IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY IN SOUTH SUDAN

A COMPARATIVE ANALYSIS OF CSR POLICIES AND PRACTICES OF OIL COMPANIES IN SOUTH SUDAN

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Table of Contents

Table of Figures

1. Executive Summary

This research aims to enhance understandings of the current perceptions and practice of corporate social responsibility (CSR) of oil companies and consortia in South Sudan. Drawing on interviews with oil company representatives and international frameworks of corporate responsibility, the principal aim is to supplement the wealth of research that already exists in this domain with a more practical approach to how the oil companies and consortia might better manage and mitigate the social and environmental challenges that so urgently need addressing.

This research yielded many results:

- Companies face very real challenges around community expectation management;
- Some companies do not feel that conflict sensitivity falls under their remit as a private enterprise, and so do not take ownership of conflict-related issues;
- Companies and Joint Operating Companies (JOCs) in the sector have so far been unable to develop strategies and systems to implement, robust CSR initiatives;
- Accountability between JOCs, companies and government is unclear and possibly causes problems including: a lack of ownership of issues on behalf of the companies; a lack of transparency over decisions and impact; and blurred responsibilities over community and environmental issues;
- The lack of usability of global best practices, standards and guidelines from the global CSR sector is evident and could be a barrier to learning and development in the South Sudanese context;
- Very little is understood by the companies about stakeholder engagement, prioritisation, and the value of working with other organisations.

Recommendations have been provided that speak to all actors with a stake in South Sudan's oil sector, including oil companies and consortia, civil society and national as well as state-level government. Next steps hinge around four key areas:

1. **Conduct deeper research once the operating environment has stabilized**: The scope and depth of the current research was limited due to the fast-changing operational environment in which oil companies and consortia find themselves, given that independence was only a few months ago. Undertaking similar research in six months, once the companies are settled into new offices, and once resource handover from Sudan and South Sudan has been agreed, would provide more indicative and robust findings.

2. **Increase the accountability of Joint Operating Companies and companies on CSR**: Historic tensions between the oil sector and communities may be attributed to there being blurred lines of responsibility between JOCs and companies. Establishing clarity on what accountability means, to whom, and how to enact this, is a first step towards building the capacity of individuals and organisations in the sector to better manage and mitigate social and environmental issues.

3. **Build capacity of civil society to hold companies and government to account and support CSR objectives**: Civil society has a critical role to play in ongoing advocacy over compensation, human rights and environmental abuses that are attributable to the oil sector. However, this research has also found that companies have a real need to better understand community needs, and need help in working with communities. Encouraging elements of civil society to engage more directly with the oil companies and consortia would help to bridge the information gap and forge trust for the future.

4. **Develop consensus around national objectives for the sector**: This research highlights a need for the governance of the sector to be more transparent and accountable. As such, we recommend that existing institutions are bolstered to become more widely representative and accountable in governance, in order for all parties to collectively determine roles and responsibilities for the sector. In the event that no such institution exists or can be sufficiently adapted, we propose establishing a new, multi-stakeholder Oil National Working Group with responsibility towards building legal infrastructure in addition to guiding voluntary CSR interventions.

2. Background to this research

Following the January 2011 referendum and South Sudan's Independence on 9th July, there has been much speculation about the role that the new country's oil reserves will play in peace-building, economic development, and social cohesion.

The oil sector is intrinsically linked to South Sudan's history. Intra-state conflict since the 1970s has had an economic element, and the revenue split between North and South was central to the 2005 Comprehensive Peace Agreement and the ongoing Addis negotiations.

South Sudan is comprised of diverse ethnic and tribal groups. Conflicts and their causes are equally broad-ranging, from international political disputes, to cattle-raiding and family feuding. The oil sector is large and is often cited as a modern catalyst of these disputes with official ownership and management of oil reserves, the distribution of profits from the sector and land grabbing from locals have all further contributed to the complexity of the issue.

This research aims to enhance understandings of the current perceptions and practice of corporate responsibility of oil companies and consortia in South Sudan. This study is pragmatically oriented, and is designed with the aim of better understanding the potential for oil companies to play a positive role in nation-building and development. In this report, we:

- Analyse existing literature about corporate responsibility in the oil sector in South Sudan, utilising desk-based research;

- Use interviews of oil company staff, to understand existing corporate responsibility policies and practices, implementation challenges and future potential.

Much has been written on the issues of compensation, taxation, revenue sharing, accountability and transparency. While cognizant of this important context, this research is not intended to address these issues directly, but instead, to try to understand how companies might better respond to these and other challenges. As such, this research is designed to add a new perspective to the debates and to help all stakeholders – government, civil society and companies – to build a responsible oil sector in South Sudan.

3. The Oil Sector in South Sudan

The oil sector is inseparable from the recent history of Sudan. Forced displacement and conflict has been attributed to the sector since the 1970s. Oil was a major factor in the political conflict between North and South, and the division of revenues between the two was a key component of the 2005 Comprehensive Peace Agreement. The oil sector was estimated to contribute 98% to South Sudan's economy in 2010.[1] It is clear that the responsible management of these resources will be directly linked to South Sudan's future economic growth, political stability and social cohesion.

In this section we provide an overview of the sector – the history of exploration, how oilfields are managed – and then outline the current context, post Independence, within which oil companies and consortia are operating.

Overview of the Oil Sector

The history of oil exploitation in Sudan began with Chevron's discoveries at Bentiu (in present day Unity), Adar Yale (Upper Nile), and Heglig (location contested) during the 1970s. In 1984 Chevron suspended their operations following the targeting of their facilities, eventually withdrawing eight years later due to the ongoing insecurity. Cited subsequently as a prominent example of the "scramble for Africa", in 1995 the state-owned China National Petroleum Corporation (CNPC) bought Block 6. The following year the rights to Blocks 1, 2 and 4 were purchased by the Greater Nile Petroleum Operating Company (GNPOC), a consortium led by CNPC. In 1997 the White Nile Petroleum Operating Company (WNPOC) was created as a rival grouping, dominated by Malaysia's Petronas. In 2003 CNPC bought a commanding share in the Petrodar Operating Company (PDOC), thereby also controlling the rights to exploitation across much of Upper Nile. See Annex 1 for a detailed map of operating companies across North and South Sudan.

Production levels increased considerably around the turn of the millennium, particularly following the completion of the pipeline linking the Heglig field (subsequently also those in Unity) to the Red Sea in 1999. Oil extraction in modern-day South Sudan primarily occurs in fields around Bentiu and in Upper Nile State. The former is located primarily in Blocks 1 (GNPOC) and 5A (WNPOC), whereas the latter is situated in Blocks 3 and 7 (both owned by PDOC). Table 1 details the three main consortia operating out of South Sudan. There are additional consortia located south of the new border, notably Total and Sudapak II, however Total is not operating, and Sudapak II is managed from the north, so these consortia have been discounted from this table.

[1] European Coalition for Oil in Sudan (ECOS), *Sudan's Oil Industry on the Eve of Referendum: Facts and Analysis IV* (December 2010).

Table 1. Operators of key oil fields in South Sudan

Consortia	Companies (percentage stake)
Greater Nile Petroleum Operating Company (GNPOC)	China National Petroleum Corporation (40%), Petronas (30%), Oil and Natural Gas Corporation (25%), and Sudapet (5%)
Petrodar Development Operations Company (PDOC)	China National Petroleum Corporation (41%), Petronas (40%), Sudapet (8%), Sinopec (6%), Al Thani (5%)
White Nile Petroleum Operating Company (WNPOC)	Petronas (69%), Oil and Natural Gas Corporation (24%), Sudapet (7%)

Source: Map of Operating Companies in North and South Sudan, ECOS, 2011 (see Annex 1)

The operational landscape in South Sudan is far from simple. While the major players notably ONGC Videsh, CNPC and Petronas – all have, or are setting up, offices in Juba (all having previously operated out of Khartoum), extraction is conducted by the joint operating companies, such as PDOC, GNPOC and WNPOC. Those companies exploring and looking to begin extracting operations e.g. Total or Star, are similarly members of consortia.

Current context

The 2005 Comprehensive Peace Agreement between the government in Khartoum and South Sudan asserted that revenues from the oil sector be split almost 50:50, with 2% retained for producing states. The agreement also calls for sustainable utilization and control of natural resources, for consultation of local communities with respect to the exploration of land, for shared rights over revenues, and for compensation over past violations of human rights.[2] While these are sound principles on which to base the management of the oil sector, the CPA has not been fully implemented. Some commentators blame the lack of certainty laid out under the CPA as to specific responsibilities of oil companies, leading to an accountability vacuum. The framework for monitoring and regulation was also never clearly defined, and the new Government of South Sudan is – as yet – unable to fully regulate the sector.

Governance may be weak, but it is not lacking. The National Petroleum Commission was established in accordance with the CPA in 2005, comprising permanent representatives from the governments of both North and South, and state-level non-permanent representatives. Since Independence, the Ministry of Petroleum and Mining has taken on regulatory authority over most of the operations of the sector, along with other relevant Ministries such as Labour, and Environment. An Energy Committee has been established

[2] ECOS (April 2008) Sudan: Whose Oil? Sudan's Oil Industry. Facts and Analysis.

to develop the new Petroleum Bill. At the community level, some counties, such as Pariang, have established multi-stakeholder Oil Affairs Committees.
The current context post-Independence provides oil companies and consortia with many challenges. These include:

- **Operational and financial** challenges resulting from undefined borders of operation with the Addis negotiations ongoing;

- **Political** challenges as a result of working with a) two national governments (Khartoum and Juba), one of which is very nascent in organisation, and b) several ministerial departments and committees;

- **Logistical** challenges around relocating offices to Juba;

- **Staffing** challenges due to the lack of qualified personnel in South Sudan, and fear of some Sudanese staff to serve in South Sudan.

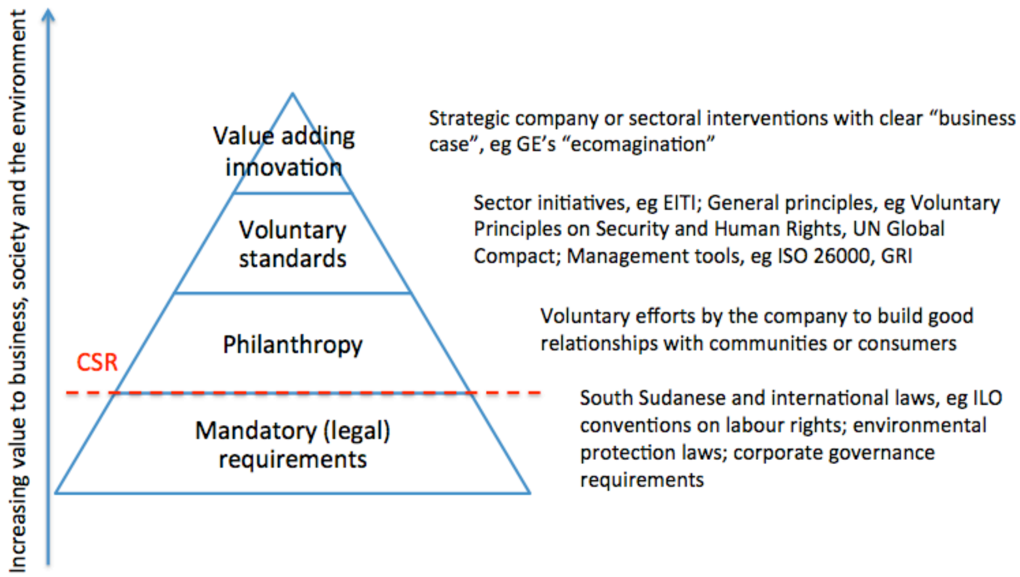
4. Methodological Framework

Defining CSR

The concept and practice of "corporate social responsibility", or CSR, has developed over the last thirty years, and is now frequently used by companies around the world. Companies have come under more direct pressure to manage the social and environmental externalities of their business, while some have realized the commercial benefit of mitigating risk, increasing efficiencies, treating the labour force well, managing community relations, encouraging innovation, and generally building a better brand.

The typical understanding globally of corporate responsibility is that it concerns the policies and practices of companies that go beyond minimum legal requirements. This is illustrated in Figure 1 below by the dotted red line, underneath which is national or international law, and above which can be considered CSR. However there is a clear scale of how CSR is interpreted and applied by companies, and multiple understandings of CSR in practice. At the lower end – and most commonly – are the companies that consider CSR to be acts of philanthropy that help build brand and smooth consumer or community relations. Some companies have gone further to become signatories of global principles, or initiatives that relate specifically to their sector. At the highest level, fewer still companies have fully integrated principles of responsibility into their business strategy, in order to build brand and market value.

Figure 1. From legal requirements to strategic CSR



The issues that fall under the realms of “corporate responsibility” have expanded since the term gained popular currency in the 1990s. Initially, CSR was associated only with the largest (and most often negative) environmental impacts, or labour rights abuses, and could be dealt with by one department. Increasingly, CSR has come to fill a range of economic, social and environmental and governance-related issues in the gaps where mandatory requirements are lacking or regulation is poor, and cuts across a very wide range of business practices. The latest guidance from the Global Reporting Initiative (GRI) – the industry standard on CSR reporting – contains over one hundred indicators across seven categories. This means that the dotted red line in Figure 1 is being lowered, so companies are expected to address issues such as the payment of tax, or corporate lobbying practices, or impact of their operations on conflict, as part of their general responsibility.

Mandatory requirements: The new South Sudanese government is starting to build the requisite regulation and systems to manage the oil sector. The Transitional Constitution sets out the broad legal framework for the oil sector. Legislation pertaining to the oil sector broadly falls under the auspices of the Ministry of Petroleum and Mining, although some ministries e.g. Ministry of Labour have, or will be developing, relevant legislation. In addition to South Sudan-specific legislation, oil companies and consortia will also have to comply with international legislation, such as ILO Conventions on Fundamental Principles and Rights at Work, if the South Sudan government becomes a signatory.

Philanthropy: There are very few international guidelines on best practice in philanthropy. The London Benchmarking Group has a standard on the measurement of impact of corporate community investment, and New Philanthropy Capital recently started a practitioner working group on the topic of social investment impact. While some philanthropy can be very strategic, such as the Shell Foundation’s funding of biodiversity and wildlife organisations, the vast majority of philanthropy globally is neither managed nor monitored for social, environmental or economic impact in any detail by the company concerned.

Voluntary standards: The rise of corporate responsibility around the world has led to the development of many initiatives trying to capture the essence of responsibility through normative principles. Some of the best known and widely used global frameworks include the UN Global Compact, the “Promote, Protect and Remedy” framework led by UN Special Representative Professor John Ruggie, and management standards and approaches such as ISO 14001, various OECD Guidelines, the Global Reporting Initiative and the AA1000 series.

Given historic controversies in the oil and mining sector, many initiatives have developed to help companies manage their social and environmental responsibilities in those sectors. Standards, principles and initiatives relevant to the oil sector include: the World Bank Gas Flaring project, projects run by the International Council on Mining and Minerals (ICMM), the Extractive Industries Transparency Initiative (EITI), the Voluntary Principles on Security and Human Rights, as well as programmes run through IPIECA and WBCSD.

The world of voluntary standards can be a complex and crowded space, and it is not always obvious where a company might start, or which guidelines should take precedence over others. The European Coalition on Oil in Sudan attempted to pull together relevant standards for the oil sector in Sudan, to include legal requirements under the CPA as well as relevant voluntary principles. The result is a consolidated set of business principles for the sector, for the transition period (2005-2011) and beyond.[3] In addition to sectorial standards, many countries have developed guidelines on CSR; some of which are mandatory, such as in the case of Malaysia. Table 2 below details some of the efforts made by national governments and regional/global organisations that are relevant to companies operating in South Sudan.

Table 2. National and regional interpretations of CSR

Country/Region	Interpretation of and standards on CSR
China (impacts CNPC)	China's directive on CSR relates only to state-owned enterprises. In 2007, the State Owned Asset Supervision and Administration Commission (SASAC) issued a "Notification on Issuance of the Guidelines on Fulfilling Social Responsibility by Central Enterprises". This notification provides justification for CSR activities, including: the need to promote a "harmonious society", protect the environment, improve quality, protect employee rights and maintain a good position within the international community which is increasingly placing an emphasis on CSR. However, the reporting requirements under SASAC mean that many of the large groups can move activities between subsidiary and parenting companies and only report on one. PetroChina's operations with CNPC in Sudan, for example, have been highlighted by academics as an example of how actual activity can be masked by a complex group structure.[4]
India (impacts ONGC)	CSR in India has typically been a voluntary activity, encouraged by the principles of moral obligation and social responsibility. Some of the larger companies, including State Bank of India and the ITC Group, have gone further and incorporated CSR into their business models.[5] In 2010, Salman Khurshid, the then Minister of Corporate Affairs, warned that if companies did not take up CSR on their own initiative it might be necessary to impose a legal requirement.[6] In 2011, the new Companies Bill has been used as an opportunity to debate any potential CSR requirements. One option discussed was the idea of mandating companies of a certain value to spend up to 2% of their net profits on CSR. At the time of writing (August 2011), the Ministry of Corporate Affairs has worked with business and civil society to produce "Voluntary Guidelines on CSR" for Indian companies to apply. The ambition is for them to be taken up and reported upon voluntarily, although they may be made mandatory in the future.[7]

[3] http://www.ecosonline.org/reports/2006/ECOSBusinessPrinciplesenglish.pdf
[4] Sutherland, D. & Whelan, G., "Corporate Social Responsibility in China's Largest TNCs", 2009.
[5] http://www.hindustantimes.com/CSR-spending-to-be-voluntary-not-mandatory-under-new-law/Article1-673041.aspx
[6] http://www.vault.com/wps/portal/usa/blogs/entry-detail/?blog_id=1462&entry_id=10992#comments
[7] http://www.business-standard.com/india/news/mca-releases-new-csr-guidelines/442113/

Malaysia (impacts Petronas)	Government-listed companies in Malaysia are expected to follow guidelines on corporate social responsibility as outlined in "The Silver Book", which is published by the Putrajaya Committee for GLC Transformation and tracked via annual Interim Progress Reviews. Publicly listed companies are required to report on their CSR activities by the stock exchange, Bursa Malaysia. However, while the government has introduced certain incentives (including favourable taxes) the stress is still that disclosure of CSR activities is voluntary.[8]

Value-adding innovation: This term is used to describe innovative strategies, investments or product/service development that is both socially or environmentally responsible, as well as good for business. Of course, many of the sector standards or initiatives have also proven their economic value. However the category of "value-adding addition" refers to those companies that are willing to take a risk in their CSR strategy. Only a handful of companies globally have taken such a leap, including GE and Marks and Spencer. In the oil sector, BP and Shell have regularly ranked above others in the sector in CSR rankings, such as the Accountability Rating and FTSE4Good Index, however neither has revised its business model to place sustainability at the heart of the business. Arguably, no oil companies fall under this category of innovative value-adding CSR.

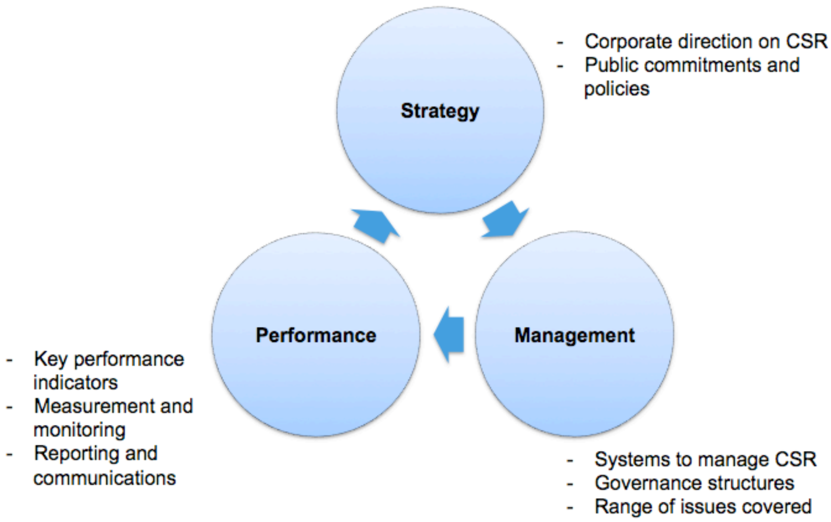
Assessing CSR

For the purposes of understanding and assessing how CSR is practiced from the company perspective, Integrity has developed a simple framework against which to assess oil companies and consortia. This framework draws on a range of literature and toolkits, including the Responsible Competitive Index and GRI reporting guidelines. The framework enables us to broadly assess the extent to which the CSR policies or practices of a given company have progressed from philanthropic interventions to innovative value-adding initiatives.

The framework illustrated in Figure 2 below addresses standard management cycles of understanding the issue, objective-setting and signing to sectoral or principle-based initiatives (Strategy); developing systems to implement and manage the issue (Management); and the development of systems to monitor and learn from experience (Performance).

[8] http://www.norway.org.my/News_and_events/Business/Bedriftenes-Samfunnsansvar/
and http://www.khazanah.com.my/docs/GLCT_PCG_10Dec07.pdf

Figure 2. Assessing CSR practices



A more comprehensive and qualitative investigation than time allowed for this research would utilize questionnaires and interviews to analyse corporate performance against pre-determined indicators across Strategy, Management and Performance. For the purposes of this research, however, a qualitative assessment has been sufficient to ascertain a snapshot understanding of the extent to which – and success of – corporate strategy on CSR.

Interviews took place in and around Juba, in July and August 2011. Participating organisations are listed in Annex 2.

5. Current CSR issues and practices

This section provides an overview of the key issues pertaining to the oil sector in South Sudan, and analyses current practice against these priority issues through case studies and an analysis of corporate documentation. The focus is on the application of CSR from the perspective of oil companies themselves, rather than community-based assessments of actual impact.

Key issues in South Sudan

Research about oil extraction in Sudan has been written primarily with the use of secondary data sources, while some micro-level field studies have delivered important insights, but were only ever partially able to overcome the range of research challenges provided by the ongoing hostilities.[9] There is much research on revenue sharing and transparency at the macro level. At the meso and micro levels, much of the research conducted on the sector to date tackles three areas of the sector's responsibility: 1) displacement and conflict, 2) environmental impacts, and 3) service provision to communities.

Taking these in turn, the primary emphasis in the academic literature is upon abuses driven by Khartoum and the associated militias. For instance, Human Rights Watch described in 2003 an attack of the Sudanese government on Block 5A and the impact it had:

"The Baggara crossed the Bahr el Ghazal (Nam) River into Block 5A via the Lundin-constructed bridge at Bentiu and began their "standard" raids, destroying villages, looting cattle, and capturing women and children. The government forces followed up and / or paved the way with Antonov bombing and helicopter gunships, forcing more tens of thousands to move, some for the second or third time."[10]

The alleged involvement of oil companies in such attacks warrants investigation. The European Coalition on Oil in Sudan (ECOS), for example, asserts that oil consortia were not neutral, but instead loyal to one of the warring sides, in this instance the government of Sudan.[11] They had to be protected by the government and its allies against possible attacks on their activities, which had been declared legitimate targets by the insurgents.

The 2005 Comprehensive Peace Agreement formally ended fighting but violence and displacement continued on a smaller scale. Alongside displacement is the issue of compensation and grievance mitigation and redressal. Today in South Sudan it is necessary to consider the extent to which such programmed violence will retain its

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[9] See, for instance, Georgette Gagnon and John Ryle (2001); European Coalition on Oil in Sudan (2002), *Depopulating Sudan's Oil Regions*; and European Coalition on Oil in Sudan (2006), *Oil Development in Northern Upper Nile*.
[10] Human Rights Watch (2003), *Sudan, Oil and Human Rights, p.58*
[11] European Coalition on Oil in Sudan (2006), p.3

relevance given the recent independence. More research and analysis is required on this issue given the changed circumstances.

Some analysts assert that if violence does decline post-Independence, the focus of CSR may shift towards the important but less immediately life-threatening issues of environmental management and community service provision. Douglas Johnson, for example, suggests that Dinka and Nuer inhabitants will return to their home and discover the impacts of poor environmental management on water resources and their livelihoods.[12] Similarly, ECOS has drawn attention to the unequal benefits of the oil sector with militias being rewarded while communities still suffer from education, health, water and sanitation services.[13]

The research described above, and similar reports, have already been influential on corporate strategy. In the context of worsening relations between the US and Khartoum, for instance, the Canadian firm Talisman exited Sudan following the publication of a series of awareness-raising reports.[14] While much of this research has investigated the impacts of oil companies on local communities and the environment, there are few examples of research that has been framed from the perspective of leading to practical action on behalf of the oil companies.

CSR in practice in South Sudan

In this section, we analyse findings from interviews with oil company representatives, civil society stakeholders in South Sudan and working on South Sudan from afar, as well as government officials. We complement this analysis with a summary of findings from a review of the corporate policies of three major companies with operations in South Sudan. We apply the framework described in Figure 2, to assess corporate strategy, management and measurement of performance of CSR.

i. *Strategy*

Interviewees' understanding of CSR ranged from the provision of basic services, to sharing success of the country with communities.

Some of the companies operating in South Sudan have global CSR policies to which they adhere. In these cases, they had not played a part in developing the global strategy. However, they were free to interpret the policy at local level. In most cases though there was no local CSR policy from the companies themselves.

Several interviewees referred to the potential for the Joint Operating Companies (JOCs) role to be CSR strategy coordinator. Given that local operations were centrally managed,

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[12] Douglas Johnson (2010), *When Boundaries become Borders*, pp.61-62
[13] European Coalition on Oil in Sudan (2006), p.3
[14] For instance, John Harker (2000), *Human Security in the Sudan*; Christian Aid (2001), *Scorched Earth*; and Georgette Gagnon and John Ryle (2001), *Report of an Investigation into Oil Development, Conflict and Displacement.*

respondents felt that the JOCs were better placed to develop and implement policies across a range of issues. We found one JOC with a CSR Committee.

Most interviewees had not heard of global CSR principles (such as the UN Global Compact) or sectoral initiatives (such as the World Bank Gas Flaring project or projects by the International Council on Mining and Minerals). Of the global initiatives that we asked about, the Extractive Industries Transparency Initiative (EITI) was the most commonly recognized.

Most respondents did not have a CSR budget, or if they did they were not aware of the size. This is not uncommon given the range of issues that may fall under CSR and the fact that they are not necessarily coordinated and consolidated under one budget line. However, interviewees of the seniority of those participating in this research should be able to pull these numbers together from different departments relatively easily.

ii. Management

We showed interviewees a list of issues that are widely considered by the international community to collectively be defined as "corporate responsibility". The company representatives were quite consistent in the issues they prioritized for CSR interventions. These were: human rights, displacement, revenue transparency, infrastructure, staff recruitment and training, corruption, and environmental issues (water and soil).

Interestingly, 50% of interviewees did not think they had a responsibility towards conflict management or mitigation, instead saying that this was an issue for government that they must not become involved with. This reaction may be the result of misunderstanding the term "conflict management", which to some interviewees may have meant national conflict. Integrity's understanding is slightly different, wherein "conflict management" relates to "conflict sensitivity" and the need for both strategic and reactive management of community conflict issues that are caused by or have an impact upon the company. Whistle-blowing and grievance monitoring also scored lower on the priority list.

In terms of governance, some CSR Committees existed but they were based at international HQ of the oil companies, with one exception at a JOC. Only one company that we interviewed had a designated person responsible for CSR activities.

One interviewee showed a sound understanding of sustainability, including the need to invest in skills and infrastructure rather than short-term relief efforts. The same company had worked with other organisations (international consultants) to deliver CSR activities. All other respondents were very hesitant to work with any organization apart from government. Many claimed they did not trust civil society given the critical reports of the past.

Case study: Infrastructure Development by a JOC

Infrastructure development is a major factor in the operational costs for an oil company. It is also a fundamental development for the local area. One example is that of a POC in South Sudan who as part of their initial extraction process developed roads and an international airport to improve the connectivity of the state capital closest to their fields.

Initially deciding where to build the roads through conversations with the local government as well as local communities created a number of problems. A complex political environment involving negotiations with three political tiers from county commissioner to national representatives as well as engaging with local community leaders made that decision-making process challenging.

Having finally established a project with appropriate acceptance and buy in, sourcing materials locally and procuring through local organisations proved another challenge. Materials were extremely expensive and difficult to source and local organisations and companies lacked capacity and the working culture was quite different. This coupled with opaque legislation regarding import meant the timeline was extended again and again increasing cost.

However, having established the projects and built the infrastructure, the exit point was very difficult to determine. Handing these investments over to the government and community proved complex, and government lacked resources and capacity to properly manage them. Creating what the POC thought was a sustainable project turned out to be an expensive ownerless resource.

While there were clear benefits to this project, it was also fraught with difficulties for all parties. The potential for displacement or disturbances, the complex political environment and the challenging logistical situation created the potential for rancour at each stage in the process.

iii. Performance

Interviewees were asked to score their relationship with communities across South Sudan, in a range of 1 to 10. All respondents gave themselves high scores in this question. The question was intentionally subjective, to see whether respondents had a performance measurement system in place, and indeed none of the companies we spoke to had a mechanism to monitor their relationship with communities or measure their impact.

Most felt their relationship with communities was better now than five years ago, largely because the political situation – and thus lines of responsibility – is clearer. Two interviewees noted that implementing CSR was easier once production was underway, as oppose to the exploration phase.

Companies that produce CSR reports tended to have them compiled and published by international HQ, keeping the role of the local operations unit to the provision of data only. Only one company we interviewed had evaluated the impact of their CSR strategy and directly contributed to a (non public) report on impact.

6. Analysis of Findings

Comprehensiveness

This research found that there is relatively little variance in the understanding of CSR by companies in South Sudan. Choosing from a wide-ranging list of possible topics that fall under CSR (developed by Integrity but guided by international guidelines and standards), most companies we interviewed agreed on what issues should be captured under "corporate responsibility." The notable exceptions were the issues conflict sensitivity and risk management, and community grievance mechanisms and mediation, which were not considered part of a company's CSR strategy. This has considerable implications on whether oil companies and consortia take on ownership of these issues and manage them accordingly.

In terms of the CSR scale described in Section 4 in Figure 1, most interviewees' perception of CSR fits firmly within the philanthropy category, whereby they largely act towards community and the environment in an ad hoc, unmonitored manner. We found little evidence of alliances or partnerships to tackle problems.

The low level of knowledge about international CSR initiatives, in terms of global principles and sector-based programmes, raises several concerns. First, this reflects poorly on those international organisations and initiatives in their outreach to new signatories or capacity building objectives. Second, it highlights how the plethora of activities at the international level can make engaging with CSR confusing for the non-expert, in a country with limited communications infrastructure. Third, it highlights that CSR lies quite far down the priority list for many companies who are in the process of moving operations to Juba.

Accountability

The interviews highlighted a number of challenges relating to accountability and responsibility over the ownership of social and environmental problems.

Company respondents stated that they felt responsibility for community issues lay with the JOC. Two respondents felt that their JOC could do more to coordinate CSR at the national level. This would increase economies of scale and potential impact, and reduce the potential for conflict in the states caused by inequitable distribution of oil resources.

In some cases, the JOC has a CSR Committee. Collective management of social and environmental issues pertaining to an oilfield in which multiple companies have operations is a sensible shared solution to problems that impact all the companies. However, the structure of oil consortia in South Sudan may serve to reduce the accountability of oil companies directly to communities surrounding operations, because any issues are dealt with centrally by the JOC. Without additional information it is difficult to know whether CSR Committees are performing an appropriate role.

Several interviewees also talked about the difference between CSR as an issue for the global oil company versus the Joint Operating Company. Global oil companies often have global CSR strategies, but the impetus to develop localized strategies is reduced when responsibility towards CSR does not directly lie with the company.

We also found that inside oil consortia (ie in which government has a stake), the person with responsibility over CSR was usually the Vice President (VP), who is a government appointee. This means the potential for coordination across different companies, consortia, counties and states could be very strong, if the VPs were connected and had a collective strategy. On the negative side, it also means that CSR could be deferred to the VP as a government issue, thus reducing the necessity for companies to take ownership over issues they have caused or which have impacted them. An added complication is brought about by the fact that the management of some consortia is still held by the Khartoum government through Sudapet. This anomaly is being addressed by ongoing Abyei talks, after which a handover from Sudapet to Nilepet will occur.

Implementation challenges

There was a great deal of consensus on the challenges facing oil companies and consortia in delivering CSR in South Sudan. All respondents cited the need for careful community expectation management. Respondents worried that an intervention in one county, for example, would lead to conflict with another, and this resulted in the undesirable situation of being reluctant to act at all.

Most respondents asserted the need for government to take a more dominant role in identifying community needs and ensuring that the JOCs and individual companies do not overlap or misplace their efforts. This would increase coordination, reduce costs and improve impact. One respondent stated that civil society could also play this role of helping companies understand community needs.

Nearly all respondents also talked about the logistical difficulties of operating in a new country, with limited infrastructure and a need for tight security. Prioritisation of issues that needed tackling also featured in two interviews, in the context where so many basic services, infrastructure and other issues need addressing. Finally, respondents were united in their assessment that government was lacking in coordinated communications to and requirements of the sector, resulting in mixed messaging and often multiple, sometimes conflicting requests.

Factors that would increase impact

The need to understand community needs, and to prioritise them, was raised several times. Respondents expressed some frustration that they don’t know where to start on tackling community grievances. This was deemed to be particularly important in the objective-setting, and then close-down phases of an initiative. Linked to this, the lack of transparency of activities in the sector mean it is very difficult to assess performance and create tailored activities to improve impact. This not only makes advocacy difficult on the part of civil society, but also it means that companies and JOCs themselves are not able to understand or monitor the impact they have.

7. Summary & Recommendations

This qualitative and desk-based research found that the CSR policies and practices of the oil sector in South Sudan fall firmly within the “philanthropy” category described in Figure 1 on Page 7.

Key findings from this can be summarized as follows:

- There is no common understanding amongst oil company staff of where the boundaries of CSR lie for the oil sector in South Sudan. For example, some companies do not feel that conflict sensitivity falls under their remit as a private enterprise, and so do not take ownership of conflict-related issues;

- It is difficult to determine whether the companies are unwilling to discuss CSR, or whether they are simply unable to, due to the nascency of operations and the logistical difficulties around transferring from Khartoum to Juba;

- Companies face very real challenges around community expectation management;

- Companies and JOCs in the sector have so far been unable to develop strategies to direct, or systems to implement, robust CSR initiatives;

- Accountability between JOCs, companies and government is unclear and might be a cause of fudged ownership, transparency and responsibilities over community and environmental issues;

- The lack of usability of global best practices, standards and guidelines from the CSR sector is evident and could be a barrier to learning and development by the oil sector in South Sudan;

- Very little is understood by the companies about stakeholder engagement, prioritisation, and the value of working with other organisations.

These findings and the analysis from the previous section lead towards several conclusions and recommendations for various stakeholders within the sector. The recommendations stem from the following key question:

How can all stakeholders in South Sudan bolster CSR interventions nationwide to increase the social and environmental performance – and impact – of the sector?

Stakeholders in South Sudan should determine what kind of oil sector they are hoping to achieve. It will be a huge leap to jump from a philanthropic starting point towards innovative value-creation activities, so what objectives are reasonable, and achievable, for the sector and the companies and JOCs within it?

Recommendation 1. Conduct additional research

An important finding from this research was that it was too early to gain sound inputs on the issue of corporate responsibility in such a new and fast-changing operating environment. Following independence many of the oil companies and consortia are still in the process of transitioning their operations to Juba from Khartoum. The result was that the number of interviews conducted was low, and that responses were limited.

We recommend that this research is conducted on a larger scale as the operating environment becomes clearer. Once new offices have been established in Juba, teams are recruited and in place, and an agreement has been reached on the handover of responsibility from the Northern Sudapet to Southern Nilepet within the different consortia occurs, both JOCs and independent companies will be in a much better position to respond meaningfully.

Recommendation 2. Clarify accountability and responsibilities

This research found that the responsibilities of JOCs and oil companies regarding CSR is unclear. The ambition is a) to clarify accountability and responsibilities, b) to ensure that actors with responsibilities are able to deliver upon those responsibilities, and c) to start building more direct relationships between actors within companies and consortia that hold responsibilities.

a) Clarify accountabilities

- Conduct additional research into where legal and normative responsibility for different aspects of CSR (eg community engagement, environment, conflict sensitivity) lies;
- On the back of this research, convene representatives from JOCs, companies, national and state-level government to work through roles and responsibilities for different groups;
- Ensure that senior company representatives sit on the CSR committees of the JOCs, and that the JOC CSR Committee has access to company Boards.

b) Build capacity

- Conduct training for senior management and community engagement contact people on conflict sensitivity;
- Conduct training developing local CSR strategies, using focused local data;
- Provide information and updates on key global initiatives;
- Reinforce government structures and determine at which level CSR strategy is best made i.e. national, state level or county level.

c) Engage with other stakeholders

- Create an anonymous space for all stakeholders, whether employees, civil society or the international community to raise concerns and questions which oil companies and JOCs address;
- Create more direct access for communities to companies in the form of Oil Affairs Committees;
- Companies and consortia should involve civil society groups and communities in planning CSR interventions to maximise relevance and impact.

Recommendation 3. Build capacity of civil society

Civil society needs to be able to research and present the needs of communities in a way that companies can use for their strategy development, and for civil society to use as evidence-based advocacy. Civil society also needs to be able to engage with government and ensure their perspective is heard, and to have oversight on factors such as profit management. Active civil society participation in holding the oil sector and government to account on revenue transparency is also an important step in South Sudan moving towards the EITI process.

- Establish (or strengthen) civil society networks to collectively define policy, advocacy and corporate engagement objectives for the oil sector;
- Conduct training where required on technical issues such as revenue transparency, compensation agreements, and corporate engagement techniques;
- Dedicate resources to the production of community needs assessments and data collection that can be used by companies and government in defining CSR and other intervention strategies.

Recommendation 4. Establish a multi-stakeholder National Oil Committee

South Sudan has a unique opportunity to develop a vision for the oil sector.

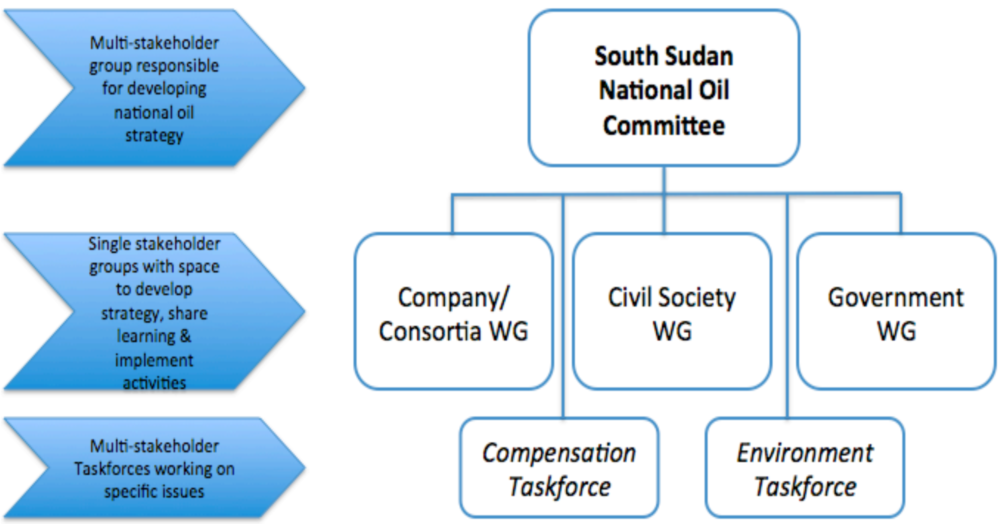
- In the first instance, utilise existing institutions to bring together a broad range of stakeholders.
- In the event that existing institutions are insufficient or unable to develop consensus from across government, the private sector and civil society, a new National Oil Committee could be an appropriate forum for information exchange and objective determination within the sector. This should include safe spaces for different actors to talk openly.

The National Oil Committee would have three overarching objectives:

1. to move national legislation forwards in a manner that works in the interests of all stakeholders;
2. to clearly define what issues fall under mandatory requirements and what remain voluntary, CSR objectives;
3. to deliver activities on specific topics, such as community affairs or the environment, through multi-stakeholder processes.

Figure 3 below is a pictoral representation of the governance of such a National Oil Committee. Three working groups, for civil society, the private sector, and government, allow for discussion to take place which is then fed up to a multi-stakeholder, high-level executive committee.

Figure 3. Proposing a National Oil Committee



Participation would be inclusive and would include the following stakeholders:

Company/Consortia:
- representatives from the JOCs
- representatives from the oil companies, combining senior management and operational level staff

Civil society:
- local NGOs and community groups
- international NGOs with relevant policy or community engagement experience

Government:
- Relevant national-level ministerial bodies (including the Ministry of Petroleum and Mining, the Ministry of Environment);
- State-level government representatives
- County-level representatives

The international community, and the organisations that comprise it, is an important contributor to this process and should be involved in various capacities. Bilateral donors will be an important source of finance for the initiative, and organisations such as EITI will be able to provide important advice and strategic support. An Advisory Committee might be established to formalise these roles, in particular to consolidate support for the least empowered groups of civil society. However it is not anticipated that the international community will have a role in the decision-making or working group levels of the National Oil Committee, whose participation should be limited to South Sudanese stakeholders.

Establishing such a National Oil Committee would be a large undertaking and requires its own clear process. The process would run for at least one year. If successful, and dependent on funding, the group would convene indefinitely, ensuring ongoing multi-stakeholder management of the oil sector. The activities to achieve this would include (but are not limited to):
- An initial period of developing and getting buy-in for the idea, from across stakeholder groups;
- Raising funds for the initiative, from South Sudanese as well as international donors;
- Establishing clear objective and mandate for the new organisation;
- Developing financial, accountability and governance documents;
- Conducting national communications so the general public is aware of the initiative and can input where appropriate.

A second and longer phase would be for more concrete objective setting, activity planning, implementation, monitoring and evaluation.

Annex 1 – Oil consortia in North and South Sudan

Source: European Coalition on Oil in Sudan (ECOS), 2010
http://www.ecosonline.org/reports/2010/Sudans_oil_industry_on_the_eve_of_the_referendum.pdf

Block 1, 2, 4 – GNPOC
40% CNPC
30% Petronas
25% ONGC Videsh
5% Sudapet

Block 3,7 – PDOC
41% CNPC
40% Petronas
10% Sudapet
6% Sinopec
3% Al-Kharafi

Block 5A – WNPOC-1
68,875% Petronas
24,125% ONGC
7% Sudapet

Block 5B – WNPOC-2
39% Petronas
13% Sudapet
Ascom

Block 6 – CNPCIS
95% CNPC
5% Sudapet

Block 8 – WNPOC-3
77% Petronas
15% Sudapet
8% Hi Tech

Block 9, 11 – SUDAPAK I
85% Zafir
15% Sudapet

Block 10
85% Ferno Cal.
15% Sudapet

Block 12a – Great Sahara
33% Qahtani
20% Ansan
20% Sudapet
15% Dindir
7% Hi Tech
5% A.A.In

Block 12B - free

Block 13 – CPOC
40% CNPC
15% Pertamina
15% Sudapet
10% Dindir Petroleum
10% Express Petroleum
10% Africa Energy

Block 14 – Salima
80% Ferno Caledonian Dongola
20% Sudapet

Block 15 - RSPOC
35% CNPC
35% Petronas
15% Sudapet
10% Express Petroleum
5% Hi Tech

Block 16 – Lundin
100% Lundin

Block 17 – ANSAN
66% ANSAN
34% Sudapet

Block A – SUDAPAK II
83% Zafir
17% Sudapet

Block B - TOTAL
32,5% Total
27,5% Kufpec Sudan
10% Sudapet
10% Nilepet
20% free

Block C - APCO
65% Hi Tech
17% Sudapet
10% Khartoum State
8% Hegleig

Block E(a)
75% Star Petroleum
20% Sudapet
5% Hamla

Annex 2 – List of respondents

The following organisations participated in the research, which took place in July and August 2011. Interviews were conducted in and around Juba, in London, or by telephone. Individuals have not been named in the interests of anonymity.

Oil companies and consortia

CNPC
GNPOC
ONGC
PDOC
Petronas
WNPOC

Civil society and the international community

Cordaid
ECOS
Global Witness
Justice Africa
NPA
PACT Sudan
IKV Pax Christi
Peace Direct
South Sudan Law Society
South Sudan Human Rights Society for Advocacy