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Leveraging private investment for sustainable development

The EU's External Investment Plan: Creating sustainable jobs for poverty eradication in countries near the EU and in Africa

Neven Mimica, European Commissioner for International Cooperation and Development

Policies to mobilise the private sector: Open your mind

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European development finance and the EBRD model

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FAO's approach

Interview with José Graziano da Silva, Director-General of the Food and Agriculture Organization of the United Nations

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Factory workers at a gas pumping station, a Chevron project.
Photo supplied by author

CHEVRON'S CORPORATE SOCIAL ENTERPRISE IN NIGERIA

In Nigeria, with the support of DAI, Chevron has been pursuing a business-led approach to development since 2010. The company established a local development organisation that works to find market-based solutions to local economic problems.

By Zachary Kaplan

Nigeria ranks 14th on the 2017 Fragile States Index. Half of its young population suffers from poverty, which has played a major role in the three decades of conflict in the region. Yet, the country is rich in natural resources, particularly in the Niger Delta. Chevron, a multinational energy corporation, has been maintaining operations there despite several ethnic and religious conflicts and other issues resulting from poverty—such as oil theft, kidnapping threats, or sabotage. Chevron engages in an innovative approach for local development that has shown significant results and drawn the attention of development practitioners.

Moving away from the traditional corporate social responsibility (CSR) model whereby a private company would finance one-off infrastructure or service programmes, Chevron decided to sustainably address the underlying development challenges of local communities and stimulate inclusive economic growth.

Corporate social enterprise

Chevron’s strategy focuses on increasing incomes and employment for local people, hence leading to more stable and prosperous communities sharing

in economic benefits. Social stability and prosperity reduce operational risks and improve the company’s business performance, leading to what Chevron calls Corporate Social Enterprise.

To achieve this goal, Chevron created the Niger Delta Partnership Initiatives (NDPI) Foundation, an independent development organisation with an initial funding of USD 100 million. In turn, NDPI created a Nigeria-based implementing partner, the Partnership Initiatives in the Niger Delta (PIND), to institutionalise this new way of working on economic development, capacity building, peace building, and analysis and advocacy. Together, the mostly local stakeholders set out to dissect the Delta’s local markets, find ways to bolster them, and improve the generation of products, services, and wages.

Unlocking local potential

PIND’s economic development strategy is based on the market systems development approach that encourages market-driven solutions to drive inclusive economic growth. PIND applied its fundamental “partnership” principle to build consensus on its agenda and targets for intervention. It organised a broad consultative process, with leading public sector institutions and

stakeholders in the Delta setting policy and growth agendas. Development partners active in the region—such as the World Bank, U.K. Department for International Development, U.S. Agency for International Development, and invested private sector actors, including the oil companies—participated in evidence-based analysis to prioritise areas for intervention.

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

PIND conducted participatory value chain analyses with staff from local partner institutions in three prioritised sectors: oil palm, aquaculture, and cassava. These were followed by scoping studies that investigated weaknesses in each chain. Based on this work, PIND designed support programmes that include the poor to close the gaps found in these markets. PIND also

Figure 1: Impact assessment



Source: <http://www.igdleaders.org/wp-content/uploads/PIND-NDPI-Executive-Summary.pdf>



Fish Farming Chevron project.
Photo: Daniel McCloskey / DAI

worked with Chevron Nigeria to analyse Chevron's local content supply, mapping Chevron Nigeria's overall consumption of goods and services against locally sourced goods and services, and identifying the goods and services that, with some assistance, can grow to occupy a greater share of Chevron's market.

Based on this analysis, PIND narrowed the list of promising goods and services to determine the optimum point of leverage for market-strengthening interventions.

By focusing on broader value chains such as catering and marine services where Chevron's (and other oil and private companies') spend represents a strong growth market, PIND hopes to create initiatives that unlock local potential to meet that broader market.

Creating real change

In July 2016, a first impact evaluation of Chevron's corporate social enterprise, conducted by the Initiative for Global Development (IGD), concluded that "These catalytic resources bring hope and are captivating and empowering people of the Niger Delta."

The evaluation determined that NDPI/PIND and their partners had:

- Enhanced the attractiveness of the Niger Delta by reducing risk, which has paved the way for other development investment in the region. By demonstrating the ability to effect change in the region, NDPI and PIND had catalysed new investment of more than \$92 million into the region, including more than \$730,000 in new loans from local financial institutions.

- Brought 13 key innovation areas to pilot stage, with significant momentum achieved toward "stickiness" and scale, including pilots of more than 20 best practices or technological innovations, a self-sustaining movement of nearly 4,000 "peace actors," and a network of 500 organizations driving change through interventions to shift cultural norms.
- Created a blueprint for a new type of development model across Africa and beyond, which includes establishment of a physical presence and hiring of top local talent in three locations, including a world-class economic development centre in Warri.

Measuring market systems

In measuring the NDPI/PIND partnerships with stakeholders throughout the Niger Delta, the Initiative for Global Development (IGD) focused not on the achievements of any single partner but rather on the collective impact created to systems by the whole: “NDPI, PIND, and Chevron have ‘moved the needle’ on corporate social responsibility, shared value, and development, to a new level by creating awareness, building knowledge, and changing attitudes, beliefs, capacity, and actions in ways that permanently re-orient the hopes, aspirations, and visions of the people of a society”.

“IGD’s highly tailored and holistic approach necessarily eclipsed traditional metrics such as the number of jobs created or beneficiaries reached,” said Bill Grant, DAI’s global practice leader for market systems development. “This new methodology promises to be a valuable innovation in the field of monitoring and results measurement for tracking progress toward achieving systemic change.”

Making systemic differences

Indeed, the Chevron initiative does contribute to developing key value chains and energising peace networks. The project interventions so far have led to marked improvements to the aquaculture, palm oil, and cassava sectors, benefiting those who farm, transport, process, sell, and purchase the products.

NDPI/PIND’s activities were also found to spur growth in nongovernmental and civil society networks, thanks to their efforts to build local partnerships and alliances. By 2016, NDPI/PIND had developed a strong network of 511 organisations with whom they were connected directly or indirectly. Furthermore, stakeholders from the U.S. Agency for International Development and U.K. Department for International Development told evaluators that, “without the presence of PIND, they would not be working in the Niger Delta.”

NDPI/PIND activities have encouraged the development of water, sanitation, and hygiene (WASH) infrastructure. The foundations’ long-term WASH goals include increased access to clean, affordable water, with government addressing WASH needs and entrepreneurs seeing opportunities

to fill these and other gaps in WASH infrastructure. On that front, development of business associations and business-related institutions also scored well in the evaluation.

The Chevron initiative also contributed to improved government partnering, including better collaboration with development actors, donors, and the private sector, and better alignment between federal and state bodies to prioritize and fund market systems development.

NDPI’s success shows that multinational companies can contribute to systemic benefits for the local communities where they operate. Most importantly for the sustainability of this programme and others that might follow in its steps, those benefits go both ways: bolstering peace, stability, and prosperity in the region, improving the ability of Delta businesses to deliver local content, and supporting Chevron’s social license to operate.

More and more, multinational corporations are appreciating their positions within local economies and looking for new ways to engage. Chevron/PIND’s new paradigm, driven by business interest as well as a

genuine corporate objective to leverage natural resources into local wealth creation, would seem to be a model for development way beyond the Niger Delta.

About the author

Zachary Kaplan is the Director of the Sustainable Business Group at DAI, a global consultancy company specialising in development assistance. DAI tackles fundamental social and economic development problems caused by inefficient markets, ineffective governance, and instability. The company was created in 1970 and now employs more than 3,000 and manages approximately 230 projects in 120 countries. This worldwide portfolio is supported from corporate office in the United States, the United Kingdom, and Belgium, home of DAI Brussels.

