixed within their own routinized operational orbits and seldom cross paths.

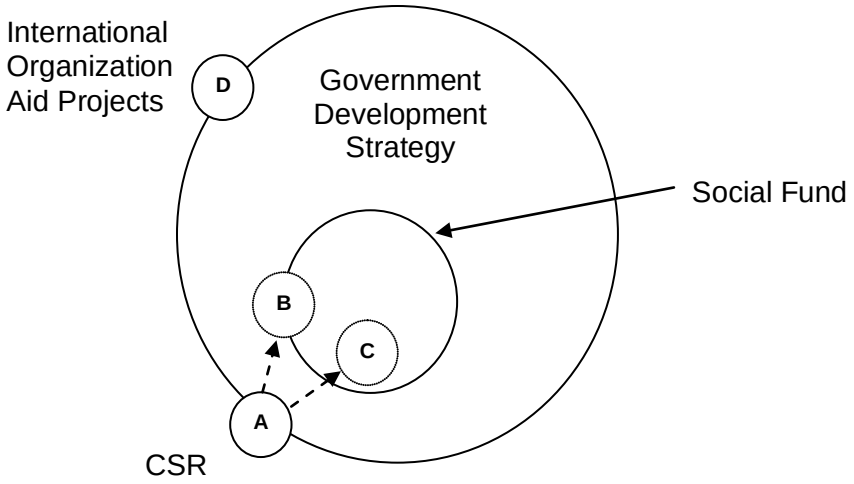

Figure 5-1. A spatial representation of development efforts in Equatorial Guinea

Ultimately, if/when the CSR projects prove successful in their effort to improve state capacity to the point that the state can take over complete control and ownership of the projects, the locus of the CSR projects will move from point A in Figure 5-1 to a point closer to the center of the government's development strategy. Ideally, this shift would move the projects to either point B or point C, since the projects would be more efficient and effective if their resources were incorporated into (point C), or at least coordinated with (point B), the government's Social Fund, which contains education and health initiatives that overlap with the objectives and strategies of the CSR projects.

Strengthening the Link between Accountability and Performance

Due to the country's history with dictatorial regimes and repression, both horizontal and vertical accountability in the government are largely absent. The government's rigid hierarchical structure (discussed in-depth in chapter 6) prevents government officials from criticizing or holding each other accountable for their obligations and actions. Deeply entrenched neopatrimonial practices also lead government officials to give project contracts to friends and relatives, with little or no regards for performance monitoring. Widespread repression by the government has stifled society's ability and will to hold the government accountable for its actions and promises. These phenomena have created and entrenched a norm of non-accountability. Authority figures, recognizing that their actions (or inaction) will not be subject to scrutiny, are free to engage in behavior that often undermines organizational, project, or policy effectiveness.[12] The country, due to weak institutions and a lack of political will to

[12] The lack of oversight partially explains the widespread corruption believed to be prevalent throughout all levels of the government.

implement accountability measures, has a history of implementing laws, policies, and projects with little or no follow-up or inspection to ensure effectiveness or compliance.[13]

The lack of an accountability principle poses a serious challenge for the capacity of the CSR projects to substantively improve social service delivery. Lack of horizontal accountability increases the potential for ineffective government officials or ministries to go unchallenged or unnoticed, allowing inefficient or counterproductive policies and practices to continue and become entrenched behavior. Lack of vertical accountability prevents citizens from calling attention to shortcomings in social service delivery and from proposing improvements that could contribute to project efficiency and effectiveness. Overcoming these obstacles—especially since doing so involves changing both behavioral and institutional norms—will not be quickly or easily accomplished.

Both CSR projects have made efforts to overcome the challenge posed by the country's non-accountability norm. The BIMCP, for instance, works closely with its trainees to promote the positive roles that monitoring and oversight can play in ensuring project effectiveness. The NGO responsible for day-to-day project implementation reports some early, if tentative, successes in helping people to realize that accountability can be useful for ensuring that projects are effectively implemented.[14] Hess has insisted to the government that contracts are awarded through a transparent

[13] An example of inconsistent government follow-up was uncovered during my trip in 2008. In January 2008, the government outlawed the sale of bush meat, and sales immediately dropped to near zero. However, lack of government enforcement of the law pertaining to this profitable trade allowed the practice to quickly rebound to its pre-law levels. Based on personal interview, Bata, Equatorial Guinea, October 9, 2008 and conversations with environmental conservationists, Malabo, Equatorial Guinea, October 2008 and December 2009.

[14] Personal interview with NGO official, Bata, Equatorial Guinea, October 16, 2008.

bidding process and that inspectors monitor the progress of social projects to ensure they are being implemented according to plan. The Ministry of Education, which, according to MNC officials, was at first reluctant (and even confrontational) to defer to the authority of foreigners, now actively participates in open bidding and project monitoring. However, the output and skill levels of the contractors and monitors are often quite low, although they are learning through participation and experience.[15]

[15] Personal interview with oil company official, Bata, Equatorial Guinea, October 9, 2008.

CHAPTER 6
MAKING CSR SUSTAINABLE: THE IMPACT OF CSR ON STATE CAPACITY

Capacity building, in various guises, has been widely discussed and put into practice by development organizations for more than four decades. At various points it has been labeled “institution building”, “institution strengthening”, “development administration”, “public administration”, “human resource development”, “new institutionalism”, “capacity development”, and “new public management” (Lusthaus et al. 1999; Hyden 2003). While there are differences between these approaches, each centers on the idea that states often need assistance developing the technical, human, and strategic capacity to organize and manage their systems in ways that enable them to efficiently and effectively identify and prioritize problems, formulate policies, and implement and evaluate those policies in a sustainable fashion (Hilderbrand and Grindle 1994).

Capacity building can occur on two different levels, broadly defined. The first, and arguably the easier of the two to understand and operationalize, emphasizes improvements in instrumental aspects of the state. This involves imparting the organizational and technical skills required to successfully carry out the tasks of the state, including service delivery, policy planning and implementation, and community development. The second and deeper conceptualization of capacity building focuses on changing the norms, rules, and institutions of a society or a specific set of state actors. Since this invariably entails that a group or society learns new behaviors, roles, and responsibilities, it is upon this aspect of capacity that sustainability hinges, for it requires the “buy-in”, participation, and ownership of local individuals or groups (Morgan 1999).

These two aspects of capacity building are interrelated. Providing civil servants with the technical skills necessary to effectively carry out state functions, for instance, may be of little real merit if the informal and personalized norms associated with neopatrimonialism continue to subvert the Weberian norms of legality and rationality typically attributed to modern bureaucracy. Changing norms and altering behavior, however, are difficult and long-term tasks that occur only incrementally. But they are critical if the gains of capacity building are to prove sustainable.

Capacity building in Equatorial Guinea is a challenging proposition given the country's history. Nearly all of the individuals interviewed for this study noted that one of the most significant development challenges facing the country is its lack of human capacity. As was detailed in Chapter 3, 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. 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. CSR projects with a human capacity building component are confronted with the reality that the number of locals with the appropriate levels of education and training needed to manage and deliver improved social services is relatively small. To complicate this challenge, the counterparts that the government chooses to receive on-the-job training are frequently selected for political or neopatrimonial reasons that have little or nothing to do with their qualifications or expertise. The MNCs and NGOs involved with the projects simply have no choice but to do the best that they can with the personnel the government provides.

This chapter assesses the impacts of MNCs' efforts to contribute to state capacity improvements in Equatorial Guinea. First, we detail what those impacts have been thus far, keeping in mind that state capacity is an incremental and ongoing process and that the CSR projects are still being implemented and thus, have not yet fully realized their ultimate impacts. It is possible, however, to assess the efforts of MNCs to date in this critical area. Then we compare the relative impacts of the two CSR projects, assessing the relative merits and shortcomings of each project and suggest key mechanisms that explain the differences in project impact. We then outline a number of important obstacles to state capacity that the CSR projects—and by association, the MNCs—must overcome to create sustainable improvements in state capacity. Finally, we look to the future and explore the potential for the current CSR projects in Equatorial Guinea to overcome these obstacles and yield lasting change.

The Impacts of the BIMCP and PRODEGE on State Capacity

To overcome human capacity gaps and strengthen state capacity, the MNCs and NGOs have initiated a number of measures. First, both the BIMCP and PRODEGE implemented on-the-job training programs aimed at quickly transferring knowledge from the foreign technical advisors to their local counterparts so that the latter can acquire the day-to-day skills required to operate and manage the projects. To facilitate knowledge transfer, local counterparts "shadow" the technical advisors responsible for the positions they will eventually hold. This tactic has been used by AED in an effort to train local staff members of the Ministry of Education in the skills critical for conducting and analyzing surveys and other types of data collection for PRODEGE. According to AED and PRODEGE officials, these civil servants should soon have the tools necessary to conduct future surveys and other types of data collection for the Ministry. On-the-job

training is complemented by thematic workshops and seminars designed to further the knowledge, understanding, and commitment of Ministry counterparts.

There are indications that state capacity is slowly improving within both projects. The BIMCP employs more than 200 Equatoguineans, most of these as sprayers. Teams of sprayers receive two to three weeks of training on appropriate spraying techniques and safety measures. All sprayers and most sprayer supervisors are Equatoguinean and have conducted more than 10 rounds of spraying, continually improving their methods with each subsequent round. 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.[1] 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 be expected to take over the day-to-day operations of the project. According to NGO staff, 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.[2]

According to sources working on the project, however, the transition to government control of the BIMCP is taking more time than was initially projected. This delay likely stems, at least in part, from the country's very limited human capacity, which has necessitated greater training than was originally anticipated by the MNCs. This has created obstacles at both the implementation and planning levels of the project.

[1] 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.

[2] Personal interview with a NGO staff member, October 16, 2008, Bata, Equatorial Guinea.

According to NGO and MNC staff, finding, training, and retaining qualified personnel have proven challenging and taken considerable time. In addition, there have been indications that the government—whether because of low capacity or a lack of political engagement—has not taken the steps required to rapidly take over control of the project. For instance, in 2008—four years after the 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 headquarters. By comparison, the MNC's project headquarters included 17 offices, a training center, and a warehouse for medicines.[3] The construction of the new Ministry of Health building—complete with new computers, internet, and climate control—provides a possible indication that the paucity of government resources and commitment to the project are changing.

Certain improvements in state capacity (in addition to the teacher and principal training outlined in Chapter 5) within PRODEGE provide cautious optimism about the prospects of project sustainability. There are indications that the government is beginning to take ownership of the project. It has secured the commitment of key individuals working within the government, an important consideration given the highly politicized and personalized nature of government ministries.[4] As noted above, 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

[3] Personal interview with oil company official, October 28, 2008, Malabo, Equatorial Guinea.

[4] Interview with PRODEGE representative, February 1, 2010, Bata, Equatorial Guinea.

obligations during the project's first two years, eventually delivered on its financial promise and is currently up-to-date through 2010.[5]

PRODEGE has been partially incorporated into the Ministry of Education. Although the Ministry of Education does not yet have an administrative unit to run the project—which is still under the directorship of AED—most decisions are reportedly being made by nationals, and the design and implementation of a transition phase to government control of the project is underway.[6] An Education Commission comprised of representatives from the government, Hess, and AED has been initiated to generate educational ideas, and a Sustainability Commission is in place that is focusing on organizational development and institutional strengthening, and also making determinations about which achievements of PRODEGE to continue in the future and how to pay for them.[7]

To the extent possible given local supply and capacity limitations, Hess claims to be making an effort to contract local companies to implement the construction of such things as buildings, office and school desks, furniture, and water wells for PRODEGE.[8] The company reports that contracting local companies has led to the creation of backward and forward linkages that have increased local economic activity and improved the capacity of local entrepreneurs to take on larger and more complex projects.[9] According to the company, an added advantage of working with local firms is

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[5] Personal interview with oil company official, January 28, 2010, Malabo, Equatorial Guinea.

[6] Phone interview with AED official, Washington D.C., November 18, 2009.

[7] Phone interview with AED official, Bata, Equatorial Guinea, February 1, 2010.

[8] Personal interviews with oil company officials, Bata, Equatorial Guinea, October 9, 2008 and Malabo, Equatorial Guinea, January 28, 2010.

[9] Personal interview with oil company official, Malabo, Equatorial Guinea, January 28, 2010.

that they possess better knowledge and understanding of the local context, which Hess feels contributes to overall project success.[10]

Explaining the Differences: Comparing the Impacts of the BIMCP and PRODEGE

PRODEGE seems to have become more institutionalized within the government than the BIMCP despite having been initiated more than two years later. There are several possible explanations for this. One potential factor is the importance that government officials seemingly attach to education. High-ranking government officials, both in public statements and in interviews conducted for this study, have stressed the importance of making significant advancements in the quality of the country's education system if the country is to have a qualified workforce capable of: 1) taking over the lucrative jobs made available by the petroleum industry, and 2) helping the country initiate other industries in an effort to diversify the economy and decrease the country's dependence on revenues from the petroleum sector.

A second possible explanation for the more rapid institutionalization of PRODEGE compared to the BIMCP has to do with the government actors responsible for each project. PRODEGE seems to have benefited from having a very passionate and committed champion within the Ministry of Education. According to multiple individuals with firsthand knowledge of the high ranking Ministry official in question, this individual is passionate about the importance of education and deeply committed to improving the quality of the national education system. This personal commitment was reflected in the way in which this official served as an important intermediary between the government and the MNC and its implementing NGO, helping to steer the project around obstacles

[10] Personal interviews with oil company officials, Bata, Equatorial Guinea, October 10, 2008.

and through challenges.[11] The BIMCP project did not seem to have an influential high-level government champion in its first few years capable of pushing the project higher on the government's agenda or mobilizing the resources and ministerial support necessary to effectively increase the government's ownership of the project. However, the appointment of a new Health Minister in 2008 with close connections to President Obiang and credited with being an organized and motivated profession may help explain the government's recent commitment to infrastructural improvements for the Ministry of Health.[12]

It is possible that the greater state capacity increases evident in PRODEGE are reflective of different commitment levels of the MNCs involved in each project. While both Hess and Marathon routinely express the desire to realize successful development projects, and Marathon (and its business partners) has demonstrated this commitment with an additional five year, $28.1 million financial commitment, there is some cause for concern that recent personnel changes within the company's Equatoguinean offices have resulted in a decreased commitment to social development projects.[13] The presence or absence of project champions within MNCs can play a determinative role in the success of CSR projects.

Additional MNC Efforts to Increase Capacity

In addition to the capacity improvements catalyzed by the BIMCP and PRODEGE, MNCs are taking a number of other steps to improve local capacity. MNCs are financing

[11] Personal interviews, Bata and Malabo, Equatorial Guinea, January 22, 2010; January 29, 2010; February 1, 2010.

[12] Personal interview, Malabo, Equatorial Guinea, January 21, 2010.

[13] Personal interview, Malabo, Equatorial Guinea, January 21, 2010.

study abroad programs for Equatoguinean students at foreign universities in an effort to increase the number of highly educated professionals in Equatorial Guinea, a step necessary for the long-term development of the country. There are a number of scholarship programs that send Equatoguinean citizens abroad for training. Marathon, AMPCO, and EG LNG sent 10 students to the Universiti Technologi PETRONAS in Malaysia in June 2009 and another eight students in January 2010 for a six year program that includes one year of intensive English language training, one year of mathematics, science, and critical thinking, and a four year degree in engineering or technology. Marathon has a $250,000 annual scholarship program that sends six Equatoguineans to Texas A&M University. Hess, Marathon, Noble Energy, and GE Petrol spend approximately $225,000 annually to enroll students in a joint geosciences and engineering program (known as "GEGEO") provided by the University of South Carolina (USC) and the Universidad Nacional de Guinea Ecuatorial (The National University of Equatorial Guinea, or UNGE).[14] The Marathon Oil Company Foundation contributed $300,000 to help approximately 50 Equatoguinean students participate in the "Pacem in Terris" (Latin for "Peace on Earth") undergraduate program at La Roche College in Pittsburgh, Pennsylvania.

The oil companies have established the Hydrocarbon Technological Institute in Malabo to teach Equatoguineans the skills necessary to work in high-skill positions in the oil industry. While there is no explicit guarantee that the students in the Institute will be provided a job upon graduation, one oil company official confided that "all graduates are pretty much assured of employment if they meet all the performance requirements

[14] In 2010, the program supported 45 students at UNGE and six students at USC.

of the Institute."[15] About 50 Equatoguineans enroll each year in the Institute's two year program, and the third cohort of 50 trainees began the program in January 2010.[16] The Institute's first class of 49 graduated in February 2010. Hess operates its own parallel Hydrocarbon Institute on the mainland. The three year program enrolls approximately 15 students each year, and graduates go to work for Hess upon graduation.

Obstacles to CSR's Capacity to Improve State Capacity

The ability of the BIMCP and PRODEGE to deliver on their goal to improve state capacity requires overcoming a number of persistent obstacles. In a very real sense, the ability of the CSR projects to create lasting improvements in the lives of Equatoguineans depends upon the degree to which they can overcome these obstacles. Unfortunately for the MNCs, the majority of these obstacles are not within their control. A number of the significant challenges confronting the successful long-term sustainability of the CSR projects stem from the country's rigidly hierarchical, authoritarian, and neo-patrimonial political system. MNCs and their partner NGOs have relatively little ability or leverage to push for reforms in these areas. Although they can do their part to not contribute to and perpetuate certain challenges, for instance by avoiding contributing to a culture of neopatrimonialism, overcoming these obstacles

[15] Phone interview, Bata, Equatorial Guinea, August 23, 2010. The oil companies have multiple incentives for hiring locals. Besides workforce National Content requirements (see Chapter 4), companies feel pressure from the government and local communities to provide jobs. Companies benefit from hiring locals: they build ties with and improve their images in local communities and cut their operating costs. The salaries of locals hired for comparable positions are lower than those paid to expatriates, and the company saves on the expenses incurred to transport workers from around the world. The latter is not an inconsequential cost: with the exception of a handful of upper-level "resident" managers, all foreign staff members are "rotators" that the company provides with airfare home every one to three months, depending upon their position, for time off before they return to Equatorial Guinea to repeat the cycle.

[16] The Institute consists of eight months of intensive English-language instruction followed by 16 months of technical training. Until a permanent training facility is established, the language training takes place at Punta Europa (the compound of Marathon, AMPCO, and EG LNG) and technical training takes place at a facility operated by ExxonMobil.

primarily requires political will to reform on the part of the government. MNCs can attempt to professionalize government bureaucrats via training in an effort to empower individuals to resist the rigidity of the government hierarchy, but ultimately these efforts will succeed on a broad level only if the government takes measures to promote a merit-based, free-thinking organizational culture.

Rigidly Hierarchical Government Structure

Efforts to improve state capacity and increase the efficiency and effectiveness of the state are hindered by the rigid hierarchical political structure of the Equatoguinean government. 42 years of authoritarian rule in which individuals' relationships with powerful individuals have been the primary determinant of success has made civil servants and government officials very conscious of their place within the political pecking order. Rather than merit-based selection and promotion, individual advancement is largely dependent upon personal relationships. Who one knows is typically more important than what one knows.

A couple of outcomes detrimental to state effectiveness and capacity result from this reality. First, civil servants and government officials are not always particularly qualified for their posts; they may have received the job for patrimonial reasons and lack the skill set necessary to effectively carry out the responsibilities associated with their office. Second, individuals operating in a system where personal relations matter more than merit are going to be less willing to take risks or assume responsibilities not directly within the narrowly defined obligations of their post. Civil servants and government officials operating in this context are more concerned about doing their job wrong than in doing it right. The former can result in getting oneself noticed by superiors, whereas the latter seldom does. The end outcome is a system in which few individuals in

government positions are willing to make executive decisions, even regarding fairly straightforward and mundane decisions. Instead, they "pass the buck" on up the chain of command, meaning that many fairly routine tasks and requests end up on the desks of high level government officials, creating a bottleneck for effective and efficient government action. Until government appointments and promotions are predicated upon merit rather than neopatrimonialism, the incentives to implement the institutional reforms necessary to substantially strengthen state capacity will remain very weak.

The rigid hierarchy structure is evident throughout the government. As was noted above, President Obiang allegedly used to personally approve of any government expenditure over $1900 (Global Witness 2007). While anecdotal evidence collected during fieldwork for this study suggests that this is no longer the case, the government still remains highly centralized. For example, only the Minister of each government ministry is allowed to hand out cash to those government employees who are paid in cash. If the Minister is out of the country, employees do not get paid until s/he returns.[17]

Revolving Ministerial Officials and Civil Servants

A particularly problematic obstacle to improving human capacity involves the "merry-go-round" nature of government officials and civil servants in Equatorial Guinea. President Obiang retains tight control over the personnel decisions of Government Ministries; the top four positions within each Ministry (Minister, vice-Minister, Secretary of State, and Director General) are directly appointed by the President. Each appointment, however, can shake up an entire Ministry, as new appointees often reshuffle the personnel within their Ministries. According to a credible source, the

[17] Personal interview, Malabo, Equatorial Guinea, December 16, 2009.

President maintains ultimate control over all government personnel, however, even down to decisions regarding the cleaning staff.[18]

The impact of frequently changing ministerial positions on efforts to improve state capacity can be significant. Efforts to provide ministry staff and civil servants with training in accounting, budgeting, computer, leadership, and planning take considerable time and resources. If government personnel involved in these training programs are replaced, any human capacity improvements are effectively lost (unless personnel are moved to a comparable position elsewhere in the government), and training must start anew with the new personnel, whose own length of tenure is uncertain.[19]

Lack of Government Organization and Planning

Another challenge facing the successful implementation of sustainable CSR projects is the poor coordination evident within the Equatoguinean government. Most government ministries still lack computers and internet access. Consequently, many ministries still rely on manual bookkeeping, and there is no centralized electronic database to facilitate rapid and easy cross-ministry coordination and information sharing. Beyond that, there are troubling indications that ministry staff and activities are not particularly well organized, a result of either too few staff or insufficient training of current staff, or both. On multiple visits to ministries, government personnel were not even certain of the whereabouts of their bosses or subordinates. On two occasions I was told that a government official would be in shortly to receive my visit, only to discover hours later that the official was out of town. Poorly organized ministries

[18] Personal interview, Malabo, Equatorial Guinea, January 15, 2010.

[19] Personal interview, Malabo, Equatorial Guinea, December 16, 2009.

increases the inefficiency of government action, which raises concerns about the degree to which CSR projects can be effectively implemented and monitored once the government has full ownership over them. Poor government organization has already resulted in the duplication of CSR projects, and numerous interviewees cited the low capacity of the government to engage in medium- and long-range planning as a significant obstacle to sustainable development efforts.[20]

MNCs have voiced concerns 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 noted, the government does not always seem to understand the importance and complexity of the CSR effort, a complaint commonly echoed in numerous interviews with the staffs of MNCs and NGOs.[21] 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.

Insufficient capacity of the state to properly manage the BIMCP is a real concern for the MNCs involved with the project. The MNCs fear that the state, either out of complacency or a lack of preparedness, could inadequately respond to a malaria "hot spot" (outbreak). If such an outbreak were not rapidly identified and addressed by the state, the project's progress could very quickly be undone as malaria was carried by mosquitoes from the hot spot to communities across the country. A new outbreak of

[20] Personal interviews, Bata, Equatorial Guinea, October 16, 2008 and Malabo, Equatorial Guinea, January 28, 2010 and February 5, 2010.

[21] Personal interview, Malabo, Equatorial Guinea, October 28, 2008.

malaria could prove even more deadly to local populations, whose natural immunity to malaria would be decreased as a result of malaria medications they have received as part of the BIMCP.[22] There is also the danger that mosquito strains resistant to the currently used pesticides could evolve and quickly transmit a new malaria outbreak.

Troubling Signs of Insufficient Government Involvement and Ownership

Despite government participation in the projects, there still is reason to be concerned that the government is not taking the lead and primary ownership of and responsibility for the projects. Because outsiders are doing much of the implementation of the projects due to the fact that the government lacks the information and capacity to do these things on its own, the government remains in a dependent position.[23] The government's dependency on foreign technical expertise has to be broken so that the government can become the leader on the projects.

While its dependent position is in part reflective of circumstances (i.e. lack of human capacity), the government's inconsistent and uneven involvement in the projects raises concerns about its commitment to improving education and health. There have been reports that government counterparts responsible for overseeing projects and receiving on-the-job training have left the country for extended periods of time and then, upon returning, expected to resume exactly where they had left off, despite the reality that in their absence the MNCs and NGOs had continued project implementation without them.[24] This example underscores both one of the difficulties of transferring

[22] Personal interview, Malabo, Equatorial Guinea, October 28, 2008.

[23] Personal interview, Malabo, Equatorial Guinea, October 28, 2008.

[24] Personal interview, Malabo, Equatorial Guinea, July 4, 2007.

capacity and the at times evident out-of-touch perspective of government officials that do not seem to understand the complexity of the projects they are to someday control.

Poor Infrastructure

Insufficient infrastructure represents a challenge to ensure that the gains made by the CSR projects become sustainable. The government has made infrastructural improvements its number one priority, so much so that it has been criticized by the IMF for spending too much on infrastructure and too little on social services (IMF 2010b). A new Ministry of Health building was recently completed, and the Ministry of Labor's new office was set to open in the spring of 2010. However, outdated (or nonexistent) infrastructure still poses a challenge for long-term development. The Ministry of Education still occupies a well-worn rambling yellow colonial structure along the *Avenida de la Independencia* (Independence Avenue) in Malabo that lacks reliable electricity or air conditioning. Most of the country, in fact, lacks reliable electricity, which hinders the efficiency and effectiveness of even those ministries that have upgraded to modern office equipment like computers, fax machines, and photocopiers. On two separate visits in early 2010 to the ironically named Ministry of Planning, Economic Development, and Public Investments the power consistently cut out every five or 10 minutes, finally driving a frustrated secretary during one visit to sit back from her computer, pick up a magazine, and declare that she was not going to work until the problem was resolved.

Inability to Retain Trained Staff

The challenges the MNCs and NGOs face in their effort to improve state capacity do not end once local staff members have been adequately trained to independently operate the projects. Given the disparate pay rates of the private versus public sector,

trained employees often leave the public positions for which they received training and seek employment in the private sector, particularly within the oil industry, which typically pays substantially better than public sector jobs. What could be called "in-country brain drain" can undermine capacity improving efforts, and has included efforts to train not only workers for the CSR projects, but international development agencies' efforts to train doctors and airport employees.[25]

Brain drain exacerbates the problem of insufficient human capacity, as MNCs attract the most skilled professionals away from other sectors, including government positions, by paying higher salaries.[26] The BIMCP, for instance, is struggling to recruit candidates with both the necessary education and management experience required for the positions. Doing so is especially difficult given that the project is making an effort to avoid attracting too many qualified people away from their government positions, which would leave holes in the government and effectively diminish the state's capacity.[27] For this reason, the BIMCP project has made a point of trying to identify people who are not likely to take their increased skills and competitive advantage and find a different job.[28]

Brain drain potentially undermines MNC efforts to improve state capacity and ensure that the government can make the improvements in health and education sustainable. The problem of brain drain exacerbates the challenge posed by government ministries that are already understaffed and therefore unable to dedicate

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[25] Personal interview, Malabo, Equatorial Guinea, January 15, 2010.

[26] Personal interviews, Malabo, Equatorial Guinea, July 4, 2007, December 16, 2009, and January 20, 2010.

[27] Persona interviews with BIMCP staff members, Malabo, Equatorial Guinea, January 20, 2010.

[28] Personal interview, Bata, Equatorial Guinea, October 16, 2008.

adequate personnel to specialized projects like the BIMCP.[29] Understaffed ministries are the result of government priorities and a paucity of adequately educated and trained Equatoguineans. The MMIE, for instance, which manages all aspects of the country's lucrative petroleum industry, is well funded, but other ministries, including those responsible for providing social services, are not. The possibility of aptitude within key government spaces amidst an overall reality of inefficiency or ineptitude reflects Soares de Oliveira's (2007) description of the glaring contradiction between Angola's competent petroleum ministry and its other, largely dysfunctional, government ministries.

However, the effect of in-country brain drain on the country's overall development potential differs depending upon the nature of the training and its intended outcome. If training takes place as an overall effort to create a general professional class of Equatoguineans and is not narrowly tied to specific projects (as is the case with both the BIMCP and PRODEGE), then the movement of trained individuals from public to private sector jobs may not impact the country's development efforts, since there is no decrease in the overall human capacity available within the country. ExxonMobil, for instance, finances a small-scale biomedical technician training program that sends a handful of Equatoguineans to the United States for six months of training. Upon their return, they are provided with an instrument kit. ExxonMobil does not concern itself with whether trainees work in the public or private sectors; rather, the company is content knowing that it has contributed to the overall improvement of the country's human capacity.[30] However, in the case of the BIMCP and PRODEGE, the loss of trained

[29] Personal interview, Malabo, Equatorial Guinea, July 4, 2007.

[30] Personal interview, Malabo, Equatorial Guinea, February 5, 2010.

individuals to private sector jobs can undermine the sustainability of the projects. The country's overall human capacity may have increased as a result of the training or education efforts, but the ultimate goal—improving the health and education sectors—is jeopardized by in-country brain drain.

National Content Requirements that Miss Their Mark

The National Content provision that requires MNCs to source a percentage of their goods and services locally sometimes misses its intended mark. Rather than generating local capacity through the creation of backward and forward linkages, "sourced locally" typically translates to companies establishing service contracts with local firms for the purchase of goods and materials obtained abroad. Instead of a catalyst for local market diversification, this arrangement effectively creates an opportunity for politically and financially connected local businessmen to establish local supply companies that operate as economically inefficient and otherwise unnecessary middlemen. In addition, MNC officials assert that the government's enforcement of National Content requirements is inconsistent.[31] The locally-sourced provision of National Content also functions as a mechanism for the government to extract additional taxes from the MNCs; American oil companies, for instance, are able to import items duty free from the U.S., but must pay a 35% import duty for goods sourced through local intermediaries.[32]

The Trust Issue

In addition, a mistrust of foreigners is perceptible. This is a consequence of dictatorial rule as well as perceived opportunistic or disinterested behavior on the part of aid organizations in the past, and presents an obstacle that development projects have

[31] Personal interviews Malabo, Equatorial Guinea, October 28, 2008.

[32] Personal interview, Malabo, Equatorial Guinea, October 28, 2008.

to overcome to be successful. Overcoming people's mistrust—both within the general population and at the national and local government levels— 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.[33]

Potential Impacts of the CSR projects on State Capacity in the Future

Although it is too soon to draw definitive conclusions regarding the impacts of the two CSR projects on state capacity, it is possible to assess their potential to do so in the future.

PRODEGE has the potential to significantly impact state capacity in the long-term. Education is the foundation of human and state capacity, and the advancements PRODEGE has made in improving Equatorial Guinea's education system are already translating into positive effects on the youth attending affected schools. As the current generation of students receives increasingly improved educational services, overall human capacity will increase. Thus, the next generation of government officials and civil servants will already possess more knowledge and be better prepared than the current generation of government employees.

The BIMCP is likely to indirectly contribute to this process as student absentee rates decline as malaria infections continue to be reduced. One of the negative consequences of malaria is the debilitating effects it has on the productivity of a country's workers. The significant reduction in malaria rates already realized by the BIMCP has decreased the number of days that citizens have been waylaid by the

[33] Personal interview, Bata, Equatorial Guinea, October 16, 2008.

disease. Although insufficient employment data exist for Equatorial Guinea with which to draw estimates of the number of worker hours gained from the reduction of malaria, clearly the fact that people are healthier must have some positive contribution on the country's workforce, including government officials and civil servants.

The BIMCP is considering additional measures aimed at increasing state capacity. The project is developing a plan to invest in further training programs to improve the education and experience of locals and equip them to eventually take over the management of the project. In 2010, the project expects to begin recruiting locals to fill managerial positions. Selected individuals will be sent to schools abroad to receive the necessary training. It is expected that they will return to Equatorial Guinea after four years of training to begin working as counterparts that receive on-the-job training. By year five the implementing NGO will relinquish day-to-day control of the project and serve in a consultancy capacity while the newly trained locals take over the day-to-day management of the project. To supplement this five year plan, the projects' implementers are considering providing a two to three month "crash course" to select individuals within the Ministry of Health to enable them to take over some managerial aspects of the project while the trainees are receiving training abroad.[34]

[34] Personal interviews with BIMCP staff members, January 20, 2010.

CHAPTER 7
THE ROLE OF THE MULTINATIONAL CORPORATION IN DEVELOPMENT: LESSONS FROM EQUATORIAL GUINEA

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. These critiques point to real obstacles to development that need to be tackled and overcome. However, such criticisms tell us very little about CSR itself as a mechanism for achieving development. Can corporations, through CSR projects, help foster sustainable development in developing countries? What advantages or disadvantages do MNCs have compared to other organizations engaged in development, and in what ways do these relative strengths or weaknesses facilitate or hinder development?

Having outlined the successes and shortcomings of CSR projects in Equatorial Guinea, we now broaden the analysis. This final chapter, drawing upon lessons learned from CSR projects in Equatorial Guinea, first advances a number of conclusions about the positive and negative aspects of MNC-driven development projects in developing countries and compares CSR efforts with the development efforts of other types of organizations. Then we draw lessons from the Equatoguinean case to highlight broader issues and concerns for CSR as a developmental concept. We incorporate into the analysis many of the issues that critics of CSR have raised to provide a broader context for analyzing the potential merits and dangers of CSR.

Positives of MNC Engagement

Several positive aspects of MNCs involvement in development projects emerge from the Equatorial Guinea case. As opposed to donors geographically far removed from the country where projects are being implemented, MNCs have a presence in the country, which creates multiple advantages over more traditional donors. First, MNCs have acquired some sense of the local context. They understand the challenges that their employees and NGO partners face when attempting to implement development projects. Consequently, 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 necessary. Through their business operations, MNCs have developed key contacts in 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 are especially important for advancing one's cause. For instance, if an NGO official is having a disagreement or misunderstanding with a government official about some aspect of project implementation or objective, s/he can call upon the MNC's in-country CSR director to intervene, using the company's connections and leverage with the government to break up the impasse and allow progress to proceed. Interventions or assistance of this type can happen quickly, often the same day, and involve little more than one or two phone calls or meetings. Additionally, due to their in-country business operations, MNCs already have a large support network in place that can be mobilized quickly 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 study,

the MNCs and their NGO partners work together closely, with regular weekly or monthly meetings and routine updates to monitor the need for additional MNC support.

The business-like approach that MNCs bring to development projects enables them to make decisions and react to change more rapidly than traditional international development organizations (e.g. World Bank, United Nations, USAID), which often are slowed by their own complex bureaucratic processes. This approach allows the development impact of MNC-driven development projects to be more immediate and timely. For example, a relatively simple matter like vehicle procurement, which may take months under the auspices of bureaucratic organizations such as the World Bank or UN, is accomplished quickly and smoothly by MNCs. The decision to switch to a higher cost insecticide for use in the spraying component of the BIMCP was made quickly after Marathon and its partners were informed that the change would be beneficial for the success of the project.[1] According to government officials and MNC and NGO representatives, the rapid-response time and flexibility of MNCs is an important factor in the success that the CSR projects have enjoyed to date. The NGO partners of MNCs in Equatorial Guinea report that being only a phone call away from obtaining real-time assistance from MNCs has, on multiple occasions, facilitated their CSR project implementation efforts. In many instances, the in-country MNC director has the decision-making power to handle requests or concerns directly and immediately, not needing to wait for administrative approval or to defer to an organizational chain-of-command.

[1] Personal interview with staff members of an NGO implementing one part of a CSR project, Malabo, Equatorial Guinea, January 20, 2010.

Another interesting finding to emerge from the Equatoguinean case is that government officials have greater trust in MNCs than in large international aid organizations such as the United Nations, World Bank, and IMF. This distrust is rooted in the country's historical experience. Dating back to the 1980s, the relationship between these international institutions—particularly the IMF and World Bank—and the government often has been contentious, especially in the pre-oil years of the 1980s and early 1990s when the government was forced to adopt strict austerity measures (Klitgaard 1991). Structural adjustment programs (SAPs) bred government resentment toward the IMF and World Bank that still exists today. A number of government officials question whether these organizations have the best interest of the country in mind.[2] At least in part, lingering suspicion and resentment toward the more traditional development agencies explains why the government holds a more favorable view of working with MNCs than international development agencies on development projects.

The MNCs and NGOs responsible for CSR projects, however, did not automatically gain the trust of the government or ordinary Equatoguineans. As was mentioned in Chapter 6, both the country's colonial and post-colonial history of exploitation at the hands of foreigners resulted in a suspicion of outsiders.[3] MNCs and their partner NGOs have had to slowly gain the trust of both the government and local populations by demonstrating their commitment through action. According to my

[2] Based on numerous personal interviews in Malabo, Equatorial Guinea in October 2008 and January - February 2010.

[3] This history includes nearly two hundred years of colonialism under Spanish rule that ended in 1968, opportunistic European businessmen and corporations in the 1980s, and the previously noted perception that international organizations have placed their own self-interests ahead of those of Equatorial Guinea.

sources, it took one to two years for AED to gain the trust of the local communities.[4] Hess claims that it has earned the government's trust and respect, and as a consequence the government gives it greater latitude in the selection and implementation of social projects.[5] Hess has seemingly earned the trust of local populations as well. Evidence collected during nearly two dozen informal interviews with ordinary citizens in and around Bata suggests that people hold a favorable opinion overall of Hess and PRODEGE. Many locals, especially those living in rural parts of the country, are more familiar with Hess through its community development projects than through its business operations, and many locals are even unaware that Hess is an oil company.[6]

Perhaps the most provocative result suggested by the empirical evidence of CSR projects in Equatorial Guinea is that CSR projects have pushed the government to dedicate more resources on health and education than it would have spent if the CSR projects had not occurred. As was noted in Chapter 3, government spending on health and education rose between 2004 and 2009—from $16.6 million to $105.4 million and $17.5 million to more than $111 million respectively. It is impossible to know for certain what impact CSR has had on these increases. Government outlays for the two public-private CSR partnerships at the center of this study are relatively modest—approximately $14.6 million for BIMCP and $20 million for PRODEGE spread out over 10 years (in other words, $1.46 million and $2 million in additional annual expenditures

[4] Personal interview, Malabo, Equatorial Guinea, January 28, 2010.

[5] Personal interview, Malabo, Equatorial Guinea, January 28, 2010.

[6] Informal interviews with local citizens in Bata, Equatorial Guinea in July 2007 and October 2008; Personal interviews with Hess officials in Bata, Equatorial Guinea, October 9, 2008.

on health and education respectively). These increases represent only a small portion of the overall increases in government spending on health and education. What is impossible to calculate, however, is to what extent CSR projects catalyze additional government spending on these two sectors. A number of government officials, MNC managers, and NGO representatives interviewed in 2009 and early 2010 insisted that CSR projects have served as catalysts for greater government involvement in the improvement of the country's health and education systems. These individuals claim that oil companies, through CSR projects, have "role modeled" for the government what can be done and how to implement projects, helping to create expectations about what could and should be accomplished.

There is also the possibility that CSR projects impact societal expectations. The extensive advertising campaigns 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.[7] Besides helping to win the support and participation of local communities, these campaigns potentially signal to the local population the government's commitment to providing better health and education services.[8] These campaigns may 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.[9]

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[7] Most notably, this advertising includes programming on the state-owned radio station and state-owned television station, roadside billboards, and in the case of spraying, door-to-door sensitization visits.

[8] 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.

[9] There also exists the possibility that CSR projects may increase society's expectations of MNCs, as has happened in Nigeria, where local populations benefiting from the CSR efforts of Shell and Chevron often

Negatives of MNC Engagement

Some negative aspects of MNC engagement in development projects emerge from the Equatorial Guinea case. 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 projects, at times they have failed to adequately coordinate with their government counterparts. Frustrated with government inefficiencies, corruption, 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. 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, international aid organization projects, and government 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

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pressure those two companies—rather than the government—for additional social services. Future research in Equatorial Guinea, including surveys to assess changes in public expectations of the government and MNCs, would be necessary to validate the suggestion outlined in this paragraph that CSR creates heightened societal expectations. In October 2008, I attempted to conduct such a survey, but aborted the effort after encountering a number of obstacles that would have biased the data. The country's government and security forces remain highly suspicious of both foreigners and questions pertaining to government effectiveness and legitimacy. As a result, many citizens, out of fear of government reprisal, are unwilling to answer questions about these issues. Many of my survey participants were clearly nervous about participating, and one woman repeatedly changed her responses. Another woman, who refused to participate in the survey, warned that I would end up in jail for asking questions about the government. Later that same day, I spent five hours being interrogated by security forces, who expressed great concern over my survey questions related to government effectiveness and ethnicity (see footnotes 48 and 49 in Chapter 3 for more about this encounter).

activities in Equatorial Guinea is somewhat surprising given the relatively small size of both the country and the expatriate community in Malabo, and suggests the existence of even bigger coordination problems in larger countries. 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 MMIE (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. While being in-country enables MNCs to better understand the challenges faced by their staffs and NGO partners, they often lack the in-depth understanding of local customs, conditions, and desires necessary to anticipate and satisfy the needs of local communities. Although MNCs are gradually increasing the number of local employees on their staffs, which may mitigate the misperception gap between MNCs and local communities, the limited number of locals with adequate education and skills has hindered this process.

The misunderstanding of local communities by MNCs stems from multiple inadequacies on the part of companies. First, interactions between MNCs and local communities are relatively limited; when they do occur, they seldom are organic and open-ended encounters. Instead, they typically occur as carefully constructed interactions between oil company staff and relatively well-educated or politically connected local community leaders that are not necessarily representative of average Equatoguineans. Second, MNC employees, including top management, do not regularly intermingle with ordinary Equatoguineans. The vast majority of MNC employees spend most, if not all, of their time while in-country in the secure, comfortable, and modern confines of the corporate compound, an imported bubble of existence encapsulated by security fences and electronic surveillance. The relatively few corporate employees that venture outside the security of these compounds primarily frequent expatriate bars, beaches, and restaurants, where their interactions with local Equatoguineans are mostly limited to mingling with members of the country's small elite class or with prostitutes. In some cases, strict corporate policies that govern employee activities contribute to the limited interaction between employees and locals, although the intense work schedules of most employees also contribute to this.[10] Consequently, most MNC employees do not possess an in-depth understanding of the local context or the daily struggles experienced by the majority of citizens living beyond the gated communities in which they live and work while in Equatorial Guinea.

The lack of community engagement and understanding is also the result of the MNCs' desires to implement projects quickly; driven by Western standards of efficiency,

[10] A large number of MNC employees work 10 hours per day, 7 days a week for 30-90 days before flying home for an equal number of days off. They then return to Equatorial Guinea to repeat this cycle.

MNCs fail to spend the time necessary to understand the nuances and complexities of local communities. Consequently, companies may misidentify a community's greatest needs, a problem made more troubling by the fact that MNCs typically are responsible for proposing development project ideas to the government instead of the other way around.

The evidence also suggests that the MNCs' drive for efficiency can be a double-edged sword during the implementation of development projects. While the ability of MNCs to accomplish things quickly can expedite project implementation, the emphasis on efficiency and rapid results has the potential to undermine project effectiveness. For instance, after MCDI took back control of the BIMCP's spraying program from OWDG in 2009, one of its priorities was to reduce the amount of time necessary to conduct each spraying round. The organization succeeded in making spraying more efficient and rapid, yet this came at the cost of unintentionally creating incentives for sprayers to over-report and under-deliver on the number of structures sprayed, a potentially serious blow to overall project effectiveness.[11]

In addition, MNCs may burden their partner NGOs with an obligation to carry out a certain degree of public relations in support of the MNCs' goal of using CSR projects to improve their corporate image.[12] While this expectation is typically relatively limited since MNCs have their own public relations departments, it can at times be a time consuming affair for NGO staff members not well-resourced or trained to handle this additional task, which lies outside their core competency.

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[11] Personal interview with former sprayer supervisor, Malabo, Equatorial Guinea, January 15, 2010.

[12] Personal interviews with NGO staff members, Malabo, Equatorial Guinea, January 20, 2010.

Given the impact that CSR projects can have on a firm's reputation and corporate image, there are incentives for companies to over-report positive results and under-report negative outcomes. In extreme cases, this can lead companies to distort the true impacts of their operations on communities and individuals in developing countries. Total, for instance, has been accused of engaging in a concerted campaign to misrepresent the impact of its business presence in Burma, even making statements that have been found to be factually false. EarthRights International (2009b, 42-43) has provided evidence that refutes Total's claim to have eradicated forced labor around its gas pipeline in Burma. Furthermore, the company's repeatedly used public statements that the International Labour Organization (ILO) certified Total's claim regarding forced labor were later disavowed by the ILO as unreflective of reality.

MNCs have been criticized for not being more forthcoming about the impacts their CSR projects are making (see for instance Anonymous 2001). Most companies do not have in place independent monitoring and evaluation systems that would allow for systematic measures of project performance and long-term impacts.[13] Certainly no uniform set of performance standards exists that would enable companies, scholars, and policymakers to make comparisons across CSR projects and benchmark their results against those of other companies. Even when companies do conduct studies to measure the long-term effectiveness of CSR projects, they do not necessarily make that information public. Leaked information from a report commissioned by Shell (but prepared by independent consultants) to evaluate the social projects of its Nigerian

[13] One exception is the Shell Petroleum Development Company of Nigeria Limited, which established an External Stakeholder Review process in 2001 to allow a team of development experts, community representatives, government officials, and NGOs to independently assess its Sustainable Community Development projects.

affiliate the Shell Petroleum Development Company of Nigeria Limited (SPDC) revealed that less than one third of the projects had been successful (Anonymous 2001). Shell did not make the report available to the public. According to an external stakeholder review of SPDC's 2002 People and the Environment Annual Report, 93% of SPDC's 2002 community development projects were functional and 75% were successful (SPDC 2003). A similar evaluation in 2006 concluded that 66% of projects that year were successful and 71% were sustainable (SPDC 2007). As impressive as the 2002 and 2006 findings are, it is impossible to compare these findings against the results of the 2001 report, since the latter report was not made public. In light of this failed disclosure, it is impossible to assess whether the improved results were the product of improved performance or changes to the evaluation metric.

Furthermore, given the lack of a universally accepted methodology for carrying out a business impact study, it is difficult to assess the reliability of third-party evaluations. In the case of Total's operations in Burma, for instance, the company *did* use a third-party to evaluate the impacts of its business operations, but the third-party allegedly was biased by both the company's own positive claims about its impacts and the reliance on a faulty methodology that hindered it from obtaining an accurate understanding of the local circumstances and Total's overall impact on local communities (EarthRights International 2009b).

The *Oil & Gas Industry Guidance on Voluntary Sustainability Reporting*, published jointly by the American Petroleum Institute (API) and the International Petroleum Industry Environmental Conservation Association (IPIECA) is intended as a common framework for the petroleum industry to use in reporting non-financial performance

(API/IPIECA 2005). This document, however, carefully refrains from recommending that companies use an external verification process to monitor the outcomes of CSR projects.[14] Marathon's *Living Our Values: 2009 Corporate Social Responsibility Report*, which is based on the *Industry Guidance* reporting model, was not verified by an independent third party. The report emphasizes quantitative metrics, such as monetary expenditures and pollution emissions, without providing much in the way of in-depth, qualitative assessments of the long-term impacts of CSR projects (Marathon Oil Corporation 2009b, 28).

MNCs are not alone when it comes to failing to evaluate development projects and publicly disclosing the results of impact assessments. The nature of the development industry creates a disincentive for development organizations and agencies to report any negative outcomes associated with their work. IFIs and NGOs are dependent upon donor money to continue their operations, and funding is likely to dry up quickly for organizations that reveal negative impacts on beneficiaries. The perpetual push to maximize organizations' funding from the finite donor resource pool creates perverse incentives for organizations to prioritize current and future projects over assessments of past performance, to highlight positive while downplaying negative impacts, and to act alone rather than coordinate activities with other organizations.[15]

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[14] The *Industry Guidance* states that "this document makes no specific recommendations about assurance processes to use," noting only that some companies have used external verification "to provide independent assurance regarding the credibility of content and processes used in producing sustainability or non-financial reports."

[15] Waters (2001), for instance, documented the oftentimes redundant activities of aid organizations following the 1994 Rwandan genocide, inefficient behavior that he attributes in part to the desire of organizations to receive complete credit for projects and programs. These "success" stories can then be publicized and used to attract future donor money. NGO turf-wars such as these are not uncommon, and unfortunately can lead to inefficient use of limited resources and reduce the effectiveness of the overall development effort.

Surprisingly, given both their influence and the amount of money spent, IFI-funded development projects are seldom, if ever, subjected to evaluation by external independent auditors. Nor do these organizations make public much of the information regarding project implementation and outcomes necessary to draw definitive conclusions about their impacts. The Independent Evaluation Group (IEG) audits World Bank projects, but the fact that it is a branch of the World Bank raises concerns about the extent to which it is able to remain impartial (see for instance Lerrick 2006).

Furthermore, evaluations of World Bank projects conducted by the IEG in the 1990s do not leave one overly optimistic about the success of such projects. On average, 63% of projects evaluated between 1990 and 1994 had satisfactory outcomes, yet only 44% of evaluated projects in 1994 were expected to be sustainable (IEG 1994). A 1996 Heritage Foundation study concluded that 37 of the 66 less developed countries that had received World Bank money for more than 25 years were no better off than they were before receiving World Bank assistance; 20 of these countries were worse off (Johnson 1996). The Meltzer Commission's review of World Bank projects concluded that more than two-thirds of the projects in the poorest countries failed to achieve satisfactory and sustainable results (Lerrick 2002). Only 48% and 56% of the newly committed projects invested in by the IFC (a member of the World Bank Group) in 2002 and 2003 respectively were deemed to have a high level of sustainability (IFC 2003).

In addition, the IFI's have been accused of prioritizing development outputs over outcomes, paying greater attention to the number of projects and amounts of money loaned than to the effectiveness of projects in improving the development level of recipient countries (see for instance U.S. Senate 2010b). Investigations also reveal that

these organizations have done a poor job of not only monitoring and evaluating the implementation and sustainability of the projects they finance (IEG 2009), but also of ensuring that the money actually reaches its intended beneficiaries (Alexander et al. 2010). One estimate suggests that losses due to fraud and corruption in the projects and loans of the multilateral development banks stands at about $200 billion over the life of the institutions (Winters 2004).

The point here is that, while development efforts would benefit from greater transparency on the part of MNCs regarding their CSR outcomes, the opacity of such efforts—and their mixed outcomes—are not unique to CSR projects. Greater transparency across the development industry—whether by MNCs, IFIs, bilateral organizations, or NGOs—would improve our ability to analyze and compare different development strategies and to draw more accurate and timely conclusions about which approaches succeed and which do not. Furthermore, MNCs are a relatively recent entrant into the field of international development, and as such, are likely to make a number of mistakes. Other development organizations with much longer track records continue to make mistakes, as noted above. It will be interesting to see whether the business emphasis on rapidly correcting mistakes will be applied to CSR projects.

Challenges and Concerns for CSR Going Forward

As MNCs continue to develop and implement their CSR strategies, the success of CSR as a vehicle for sustainable development will be influenced by a number of critical challenges and concerns. As critics of CSR have noted, companies may use CSR activities to protect or promote interests that benefit the company but ultimately not society (see for instance Hirschhorn 2004; Frynas 2005). Companies may use CSR defensively, as a shield to protect themselves from regulatory or legal measures, or they

may go on the offensive and use CSR to (re)shape public perceptions in an effort to protect their corporate image or to alter the public's expectations about how corporations should behave (Friedman 2009). Frynas (2005) has voiced concerns that oil companies, by promoting piecemeal CSR efforts, are deflecting attention away from discussions about broader and potentially more "radical" solutions to what are arguably systemic problems of global capitalism. Corporate giving is frequently associated with poorer performance in other social domains, which makes corporate giving a potentially misleading social performance measure unless a company's performance in other areas is also analyzed (Chen et al. 2008). Even companies that actively incorporate social and environmental issues into their business model often engage in business practices that contradict their own efforts to promote and achieve non-economic goals. In the oil industry for instance, MNCs may dedicate substantial time, resources, and rhetoric to CSR programs but simultaneously resist the efforts of NGOs, multilateral organizations, and governments to decrease the secrecy surrounding oil revenue payments, one of the contributors to the "resource curse". In this section, we analyze each of these concerns in detail.

The "Business Case" vs. "Normative Case" Dichotomy

Business leaders, researchers, and policymakers who assert that businesses have obligations to a broader set of stakeholders beyond shareholders are often accused in the CSR literature of appealing to ethical or "normative" arguments to support their claims. Attempts to avoid basing pro-CSR views on "normative" grounds are a key factor in the drive to develop a "business case" for CSR. It is problematic, however, to treat economic and ethical justifications for CSR as distinct; doing so implies that economic justifications are neutral and therefore value free, or "non-normative".

Aversion to the “normative case” for CSR overlooks the fact that the “business case”—i.e. that socially responsible activities are justifiable and valuable (only) to the extent to which they yield a financial return—is itself predicated upon a set of normative assumptions, rooted in the globally dominant free-market capitalist ideology, about what is good, valuable, and worthy of pursuit. In other words, treating the “business case” and “normative case” as distinct establishes a false dichotomy since the “business case” is itself normatively determined. Compounding this problem, CSR is typically justified with the assertion that companies have “social responsibilities” *in addition to* “business responsibilities,” thereby preemptively establishing the uniqueness and separateness of the two categories, itself a normative act. Furthermore, justifying positive environmental and social behavior in financial terms alone obfuscates the inherent value of such behavior to a healthy capitalist system (Kurucz et al. 2008).

To address these issues, there have been appeals to “broaden the locus of reference for business away from an organization-centric to an organization-and-society view” (Korucz et al. 2008, 103). Doing so would entail a holistic approach that views corporations as part of a larger system, which would shift the conceptualization of corporations from their current status as autonomous and independent entities to that of organizations that form an interconnected part of the communities that help to create them (Solomon 2004). CSR would move from a strategic add-on to the foundation for strategic action that acknowledges the complexity and interdependent nature of the globalized context in which corporations operate (Stormer 2003).

Competing Objectives

The issue of the business case versus the normative case is not a purely philosophical one, but rather, one that lies at the heart of the inherent tension that exists

in the current incarnation of CSR. Despite the implied promise of the "triple bottom line"—that corporations will place social and environmental considerations on par with economic considerations—the historical record is routinely updated with new instances of corporations placing economic factors ahead of social or environmental concerns.[16] With the perpetual pressure on business executives to increase profits, the incentive structure of corporations risks undermining the platitudes of business leaders that corporations should be "genuine, not just generous" (IBM Corporation 2009).

One thing seems clear regarding CSR: companies that practice and promote CSR do not always place CSR objectives ahead of other corporate goals. As noted in this study, MNCs can contribute to positive gains in a country's health and education services, yet their actions (or inactions) can simultaneously harm a country's long-term socioeconomic outlook. For instance, companies may lobby governments to avoid regulation aimed at promoting transparency and government accountability or do too little to ensure that voluntary transparency measures succeed in poor countries. From an environmental standpoint, companies may promote their environmental credentials while simultaneously taking cost-cutting shortcuts that potentially contribute to environmental disasters, such as BP's 2010 Gulf of Mexico oil spill.

[16] Examples from the past decade include the Enron and WorldCom scandals, the system of credit default swaps that contributed to a global economic crisis in 2008–2009, the BP oil spill in the Gulf of Mexico in 2010, and recent revelations that corroded and outdated Royal Dutch Shell and Chevron pipelines in Nigeria have contributed to annual oil spills equivalent to the size of the Exxon Valdez oil spill over each of the past 50 years (Vidal 2010). For their parts, Shell and Chevron assert that most of the spilled oil is a consequence of sabotage or theft stemming from widespread discontent in the Niger Delta and not the result of human or equipment error (See Sunmonu 2010). However, the actions (or inactions) of these two companies prior to the late 1990s – when both companies reversed strategies and began implementing wide-scale CSR projects – contributed to the ongoing deep-seeded discontent and demonstrate the dangers of placing profits ahead of other considerations.

It is interesting to note the difference in corporate reactions to environmental disasters such as the Gulf of Mexico oil spill when they happen in a place that receives an enormous amount of media scrutiny and when they happen in developing countries. While BP has pledged to spare no expense in paying all legitimate costs associated with the spill in the Gulf of Mexico, dozens of oil spills in places like Nigeria and Ecuador that receive relatively little media attention in advanced industrialized countries often are neglected or become the grounds for years-long bitter court battles in which MNCs deny any obligation or liability for the spill.[17]

CSR efforts inherently lie at the intersection of competing interests within a company. There is a tension between a company's efforts to simultaneously promote people, planet, and profit. At the end of the day in a global capitalist system, companies cannot (for both ideological and legal reasons) place people and planet before profit if doing so places the company at risk of economic loss. The constant demand by shareholders for profit maximization invariably places pressure on companies to prioritize profit over other considerations. It is this pressure for ever-increasing profits that suggests that CSR efforts alone cannot be trusted to ensure that corporations always consider environmental and social factors alongside profit.

[17] The Niger Delta is one of the five most petroleum polluted environments in the world, with an estimated minimum of between nine and 13 million barrels of oil spilled over the past 50 years. A major controllable source of the spills stems from old, corroded and poorly maintained pipelines, refinery effluent and toxic sludge, toxic drillings mud, gas flaring, and blowouts (Federal Ministry of Environment et al 2006). The websites of the two largest producers of oil in Nigeria—Royal Dutch Shell and Chevron—prominently display sections about each company's environmental responsibilities. Environmental groups, however, take umbrage with the companies for inadequate environmental policies in Nigeria (Center for Constitutional Rights and EarthRights International 2009).

Matching Reality with Rhetoric.

Research on the commitment of business executives to CSR raises concerns that companies lack a genuine adherence to their own rhetoric regarding placing planet and people on par with profits. In a recent survey of business executives, 59% "agreed" or "strongly agreed" with the statement that "many companies promote corporate citizenship, but are not truly committed to it" (BCCCC 2009). Companies may place image and reputation enhancement ahead of ethics. For instance, research on the tobacco industry suggests that tobacco companies are more concerned with public perceptions than with establishing sound ethical practices (McDaniel and Malone 2009). Evidence indicates that tobacco companies manipulated scientific studies, attempted to influence press coverage, and willfully downplayed the negative health impacts of smoking to the public and regulators while concomitantly aggressively promoting their CSR activities. Similarly, multinational oil companies Chevron and Total have been accused of intentionally misrepresenting the impact of their business operations in an effort to influence public opinion and improve their reputations (EarthRights International 2009b). In this context, CSR activities have been used as a way to legitimize company behavior, to "proactively shape society's expectations of the type of change that is *acceptable*" (Friedman 2009: 819, emphasis added),[18] and to safeguard the right to continue doing business, even when that business has been shown to negatively impact society (Hastings and Liberman 2009).[19]

[18] As an internal Philip Morris document strategized, "We need to get ahead of the curve on public expectations of a corporation. That will reduce the risks of law suits and improve our standing, when we are sued, as a 'responsible corporation'. (Parrish and Wall 2000, cited in Hirschhorn 2004, 450).

[19] Efforts are underway by the Framework Convention on Tobacco Control to ban tobacco company contributions to other entities for "socially responsible causes" on grounds that these represent a form of tobacco promotion (Hastings and Liberman 2009). .

Since one of the key drivers of CSR is a company's desire to improve its reputation, there is a risk that, in determining which CSR activities to engage in, a corporation may prioritize activities according to reputational payoff to the company rather than to actual need. For instance, internal Philip Morris documents revealed that the company's decision to focus on hunger relief programs was based on focus group feedback indicating that such programs were more effective than other programs in moving respondents toward a more favorable view of the company, rather than on determinations of societal need (Parrish 2007, cited in Tesler and Malone 2008).

More troubling, corporations' desire to realize quick short-term reputational payoffs from CSR may dissuade them from pursuing long-term strategies that address the systemic, root causes of the problems in which they engage. This may be true even when the company is aware that their CSR programs are only temporary fixes that fail to address the structural issues underlying the problem. If a company's priorities are driven by self-interest rather than a genuine effort to solve societal or environmental challenges, they are likely to focus on activities that benefit the company rather than the group(s) they purport to assist.[20]

Furthermore, there is evidence that corporations have strategically used CRS activities as a form of informal (and in the U.S., tax-deductible) lobbying that helps them gain access to and influence U.S. legislators. Philip Morris, for instance, strategically contributed to the favorite philanthropies of legislators and their spouses in an effort to strengthen relationships with these politicians and leverage CSR activities into political

[20] For instance, Philip Morris acknowledged that our focus on "putting food in hungry people's stomachs' clearly limits us from a variety of efforts to 'reduce the problem' or make the systems more efficient" (Philip Morris. 1999) did not lead to a shift in strategy away from short-term toward longer-term solutions (Tesler and Malone 2008).

influence that shaped federal, state, and local legislation regarding excise taxes, marketing and smoking restrictions, tort reform, and public health (Tesler and Malone 2008, 2126–2128). In other instances, corporations with business before Congress have made financial contributions to university endowments named in honor of Congressional lawmakers, posing potential conflicts of interest for those lawmakers and raising concerns that the corporations are using CSR as a vehicle to influence or avoid regulation (Lipton 2010).

The Problem with Voluntary Initiatives.

One of the most significant limitations of CSR as a vehicle for promoting "responsibilization" (Biebricher 2010) among corporations is its voluntary nature. Since it is voluntary, there are no guarantees that all companies—and particularly the most "irresponsible"—will incorporate CSR and its underlying valuation and behavioral transformations into their operating procedures. To compound this problem, CSR initiatives themselves are often motivated in part by corporations wishing to avoid the imposition of what they perceive to be onerous government regulation, which decreases the chances that "irresponsible" corporations will be held accountable for their behavior. King and Lenox (2001) provide evidence to suggest that industry self-regulation is susceptible to opportunism in the absence of explicit sanctions. This is particularly problematic in the context of developing countries, where power asymmetries have important implications for the accountability mechanisms that can be established between communities and companies. Communities in developing countries impacted by corporate activities are less likely to have recourse to mechanisms—such as boycotts, shareholder activism, or strong civil society organizations—that can be used as leverage to hold companies to account for their actions (Newell 2005).

MNCs and the Issue of Corruption

Those who study or live in Africa invariably are familiar with corruption. For those who study Africa, corruption is widely viewed as a pernicious force that undermines good governance and development efforts. Those living in Africa decry corruption while frequently participating in daily acts that legitimize and perpetuate it (see for instance Smith 2006). The refusal to participate in corruption can carry negative political or economic consequences (Smith 1964) given the reality that corrupt practices are commonly interwoven into the functioning of everyday governance in African countries (Blundo and Le Meur 2008).[21] Corruption is so widespread in some countries that, as Ugandan journalist Andrew Mwenda succinctly stated, "Corruption is not just an element of [the] system but is the system" (cited in Dickinson 2010).

Corruption poses a daily challenge for MNCs operating in developing countries. Local norms regarding corruption frequently differ from the norms that are familiar to MNCs and their employees. Activities that represent standard procedure to local political figures, government bureaucrats, security forces, and local businessmen and women may in fact be defined as corruption according to MNCs' codes of conduct or the home country laws to which they are beholden. In addition to violating ethical standards, MNCs face possible economic sanctions for engaging in corrupt acts. Many

[21] This can be true for both locals and foreigners. Smith (1964) discovered that local entrepreneurs would receive faster access to markets and higher grades on their cotton if they paid bribes to the "cotton mallams" in charge. In 2001, when BP published information regarding its revenue payments to the Angolan government, a step viewed by international transparency organizations as necessary to curb that country's vast corruption, the Angolan government threatened to revoke the company's license to operate in the country.

MNCs, particularly those based in advanced industrialized countries, are beholden to home country anti-corruption regulations that carry severe penalties for violators.[22]

The issue of corruption permeates all aspects of the government–MNC interface in Equatorial Guinea, including development projects. A local saying, "if you shake the mango tree, something will fall out," places MNCs on alert to the pervasiveness of corruption in the country. Virtually any political or economic interaction between a firm and the local government, security forces, or local contractors represents a potential interstice for corruption. This is particularly true given the small size of Equatorial Guinea and the small number of politically connected elite who control most of the country's business opportunities and wealth. Even traditionally innocuous activities such as renting property must be carefully navigated by MNCs to avoid establishing potentially problematic business connections with government officials.[23] The experience of the U.S. government is illustrative: the U.S. Embassy in Malabo is located on property owned by Equatorial Guinea's former Minister of National Security and current Presidential advisor Manuel Nguema Mba, who the United Nations Commission for Human Rights accuses of authorizing torture and extrajudicial killings (Maass 2005). The U.S. government has come under attack for its business association with this known human rights violator (Silverstein 2006b).

Corruption is an ever-present potential problem for CSR projects in countries with weak government institutions, nonexistent or poorly enforced anti-corruption laws, and

[22] For example, the U.S. FCPA, enacted into law in 1977, outlines strict guidelines on corruption for MNCs operating abroad. In France, individuals convicted of bribing foreign officials can be imprisoned for up to 10 years and fined up to €150,000. In Italy, the most severe cases of bribery can result in fines up to €1,549,371 and the closure of the business. Bribery in the United Kingdom is punishable to up to seven years imprisonment, a fine with no upper limit, or both (See Chance 2004).

[23] Personal interview with MNC representative, Malabo, Equatorial Guinea, July 4, 2007.

norms that permit or even encourage corruption. In Equatorial Guinea, for instance, an incident involving corruption came very close to terminating PRODEGE shortly after it began. A government ministry issued a decree mandating Hess to place a specific government appointed Deputy Director on the project's payroll. Despite the likelihood that the person in question would have been chosen for the position anyways given his high qualifications for the job, the government decree made it unethical for the company to place him on the project's payroll under the guidelines established by the United States' FCPA. The company's unwillingness to hire the individual in question created tension between the company and the government and nearly scuttled PRODEGE in its earliest stages. The project experienced a two month slowdown and was suspended by the government for one month between February and April 2007. Ultimately, the situation was resolved when the government agreed to pay for the appointee's salary.[24]

Interviews with oil company employees revealed other incidents when the government has used its leverage with companies to extract concessions. In numerous instances, the government has used the MNCs' National Content obligations to extract special favors. As noted above, in Equatorial Guinea there have been instances when MNCs have come under pressure from government officials to finance "pet" development projects. In addition, MNCs have "donated" resources to the government at the government's behest. Ostensibly, the government is to reimburse MNCs for the resources it borrows, but in at least some cases this never occurred, effectively making such transactions a favor on the part of the MNCs involved. Furthermore, according to an interviewee familiar with such transactions, the costs of these "donations" are

[24] Personal interviews with sources closely involved with this matter, Malabo, Equatorial Guinea, July 4, 2007 and Bata, Equatorial Guinea, October 9, 2008.

deducted from a company's National Content social projects obligation, even when the social development benefit of these "donations" is highly dubious.[25] The business relationship between the company and government—and the asymmetrical power relations between them—raises concerns about the ethical nature of such transactions. These types of transactions also raise questions about the optimization of the social development funds allocated via National Content requirements.

To be fair, 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. Given the asymmetrical power relations between MNCs and the government—after all, despite the economic clout of MNCs, the government ultimately grants their licenses to operate, and the emergence of powerful Chinese MNCs further crowds the field of competition in the petroleum sector—companies are well aware of the importance of their relationship with the government. Companies are reluctant to repeatedly turn down government requests if doing so places them at risk of damaging this important relationship. Thus, companies sometimes rationalize the approval of certain government requests; for instance, companies may agree to a governmental request to permanently "borrow" equipment, rationalizing that the equipment was outdated or of little use to the company.[26]

The MNCs analyzed for this study—mindful of potentially damaging regulatory or public relations fallout—have expressed sensitivity to the issue of corruption and appear

[25] Personal interview with oil company official, Malabo, Equatorial Guinea, October 27, 2008.

[26] Personal interview with oil company official, Malabo, Equatorial Guinea, October 27, 2008.

to be making conscious efforts to avoid illicit business practices that could garner public attention, although these efforts are at times uneven and inconsistent. In some instances, companies have worked hard to adhere to their own norms of corruption and to change those of the government and the local population. Hess and its contracted NGO, AED, have worked diligently to put into place an open bidding process for all construction projects. Government Ministries have tried to influence the bidding process to ensure the selection of specific handpicked companies, but Hess and AED have patiently worked with the Ministries to protect the integrity of the process, and over time the government has generally accepted this process when working with these organizations.[27]

Hess also claims to be making a concerted effort to thwart corruption both amongst its local employees and the security forces that operate the roadblocks stationed throughout the country. When the company began operations in the country, items such as tools, utensils, and dishes began to disappear, and local employees transferred phone credits from their work mobiles to the mobiles of family and friends, a well established practice of income augmentation common at all levels of society. Hess instituted an internal audit process, put controls into place, and worked with employees to alter the norms behind these practices. First-time offenders are not fired; rather, the company works with them to ensure that they understand the company's norms and are given the opportunity to align their behavior accordingly.[28] Whether or not this changing

[27] Illustrative of the government's willingness to sabotage open bidding contract procedures, an interviewee working on a project not affiliated with MNCs reported that the government had successfully abrogated a contract established via an open bidding process and awarded the contract to a company affiliated with the President's family. Personal interview, Malabo, Equatorial Guinea, January 15, 2010.

[28] Personal interview with oil company official, Bata, Equatorial Guinea, October 9, 2008.

of workplace norms has a spillover effect into the broader society remains to be seen, but the company appears to be making an effort in this regard.

Similarly, Hess has instructed its drivers not to pay bribes or fees at military checkpoints. Instilling this change in norms took time, but eventually, military and police forces stopped attempting to extort money from the drivers of company vehicles.[29] It is doubtful that the company's decision to withhold these petty payments has any influence on the underlying norms that inform the behavior of security forces when non-company vehicles stop at these checkpoints, but at least the company is not perpetuating the practice of this particular type of bribery. Interestingly, the company finds that the existence of external anti-corruption regulations, in this instance the FCPA, helps "provide cover" when justifying the company's strict policy regarding gift-giving and favor-making.[30]

Yet the issue of corruption highlights the tension inherent in corporate desires to both do good and to do well. MNCs in Equatorial Guinea have instituted certain measures to ensure that they avoid corrupt activities, but for profit-related reasons have occasionally stepped very close to—if not across—the line between acceptable and corrupt business practices. Besides the questionable activities alluded to above, three U.S. oil companies were implicated in making direct payments to President Obiang Nguema and his close family and associates in the 2004 U.S. Senate investigation into the Riggs Bank scandal.[31] This case raised concerns that these payments effectively represented kickbacks to the President in exchange for a continued license to

[29] Personal interview with oil company official, Bata, Equatorial Guinea, October 9, 2008.

[30] Personal interview with oil company official, Bata, Equatorial Guinea, October 9, 2008.

[31] The companies were ExxonMobil, Hess, and Marathon.

operate.[32] In another instance, President Obiang Nguema reportedly announced that the Mobil oil company (before its merger with Exxon) financed the Equatorial Guinean embassy in the U.S., and there were accusations that Mobil helped finance Obiang Nguema's reelection campaign in the fraudulent 1996 presidential election (Liniger-Goumaz 2000).

Such instances of MNC collusion with corrupt governments, and the continued reluctance of MNCs in the oil industry to support more aggressive pro-transparency measures, highlight the oftentimes dual nature of CSR. Companies that actively support CSR in certain aspects of the company can effectively undermine their CSR efforts through actions or policies in other areas of their operations. Oil companies can build schools and fight malaria with significant positive impacts, but if they take actions that ultimately thwart improved transparency and good governance, they may ultimately contribute to a net loss for the country's people in the long term.

MNCs are hesitant to pressure too strongly for greater transparency, either out of concern that they will damage their relationships with the governments of resource-rich countries or because they benefit from the opacity of revenue streams and contracts. This reluctance, however, also highlights one of the tensions—and also perhaps one of the boundaries—of CSR. MNCs may be genuinely committed to CSR, but in the end they are generally reluctant to pursue CSR initiatives that jeopardize their economic prosperity. Many multinational oil companies (including those in this study) have signaled a willingness to participate in the Extractive Industries Transparency Initiative

[32] The 2004 U.S. Senate investigation was not authorized to pursue the legality of these transactions. The matter was turned over to the U.S. Department of Justice, which took no public action and quietly closed the case in 2009, a move criticized by transparency watchdog organizations.

(EITI), a voluntary international initiative in which companies and governments jointly participate to disclose revenue information. However, nearly all MNCs balk at increasing transparency through individual company campaign's or government regulation. In a notable exception, BP's abbreviated attempt in 2001 to publicly disclose information about its revenue payments to the Angolan government elicited a quick and terse warning from the Angolan government threatening the revocation of the operating licenses of any company that disclosed what it deemed to be "proprietary information". BP got the message, as did other MNCs, and no company has risked this go-it-alone strategy since. Most MNCs in the extractive industries have also quietly lobbied against efforts to impose regulatory measures that would force them to disclose revenue payment information to foreign governments, publicly claiming that such measures would place them at a competitive disadvantage to state-owned companies and others not bound by such regulation, claims that NGOs and civil society groups denounce as exaggerated and obfuscatory (Global Witness 2008). Furthermore, the companies assert that transparency efforts that focus on the processes of government transparency (i.e. working to change institutions and norms), rather than on the formalization of standards, are more effective.[33] They contend that EITI enables them to work directly and cooperatively with host governments on transparency issues in a way in which regulations that force disclosure—and replace cooperative company-government relationships with confrontational mandates that place governments on the

[33] Personal interview with oil company official, Malabo, Equatorial Guinea, February 5, 2010.

defensive and potentially cause them to disengage entirely on transparency measures—cannot.[34]

However, while companies champion the cooperative aspect of voluntary transparency initiatives such as EITI when denouncing the need for compulsory transparency measures, evidence from the Equatorial Guinean case suggests that the voluntary nature of EITI leads companies to make it less of a priority. In late January and early February of 2010, officials from two MNCs mentioned the hard work their companies had played in pushing and assisting the government's efforts in the *final year* of the validation process.[35] The government, however, became an EITI candidate country in March 2008, and the little to no progress made during the first several months of the two year candidacy period left a well-positioned informant lamenting in October 2008 that the country's validation chances were already likely doomed, a prediction that proved accurate.[36] It would be unfair to direct the blame for the lack of government engagement on EITI in these first months squarely at the MNCs, but this lack of engagement on what the companies themselves state is a joint voluntary partnership to improve transparency leads one to question the extent to which MNCs have prioritized transparency.[37]

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[34] Conversation with oil company official, Washington DC, August 2008.

[35] Personal interviews, Malabo, Equatorial Guinea, January 28 and February 5, 2010.

[36] Personal interview with international diplomat, Malabo, Equatorial Guinea, October 29, 2008.

[37] And while it may be unfair to hold a MNC accountable for the inaction of a sovereign government, it is worth noting that the companies themselves base their support for EITI on the grounds that its voluntary nature ensures that companies and governments will work together to implement it. Hence, if a company were to argue that government foot-dragging were to blame for its failed attempt to achieve the goals established by EITI, this would effectively undermine one of the companies' chief arguments for voluntary measures.

Interestingly, in light of the MNC rhetoric about the importance of close company-government collaboration on EITI, MNCs in Equatorial Guinea downplayed their role in the EITI and directed blame at the government when the Initiative fell short of its goals. In an interview with a MNC in Equatorial Guinea that has been a strong proponent of EITI in lieu of mandatory measure, a company official lamented that the government's frantic efforts to meet the March 9 application deadline were too little too late. The company official suggested that the month-long November campaigning for the November 29, 2009 presidential election had paralyzed the government, disrupting the government's ability to collect all the necessary documents. Furthermore, the official suggested that the company had not wanted to get overly involved in the process, since it was principally the *government's* (not the company's) responsibility.[38] In April 2010, Equatorial Guinea's application to receive validation status within EITI was denied and its candidacy to the initiative was revoked. Given the significant social and political problems that insufficient government transparency can create, particularly in resource-rich countries, it would seem natural that MNCs espousing the value of CSR would place the issue of transparency at or near the top of its CSR list.

Both Equatoguinean government officials and civil society representatives criticize MNCs for doing too little to help the country achieve EITI validation in 2010. MNCs, as a result of their experiences in other EITI implementing countries where they have business operations, have an information advantage on EITI over both the government and civil society groups. As one of the three key partners in EITI implementation, MNCs could do a better job of disseminating information about EITI to help the government

[38] Personal interview with oil company official, Malabo, Equatorial Guinea, February 5, 2010.

and civil society be better informed of the process. This view is echoed by representatives of the Equatoguinean government and members of Equatorial Guinea's nascent civil society, who assert that MNCs have done an insufficient job of sharing their knowledge about EITI.[39] Civil society groups have asked that MNCs provide them with additional technical training so that they are familiar with the process, procedures, and technical language of EITI.[40]

In addition, both the Equatoguinean government and civil society groups have complained that MNCs have hindered the spirit and effectiveness of EITI by insisting that the information to be publicly disclosed under EITI not be disaggregated, that is, the revenue information would be disclosed by category of payment only and not broken down into individual transactions.[41] International NGOs have criticized the oil industry's stance against disaggregation, claiming that aggregated data does not provide civil society groups sufficient information to hold governments and MNCs to account for revenue flows.[42] An Equatoguinean government official involved in the government's EITI efforts went even farther by suggesting that MNCs' insistence that information enclosed in the petroleum contracts drawn up between companies and governments is proprietary prevents governments from knowing if they are receiving a fair market price for their natural resources, a view echoed by international NGOs.[43] Since MNCs keep

[39] Personal interviews, Bata, Equatorial Guinea, October 14, 2008 and Malabo, Equatorial Guinea, February 8, 2010; Civil society policy roundtable discussion, Washington D.C., May 20, 2010.

[40] Personal interviews, Bata, Equatorial Guinea, October 14, 2008, and civil society policy roundtable discussion, Washington D.C., May 20, 2010.

[41] Personal interview with Equatoguinean government official, Malabo, Equatorial Guinea, February 8, 2010, and civil society policy roundtable discussion, Washington D.C. May 20, 2010.

[42] Personal conversation with representatives from two international NGOs, Washington DC, July 2008.

[43] Personal interview, Malabo, Equatorial Guinea, February 8, 2010.

contractual information secret, countries entering negotiations with MNCs often have an informational disadvantage in that they are unawares of what companies pay to other countries that have comparable types of petroleum (e.g. light versus heavy crude oil) and political (in)stability. Such informational asymmetries can result in contracts that pay countries below market value for their petroleum.

The Important Role of Regulation

As each of the above challenges confronting CSR highlights, CSR does not remove the need for effective government regulation of MNCs' activities. The issue of government regulation is particularly salient in developing countries, where the media and civil society organizations are frequently weak and thus less capable of exposing the violations or broken promises of self-regulating MNCs (Amao 2008). Additionally, shareholders of MNCs are less likely to be aware of company activities abroad and thus less capable of maintaining pressure on MNCs to act in a socially and environmentally responsible manner. Voluntary measures such as CSR may yield positive results in localized sectors in specific countries where they are implemented, but the environmental and social damages resulting from company negligence or risk-taking may extend beyond the local areas where MNCs have operations.

Despite commonly held views to the contrary, regulations that push companies to act more socially responsible are not always inimical to business (Porter and Van der Linde 1995). Properly designed regulatory standards and policies can encourage innovations that ultimately lower the costs to business (Jaffe and Palmer 1997). Regulations that promote socially responsible business behavior can pressure firms to make investments that lead to new revenue sources that offset the costs of regulation. For instance, regulatory measures that punish oil companies from burning off the

natural gas often found in oil wells, a process known as flaring, have pushed companies to invest in pipelines and liquefied natural gas facilities in places like Nigeria and Equatorial Guinea. Regulation spurred companies to invest in the infrastructure necessary to capture and monetize natural gas instead of burning it and contributing to air pollution and a decline in the living conditions of those living near oil wells. Instead, companies were able to develop new revenue streams while concomitantly reducing their environmental footprints.

The development benefits from CSR will not prove sustainable, however, if the host government does little or nothing to improve its governance practices and fails to provide an enabling environment that synergizes public investments with CSR development efforts. Nigeria provides an instructive example. Having spent hundreds of millions of dollars on CSR projects over the past decade, Shell and Chevron face even greater expectations from local communities to provide basic services because the government—marred by corruption, poor governance, and little accountability—has proved unwilling or unable to fulfill these basic responsibilities. In the meantime, government officials use the oil companies as scapegoats for the country's socioeconomic challenges, redirecting citizen outrage away from the government and toward the companies (Ite 2004). Such behavior on the part of the government undermines the development potential of CSR even while it increases demands for more.

Toward the Future

Successful development is complex, challenging, 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 often partner on development projects is steep, and there is a certain air of trial-and-error surrounding these efforts. As one Equatoguinean government official stated, “there is no precedent sometimes for what we are doing and no guarantee that it will work, but we are learning from experience.”[44] Successful development projects are routinely modified during the implementation process to account for inadequate project design, changing economic conditions or government policies, or shifts in beneficiary preferences (International Evaluation Group 2001). Successful development efforts build and improve upon prior efforts, learning from and correcting previous failures and successes. The development efforts of MNCs are no different, and one important area for future study is to analyze the ways in which the organizational structures and norms of MNCs differ from other organizations engaged in development efforts and to assess how these differences shape the implementation of development projects.

This study has revealed a number of ways in which the involvement of the private sector in international development efforts has resulted in both positive and negative outcomes in Equatorial Guinea. Of course, CSR efforts alone are not capable of overcoming the numerous obstacles that stand in the way of meaningful sustainable development. Yet empirical evidence suggests that they can play an important role in assuaging certain development challenges in certain contexts. The Equatoguinean case suggests that CSR projects can contribute to greater government involvement in the provision of social services and challenge governments to work toward improving state institutions and state capacity. Studies of CSR in other countries are necessary to

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

assess to what degree the advantages and disadvantages associated with MNC-led development efforts in Equatorial Guinea hold true in other contexts. For instance, the presence of natural resources—in this case oil—has played a central role in shaping the dynamics of Equatorial Guinea. So too has the country's small size, which has enabled the MNCs to be particularly visible and influential. Comparative research on CSR projects in other contexts would provide interesting points of comparison to assess to what extent these variables influence the outcomes of CSR projects elsewhere.

Given the paucity of research on Equatorial Guinea in general, and on CSR in Equatorial Guinea specifically, our understanding of both could be enhanced by future research. A number of interesting issues emerge from this study that represent fruitful areas of exploration. To what extent, and in what ways, is the resource curse applicable to Equatorial Guinea, a country whose undemocratic regime and poor economic performance were well-entrenched before the discovery of oil? Do CSR projects affect society's expectations about government and MNC performance? Do they contribute to the enhancement of government legitimacy? Are the degree and substance of CSR engagement by MNCs influenced by government-mandated minimum social spending requirements? How does the pattern of government spending in post-oil discovery Equatorial Guinea compare with other small, oil-rich countries?

This study represents a first-cut at addressing an important question: What are the impacts of CSR in Equatorial Guinea? Given the reality that the two CSR projects at the heart of this study are still being implemented, future research that assesses their impacts is necessary. This is particularly true regarding the impact of the CSR projects on state capacity, an important variable that tends to change only incrementally.

Research on this issue will require long-term access to government ministries and officials. This study has laid the baseline for such a future study and places on the CSR agenda the issue of CSR's impacts on the state.

APPENDIX
METHODOLOGICAL ISSUES

The empirical chapters of this study rely primarily on research conducted during 3 separate research trips to Equatorial Guinea between June 2007 and February 2010. More than 50 formal interviews were conducted during that period with representatives from the Equatoguinean government, the U.S. Embassy in Malabo, six oil and natural gas companies, multiple international NGOs, international development organizations, international financial institutions, and civil society groups (both local and international).[1] Dozens more informal interviews and in-depth conversations with individuals living or working in Equatorial Guinea, or with substantive knowledge of Equatorial Guinea or CSR in Africa, helped to inform broader aspects of this study—in particular the socioeconomic and political contexts of Equatorial Guinea. These insights were especially important for this study given the relative dearth of up-to-date and accurate information about this small, understudied African country.

As scholars of sub-Saharan Africa know all too well, obtaining accurate quantitative data for economic, political, and social variables for African countries is often an endeavor fraught with frustration and uncertainty. A quick glance at the global data provided by major international development organizations (e.g. UN, World Bank, WHO) on a wide range of indicators reveals an absence of data for many sub-Saharan African countries. Even when data is available it is often outdated, based on rough estimates, or extrapolated from previous years' data. Equatorial Guinea is not an exception in this regard. Data for basic indicators such as health, education, and the

[1] The vast majority of these took place in Equatorial Guinea; however, a small number of personal interviews were conducted in Madrid and Washington D.C., and four interviews were conducted via telephone from Gainesville, FL to Houston, Texas and Washington D.C.

economy are frequently missing or several years old; missing data proves frustrating for the obvious reasons, outdated data forces the researcher to make difficult decisions regarding what to utilize and what to discard. Old data is particularly problematic when assessing Equatorial Guinea because it is a country that—thanks to its oil—is growing and changing rapidly, making data more than a couple years old unrepresentative and obsolete.

This challenge often applies to qualitative data as well. The country is developing so rapidly (in some areas) that improvements are not necessarily immediately recognized, even by individuals who are living inside the country. For instance, the director of an international organization with an office in Malabo sardonically remarked that the country did not have a single library, when in reality a new library had recently opened in downtown Malabo.[2] In a similar, if more frustrating example, an IMF official highly critical of the Equatoguinean government's low spending on health and education was unaware that the government was investing and participating in two CSR projects directly aimed at those sectors.[3]

In instances where different sources provide dramatically different numbers for the same variable, the researcher must make determinations about which statistics to use. Data pertaining to Equatorial Guinea's GDP and child mortality rates, for instance, vary significantly depending upon which source one consults. The figure provided for the country's per capital GDP ranges from $10,000 to $50,200 depending on the source.[4]

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[2] Personal interview, Malabo, Equatorial Guinea, January 19, 2010.

[3] Personal interview, Washington DC, March 11, 2009.

[4] The CIA World Factbook (2005) stated that the country's per capital GDP was $50,200 in 2005. Though this statistic often gets used by journalists interested in highlighting the contradictions between rich and poor in Equatorial Guinea, other reputable sources such as the World Bank have listed figures

To take another example, information about the country's under-five mortality rate per 1000 births also varies depending upon one's source. The same organization has even provided contradictory information for the same data. For instance, the World Bank (2009) lists the 2006 under-five mortality figure at 206 per 1000 births, yet a different World Bank (2010) publication claims that the 2006 figure was 152.[5] No explanation is provided in the latter source to explain this discrepancy.

In the case of Equatorial Guinea, disagreements emerge over seemingly straightforward facts, such as the country's population. Lack of accurate census data in an African country is itself no surprise, given the weak governments found across the continent incapable or unwilling to carry out a census. What is interesting in the case of Equatorial Guinea, however, is that the government does in fact provide a census figure, which happens to be nearly double the estimate provided by virtually all international observers. Differing population numbers can have very real impacts on attempts to quantify other statistics: data for indicators like GDP per capita or per capita government expenditures for health care and education, for instance, vary dramatically depending upon the census figure used.

In this study, great care has been taken to ensure that quantitative data represent the most accurate information available. In cases where multiple competing figures exist for the same variable (e.g. GDP per capita, under-five mortality rates), considerable

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significantly lower for the same time period. Which figure is accurate seems, at times, more a matter of faith than of fact.

[5] World Bank. 2009. "Africa Development Indicators 2008/2009," Washington D.C.: International Bank for Reconstruction and Development/World Bank.

World Bank. 2010. "Data: Mortality Rate, Under-5 (per 1000)." World Development Indicators. Available at http://data.worldbank.org/indicator/SH.DYN.MORT. Accessed August 18, 2010.

effort has been made to triangulate—using data from as many sources as possible—a number that accurately reflects reality. At various points in this study, the decision to give credence to one figure over another has been explained in a footnote.

Given the topic of study and the limited data sources on Equatorial Guinea, formal interviews were a necessary and critical aspect of the study. Formal interviews proved a useful method for gathering information pertaining to issues such as the effectiveness of the government to deliver social services, changes in state capacity, the challenges and impacts of CSR projects, and the nature of socioeconomic changes in Equatorial Guinea. Formal interviews certainly are not a perfect research tool; indeed, all research methods have their own individual strengths and shortcomings. Foremost among the challenges one confronts when relying on formal interviews is the fact that informants inherently hold biases, and the risk that these biases will unduly influence their responses (consciously or unconsciously) and lead the researcher away from an accurate understanding of reality. To minimize this risk, great attention was paid to the potential biases of informants. When possible, the accuracy of information obtained via formal interviews was triangulated using data obtained from other formal interviews, informal interviews, statistical data sources, secondary sources, and my own observations.

All interviews in this study were conducted by me and, with the exception of several phone interviews, involved face-to-face interaction with the interviewee. On average, each formal interview lasted approximately one hour. No auditory or video recordings were made of any interview, as I was concerned that doing so might impact the willingness of participants to speak openly and candidly, or worse yet, compromise

their personal safety. Equatorial Guinea, despite gradual improvements in freedom of speech and human rights, still has strong authoritarian tendencies and a rigid hierarchical political and bureaucratic structure. Fear of government retribution for actual or perceived slights is still a palpable element of daily life. The members and supporters of opposition political parties are routinely harassed, and ethnic favoritism—real or perceived—remains a part of public consciousness. For these reasons, I decided against electronically recording interviews with Equatoguineans, for their own safety as well as the integrity of this study. In addition, I decided that the (at times tenuous) relationships that companies and international organizations have had with the government (and with each other) might preclude informants from speaking candidly if electronic recordings were made, so I decided against their use in those interviews as well.

In light of these very real concerns, and given the potential repercussions to participants in this study should their identities be compromised, all of the names of the individuals who participated in this study have been omitted. With very few exceptions, any details that could potentially be used to identify sources—such as job titles or organizational affiliations—have been excluded to protect individuals' anonymity. In the few instances in which identifying details have been used, this was done only after careful consideration led to the determination that the inclusion of such details would pose no additional risks to the study's participants.

A few notes regarding terminology are in order. The use of terms such as "developing nations", "developed countries", and "the West" are problematic, since they collectivize what in fact are a number of heterogeneous countries. This study sidesteps

debates about terminological usage. Although cognizant of—and in certain cases sympathetic to—the debates surrounding these terms, for pragmatic reasons these terms are consciously used in this study as a shorthand way of referring to large groups of countries that share similar experiences in achieving lasting economic and political improvements. Thus, these terms are used to refer, not to a geographical space, but to "a particular historical conjuncture of place, power, and knowledge" (Gupta 1995, 395).

Finally, it should be noted that, for the sake of clarity, the American oil company Hess—which was formerly known as Amerada Hess—is referenced as Hess throughout the study, even in instances where the company was officially Amerada Hess at the time of the activity or event in question.

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BIOGRAPHICAL SKETCH

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