A CRITICAL ANALYSIS OF MULTINATIONAL OIL COMPANIES’ CORPORATE SOCIAL RESPONSIBILITY IN COLOMBIA AND VENEZUELA

VOLUME II OF II

S. F. KERR

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A Critical Analysis of Multinational Oil Companies’ Corporate Social Responsibility in Colombia and Venezuela

The Dynamics of Two Models

Susan Florence KERR

Volume II of II

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Abstract

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The Dynamics of Two Models

Keywords: Corporate Social Responsibility, Multinational Oil Companies, Colombia, Venezuela, Critical Realism

One key to CSR’s success has been its fuzzy definition, whereby its meaning is constantly (re)defined by practice and through the dialectical relationship between companies and their stakeholders. This thesis focuses upon the influence of MNOCs’ socio-political field upon their CSR (rather than upon specific CSR projects), from a critical realist perspective, contributing to existing research in three key ways. Firstly, I present original explanatory models that outline the practice of CSR in Colombia and Venezuela. From these models, I develop further models that categorise the types of CSR practiced in each country. I argue that Colombia follows a conventional model of private-led CSR; by contrast, the Venezuelan model pushes the boundaries of more traditional CSR definitions. Given the government’s dirigiste approach, I categorise the Venezuelan model as an example of a new form of CSR, that I call Regulated CSR (RCSR), noting the inherent contradictions of regulating to increase responsibility. Secondly, I produce original research on MNOCs’ CSR reports, examining how MNOCs’ agency is affected by global socio-political discourses. Paradoxically, whilst CSR is an important element of corporate communication, many MNOCs only disclose limited CSR-related information. Thirdly, this thesis contributes to the growing discussion of CSR’s role within the neoliberal paradigm. I argue that CSR is not and cannot be a panacea for social absences and can have negative social effects. Therefore, appropriate regulation is necessary, starting with greater corporate transparency at an international level to level-up MNOCs’ practices, and national oversight of MNOCs’ CSR budgets and practices.
Acknowledgements

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Finally, I would like to express my gratitude to my friends and family: to my husband Sylvain, who has not yet known married life without a PhD student as his wife, to my father Wesley, my mother Florence, my brothers David and Jonathan, to Liz, Eric, Eleanor, Henry, Martine, Bernard, Nana and Granny whose love, support and prayers have been, and continue to be, invaluable.
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<td>ACP</td>
<td>Asociación Petrolera de Petróleo (Colombian Oil Association)</td>
</tr>
<tr>
<td>AD</td>
<td>Acción Democrática (Democratic Action Party)</td>
</tr>
<tr>
<td>ALBA</td>
<td>Alianza Bolivariana para los pueblos de nuestra América (Bolivarian Alliance for the peoples of our Americas)</td>
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<tr>
<td>ANH</td>
<td>Agencia Nacional De Hidrocarburos (National Hydrocarbons Agency)</td>
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<tr>
<td>ARPEL</td>
<td>Asociación Regional de Empresas del Sector Petróleo, Gas y Biocombustibles en Latinoamérica y el Caribe (The Regional Association of Oil and Natural Gas in Latin America and the Caribbean)</td>
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<tr>
<td>ATCA</td>
<td>Us Alien Tort Claims Act</td>
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<td>AUC</td>
<td>Autodefensas Unidas De Colombia (United Self-Defence Groups of Colombia)</td>
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<tr>
<td>AVHI</td>
<td>Asociación Venezolana De Los Hidrocarburos (Venezuelan Hydrocarbons Association)</td>
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<td>BCR</td>
<td>Basic Critical Realism</td>
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<tr>
<td>B/D</td>
<td>Barrels Per Day</td>
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<td>BSCI</td>
<td>Business Social Compliance Initiative</td>
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<td>CDA</td>
<td>Critical Discourse Analysis</td>
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<tr>
<td>CF/D</td>
<td>Cubic Feet per Day (measurement of natural gas)</td>
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<tr>
<td>CONCAWE</td>
<td>Conservation of Clean Air and Water for Europe</td>
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<tr>
<td>COP</td>
<td>Communication on Progress (For the UN Global Compact)</td>
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<tr>
<td>COPEI</td>
<td>Comité De Organización Política Electoral Independiente (Committee of Independent Political Electoral Organization)</td>
</tr>
<tr>
<td>CPPP</td>
<td>Comisión Permanente Del Poder Popular (Permanent Commission for Popular Power)</td>
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<tr>
<td>CPTA</td>
<td>US-Colombia Trade Promotion Agreement</td>
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<td>CR</td>
<td>Critical Realism</td>
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<td>CRBV</td>
<td>Constitución de la República Bolivariana de Venezuela (The Constitution of the Bolivarian Republic of Venezuela)</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<td>CVP</td>
<td>La Corporación Venezolana Del Petróleo (Venezuelan Oil Corporation)</td>
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<td>DAS</td>
<td>Departamento Administrativo De Seguridad (Administrative Department of Security)</td>
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<tr>
<td>DCR</td>
<td>Dialectical Critical Realism</td>
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<tr>
<td>DVC</td>
<td>Dividendo Voluntario para la Comunidad (Voluntary Dividend for the Community)</td>
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<td>ECOPETROL</td>
<td>Empresa Colombiana De Petróleos (Colombian Petroleum Co.)</td>
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<td>EH&amp;S</td>
<td>Environment, Health and Safety</td>
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<td>EIA</td>
<td>US Energy Information Administration</td>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<tr>
<td>ELN</td>
<td>Ejército de Liberación Nacional (National Liberation Army)</td>
</tr>
<tr>
<td>EO</td>
<td>Equitable Origin</td>
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<tr>
<td>EPL</td>
<td>Ejército Popular De Liberación (Popular Liberation Army)</td>
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<td>FARC-EP</td>
<td>Fuerzas Armadas Revolucionarias De Colombia-Ejército Del Pueblo (Revolutionary Armed Forces of Colombia-People’s Army)</td>
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<td>FCPA</td>
<td>Foreign Corrupt Practices Act</td>
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<td>Foreign Direct Investment</td>
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<td>Federación Venezolana De Cámaras Y Asociaciones De Comercio (Venezuelan Federation of Chambers of Commerce)</td>
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<tr>
<td>FLN</td>
<td>Front De Libération Nationale (National Liberation Front)</td>
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<td>FONDEN</td>
<td>Fondo Nacional Para La Desarrollo Endógeno (National Development Fund)</td>
</tr>
<tr>
<td>FOPO</td>
<td>Fondo Especial Para El Poder Popular (Special People’s Fund)</td>
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<td>FSBT</td>
<td>Fuerza Socialista Bolivariana De Trabajadores</td>
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<td>FTAA</td>
<td>Free Trade of the Americas</td>
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<td>GC</td>
<td>Global Compact</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GPF</td>
<td>Norwegian Government Petroleum Fund</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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GRI OGSS  Global Reporting Initiative Oil and Gas Supplement
IACHR  Inter-American Commission on Human Rights
IBEC  International Basic Economy Cooperation
ICC  International Criminal Court
IESA  Instituto de Estudios Superiores de Administración (Institute of Advanced Studies in Administration)
IFI  International Financial Institution
ILO  International Labour Organization
IMF  International Monetary Fund
IPIECA  The Global Oil and Gas Industry Association for Environmental and Social Issues
ISO  International Organization for Standardization
M-19  Movimiento 19 Abril (The 19th of April Movement)
MAS  Muerte A Secuestradores (Death to Kidnappers)
MBR-200  Movimiento Bolivariano Revolucionario-200 (Revolutionary Bolivarian Movement-200)
MERCOSUR  Mercado Común del Sur (Southern Common Market)
MNC  Multinational Corporation
MNOC  Multinational Oil Corporation
MVR  Movimiento Quinta República (Movement for the Fifth Republic)
NCP  National Contact Point (for the Global Compact)
NIAG  New Illegal Armed Groups
NOC  National Oil Company
OAS  Organization of American States
OECD  Organisation for Economic Co-operation and Development
OGP  The International Association of Oil and Gas Producers
OHSAS  Occupational Health and Safety Assessment Series
OPEC  Organization of Petroleum Exporting Countries
PDVSA  Petróleos De Venezuela, Sociedad Anónima (Petroleum of Venezuela)
PEMEX  Petroleos Mexicanos
PMR  Philosophy of meta-Reality
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<tr>
<th>Abbreviation</th>
<th>Full Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROVEA</td>
<td>Programa Venezolano de Educación-Acción en derechos humanos (Venezuelan Program in Education-Action on human rights)</td>
</tr>
<tr>
<td>PRT</td>
<td>Partido Revolucionario de los Trabajadores de Colombia (Workers’ Revolutionary Party of Colombia)</td>
</tr>
<tr>
<td>RCSR</td>
<td>Regulated Corporate Social Responsibility</td>
</tr>
<tr>
<td>RSE</td>
<td>Responsabilidad Social Empresarial (Corporate Social Responsibility)</td>
</tr>
<tr>
<td>SAI</td>
<td>Social Accountability International</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>TCC</td>
<td>Transnational Capitalist Class</td>
</tr>
<tr>
<td>TINA</td>
<td>There Is No Alternative</td>
</tr>
<tr>
<td>TMSA</td>
<td>Transformational Model of Social Activity</td>
</tr>
<tr>
<td>TNC</td>
<td>Transnational Corporation</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>UNHCR</td>
<td>UN Human Rights Council</td>
</tr>
<tr>
<td>UP</td>
<td>Unión Patriótica (Patriotic Union)</td>
</tr>
<tr>
<td>VBEC</td>
<td>Venezuelan Basic Economic Company</td>
</tr>
<tr>
<td>VP’S</td>
<td>Voluntary Principles on Security and Human Rights</td>
</tr>
</tbody>
</table>
Chapter 7

Two models: agents, structures, policies and the dynamics of CSR

In this chapter, I present, discuss and comparatively analyse two different models of MNOCs’ CSR. I show that the first, Colombian model is underpinned by a neoliberal logic, and follows more traditional patterns of private-led CSR, although MNOCs have also been affected by the government’s struggle for sovereignty with protostate actors.

The second, Venezuelan model is state-led and the state focuses upon ensuring a maximum financial/social return from oil revenues. I argue that former President Chávez used the state capture of CSR to promote his political objectives by claiming the credit for social action. Venezuelan ‘CSR is, thus, wrought with contradictions so that it could both be argued that CSR is dead or that it has increased exponentially, depending upon how one defines CSR. Nevertheless, with the data I collected, I show that CSR is still alive in Venezuela, especially at a discursive speech-act/PR level, if transfigured and vastly reductive of MNOCs’ agency. To Venezuelan CSR, thus, I add another oxymoron to CSR246 (‘R’ for regulated) to form RCSR.

The chapter is divided into three sections presenting: i) the Colombian CSR model; ii) the Venezuelan RCSR model; and iii) a comparison of the mechanisms underlying each model. I have built the models on four levels, which correspond to four sub-sections in each of the first two sections. The information used in this chapter is based upon data I collected from: i) 89 interviews in Colombia and Venezuela; and ii) the literature review process. I have based my model diagrams and analysis on a dialectical-relational approach that focuses upon the relations between agents and structures in the field in which MNOCs operate (R)CSR.

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246 As seen chapter 3, some scholars argue that CSR is a contradiction in terms as corporations are not primarily socially responsible, but subject to business logic. Moreover, I argue that regulation is not conducive to greater ‘responsibility’.
The Models

The models are shown in full on pages at the start of the sections on Colombia and Venezuela respectively. I formulated these explanatory models to outline the dialectical relationships between MNOCs and the agents and structures they may encounter, in determining and executing CSR projects, thus, helping to understand the field’s impact on MNOCs agency and MNOCs impact upon the field. Taking each level in turn: level 1 outlines the roles of the various agents in these models; level 2 the main events, structures and policies that influence the roles of these agents in the model; level 3 the openly cited reasons as to how such structures and agents interact in the process; level 4 the underlying causes or ideas that help to explain why those reasons emerged and are foundational to the reasons cited, underpinning the existence or form of the structures and the roles assigned to the agents.

The subsequent analysis results from a process of abstraction, which sought to consider and resolve some of the tensions in the academic literature discussed in preceding chapters and the field data that I collected. In this process, I have used each of the critical realist layers of reality (ontological, actual and empirical) to move from empirical field data and actual policies and events to the real causal mechanisms that drive them, shedding light upon why different models prevail in each country. Thus, the models are primarily based upon empirical data and actual events. As some of the reasons given are caused by other phenomena, there are two layers of causal reasons (levels 3 and 4) with the last layer (level 4) presenting important causal mechanisms that foster/impede the reasons in level 3.

Individual respondents remain anonymous, however, throughout this chapter I coded interviewees as outlined in table 2 below to facilitate analysis and for reader ease.247 The interview data used in this chapter predominantly appears below in the form of percentages and quotes taken from the 89 interviews.

247 As far as I am aware, all NGOs interviewed, except for 2 in each country, had worked alongside MNOCs and/or received funding from MNOCs.
### TABLE 2

<table>
<thead>
<tr>
<th>INTERVIEWEES</th>
<th>Venezuela Closed Questions/Open Questions</th>
<th>Colombia Closed Questions/Open Questions</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Multinationals</td>
<td>10/10</td>
<td>10/11</td>
<td>CSR</td>
</tr>
<tr>
<td>Pipeline/Service Operators</td>
<td>1/1</td>
<td>2/4</td>
<td>OSP</td>
</tr>
<tr>
<td>Oil Foundations</td>
<td>0/0</td>
<td>1/1</td>
<td>CSR</td>
</tr>
<tr>
<td>Company Union/Oil Association</td>
<td>2/2</td>
<td>2/2</td>
<td>OCU</td>
</tr>
<tr>
<td>National Oil Company</td>
<td>4/4</td>
<td>1/1</td>
<td>NOC</td>
</tr>
<tr>
<td>Government Experts</td>
<td>2/3</td>
<td>2/2</td>
<td>GOV</td>
</tr>
<tr>
<td>United Nations</td>
<td>0/0</td>
<td>1/1</td>
<td>II</td>
</tr>
<tr>
<td>European Union</td>
<td>1/1</td>
<td>1/1</td>
<td>II</td>
</tr>
<tr>
<td>Western Embassy Oil Experts</td>
<td>4/4</td>
<td>0/0</td>
<td>HGO</td>
</tr>
<tr>
<td>Trade Union</td>
<td>1/1</td>
<td>3/3</td>
<td>TU</td>
</tr>
<tr>
<td>Oil Consultant</td>
<td>1/2</td>
<td>1/0</td>
<td>CON</td>
</tr>
<tr>
<td>Oil Journalist</td>
<td>0/1</td>
<td>0/0</td>
<td>JO</td>
</tr>
<tr>
<td>University</td>
<td>0/1</td>
<td>1/1</td>
<td>UNI</td>
</tr>
<tr>
<td>Church</td>
<td>2/2</td>
<td>0/1</td>
<td>CH</td>
</tr>
<tr>
<td><strong>NGO</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>2/2</td>
<td>1/1</td>
<td>NGO</td>
</tr>
<tr>
<td>Human Rights</td>
<td>2/2</td>
<td>5/5</td>
<td>NGO</td>
</tr>
<tr>
<td>Indigenous Rights</td>
<td>0/0</td>
<td>1/1</td>
<td>NGO</td>
</tr>
<tr>
<td>Monitoring Oil Industry Activites</td>
<td>0/0</td>
<td>1/1</td>
<td>NGO</td>
</tr>
<tr>
<td>Social Development</td>
<td>10/9</td>
<td>5/5</td>
<td>NGO</td>
</tr>
<tr>
<td>Transparency</td>
<td>1/1</td>
<td>1/1</td>
<td>NGO</td>
</tr>
<tr>
<td><strong>Total Interviewed</strong></td>
<td><strong>43/47</strong></td>
<td><strong>37/42</strong></td>
<td></td>
</tr>
</tbody>
</table>

The structured questions and the rationale behind them is shown in table 3 below. Moreover, I have been careful not to use isolated ‘one-off’ quotes, so that selected quotes capture ideas presented in the academic literature or in the dataset by at least one other respondent.
The models that I have created are non-linear and underscored by dialectical, interdependent relationships between the agents and structures. Therefore, the noumena and phenomena located at each level should be viewed as interconnected; change at one level may causally impact upon another level. Whilst certain mechanisms may appear to be the same in both models, they are nonetheless irreducible to each other, and do not produce identical effects in each model. The models are, moreover, non-exhaustive,
but indicate the most relevant factors to emerge during my research, and they may be expanded or retracted as the geo-spatialities change within Colombia and Venezuela.

Data was gathered on field research trips conducted in 2007 and 2008. In hindsight, I recognise that these were good years to collect such data. The data was collected during former President Chávez’ heyday, before the global recession of the financial crisis, at a time when oil prices were as high as they are again in 2013, when the Venezuelan government had ample resources to push ahead its reforms and governmental support was high in the country. As such, the data was collected before the actors could use the recession as an excuse for policy outcomes.

Moreover, the oil policy approaches in both countries have not significantly evolved since the data was collected. In Colombia, there is a new president from the same political party as President Uribe. President Santos is arguably more moderate than his predecessor, whose government also enjoyed popular political support although it was linked to paramilitary groups. Uribe was then also considering changing the Constitution to remain in power, but was not successful, contrary to Chávez. However, both Colombian leaders have followed a neo-liberal, pro-US trajectory, despite a few relevant policy changes that are indicated below.

7.1 The Colombian model

The model diagram below outlines the Colombian model of CSR. Essentially, this model is characterised by: i) a laissez-faire approach towards enterprise, in line with the government’s neoliberal economic approach; ii) legal optionality concerning CSR for MNOCs, which enjoy significant autonomy; iii) expectations from government, local communities and armed actors upon MNOCs to intervene in specific welfare and social issues; and iv) a climate of violence.
Figure 2: The Colombian Model of CSR
This section discusses each agent present in the current CSR model, who they are, what they do, how they portray themselves and/or how they are seen by other actors within the model. The research conducted suggests that each of these agents exert causal powers that can directly or indirectly shape the Colombian model. Emphasis is placed upon MNOCs’ relations and roles, given that MNOCs are essential to their CSR. The questions asked of respondents, thus, seek to ascertain core relational elements as outlined in table 3 above. As is shown below, whereas oil sector responses suggest that the Colombian model is driven by local needs and local partnership (even if decision-making does not occur at this level), non-oil respondents take a more utilitarian approach to MNOCs’ CSR and towards Colombian civil society.

**7.1.1.1 MNOCs**

Several major MNOCs operate in Colombia, including those from BRIC countries. BP left Colombia in 2010 following the Mexican Gulf disaster. Most CSR representatives are based at MNOCs’ offices in Bogotá. They are also mostly affiliated to the Asociación Colombiana de Petrolera (ACP), the main oil company union representing private oil companies’ interests.
Regarding CSR spending, the ACP (2012) calculates that, in 2010, its 54 members, including 15 MNOCs, spent USD 78.21m on voluntary CSR initiatives, which included the following:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Amount (USD m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>23.3</td>
</tr>
<tr>
<td>Productive Projects</td>
<td>23.3</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>18.8</td>
</tr>
<tr>
<td>Community Building</td>
<td>6.6</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4.9</td>
</tr>
<tr>
<td>Healthcare</td>
<td>3.3</td>
</tr>
<tr>
<td>Institutional Strengthening</td>
<td>1.65</td>
</tr>
<tr>
<td>Environment</td>
<td>0.66</td>
</tr>
</tbody>
</table>

(Source: ACP: 2012)

MNOCs’ stakes in the total amount are not indicated. However, even if the 15 MNOCs accounted for the full USD 78.21m, their average expenditure would only amount to approximately USD 5m a year. This amount is not necessarily representative of each MNOC’s exact expenditure and it is hard to verify as company reports’ country-specific statistics on CSR expenditure are often opaque and not comprehensive. Country-specific or project-specific financial figures are not always available, so that as respondent C10-OSP noted, “they state the type of social action, but not the amount”. Nevertheless, the ACP’s figures give an idea of oil sector spending and the priority areas, especially as MNOCs have a limited interest in publishing lesser figures than the reality.

There have also been studies on specific programmes conducted by MNOCs in Colombia. For example, the below table 5 outlines Perenco (healthcare, education and infrastructure) projects underway in 2010 in the municipality of Yopal. Orellana Herrera (2010) notes that community members confirmed that the programmes in the table have been properly and effectively implemented. Yopal has been marked by state absence, guerilla and paramilitary presence and corruption. It has high levels (24.47%) of unmet

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248 MNOCs are defined in this chapter as oil companies featured on the Forbes 2000 list in 2012.
basic healthcare and educational needs and the community expects MNOCs
to intervene. MNOCs’ often resort to assistentialism given the existence of
unmet basic needs and the difficulty of changing cultural and behavioural
norms. Their spending has been minimal given their focus on profit
maximisation (Orellana Herrera, 2010). The table shows that Perenco’s
social action: i) corresponds to areas of government welfare; ii) is piecemeal
and does not constitute a welfare system; iii) corresponds with the topics that
companies’ claim interests them; iv) is both assistentialistic and capacity-
building; and v) does not only address material needs, but also non-material
needs.

<table>
<thead>
<tr>
<th>TABLE 5</th>
<th>WHAT CSR DO MNOCS CONDUCT?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Perenco Ltd Colombia in Yopal</td>
</tr>
<tr>
<td>2010 Healthcare Projects</td>
<td></td>
</tr>
<tr>
<td>Gas Provision to Local Households:</td>
<td>decrease lung cancer rates.</td>
</tr>
<tr>
<td>Food Support Programme for Children:</td>
<td>tackle malnutrition; created a protein drink (Perencolada).</td>
</tr>
<tr>
<td>2010 Education Projects</td>
<td></td>
</tr>
<tr>
<td>Programme to Build Schools:</td>
<td>built 6 training centres for students, providing necessary resources. These schools are five minutes from Yopal (petrol area).</td>
</tr>
<tr>
<td>Support Programmes for Secondary Studies:</td>
<td>financial assistance for students with a grade superior to 3.7, so that they can go to university.</td>
</tr>
<tr>
<td>Training Seminars:</td>
<td>on sustainable agriculture, fish farms for students in grade 10 of the Educational Oil Well Centre.</td>
</tr>
<tr>
<td>Infrastructure:</td>
<td>programme to cultivate cachama for trading. Creation of business.</td>
</tr>
<tr>
<td>Programme to Improve Land:</td>
<td>improve land quality for cattle; strengthen the cattle trade.</td>
</tr>
<tr>
<td>Programme to Develop Agricultural Land:</td>
<td>brings technical knowledge and agribusiness practice.</td>
</tr>
<tr>
<td>2010 Infrastructure Projects</td>
<td></td>
</tr>
<tr>
<td>Roads Programme:</td>
<td>building new roads for oil tankers and personal mobility.</td>
</tr>
<tr>
<td>Agricultural Land Development Programme:</td>
<td>brings technical knowledge and agribusiness practice.</td>
</tr>
</tbody>
</table>

(Source: Orellana Herrera: 2010)

**What CSR do MNOCs conduct?**

The main areas of CSR mentioned by oil sector respondents were the
environment (92.3%) and education (53.8%), whilst non-oil respondents’
agreement ranked these fields at 66.7% and 71.4% respectively, adding
infrastructure as another important area (66.7% v. 46.2% oil sector). Scored
lower were the traditional CSR fields of health (46.2% oil sector v. 47.6%
non-oil respondents’ agreement) and culture (15.4% v. 23.8%). Given the oil industry’s significant environmental impact, it makes sense that companies highlight the environment as important, even if the ACP figures above indicate that it is not a priority area for spending. However, as seen below, government tax incentives encourage this focus, which could explain the lower amounts spent by ACP members on environmental CSR. A few oil sector respondents also mentioned the importance of business development, micro-credit schemes and strengthening democratic institutions, in line with a neoliberal development approach. These more recent foci appear indicative of the international trend for sustainable, non-altruistic CSR. Interestingly, some MNOC respondents were reluctant to label infrastructure spending as CSR and from the data it can be induced that infrastructure (i) is not always placed under a CSR business heading, and (ii) is considered a government concern. Indeed, as the data below will show, CSR headings can emanate from a conflation of EH&S and CSR, a mix of corporate level policy cherry-picking and, at an individual executive level, depending on the convictions, experience and world-views of the individual managers.

Why do MNOCs conduct CSR?

<table>
<thead>
<tr>
<th>TABLE 6</th>
<th>WHY DO MNOCS CONDUCT CSR?</th>
<th>Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oil Sector Respondents</td>
<td>Non-oil Sector Respondents</td>
</tr>
<tr>
<td>People Need It</td>
<td>76.9%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Moral Obligation</td>
<td>61.5%</td>
<td>72.7%</td>
</tr>
<tr>
<td>Common Sense</td>
<td>53.8%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Communication</td>
<td>46.2%</td>
<td>95.4%</td>
</tr>
<tr>
<td>Market</td>
<td>46.2%</td>
<td>72.7%</td>
</tr>
<tr>
<td>Compensate State Inaction</td>
<td>46.2%</td>
<td>31.8%</td>
</tr>
<tr>
<td>State Requires It</td>
<td>38.5%</td>
<td>59.1%</td>
</tr>
</tbody>
</table>

249 A handful of interviewees also argued that MNOCs are predominantly economic actors who benefit the social arena by generating wealth with CSR as an added extra. This indicates that they view MNOCs’ CSR as altruistic.

250 Corporate environment, health and safety processes
As to why companies conduct CSR, respondents did not volunteer another category of explanation to supplement those that I had proposed. Of the reasons proposed to oil sector interviewees, the two reasons that brought the highest degree of consensus were that the people need it (76.9%) and that it is a moral duty (61.5%). In the open-ended questions, some oil sector respondents (i.e. C6-NOC; C11-CSR; C29-CSR) stated that they were wary of the words “duty” or “obligation”, but that companies had a “responsibility”. This reflects at the very least an implicit neoliberal viewpoint and is incompatible with Venezuela’s Bolivarian socialism.

Non-oil respondents again had a more utilitarian view; practically all of them agreed that CSR is part of a modern MNOC’s communication package (95.4%) and CSR is dictated by market imperatives (72.7%). The same percentage (72.7%) however also agreed that CSR is conducted out of a moral duty, which is slightly higher than the oil sector agreement. Thus, contrary to the oil sector respondents who favoured a philanthropic rationale, they recognise that CSR is concomitantly a market obligation and a moral duty; this implicitly questions the assumption that CSR is still purely voluntary for companies, as it becomes a social norm. Moreover, the majority of respondents accepted the anthropomorphic approach of companies as moral beings.

On both sides, a minority of respondents agreed that CSR is conducted to compensate for state inaction (46.1% oil sector v. 31.8% non-oil respondents’ agreement). Regarding what companies do, however, this gap between the state and MNOCs was not always clear (see point 7.1.3.3).

**Why do MNOCs conduct specific types of CSR?**

More specifically, when asked why MNOCs conduct certain types of CSR, over 70% of oil sector respondents agreed that MNOCs conduct CSR to respond to people’s needs, whilst only 42.8% agreed that company strengths play a role. Respondents did not offer another explanation. However, all but one of the oil sector respondents answered strongly or very strongly agreed to at least one of the other proposed answers, indicating that the answer may differ on a case-by-case basis.
### TABLE 7

<table>
<thead>
<tr>
<th></th>
<th>WHY DO MNOCS CONDUCT SPECIFIC TYPES OF CSR?</th>
<th>Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oil Sector Respondents</td>
<td>Non-oil Sector Respondents</td>
</tr>
<tr>
<td>People Need It</td>
<td>71.4%</td>
<td>60%</td>
</tr>
<tr>
<td>Dictated By Others</td>
<td>57%</td>
<td>30%</td>
</tr>
<tr>
<td>Quantifiable Results</td>
<td>50%</td>
<td>90%</td>
</tr>
<tr>
<td>Company’s Needs</td>
<td>50%</td>
<td>75%</td>
</tr>
<tr>
<td>Company’s Strengths</td>
<td>42.8%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Non-oil sector respondents have again an arguably more utilitarian view. Indeed, from their perspective, MNOCs choose one type of CSR over another if they can gain measureable results (90%), suggesting that the reportability and publicity of CSR is paramount. Another utilitarian reason, the needs of the company itself, was also popular (75%) suggesting that, in their view, the choice of CSR at a company level starts from a reflexive perspective. As level two shows, CSR is not heavily regulated in Colombia, allowing MNOCs significant autonomy in determining their CSR, whilst navigating other social actors’ expectations. However, when asked whether MNOCs should be able to determine their own responses to social issues that may arise in communities surrounding their operations, oil sector representatives proved much more enthusiastic (78.6%) than non-oil respondents (36.4% agreement). This trend is symptomatic of a more general distrust of non-oil respondents in relation to MNOC’s ethics. Indeed, related to this point, certain non-oil respondents noted that, more generally, the economic often supersedes social interests within Colombia. One reason given is that MNOCs have a powerful lobby and as such they can enjoy greater autonomy or dictate terms. As interviewee C1-TU noted, “Oil company bosses often come together in talks with the national government. They have a global power and use it against the government. They fix the road map.”

**At which level(s) are corporate decisions taken?**

The level at which decision-making occurs affects agents potential participation in this process (see the subsequent point). Oil sector respondents agreed, strongly agreed or very strongly agreed that company
decision-making on CSR occurs predominantly at the national level (76.9%), but also at an international level (53.8%), compared respectively to 66.7% and 23.8% of non-oil respondents. Oil sector interviewees noted that a specific MNOC area of CSR expertise can be established at an international level, which affects national decision-making on specific projects. Non-oil respondents had the impression that decisions are made locally (52.4% v. 16.7% oil sector agreement); stemming from company rhetoric about local consultation processes.

I noticed that Colombia-based CSR representatives all knew their company’s strategy, but that at times it was vague and drew on wider discourses with little practical application. For example, interviewee C15-CSR explained that “there are three keys to CSR in Colombia: security, prosperity and the strengthening of democracy”. The parallels of this company policy with the political aims and key themes of the Colombian government’s Democratic Security policies are, however, not only symptomatic of such a lack of practical application, but they also undermine corporate claims of not wanting to be compared to the state. CSR representatives also spent less time justifying their project choices and illustrating their projects’ sustainability or value to society than their Venezuelan counterparts. Most CSR representatives, nevertheless, appeared to be genuinely compassionate and to understand some of the local communities’ needs. As one enthusiastic CSR representative explained, MNOC’s corporate cultures can hinder their work: “We who work on social action act by conviction. All companies have people of conviction, but it does not necessarily permeate the companies. Many engineers lack it and some are stuck in the 1950s where companies could do whatever they wanted”.

**Do the following actors influence CSR policies?**

As to the extent to which actors influence MNOCs’ CSR, according to oil sector representatives, local governments influence MNOCs (75%), more than both the local population (50%) and the Colombian national government (50%). Looking in detail at the figures, 33.3% disagreed or very strongly disagreed that the local population influences MNOCs’ CSR, whilst 16.7% sat
on the fence, neither disagreeing nor agreeing with the statement. This suggests that, whilst oil companies claim that CSR is conducted to address people’s needs (see above), in many cases, the people have little say. It appears that MNOCs take an approach where they, together with their consultants, interpret people’s needs based upon their own research and experience and local government policy or instruction. Oil sector respondents’ agreement regarding the influence of shareholders (25%), international organisations (16.7%) and NGOs (16.7%) is a strong indication that MNOCs are relatively unreceptive to their voices.

<table>
<thead>
<tr>
<th>TABLE 8</th>
<th>DO THE FOLLOWING AGENTS INFLUENCE CSR POLICIES?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agree, Strongly Agree or Very Strongly Agree</td>
</tr>
<tr>
<td></td>
<td>Oil Sector Respondents</td>
</tr>
<tr>
<td>Local Government</td>
<td>75%</td>
</tr>
<tr>
<td>Local Population</td>
<td>50%</td>
</tr>
<tr>
<td>National Government</td>
<td>50%</td>
</tr>
<tr>
<td>Company Stakeholders</td>
<td>41.7%</td>
</tr>
<tr>
<td>Trade Unions</td>
<td>33.3%</td>
</tr>
<tr>
<td>Home Country Government</td>
<td>33.3%</td>
</tr>
<tr>
<td>Industry Unions</td>
<td>33.3%</td>
</tr>
<tr>
<td>The Market</td>
<td>25%</td>
</tr>
<tr>
<td>Shareholders</td>
<td>25%</td>
</tr>
<tr>
<td>International Regulators</td>
<td>25%</td>
</tr>
<tr>
<td>International Organisations</td>
<td>16.7%</td>
</tr>
<tr>
<td>NGOs</td>
<td>16.7%</td>
</tr>
<tr>
<td>National Regulators</td>
<td>16.7%</td>
</tr>
<tr>
<td>The Church</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

Non-oil respondents share certain views with oil sector respondents: the local population (60.1%) and the local and national governments (56.5%) are most influential. However, with the exception of companies’ unions, non-oil respondents agreed that agents inherent to the neoliberal status quo such as the market (53%), international institutions (43.5%) and international regulators (34.8%) are important in influencing MNOCs’ CSR.
With whom do MNOCs work to determine CSR projects and policies?

### TABLE 9

<table>
<thead>
<tr>
<th>With Whom Do MNOCs Work to Determine CSR Projects and Policies?</th>
<th>Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Sector Respondents</td>
<td>Non-Oil Sector Respondents</td>
</tr>
<tr>
<td>Local Associations</td>
<td>63.6%</td>
</tr>
<tr>
<td>Consultancies</td>
<td>54.5%</td>
</tr>
<tr>
<td>Government Agencies</td>
<td>54.5%</td>
</tr>
<tr>
<td>Academic Institutions</td>
<td>27.3%</td>
</tr>
<tr>
<td>Church</td>
<td>27.3%</td>
</tr>
<tr>
<td>NGOs</td>
<td>27.3%</td>
</tr>
</tbody>
</table>

Regarding with whom MNOCs determine their CSR policies, oil sector representatives identified local associations (63.6%), consultancies (54.5%) and government agencies (54.5%) as the main actors. The non-oil respondents concur, although they inflate the role of consultancies and academic institutions. The hiring of consultants is particularly interesting, implicitly indicating a company’s need to supplement its own resources, together with an ambition to improve or be seen to improve their CSR. Only a quarter of respondents agreed that NGOs, which in the international arena are often seen as legitimate must-have interlocutors, are involved in the process of determining their CSR policies.

Which partners are retained by MNOCs to execute CSR programmes?

### TABLE 10

<table>
<thead>
<tr>
<th>Which Partners Are Retained by MNOCs to Execute CSR Programmes?</th>
<th>Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Sector Respondents</td>
<td>Non-Oil Sector Respondents</td>
</tr>
<tr>
<td>Government Agencies</td>
<td>83.3%</td>
</tr>
<tr>
<td>Local Associations</td>
<td>75%</td>
</tr>
<tr>
<td>Other Subcontractors</td>
<td>50%</td>
</tr>
<tr>
<td>NGOs</td>
<td>41.7%</td>
</tr>
<tr>
<td>Church</td>
<td>33.3%</td>
</tr>
</tbody>
</table>

The responses given by oil sector respondents indicate that, in the implementation phase of their CSR programmes, MNOCs work with a wider range of actors than in the determination phase. Their main partners are government agencies (83.3%) and local associations (75%). The non-oil respondents identified other subcontractors as the main MNOC partners,
such as security and consultancy firms (61.9%). NGOs achieve higher results than in the stage of determining CSR policies (41.7% v. 33.3%), but still only partner MNOCs in a minority of cases (see point 7.1.1.4).

**Opinions on MNOCs as social actors**

The majority of respondents agreed, strongly agreed or very strongly agreed that MNOCs are legitimate social actors (76.9% oil sector v. 56.5% non-oil), that they have social obligations to fulfil (61.5% v. 91.3%) and that they should respond to the needs of the local population in areas in which they operate (92.3% v. 100%). For each of these three questions, those who indicated agreement mostly very strongly agreed, indicating an acceptance of companies’ CSR role and an expectation that they help to meet local communities’ needs. The high agreement percentages to the last two questions indicate that expectations are high vis-à-vis MNOCs CSR; these answers are somewhat inconsistent with the approach that CSR is a purely voluntary activity in the private-led CSR Colombian model.

However, when asked whether MNOCs should be able to determine their own responses to social issues that may arise in the communities surrounding their operations, whilst oil sector representatives in agreement all very strongly agreed (61.5%), non-oil respondents were more sceptical (47.8% agreement and 13% without an opinion), indicating that they trust companies less to act in communities’ best interests. However, this concern does not coincide with any regulatory framework as companies in Colombia have significant autonomy in this area. The fact that nearly 40% of oil respondents did not agree with the statement is surprisingly high, although it may reflect an understanding that stakeholders need to be involved in the process.
**Should or do MNOCs cooperate conducting CSR programmes?**

<table>
<thead>
<tr>
<th>TABLE 11</th>
<th>SHOULD OR DO MNOCs COOPERATE IN CONDUCTING CSR PROGRAMMES?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agree, Strongly Agree or Very Strongly Agree</td>
</tr>
<tr>
<td>Oil Sector Respondents</td>
<td></td>
</tr>
<tr>
<td>Should MNOC’s Cooperate?</td>
<td>83.3%</td>
</tr>
<tr>
<td>Do MNOC’s Cooperate?</td>
<td>50%</td>
</tr>
</tbody>
</table>

Whilst the vast majority of respondents agreed that companies should cooperate in executing social action programmes where possible (83.3% v. 71.4%), they acknowledged that this does not always happen in practice (50% v. 19%). Non-oil sector respondents are much more pessimistic, which indicates, in a best case scenario, that where companies do cooperate, this goes unseen. As respondent C6-NOC asserted: "Each company thinks that they are the best and that they know more than the others."

Indeed, Western MNOCs were keen to categorise themselves as more experienced and more socially aware than their newer, predominantly Eastern, counterparts. This argument was also taken up by civil society. As an NGO respondent stated: "If companies are from India or China, they do not care. Or from Russia, CSR is no motivation. Some from the UK and US know how to limit the impact of their action and stop strikes. In this sense, they do harm, but then invest."

Interviewee C7-OCU also noted, "Large companies have made mistakes and learned from these mistakes. There are many new companies and these new companies need to learn from others."

Whilst there appears to be some truth in this latter assertion, one area where companies have learnt from each other’s mistakes is security (C11-CSR). In this area, most CSR representatives openly admitted previous MNOC failures, which have been widely reported, whilst not blaming their companies. Only one CSR representative openly admitted that their company had previously paid extortion monies to an armed group.
7.1.1.2 The government

Aggregated interviewee responses above indicate that the government most influences MNOCs’ CSR. Colombia has a central government and 32 states that are subdivided into local municipalities and corregimientos. The various levels of government impact upon CSR through both the presence and absence of policies, planning and petitions.

Regarding policies, at a national level, i) the National Oil Agency (ANH) manages hydrocarbon resources and ensures their benefit to the country; ii) the Ministry of Mines and Energy (MME) produces and monitors energy sector regulation and inspects royalty payments; and iii) the Ministry of Environment and Sustainable Development (MAVDT) grants environmental licenses. The central government does not require CSR, but it has stated that oil and minerals are to play a greater role in the economic and social development of Colombia (see chapter 4). It argues that the presence of MNOCs creates wealth, which can be used to foster social development.

Practically, respondents stated that companies have to cooperate with the government for projects to take-off i.e. planning permission and licences. For example, if a company plans to build a school, it needs the local government’s permission and cooperation (C15-CSR; C21-GOV; C38-CSR). Several respondents portrayed the local government’s involvement in this process negatively, linking them to corruption or unsustainable development. As respondent C10-OSP commented, “we call them “scroungers””. Thus, companies do not or cannot grant everything they ask for. Indeed, respondent C2-CSR noted that should they fail to reach agreement on CSR at a local level, they address the next levels.

"[We] operate at the local level and the mayor has demands that we do not agree with. So we discuss things at the regional level, which also has their list of things and then we are at the national level and the ministers all try to take advantage of the oil companies. So we remind them that we are not going to replace the state’s position. We have our place in society of which we are a part”.

251 There are a few exceptions to these administrative divisions.
The last part of this excerpt echoed comments made by other interviewees that the government is not sovereign across all of its territories and that companies, therefore, use CSR to provide basic state services (see point 7.1.3.2). MNOC respondents consistently asserted that companies did not wish to assume state obligations.

7.1.1.3 Communities (and local associations)

Whilst oil sector agreement as to communities’ influence on the type of CSR MNOCs conduct was only 50%, in open-ended questions, MNOC respondents all emphasised the importance of community input. Colombia’s six major oil basins are spread out across the country\(^{252}\) and as such, given Colombia’s ethnic diversity, local communities cannot be regarded homogeneously. Indeed, MNOCs are legally bound to consult any local indigenous and Afro-Colombian communities prior to oil exploration. In particular, respondents C1-TU, C3-II, C8-II, C11-CSR, C14-NGO, C15-CSR, C-16-CSR, C17-NGO, C24-CSR, C25-UNI, C26-NGO, and C28-NGO stated that companies are increasingly aware about indigenous communities’ rights, even if they disagree with their spiritual vision of oil as the blood of mother earth. As discussed in chapter 4, community interests differ and not all communities want oil exploration nearby. Equally, communities have different levels of skill in dealing with companies in consultation processes. Indeed, there is concern that communities can be bought or fobbed off (see point 7.1.3.2.10).

"There is a large tradition of payments and negotiation between companies and communities" (C26-NGO).

"Companies must work with society and not just give communities what they feel people need after quick studies. Sometimes, they even arrive with solutions of their own, which they insist communities need. They need a greater capacity to respond to true needs" (C14-NGO).

On the other hand, MNOCs are criticised for arriving without any preconceived ideas, instead giving communities their every demand, regardless of the impact or lack thereof upon long-term development.

\(^{252}\) Oil reserves lie in the Eastern Llanos, Putumayo-Caguan, Middle Magdalena, Upper Magdalena, Catatumbo and Eastern Cordillera.
"The local mayor wants a park and asks the company. The decision is to make within the company. The mayor and the people always want parks. The necessary condition for business is that it is effective. Maximised investment" (C25-UNI).

This is arguably a processual failure, which could be remedied by a better quality of dialogue. Unsurprisingly, thus, respondents identified local community associations as the second most influential partners, after the local government, in helping MNOCs to determine CSR programmes (see above). There are several advantages to using existing community structures to access communities. Besides offering some social legitimacy, as most MNOC representatives noted, existent structures enable companies to more easily engage in capacity building within a community.

7.1.1.4 Civil society

This subsection discusses NGOs, the Catholic Church, trade unions and universities respectively and their influence upon MNOCs’ CSR.

There are no official figures of how many NGOs exist in Colombia, although the website ONGinfo listed 1,040 registered NGOs in January 2013. Respondents discussed NGOs participation in CSR with frustration. However, when asked whether they thought that MNOCs should work with NGOs to determine CSR policies, only about half of all respondents agreed. NGO interviewees’ responses also showed this trend (53.8% agreement). This can partially be explained by a mutual lack of trust.

Whilst MNOC respondents C6-NOC, C8-II, C10-OSP, C15-CSR saw NGOs as valuable partners in executing CSR programmes, given their community experience, most other MNOC respondents indicated that they did not always know who to trust as; i) some groups establish themselves as NGOs to get money; ii) certain NGOs sometimes fabricate reports of human rights abuses to gain foreign donations; iii) their links with armed groups are not always clear; and iv) they may defend narrow agendas at the expense of the greater interest of the communities. As such significant obstacles hinder NGO flourishing within the current model.
Despite their limited influence on MNOC policies, this does not preclude NGOs from voicing their concerns loudly and repeatedly, until boundaries change. As respondents stated:

"NGO’s are always looking to define what companies are doing. They say what they want" (C18-NGO).

"NGOs ask companies for many things. They are constantly asking for different and particular things" (C3-II).

"International ones such as Greenpeace and International Alert are strong. They do not influence companies’ policies as such, but the sector wants to communicate better with them and build confidence with them. Reputation is important" (C7-OCU).

Whilst MNOC respondents C6-NOC, C11-CSR and C23-CSR identified the church as a valuable partner for their foundations, its influence was generally described as waning. Interviewees C9-NGO and C13-CH linked this weakening to a general perception of the church as left-wing supporters of trade unions, armed groups’ threatening and murdering clergy and population displacement damaging their social network.

Trade union groups appear to somewhat influence corporate decision-making through their lobbying and strikes (C19-TU). NGO respondent C26-NGO spoke of their positive influence within oil communities. However, whilst MNOC respondent C22-CSR spoke of positive cooperation with trade unions, interviewee C6-NOC vented frustration at their influence: "The trade unions are a major hurdle. They pretend to be there for the communities and place specific pressure on companies, but this restricts our margins for real social action". As interviewee C12-NGO noted, trade union leaders were killed in the past and this has seriously weakened trade unions’ influence (C1-TU, C9-NGO, C12-NGO and C25-UNI). As a result, interviewee C25-UNI had noticed that many oil workers no longer join unions.

Cooperation between companies and universities on CSR projects is limited. As interviewee C6-NOC argued: "Unfortunately, oil companies do not see the need to work with universities". Whilst C10-OSP and C15-CSR noted that some universities help to produce reports for MNOCs to identify the needs in oil areas, no other cooperation was mentioned.
7.1.1.5 The international community

The international community also directly and indirectly impacts corporate CSR. A third of oil sector respondents agreed that companies’ home governments can influence MNOCs’ CSR (v. 43.5% non-oil respondents); although no concrete examples were furnished. As interviewees C7 and C10-OSP respectively commented, “these governments push their agendas through companies like BP” and “Ecopetrol, BP and Total […] are encouraged to follow the standpoint of their home government”.

The UN was cited for its hands-on support to indigenous communities and CSR benchmarks alongside the World Bank. A UN representative noted that the UN practically mediates negotiations between indigenous communities and MNOCs, to help the former understand their rights. He stated that:

"The Global Compact facilitates dialogue. If you are an uneducated peasant and you sit in a room with the CSR director of a multinational oil company, who is wearing a $1000 suit and tie, you feel low and will accept what they give you and that is why we are there to give confidence. The UNs role is and should remain that of a facilitator."

Interviewee C8-II also highlighted the UN’s role as an intermediary: "Displaced people are society’s responsibility. Private companies need to intervene and the UN encourages them to do so."

Only a quarter of oil sector respondents agreed that market (56.5% non-oil respondents’ agreement) and company shareholders (39.1% non-oil respondents’ agreement) influence CSR, however, respondents noted that they can affect the international level, where broad CSR themes are often determined. As CSR representative C15-CSR stated:

"Intelligent consumers in the EU and the US want to buy socially responsible products […]. The International Development Bank constantly identifies new risks that we need to take into account. The subject of indigenous people has become really important. Investors take CSR into account."

7.1.1.6 Armed groups

Armed groups influence the types of CSR that companies can conduct by their presence and activities in oil areas. Interviewee C13-CH suggested that armed groups place greater pressure upon companies whilst they determine
their CSR than, for example, NGOs. As respondent C7-OCU stated: "The guerrilla and paramilitaries are the reality of the situation. They also have a license to operate". Indeed, companies have, at times, dealt directly with armed groups and indirectly, as they infiltrate other agential categories. Security was thus a recurrent theme in the interviews, not only for oil operations, but also for CSR projects and foundations. As interviewee C23-CSR noted:

"Conflict has influenced social action. The foundation was robbed in 2003. We are now rebuilding things. The fund is not used for any business linked to terrorism. We don’t get involved in the armed conflict. We look after our workers and the community looks after us. They know that we are the only ones who work for them."

7.1.1.7 Ecopetrol

Ecopetrol was reformed in 2003 and partially privatised in 2007. Not only did it lose its regulatory and policy functions, but it no longer has to subsidise the sale of oil-based products, making it more competitive. Over the past years, Ecopetrol’s expenditure on non-commercial, CSR programmes has risen both in absolute value and as a percentage of total expenditure (Ecopetrol, 2012). Nevertheless, the company is not being used as a Colombian CSR role model. Indeed, as an oil-sector respondent noted, within Ecopetrol, there is little CSR communication and "nobody measuring the impact of [the CSR], no methodological approach and no quantitative data."

7.1.1.8 The media

Only one CSR representative (C15-CSR) noted that their company works with the media to promote their CSR. Otherwise, the media was viewed by respondents C9-NGO, C12-NGO and C14-NGO as untrustworthy and fear-escalating through its irresponsible reporting on the conflict dynamics within Colombia.
7.1.2 Level 2: policies, structures and events

This section outlines a selection of policies that affect the parameters of CSR in Colombia. The identified policies both enable and/or constrain the abilities of the agents outlined in level one to act in certain ways. Analysis as to why these policies exist occurs in levels 3 and 4. As with level one, this list is not exhaustive, nevertheless, those factors mentioned below appear to be the most significant from the research conducted.

7.1.2.1 The royalties law

Whilst there is no law forcing companies to invest socially, the royalties law defines industry-specific taxes to be paid by MNOCs, part of which should go towards education, healthcare and sanitation.

Firstly, the overall tax burden affects companies’ ability or willingness to engage in CSR, as a high tax burden entails lower profits, which themselves result in lower non-essential spending (including CSR), as MNOCs’ shareholders expect a minimum return on their investment. The main specific tax mechanism for oil companies is royalties, which remunerate the use of oil. In 2011, the oil sector in Colombia paid royalties of USD 8,190m (ANH, 2012: D17). MNOCs pay royalties at a progressive rate of 8% (from 5,000 b/d) to 25% (over 600,000 b/d) of the value of production, pursuant to the 2002 law 756. Calculations also incorporate, for example, the type of contract awarded to the MNOC and the productivity and type of oilfield being explored or exploited (see Law 1530).
Secondly, the payment of royalties by MNOCs is compensatory, considering their environmental impact. These should be set at an amount, which guarantees that local communities will be properly compensated. However, this is not the case where royalties are not properly allocated. Whereas in 2000, Colombia received approximately USD 959.3m in hydrocarbon royalties, these have risen and are expected to reach around USD 6,786.7m by 2020 (Porras Vallejo, 2011). Given the expected increases, the Santos government implemented a reform of the royalties regime, moving from a direct compensation to the oil regions, whereby those who are most directly affected by oil activities receive most of the profits, to compensate the competitive disadvantages suffered by the most vulnerable non-oil regions. Whilst royalties' allocation has become less extraction orientated, there are no similar requirements for CSR expenditures.

7.1.2.2 The contractual terms awarded to MNOCs

MNOCs may be present in a country without conducting CSR. During exploration, before a project is profit-making, companies may not offer the same CSR programmes as during production. Moreover, the economic terms of the awarded production contracts may affect a company's capacity or desire to invest in CSR policies. As interviewee C11-CSR stated:

“It all depends on the type of contract that you have. Some companies get 50/50 for their fields. Others get 85/15. This really changes what a company can do. After all, a company is a company and their actions need to be economically viable”.

Policy-wise, the Colombian government has offered MNOCs significant contractual stability, especially vis-à-vis Venezuela. This is a pro-business attitude, which is in line with the government's neo-liberal policies. Since 2003, it is no longer possible to execute new Production Sharing Contracts (PSCs), although those issued before this date still apply. Equally, in this spirit of stability, contracts signed before 2002 retain the same royalty payment levels. New exploration and production (E&P) contracts are concession agreements, whereby the contractor explores and produces at its own risk and cost. Exploration contracts last for six years, evaluation for one to two years and exploitation for 24 years with extensions of 10 year periods
until depletion. Corporate income, capital gains and withholding taxes on dividends to foreign shareholders are set at 33% (Ernst & Young, 2011: 97). Prices paid to the National Oil Agency (ANH) for subsoil and subsurface use vary per land type and barrel respectively, but remain stable at the levels set. These conditions provide greater security for companies, enabling them to better consider the costs and risks of initiating CSR programmes.

7.1.2.3 Foreign Direct Investment (FDI)

Encouraging FDI is an important aspect of neoliberal economic policies, as it is seen as key to generating wealth and social prosperity. Colombia has been relatively successful in adopting measures to encourage FDI, by providing competitive conditions that attract MNOCs to (continue to) operate and invest in Colombia. The Uribe governments (2002-2010) licensed large plots of land for exploration, offering significant tax breaks and, as indicated above, contractual stability. As respondent C20-NGO asserted, "In Colombia, they generated incentives that encouraged companies to come [...] there is more for companies and less for the State". These incentives create margins that companies can use to fund CSR activities. In 2011, FDI in the oil sector rose to USD 5,083m from USD 2,781m in 2010 and USD 449m in 2002 (ANH, 2012: D17).

7.1.2.4 Restructuration of Ecopetrol

Another neo-liberal policy that opened up the oil sector has been Ecopetrol’s 2003 loss of its regulatory role and its 2007 partial privatisation or democratisation. Private companies no longer need to partner with the state company. According to the Central Bank, such policies saw oil sector investment rise from USD 278m in 2003 to USD 4,300m in 2011 (The Economist, May 17, 2012).

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253 The term “democratised” is somewhat misleading, as it refers to the placement of only 10.1% of the company on the local stock exchange for Colombian citizens to buy before the shares were floated on the NYSE.
7.1.2.5 Environmental legislation

Environmental legislation on the exploration and exploitation of hydrocarbons is set out in Law 99 (1993), Decree 2820 (2010) and in the environmental licenses granted to MNOCs by the MAVDT. MNOCs must discuss potential operations in areas with indigenous or African-Colombian communities to mitigate their social or environmental impact (see point 7.1.2.9).

Current legislation offers subsidies and deductions for environmental improvements that supersede those imposed by legislation, up to 20% of net taxes. Nevertheless, companies do not appear to deduct expenses up to the allowed cap (ANH, 2012).

7.1.2.6 The special US-Colombia partnership

As discussed in chapter 4, the US, the declining hegemonic power, has promoted a neoliberal agenda in Colombia. This has included strengthening the Colombian government’s position against armed groups on its territories and the Colombian anti-drug policies, which both directly and indirectly impact upon the conflict dynamics within Colombia. Regarding the oil sector, it has taken measures to ensure the protection of Colombian oil supplies, including guarding pipelines with US marines and training Colombian security agents, and relieving MNOCs from some of these tasks.

7.1.2.7 Government relations with armed groups

Government relations with armed groups have affected corporate CSR as regards: i) government anti-insurgency measures and reprisals from armed groups under threat; ii) the corruption linked to parapolitics; iii) government amnesties; and iv) government-led peace talks with armed groups (see chapter 4). Each of these factors affects the security conditions in which companies operate and the ethical dilemmas that they may face.

254 Whilst figures have decreased under the Obama administration, assistance to Colombia under Plan Colombia remains high.
7.1.2.8 Security policies

The Uribe government reframed its conflict as a *war on terror*, placing drug control as a military matter and, thus, the US multi-billion dollar anti-drug aid package, Plan Colombia, embraced counter-terrorism. It also created the controversial Democratic Security policy, which demobilised the AUC and weakened the FARC and the ELN, but has faced criticism for causing human rights abuses (see chapter 4). Indeed, as respondent C9-NGO noted: "*The war on terror has been heavily mediatised in the interest of the state, to keep a sense of fear.*"

The Santos government again reframed its conflict as an *internal armed conflict* with *terrorists*, continuing the pursuit of security under its Democratic Prosperity policy, whilst offering compensation for victims of human rights abuses (also those committed by the Colombian army).

MNOCs’ personnel and infrastructure have also been prey to extortion and armed violence, affecting their ability to conduct core operations and, thus, CSR. In 2011, the oil sector reached an agreement with the Colombian government to pay approximately USD 55m in security contributions for troops to protect their facilities (Molinski, 2011). Surprisingly, several respondents noted that MNOCs’ CSR included funding the provision of local security forces, which is not CSR and should remain within the remit of state responsibilities. As an NGO representative noted, such direct funding of the armed forces by MNOCs is undemocratic; "*Which is the most democratic, if companies pay private security companies or the military? The former or they buy their own armies.*"

Yet, security is a precondition of a fuller democracy. This appears to be a catch-22 situation, given that this practice questions the accountability of the armed forces. Indeed, from a democratic perspective, it is preferable to give funds directly to the government to use for the armed forces, even if some of this money disappears through bureaucracy, rather than funding its own militia.
7.1.2.9 Community consultations

As noted above, companies have to consult in good faith with indigenous and afro-Colombian communities in oil areas before receiving an environmental licence. Notification is insufficient. Attractive CSR activities are an enticing discussion point with these communities. The data collected indeed suggests that MNOCs engage in studies and consultations with local communities before initiating CSR programmes. CSR representatives asserted that these socio-economic studies help them to determine where they can make the greatest impact. However, some non-oil respondents were sceptical vis-à-vis the importance of these studies in corporate decision-making processes. As interviewee C3-II states: "It is all a mystery process how they decide what is best for the communities. It could be circumstantial or strategic. The industry has many resources and can decide without much outside participation".

7.1.2.10 Government communication

In contrast to Venezuela, neither the Uribe nor the Santos governments have used CSR as a key means of government branding. The Uribe government did use populist communication to brand itself i) as tough on security and ii) the president as a pater-figure who meets peoples' needs. The security branding was seen by respondents C9-NGO, C12-NGO, C13-CH, C14-NGO and C17-NGO as a smoke-screen that enabled the government to mask unethical actions (see points 7.1.2.11 and 7.1.4.2). On the latter issue, as respondent C20-NGO claims, such branding depicted Uribe "not as a civil servant, but as a caudillo-saviour. He is seen as a Messiah as he is considered to be helping people; even if this is a governmental obligation". Respondents C3-II, C9-NGO and C12-NGO also decried this behaviour referring to the former President's weekly television broadcasted council meetings:

"The president talks to local population each Saturday and solves their problems. Each Saturday, he is in a different village asking people for their problems and providing immediate solutions to one off cases. This is a dictatorial style. He is like a "caudillo". And after he leaves the village, sometimes nothing happens. This is populism" (C9-NGO).
As interviewee C18-NGO stated, clear communication about the role of MNOCs and oil is important:

“The community should see companies as companies […]. However, hopes are generated that cannot be met as companies come closer to the government. Communication is very important. Marginal areas are suffering and do not understand the situation.”

President Santos has also used populist communication to promote third-way pragmatism, but to a lesser extent than his predecessor. In the oil sector, his government has used the media to publicise the royalties reform (see chapter 4) and point to oil as a means towards creating economic and social prosperity.

7.1.2.11 Identifying and delegitimising subversives

The Uribe government, as the guarantor of security (see preceding point) identified critics of government policies or actions as anti-government and, thus, in accordance with the false dichotomy of whoever is not for us is against us, as pro-terrorist subversives. President Uribe’s notorious 2003 speech, wherein he identified and delegitimised human rights workers as left-wing terrorists, left them particularly vulnerable vis-à-vis paramilitaries. This speech followed the release of a report by 80 NGOs, criticising him as pursuing social control and seeking to implant terror in the population (Semana, 2003). Moreover, the DAS was involved in the illegal wiretapping of suspected subversives, including human rights activists, journalists, judges and other public officials as discussed in chapter 4. Respondents C9-NGO, C12-NGO, C13-CH and C14-NGO raised the political stigmatisation of NGO workers as a serious problem. As respondent C14-NGO stated: “Information is key and misinformation leads to the stigmatisation of NGO’s, making them a target”. As respondents C9-NGO and C13-CH stated respectively:

“NGO’s have some capacity to respond but are very repressed. If a church group or an NGO group speak out, they are accused of being close to the guerrilla, threatened and killed. For example, the Mennonite church and “justicia y paz” had their hard disks stolen from their computers, containing their human rights statistics and data of their personnel. This is very serious and many of the workers later received threats” (C9-NGO).
"NGO’s have a large impact where they work. However, their relationship with oil companies is strained because of the stigmatisation of the government that they are left wing" (C13-CH).

During my field research trip and on a previous visit to Colombia with an NGO, I met Colombian NGO workers, who subsequently left the country as asylum seekers as a result of simultaneous threats from both right and left-wing groups. Such stigmatisation has made it harder for MNOCs to find reliable partners within civil society and for civil society to adequately be able to represent the interests of the community groups or themes they support. This government discourse was shared by interviewees C17-NGO, C18-NGO and C23-CSR, who noted that they did not know which NGOs to trust due to their purported links to terrorism. Whilst the Santos government has emphasised respect for NGOs, such damage to the social fabric cannot repair itself overnight and violations against this group were still rising in 2012 (Colombia Reports: 2012).

7.1.2.12 Promoting anti-conflict practices

The government, alongside others, has tried to sensitise MNOCs to the risks involved in doing business in conflict areas. Interviewees recognised that more violence exists in areas with oil extraction. Interestingly, however, when asked why this was so, most non-oil respondents did not blame MNOCs (i.e. C13-CH and C25-UNI). Nevertheless, these respondents noted that the risks involved MNOCs’ active hiring of security or lack of oversight on building infrastructure, as potentially engendering corruption and human rights abuses.

7.1.2.13 International CSR standards

As mentioned above, a plethora of (non-binding) standards and policies exist to influence corporate responsibility/behaviour. Whilst the quantitative data above indicated that international institutions play a marginal role in influencing real action, the Global Reporting Initiative (GRI), the UN Global Compact (GC), the Millennium Goals, the Voluntary Principles and the ISO

255 Remarkably, one CSR representative blamed violence in oil areas on geological coincidence, an argument that is wholly incompatible with analyses of the rise of the oil industry and the spread of violence.
were identified as important initiatives by respondents (C6-NOC, C7-OCU, C10-OSP and C11-CSR).

7.1.2.14 Favourable tax regime for foundations

Several MNOCs have established foundations, which can specialise in executing their social action. The Colombian framework makes it fiscally advantageous to donate to foundations. Donations are deductible up to 30% of the net taxable income (Ernst & Young, 2011: 98-107). Thus, as respondents C3-II and C18-NGO argue, companies can use foundations to conduct CSR with money that would otherwise go to the state in tax.

7.1.3 Level 3: reasons

Having identified the agents in the models (level 1) and the reasons/policies that in part hinder or enable these actors to play a role in it (level 2), this section provides a layer of analysis with the main immediate causal mechanisms in the shape of reasons and events that have influenced the previous levels. These are non-exhaustive and are grouped into three subsections: international, conflict and other socio-political factors.
7.1.3.1. International mechanisms

7.1.3.1.1 Free market and free enterprise

The neoliberal free market focus has encouraged the Colombian state to resist excessive oil sector legislation and intervention, fostering a *laissez-faire* approach to CSR. However, the characteristic weak state with limited powers that characterises a free market, as advocated by Adam Smith, appears to have been the starting point in Colombia and not the outcome of a priori reflection.

7.1.3.1.2 Regional and international dynamics: US hegemony versus the Latin American left-turn

Colombia is a middle-sized regional power under US protection and the US has used the neoliberal economic order to maintain influence in Latin America. The US partnership has both enabled and constrained Colombian options. A few respondents noted that Colombia cannot hold a serious debate about the liberalization of drugs, due to US electoral pressure. Over the past decade, this partnership also framed the context for a Colombian *war on terror*, with funds previously used for counter-narcotics being channelled to counter-insurgency measures against the FARC. Colombia has also become a more valuable US ally as anti-US sentiment grows amongst its neighbours. US hegemony has presented difficulties in relations with neighbouring countries such as Venezuela, although President Santos has improved relationships with Colombia’s neighbours (Balke, 2012:12).

On whether neighbouring countries influence Colombian CSR, respondents disagreed. However, respondents C2-CSR, C16-CSR and C17-NGO commented that the regional left-turn has affected Colombia through Venezuelan support of left-wing NGOs and local government agents. There are also those who agree with the Bolivarian revolution ideologically within Colombia. Respondent C17-NGO noted that:

“Nothing is clear. Morales and Chávez scare the oil companies. This has made them wake up. If their image is not positive, they will have problems later. If governments want to take land away, they will have a reason to do it.”
However, these respondents argued that Colombia should not follow the Venezuelan model of governance or oil company management. Indeed, there is also an anti-Bolivarian, Venezuelan influence in some MNOCs as "the managers are all ex-PDVSA managers from Venezuela" (C16-CSR).

Whilst a couple of respondents sympathised with Bolivarian attempts to reduce inequality, they were unconvinced by Venezuela’s economic stability (C3-II and C16-CSR).

7.1.3.1.3 Companies’ image on international markets

As indicated in chapter 3, international institutions such as the World Bank and the UN respond to CSR within a neoliberal, free-market orientated framework. Respondents perceived this and spoke of pressures to adhere to non-binding international norms, new ethical standards and market image. They noted that there was international pressure to be seen to do ethical CSR. As respondent C7-OCU noted:

"Globalisation of the market has made it a requirement to look into CSR […]. Companies are worried and are asking what CSR is about and trying to learn more. Clearly some companies act for competitive reasons, but most managers are genuinely concerned".

This pressure is apparent in the interview responses. The non-oil respondents most strongly agreed that CSR is done for communication purposes (95.4% agreement) and because market imperatives dictate it (72.7% agreement). Indeed, some respondents claimed that companies adopt these standards to improve their image without bringing tangible benefits to local communities.

"I still believe in the UN. The Global Compact is efficient when it works. It is doing some great things in certain countries, but here in Colombia the oil companies are trying to control and take over the Global Compact process" (C3-II).

"In the Multilateral Agreement on Investment and the Global Compact, companies are not obliged to follow regulation. They are to act by good will. This allows them to wash clean their image. Words, but no deeds" (C1-TU).
7.1.3.2 Conflict nexus mechanisms

As indicated in chapter 4, the Colombian conflict is multifaceted. Respondent C14-NGO underlined this complexity.

"It is impossible to say what the impact of armed groups is on the whole country. Each region is very different with very different dynamics. There is also corruption amongst the military. [...] The media and public opinion are not to be trusted. The media also limits what local governments can do. Armed groups have a great influence on company’s social action. The struggle for land marks this problem. The wealth inherent in some land raises the interest of different groups in this land. Companies need public support. Some companies negotiate with armed groups as if they are important social actors, to protect their interest. Some politicians receive a lot of money through corruption. These are perverse alliances which shatter democracy and peace building efforts”.

The mechanisms arising from this nexus that impact MNOCs’ CSR are now discussed below.

7.1.3.2.1 Need for security

Security was a recurrent theme in the interviews and was seen as a determinant variable in CSR decision-making, because: i) it affects companies’ working environments; ii) it encourages assistentialistic giving as companies rely in part on the protection of the communities and want to please them; iii) contractors hired by companies are not always socially responsible; iv) it can be used as an excuse for unethical actions; and v) it influences MNOCs’ choice of partners.

7.1.3.2.2 The history of conflict

The history of the protracted Colombian conflict and the uncertainty of an end-date to the violence have led MNOCs to exchange experiences and work together for best (conflict-sensitive) practice (C4-TU; C7-OCU; C15-CSR). As respondent C17-NGO asserted about MNOCs, “The conflict has marked the social action and so they have been involved in the conflict. They have witnessed massacres, road damage and are very vulnerable.” Whilst respondent C4-TU noted that “the conflict should not be a reason for companies not to contribute to social improvement”, CSR has been impacted.
by the long conflict. Respondent C25-UNI asserted, conflict is a reason why "Foundations keep lower ambitions as they want to keep a low profile. They are not leaders in CSR. They don't want too much publicity, but they do good deeds". Whilst the conflict could explain their low profile, it is a rather unconvincing argument for less CSR, which should be foundations’ main goal.

### 7.1.3.2.3 Parapolitics

As discussed in chapter 4, a number of Colombian politicians and officials have been linked to armed groups. Respondents C3-II, C9-NGO, C14-NGO, C18-NGO, C25-UNI and C26-NGO confirmed the existence of parapolitics in oil areas. As respondents C9-NGO and C3-II asserted:

"In this country, we know that our politicians are mostly corrupt and we have para-politics, such as the buying of votes for Uribe’s re-election. [...] If you look at a map of Colombia, you will see that paramilitaries are based in the same areas as the big transnationals" (C9-NGO).

"Don’t be too harsh on companies [...] The problem is the para-state. Human rights problems in Colombia are often company related. Even if companies try to be legal, security forces may contract illegal support. Companies don’t see this as a real problem. They just pay. Companies are more worried by legal uncertainty than by physical uncertainty. This is an undeniable reality" (C3-II).

This is linked to the next mechanism.

### 7.1.3.2.4 Perceived MNOC amorality/immorality

MNOCs’ lack of transparency, together with an ambiguous stance vis-à-vis armed actors, are seen by other actors as inconsistent with their self-branding as socially responsible actors. MNOCs’ failure to denounce corruption and human rights abuses (C3-II; C9-NGO; C14-NGO; C17-NGO; C18-NGO; C25-UNI; C26-NGO) has caused a lack of trust towards MNOCs and enabled the perpetuation of practices that endanger surrounding communities. Although CSR requires an element of speech act, where companies fail to speak out, the social capital and trust built through CSR loses its credibility so that CSR is no longer a matter of responsibility or compensatory action, but window-dressing. As respondent C25-UNI asserts:
"Human rights suffer from contracted private security. They do the dirty job of the army. Paramilitaries are allowed to pass. Marines from the US watch oil pipelines. The State is so weak. Oil makes it vulnerable. If companies come and know what is happening they are accomplices. If they don't denounce paramilitaries, they won't be disbanded. If they want to build a school and ignore paramilitary presence, this blows CSR out of the water".

7.1.3.3 Other Socio-Political Factors

7.1.3.3.1 Weak civil society

The field data confirmed that civil society faces many challenges when trying to engage in CSR. Indeed, not only have armed groups infiltrated certain organisations, but as respondents C13-CH and C25-UNI noted, the climate of suspicion created by the Uribe government’s discourse, further debilitated civil society. MNOC respondents outlined the difficulties of separating legitimate from illegitimate community-based organisations. The lack of trust in NGOs was also cited by respondents C6-NOC, C17-NGO, C18-NGO and C23-CSR as reasons why companies start foundations. One CSR representative noted:

"We work with associations on the ground. It is hard to know their links. We work with legal entities. If the leader is linked to a group, it is hard to know. Our money is managed strictly. We move the money if it is misused or if it is used for something else that we didn't allow" (C23-CSR).

Another reason for distrust stems from poor NGO finances undermining their objectivity and legitimacy:

"NGOs are really like big companies. They are not objective" (C7-OCU).

"Some NGOs need to keep reporting abuses in order to keep receiving funds and so pretend that the situation is worse than it is or different in order to receive money and continued support" (C14-NGO).

Unfortunately, (less experienced) NGOs suffer from this distrust and it weakens their ability to find partners that will help them to build capacity.
### 7.1.3.3.2 State weakness

As indicated in chapter 4, the Colombian state does not exercise control over all its territory. In 2005, the first year of the Failed States Index,\textsuperscript{256} Colombia numbered 14 of 76 countries, sandwiched between North Korea and Zimbabwe. Whilst its ranking has improved, in 2012, it is still perceived as more prone to collapse than any of its neighbours.\textsuperscript{257} Respondents saw the state as weak in tackling the mix of conflict and poverty in oil regions (C8-II; C17-NGO; C38-CSR), which I argue partially explains their recourse to neoliberal measures that encourage companies to invest in a country over which the government has tenuous control.

Whilst only 46.2\% of oil-sector respondents agreed that state inaction was the reason why MNOCs conduct CSR, several respondents agreed that in remote oil areas where the government is inefficient and weak, companies have responded with CSR (C6-NOC; C10-OSP; C11-CSR; C16-CSR; C17-NGO; C19-TU; C20-NGO; C22-CSR; C25-UNI; C28-NGO; C29-CSR; C33-OCU; C34-GOV; C38-CSR; C39-NGO). Indeed, respondents noted that companies cannot enter into community relations without the state, but MNOCs often find that the state is so weak that they effectively replace it. For example, whilst security provision is the state’s role, respondent C28-NGO argues that companies have often had to intervene. Moreover, respondent C29-CSR asserts that some local governments expect MNOCs to take on their responsibilities. Other respondents also claimed that the state actively petitions MNOCs for help. As interviewee C11-CSR states:

"Every year, I receive hundreds of letters asking me to help and, at least a hundred of these come from the government. People ask us for things and the government too, as if we are to replace them and take over their duty, but we […] should not have to fill the gaps left by government non-action, even if we do."

\textsuperscript{256} The Failed States Index considers countries’ social, political, economic and military affairs and ranks them according to their government's susceptibility to fall into anarchy. It uses wide-ranging variables to mitigate the disproportionate influence of any particular variable.

\textsuperscript{257} The positions are as follows: Colombia- 52; Ecuador- 67; Venezuela- 82; Peru- 99; Brazil- 123; and Panama- 132.
However, expecting MNOCs to help in a state-like capacity is undemocratic. As respondent C3-II assessed:

"The government doesn't listen to the people. It takes them a year to do what the oil company may do in a day. There are implications for democracy as democracy exists for communities to be able to pressurise the government and affect the political development of the area".

This gives MNOCs a powerful lobbying position. Respondents C6-NOC, C10-OSP and C28-NGO also asked how a weak and petitioning state can monitor MNOCs activities and hold them accountable.

Nevertheless, respondents indicate that companies are reluctant to replace the state, even if they sometimes do (C6-NOC; C10-OSP; C11-CSR; C16-CSR; C17-NGO; C19-TU; C20-NGO; C22-CSR; C25-UNI; C28-NGO; C29-CSR; C38-CSR). For example, as respondents C6-NOC and C22-CSR note respectively:

"The state is very weak and in some areas we replace the state: we need to break this. It is institutionally wrong. However, the state is very comfortable with the current set-up".

"The ideal situation is one where we can work with the state. We can't replace the state. We can help and support it by working with local government and trade unions. It is more difficult in areas where there is less government. We need to be more socially responsible."

In this context, several MNOCs offer institution-strengthening CSR to better enable the state to assume its responsibilities, which raises the question of whether MNOCs are best placed to play this role.

7.1.3.3.3 Perceived need to control public opinion

The Colombian government needs popular support given its lack of sovereignty throughout its territories. Whereas the Uribe government vied for political support by using radically populist security-linked communications, the Santos government has also recognised the need to gain broad-based support for his third-way pragmatism to enable effective governance (see chapter 4).
7.1.3.3.4 Anti-left wing political culture

The absence of a peaceful left-wing political group has contributed to the left’s disenfranchisement (i.e. the Patriotic Union as noted in chapter 4). As indicated above, President Uribe’s government delegitimised left-wing views and agents (see point 7.1.2.11).

7.1.3.3.5 Poor social cohesion

Respondents C17-NGO, C18-NGO and C25-UNI argued that poor social cohesion in oil areas, caused by internal migration, is partly industry caused. As respondent C25-UNI explained:

"People move to oil areas and there are waves of colonisation and migration. Many are without work and the influx leads to a lot of prostitution. Without roots a perverse social fabric is created. People don't bring their families with them and they don’t feel like they belong there".

As such, certain MNOCs used their CSR to improve social cohesion. As respondent C18-NGO stated:

"I know a foundation which has truly strengthened the social fabric of the area it works in, involving a variety of actors. This has not been easy. Collective interests are equal to more local democracy. It is not easy to reach agreement with groups that hold very different views".

Whilst strong community relations are important to MNOCs (see point 7.1.3.2.9), conversely the lack of strong community interest groups invariably means that MNOCs can act more freely.

7.1.3.3.6 Poverty and underdevelopment

Despite non-oil respondents scepticism that MNOCs conduct CSR to meet people’s needs (22.7% agreement), most respondents noted that in poverty-stricken areas, MNOCs need to focus their CSR on tackling poverty in order to have legitimacy and a license to operate. Interviewees C6-NOC, C7-OCU and C16-CSR described how companies had focused resources to promote sustainable development and reduce poverty, as opposed to engaging in more philanthropy.
7.1.3.3.7 Corruption

Respondents C2-CSR, C3-II, C9-NGO, C10-OSP, C13-CH, C14-NGO, C15-CSR, C16-CSR, C17-NGO, C23-CSR, C24-CSR, C25-UNI, C26-NGO, C26-NGO, C28-NGO; C33-OCU and C38-CSR all stated that corruption is an endemic problem in oil areas. Respondent C3-II linked it to the resource curse, stating that some oil areas "are worse off than their poorer neighbours who have nothing." This is one rationale behind the royalties’ reform. Respondents predominantly associated politicians and local government officials with this corruption. As respondent C14-NGO commented:

"Unfortunately, oil resources detonate corruption, especially, where money goes to the local government. Dependence upon resources makes these actors even more dependent and the people get poorer in these areas due to their dependence coupled with rising corruption."

Respondent C3-II cited local government corruption as a reason why civilians turn to MNOCs for welfare; however, several respondents also stated that MNOCs also instigate corruption by bribing local officials with "favourites, dinners, women etc."(C26-NGO), and buying off those who pressurise companies to change (C17-NGO; C26-NGO; C28-NGO). Companies are also vulnerable to less blatant forms of corruption.

"Many companies outsource and this is a risk. They don’t know these actors well. This makes them more vulnerable to corruption. And who says that the subcontractors have the same goals as the oil companies. [...] Companies need to be brave and speak out about corruption. It is a taboo subject like sex. Some people are afraid to speak out. This is not due to their security, but because they are afraid of accusations going back and forth" (C17-NGO).

7.1.3.3.8 Assistentialism

Companies readily admitted that CSR incorporates an element of assistentialism. Interviewee C2-CSR explained that this is an expected pattern of behaviour:

"When they see us appear, they think that we oil companies are like the Santa Virgin. We say that we need to work together to bring permanent change".
Interviewee C6-NOC also attempted to competitively differentiate their company by stating that: “our competitors continue to just give donations”, thereby highlighting their failure to engage in developmental practices.

“With hand-outs companies can captivate people with small things” (C1-TU).

“[MNOCs] benefit from the community, but anything they give is like a gift” (C20-NGO).

Interviewee C33-OCU brings an interesting perspective to the topic, stating that in areas of flooding people do not want to leave their homes, expecting MNOCs to intervene.

7.1.3.3.9 Social licence to operate (LTO)

One of the most common responses as to why MNOCs conduct CSR programmes was that, like the government and the armed groups, MNOCs need a social LTO. Respondents C2-CSR, C3-II, C8-II, C9-NGO, C10-OSP, C15-CSR, C19-TU, C20-NGO, C21-GOV, C24-CSR, C26-NGO and C26-NGO noted that if MNOCs have a social consensus, meeting community expectations, then this acts as insurance and the community protects them. They asserted that whilst CSR can provide MNOCs with local support, failure to deliver programmes can cause communities to stop their projects. As respondent C3-II states: “Social action is an issue of security. If your community relations are good, the community protects you. That is company strategy.” Moreover, communities’ expectations have risen with their legitimate grievances:

“We need to respect the areas and we cannot pretend that we can do as we did before. I have been with [this company] for [*] years and we have advanced a lot over this period, but there is still a lot to be done. After all, if the environment is not right, there will be no oil to take as the people will be against us” (C2-CSR).

Moreover, the mechanism of needing social compromise somewhat explains why companies engage in assistentialism, but does not justify it.

“CSR did not really exist before, but rather just relationships with the community so that they would not bother the company. Some companies just pay so that communities will leave them alone […] some companies are
too reactive. If a community wants a football match, they pay for it to have a football match” (C15-CSR).

7.1.3.3.10 Communities lack understanding

Respondents C2-CS, C3-II, C8-II, C9-NGO, and C26-NGO noted that communities cannot truly appreciate the negative side-effects of oil operations until operations begin. As such, their relationship with MNOCs is often asymmetric and they cannot necessarily identify or defend their best interests.

“"The community asks and the company responds. This cannot continue. An oil-field can yield oil for 20 or even 40 years. There needs to be a new way of establishing relations and advancing with the communities. […] Most communities don’t know what is best for them […]. Communities do not know to prioritise health when their educational level is low and so communities ask for other things. They need a distinct dialogue with each other. Instead, the oil companies build churches. The director could be Opus Dei and so they build a church, but there is no school or hospital. God forgive me, but this is a sin. (…) They need to transform the way that they work with civil society and to break clientelistic assistentialism, their attitude of giving handouts” (C3-II).

"The state requires discussions with communities and for oil companies to manage our impact on the communities, and for us to pay taxes, and abide to labour laws. […] We have an obligation to tell the communities what their rights are, although they often do not realise what the impact of a resource can be until the work of a company starts" (C10-OSP).

This post-factum realisation can generate future community grievances that cannot be addressed through CSR. There is also a risk that MNOCs will respond to communities’ requests in a manner that will foster dependency and assistentialism.

7.1.4 Level 4: causes

Having outlined the main agents and structures, and mechanisms that affect their interaction, to form the first three levels of a fluid model of Colombian CSR, I will now look at two causal mechanisms that appear to be foundational in supporting these patterns. These root causes were selected by a process of abstraction and impact each of the preceding layers.
7.1.4.1 Neoliberalism

Colombian oil policies have been framed by the globally dominant neoliberal paradigm. The political hegemony of conservative and liberal ideas that has dominated Colombian post-colonial politics, paved the way for this doctrine. The political left-wing has been rendered impotent, through a mixture of physical and structural violence emanating from traditional political rivalries and intensified by the dynamics of the Cold War (as shown in chapter 4). The left-turn that has advocated a greater redistribution of natural resources, as characterised by other governments in the Andean region, has been openly rejected in Colombia, which has improved its special partnership with the US. This should not merely be understood in economic terms, but neoliberalism has also shaped the Colombian socio-political reality. As discussed above, the Colombian government is weak and has been unable to impose itself throughout its territory. Thus, neoliberalism has a TINA formation status in Colombia, as there appears to be no other alternative to neoliberalism.

Concerning CSR, the driving principle is *laissez-faire*, whereby companies are asked to do-no-harm, as opposed to being proactively encouraged or required to commit to specific actions. This fits within the explicit category of Matten and Moon’s (2008) CSR scale, linked to free-market economies. In this vein, there are no specific amounts set out for companies to pay above and beyond the taxation owed to the Colombian government. Civil society respondents C1-TU and C19-TU argued that the advance of neoliberalism and deregulation has influenced their relationship with MNOCs, so that they have less influence over MNOCs’ policies.

As seen in chapter 6, this driving principle of laissez-faire is the paradigmatic norm of neoliberal CSR, as illustrated by the pick-and-mix approach used by
MNOCs to determine their reporting and their dialectical relations with stakeholders. Neoliberalism advocates the merits of individualism and this even partly translates in the way CSR is conducted: each MNOC works on its own, with little outside cooperation or consultation needed and the freedom to decide whether or not to include other actors in the implementation of CSR projects.

In conflict areas where MNOCs are present, it is difficult to implement the neoliberal development model, which is based on the assumption that the presence of businesses (such as MNOCs) and FDI will trigger a positive dynamic that will in turn bring more welfare to those living in the area. Indeed, in these conflict areas, the state sometimes exercises little control (see next causal mechanism) and MNOCs do not necessarily have the tools to provide sustainable CSR projects, as it is difficult for such projects to foster in an environment where people’s basic needs are not met and where the social fabric has been damaged by conflict. MNOCs have in the past taken over some of the state welfare responsibilities, but they no longer wish to do so openly (hence the creation of foundations). Such an allocation of roles is in line with neoliberal views.

Contrary to Venezuela, in the neoliberal paradigm, CSR is not fully integrated into the state vision of welfare. Companies are free to involve themselves in CSR, but this is a choice. This does not mean that the authorities never petition MNOCs to participate in specific projects (with or without governmental partners), but such requests do not fit within a wider plan to involve MNOCs in state welfare.

Again, contrary to Venezuela, the state does not attempt to take credit for MNOCs’ CSR projects. This separation of roles is in line with the neoliberal conception of private initiative.

As I contended in the previous chapters, the neoliberal system is a non-egalitarian system that allows a limited number of actors to become wealthier and more powerful, whilst the vast majority fails to benefit. Nevertheless, I argue that the failures of neoliberalism to produce greater income equality have been partially causal of the introduction of non-neoliberal measures
under Santos’ third way pragmatism, such as the law reforming the
distribution of royalties.

7.1.4.2 Struggle for sovereignty

As identified in the literature review on Colombia, the state’s historically weak control over its territories has enabled a history of violence, weakening it further, with the emergence of various protostate actors. Initially, the ideological divide in Colombia that politically isolated left-wing thinkers intensified its struggle with the creation of guerrilla groups. However, the emergence of right-wing paramilitary groups in turn has become both a reason and a cause of further struggles for political or territorial control. The infiltration of politics and civil society by armed actors has also been caused by a struggle for control, which has aggravated and been exacerbated by the drugs and arms trades. This struggle is also partially responsible for the weakness of civil society and the underdevelopment in certain parts of Colombia. Indeed, the absence and presence of state/protostate actors has changed the lives of civilian inhabitants of these areas as well as MNOCs operations. In oil areas, the struggle for control has led to kidnapping, extortion, displacement and other human rights abuses. It has also seen citizens and the government turn to MNOCs to provide welfare. Companies operating in Colombia have had to respond to their environment, sometimes taking amoral or ethically questionable actions. The Colombian-US relationship has provided Colombia with weaponry to enable it to combat the physical control of armed groups. It is also one of the reasons that natural resources must generate wealth as those who wish to maintain control need financial resources.

As shown above, there is a logic whereby neoliberalism may appeal to a weak state that cannot adequately provide employment opportunities or social welfare for the population and is, thus, ready to welcome corporate intervention. However, the prioritisation of the economic over the social and environmental is a worrying welfare strategy, which undermines the state’s authority and, a fortiori, democracy.
Moreover, the state’s weakness in providing security and basic services throughout the territory has meant that it needed to find another way to control public opinion. One method has been the populist branding of the former president as tough on security and communication of government assistentialism. The Colombian government cannot meet all of the country’s needs; nevertheless, if certain needs are met the people are happier: "The President solved some violence problems and so the people love him [...] the President may have paramilitary links, he may do this and that, but the people love him" (C3-II).

However, this same communication has also been used to delegitimise government critics, so that left-wing subversives and/or insurgents become the scapegoat for negative phenomenon, which in turn reinforces the polarisation of society. As two respondents noted:

"The society is completely fragmented. Some are in favour, some are against Uribe. In the news, the good guy is always Uribe and the state enemy is always the FARC, which is stopping the development of Colombia. If you are not in favour of Uribe, then you are a member of the guerrilla" (C9-NGO).

"The resources belong to the state and things should be built by the state who receives taxes. Interestingly, Arauca, which is an important oil area, has no motorways. There is a big inconsistency between revenues and spending. The government puts this down to the presence of the guerrilla" (C13-CH).

7.2 The Venezuelan model

The model diagram below outlines the Venezuelan model of CSR. Essentially, this model is characterised by: i) government-led CSR; ii) increasingly disenfranchised MNOCs; iii) constantly evolving legal framework; iv) regular confusion and moving boundaries between CSR and welfare state action; and iv) CSR as a key tool of state propaganda. I argue that this still falls within the remit of CSR, but, given the differences compared to the private-led model of CSR advertised in MNOCs’ CSR reports, I call this very different model RCSR.
These are the main features that I ascribe to the RCSR model, which differentiate it from the private-led model:

i. The authorities determine a percentage of financial flows or an amount to be spent by oil companies towards the financing of CSR projects, which must be paid regularly throughout the life of the project; this percentage or amount is not negotiable and applies to all relevant oil companies;

ii. Like royalties, these contributions are a part of the remuneration to be paid by oil companies to operate oil fields; this is a key difference with taxes, as the latter are paid without reference to a specific benefit received by the paying party;

iii. These contributions by oil companies’ are *abstract* payments, i.e. not as such linked to specific (one-off) projects;

iv. Oil companies do not ultimately determine how the contributions are spent; there is a disconnection of responsibilities between the entities that finance CSR projects and allocate the funds;

v. Authorities play an active role in project development and monitoring; and

vi. CSR fits within a wider vision of state welfare.

The RCSR model is not to be confused with the implicit/explicit CSR model devised by Matten and Moon (2008) (discussed in chapter 3), as the latter is more general than the former. RCSR falls within the implicit CSR category, but its boundaries are much narrower.

As shown above, RCSR is still CSR, as opposed to taxation as: i) from an economic perspective, the CSR contributions are a part of the remuneration to be paid by oil companies to operate oil fields; this is a key difference with taxes, as the latter are paid without reference to a specific benefit received by the paying party; ii) from a legal perspective, it is not a tax as it is mostly paid to PDVSA and not towards the government’s general budget; iii) the CSR contributions are spent by PDVSA, without the comprehensive oversight of a representative body; iv) MNOCs, the state and other stakeholders refer to this action as CSR and in the absence of a legal definition of CSR, there is
an element of self-definition; and v) MNOCs still have some input in this process, however limited.

The Venezuelan CSR model displays these general features, but also other noteworthy attributes, which are discussed in the conclusion.

(Figure 3: The Venezuelan Model of CSR)
7.2.1 Level 1: the agents

This section identifies the agents present in the CSR model in Venezuela and their roles. The research conducted suggests that each of these agents exert causal powers that can directly or indirectly shape the prevalent model of CSR as pursued by MNOCs in Venezuela. The agents are now discussed in turn, in terms of who they are, what they do, how they portray themselves and how they are seen by other actors within the model, with an emphasis on MNOCs. As is shown below, respondents tend to agree most with answers that indicate that CSR is government-driven and set on meeting peoples’ basic needs. Non-oil respondents do not consistently agree with answers that suggest that CSR is purely about MNOCs’ needs, unlike in Colombia, and, on the whole, appear to trust MNOCs more. With the exception of government respondents, agents also display more confidence in civil society than in Colombia.

7.2.1.1 MNOCs

The MNOCs present in Venezuela include Chevron, CNPC, Eni, Hocol, Lukoil, Perenco, Petrobras, Repsol, Shell, Statoil, TNK-BP and Total. Exxon and Conoco Philips have left the country. Most of those present are members of the Venezuelan Hydrocarbons Association (AVHI), a union that represents private oil companies’ interests to the state. Most companies base their CSR representatives in offices in Caracas. Those representatives interviewed were generally very keen to communicate their commitment to sustainable development and described detailed CSR philosophies and projects.
As discussed in point 7.2.2.2, all MNOCs operating in Venezuela are minority partners in mixed companies with PDVSA. Apart from standard taxes and royalties (see below), mixed companies also pay towards social development projects. There are no aggregated figures available for MNOCs’ CSR spending (see point 7.2.2.3 for figures on mixed-companies’ CSR spending). Figures produced by AVHI (2011) show that within the framework of the science and technology law (2% of Gross Annual Income (GAI) is levied as a tax) Shell spent USD 12,488,000 on 47 projects between 2006 and 2010. Statoil spent USD 5,493,071 between 2000 and 2011 on social investment and development (of which USD 5,217,270 as a member of Petrocedeño from 2008 to 2011) and Total’s spending was budgeted at USD 3,155,348 for 2011. However, these amounts relate in whole or in part to the social contributions levied by the state, and cannot entirely be seen as purely voluntary CSR contributions. As noted below, MNOCs still have the possibility to implement their own projects during exploration and in mixed operating companies.

**What CSR do MNOCs conduct?**

Regarding what companies do in practice, oil and non-oil respondents had similar views, except on MNOCs’ environmental CSR. MNOCs’ main priorities were seen to be education (93.8% oil sector v. 88% non-oil respondents’ agreement), followed closely by health (87.5% v. 72%), environment (81.9% v. 48%) and infrastructure (62.5% v. 64%). MNOCs do not appear to prioritise culture (31.2% v. 24%) and 56.3% of oil sector respondents also mentioned the importance of business development, in particular within agriculture, and micro-credit schemes (compared to 32% of non-oil respondents). Moreover, respondents V14-NGO and V29-NGO argued that Statoil has uniquely branded itself as the human rights company. All respondents acknowledged the changed nature of CSR under Bolivarian socialism (see below).

Table 12 outlines Conoco Philips’ 2001-2008 projects in the Gulf of Paria, where it operates in partnership with PDVSA. Fishing communities in this
area had learnt to associate the oil industry with a deterioration of fishing conditions.

<table>
<thead>
<tr>
<th>TABLE 12</th>
<th>WHAT CSR DO MNOCs CONDUCT?</th>
<th>Conoco Phillips In The Paria Area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2001-2005</strong></td>
<td>Social/Economic</td>
<td>Sustainable development: local capacity building; project formulation; socio-economic study; evaluation, creation and capacities of local committees; support for fishing companies</td>
</tr>
<tr>
<td></td>
<td>Health: studies on drinking water and health campaigns</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Environmental</td>
<td>Preserving biodiversity: environmental baseline studies; biodiversity monitoring; participation in project &quot;Biosphere Orinoco Delta&quot;</td>
</tr>
<tr>
<td></td>
<td>Environmental management: environmental impact study; sustainable development center in the Gulf of Paria; development and monitoring of performance indicators</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operational</td>
<td>Employment: skills inventory; evaluation of employment needs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Good and services: training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Security and emergency response: SHE (Safety, health and environment) and emergency response training; evaluation of vulnerability to security</td>
</tr>
<tr>
<td><strong>2006-2008</strong></td>
<td>Social/Economic</td>
<td>Social capacity: Artisanal fishing: organisation and training (with NGO SEPROC) in Guiria, Irapa, Capure &amp; Pedernales;</td>
</tr>
<tr>
<td></td>
<td>Institutional strengthening: Technical tools programme (with CNTI; Trust of Americas, Red Soc, Microsoft), in Valdez</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Productive sector: strengthening the local council in Valdez (with the Fundación Escuela de Gerencia Social);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education: village bank (with NGO Fundefir) in Pedernales; and training for businesswomen in Guiria (with the Banco de la Mujer/UNDP); evaluation of the feasibility of a community tourist route in the Gulf of Paria; educational excellence (with Fundaexelencia) in Pedernales and Valdez</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Health: scholarship programmes for higher education in Pedernales and Guiria</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Environmental</td>
<td>Biodiversity: Biosphere Reserve Sustainable development programme (with MARN/UNDP) in the Orinoco Delta; Maritime turtle conservation (with MARN) in Guiria, Macuro, Valdez; contribution to scientific reporting on biodiversity (with CI and Provita) in the Gulf of Paria.</td>
</tr>
<tr>
<td></td>
<td>Operational</td>
<td>Related sector: skills training and development in Valdez and Mariño (with INCE); emergency response for fishermen (with NGOs SEPROC and Cesap)</td>
</tr>
</tbody>
</table>

(Source: Bruni Celli, 2006)

The first period of Conoco Phillips CSR began before it started operations and is marked by its attempts to establish community relations, assess the impact of its operations and evaluate community needs and interests (Bruni Celli, 2006). The table shows that the second period of CSR: i) corresponds
to areas of government welfare; ii) does not constitute a welfare system; iii) corresponds to the topics that companies’ claim interests them; iii) focuses upon skills/capacity building and development; iv) addresses tangible and non-tangible needs; and v) are conducted with multi-level partners. Bruni Celli (2006) highlights Conoco Phillips’ fisheries involvement in the development of a local fishing association, Asopeaval, and shows that, as in Yopal, Colombia, a main obstacle to promoting development has been to change cultural and behavioural patterns. The project outcomes show that these do not change quickly, despite, in this instance, financial assistance and business skills training for the fishermen.

Why do MNOCs conduct CSR?

<table>
<thead>
<tr>
<th></th>
<th>WHY DO MNOCs CONDUCT CSR?</th>
<th>Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oil Sector Respondents</td>
<td>Non-oil Sector Respondents</td>
</tr>
<tr>
<td>State Requires It</td>
<td>94.1%</td>
<td>83.3%</td>
</tr>
<tr>
<td>People Need It</td>
<td>82.4%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Communication</td>
<td>76.5%</td>
<td>88%</td>
</tr>
<tr>
<td>Common Sense</td>
<td>76.5%</td>
<td>45.8%</td>
</tr>
<tr>
<td>Compensate State Inaction</td>
<td>70.6%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Moral Obligation</td>
<td>64.7%</td>
<td>50%</td>
</tr>
<tr>
<td>Market</td>
<td>58.8%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Whilst oil sector responses indicate that MNOCs have multifarious reasons for conducting CSR, a state requirement of CSR reached 94.1% agreement, in line with the Venezuelan regulatory framework. People’s needs followed (82.4%), however, it is debatable whether this is an acknowledgement of communities’ poverty or the reflection of corporate, political correctness. The range of answers was wider amongst non-oil respondents. The majority agreed that communication (88%) and state requirements (83.3%) are explanatory factors. Unlike oil sector respondents (76.5%), they were more sceptical when asked whether it is a matter of common sense that MNOCs conduct CSR (45.8%), seeing it more as a market requirement (75%). Around two thirds of all respondents agreed that CSR compensates a lack of state action (70.6% v. 66.7%).
Whilst both sides agreed that companies act out of moral duty (64.7% v. 50%), some government respondents, who are also companies' key partners in determining and executing CSR programmes, were more critical in their comments (V27-GOV; V18-NOC). This appears to support the theory that the government does not trust companies to conduct meaningful CSR of their own accord without government intervention. Interestingly, interviewee V27-GOV noted that: "The civilians are important, but the mission of oil companies is not to build schools [...]. Their mission is to produce oil".

"The companies don’t have morals sitting in their offices. Look at Halliburton in Iraq, paying for people to be shot dead. [...] In Colombia, companies pay paramilitaries who kill locals. One particular company I won’t name went for 25 years working half a kilometre from a town and never supplied water. Is that moral?" (V18-NOC).

"In Venezuela, companies that are socially responsible are, firstly, obliged by the government, secondly, have understood that it is great propaganda and, thirdly, the social pressure is great" (V11-NGO).

**Why do MNOCs conduct specific types of CSR?**

<table>
<thead>
<tr>
<th></th>
<th>WHY DO MNOCs CONDUCT SPECIFIC TYPES OF CSR?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agree, Strongly Agree or Very Strongly Agree</td>
</tr>
<tr>
<td></td>
<td>Oil Sector Respondents</td>
</tr>
<tr>
<td>People Need It</td>
<td>88.2%</td>
</tr>
<tr>
<td>Company’s Needs</td>
<td>76.5%</td>
</tr>
<tr>
<td>Dictated By Others</td>
<td>70.6%</td>
</tr>
<tr>
<td>Quantifiable Results</td>
<td>64.7%</td>
</tr>
<tr>
<td>Company’s Strengths</td>
<td>64.7%</td>
</tr>
</tbody>
</table>

Respondents were presented with several potential reasons. None of them volunteered another explanation. As with the previous question, the options that different types of CSR were influenced by people’s needs (88.2%), company’s needs (76.5%) and third party orders (70.6%) reached the highest level of consensus from oil sector respondents. This trend was similar amongst non-oil respondents, except for the company’s needs category (44%). These answers reflect the organisation of CSR in Venezuela (see level 2), whereby CSR is compulsory, oil sector funded and government led. Moreover, despite the rhetoric, companies choose CSR programmes that not
only meet local people’s interests, but also government interests and their own. As respondents stated:

"Social responsibility is here for necessity, not love" (V23-CSR).

“People were not very generous before the government said that they needed to do more. Yes, there is a law, but you need to engage companies in a community anyway” (V47-CSR).

**At which level(s) are corporate decisions taken?**

The levels at which decisions are taken impacts upon the actors that can influence the process (see the subsequent point). Oil sector respondents mostly agreed that specific CSR programmes are determined at national (82.4%) and local levels (64.7%) and executed at both local (100% v. 84% non-oil respondents) and national levels (64.7% v. 64% non-oil respondents).

Thus, I asked whether company headquarters’ broad guidelines are still relevant in Venezuela. Respondents noted that they still apply, but that companies must be flexible. For example, respondent V28-CSR explained that guidelines must be translated into local level projects:

"We have guidelines and within those we have the power to make local decisions. Traditionally, you focus on what you do in other parts of the world and in a country you do something in your area of expertise. We choose a focus, not buildings […] which falls within our traditional company guidelines”.

Equally, respondent V23-CSR informed me that they had to run decisions past corporate headquarters. "I report directly to the international headquarters. We take decisions in Venezuela and check with the people at headquarters".

Respondent V10-CSR noted that corporate headquarters push for best practice:

"We evaluate our projects every six months, with monitoring sessions. Every month, we just have a routine evaluation. Within our company, we run internal competitions of social actions with external monitors”.

Company respondents were keen to indicate that past mistakes had shaped current practices. Respondents V6-CSR, V8-CSR, V12-OCU, V17-NGO, V20-NGO, V22-CSR, V23-CSR and V24-NGO agreed that companies had moved away from global flagship buildings and infrastructure projects
towards community-based, sustainable development, in line with government programmes. Respondents V6-CSR, V18-NOC and V30-NOC observed that approaches to sustainability can vary based on the company and its employees:

“Each company has its own philosophy, somewhere between philanthropy and sustainable development. […] It is not philanthropy, but sustainable development […] oil companies are a part of society” (V6-CSR).

One interviewee, a former oil company executive, explained that the real cost of oil explorations is not always clear pre-exploitation, so that in their experience:

“Some exploit, some are social actors, not all have negative effects. It is not easy to determine bad and good. You affect all of your surroundings and you will not always take the best decisions. Sometimes a lack of knowledge causes damage. Your intentions may be good, but the result could be bad. You are a product of your past”.

Only one PDVSA respondent vehemently denied MNOCs focus upon sustainability as, “rubbish, bullshit. They are all the same. No multinational company believes in sustainable development”.

Whilst the sustainability of MNOCs former independently-run projects is unclear, as members of mixed companies, several CSR representatives indicated that they can no longer directly respond to community needs and have lost a sense of “responsibility” and focus.

“There has been excessive government intervention that has prevented our projects from going deeper. There are areas where the government doesn't want companies to intervene. As a result, some companies just do whatever now; give money because of the law, not caring about the impacts of the action” (V3-OSP).

Whilst respondent V28-CSR noted that, “In general, there is some leg-room to get around measures set by the government”, others saw themselves as weak partners (V3-OSP; V10-CSR; V47-CSR):

“Sometimes communities do not agree with the needs identified by PDVSA […]. Some companies will have to leave if they don't understand […]. We must follow PDVSA strategies. We have no choice” (V3-OSP).
"We are increasingly partners without a voice. I pretend to access and influence policy, but I am not sure that I succeed. Now our action is solely determined by PDVSA, and they have not created new social programmes" (V10-CSR).

This fits with a general decline in the overall power of agenda-setting of MNOCs in Venezuela. Most MNOC representatives resented this loss of autonomy.

"You know you want to and why, but irrespectively the State has to tell you. We did it before the State asked. Yes, we want results. No, we don’t want amounts to be fixed by the government" (V28-CSR).

"Strategically, [MNOCs] have lost a lot of ground in social investment. The agenda is set by PDVSA. Sustainable development is reverting to philanthropy. They are trying to adapt. Long term results are hard to obtain now. Companies are losing professional expertise on this topic. They have lost their vision of the triple bottom line. They have lost their dialogue with PDVSA and how to do development professionally. They have lost the strengths and capacity to manage results, measurements and follow-ups. PDVSA takes the decisions. Oil companies continue to act, but what is their long-term vision? However, conceptually, now they give more emphasis to social action as an integral part of their own company. PDVSA are obliging them to do more social investment, which is very good, but not at the same time. Result orientation is dropping, and this will continue. There is lots of disorder and political change, lots of discontinuity. Thus the international companies try to fulfil PDVSA's criteria. They have to use their experience in some ways if they want to be known as sustainable actors in sustainable development. What they gain in focus is lost in the practical. They have lost a lot as regards their relationships with the communities. Requests continue” (V20-NGO).

The new regulatory requirements have also brought a higher financial burden on MNOCs, through the social charges levied at the level of mixed companies. As one CSR-interviewee stated:

"My budget for Venezuela was 8 million dollars. Now the government says you must give 2% of your revenues to X, 3% to Y, which is now 25 million dollars to the community. Do you think companies want to be forced to give more? It is like if I have a little sister and I share my clothes with her and then Dad says you have to give her the clothes and you won’t wear them again. You would be upset. Companies that were generous are now just complying".

Regarding cooperation with PDVSA, respondents V3-OSP, V29-NGO and V42-CH claimed that PDVSA had ruined former MNOC projects, closing them before considering the consequences. Respondents V29-NGO and
V42-CH noted that when PDVSA decided to reopen their projects, they struggled to recuperate what had been lost in the interim. One explanation for this that came up both at interview and in group discussion with 40-50 NGO representatives was that PDVSA acts indecisively as it does not know how to achieve government targets. Respondents V6-CSR, V20-NGO, V29-NGO and V36-NGO asserted that PDVSA’s push to achieve immediate targets left little room for long-term strategy.

Do the following actors influence CSR policies?

<table>
<thead>
<tr>
<th>Table 15</th>
<th>Do the Following Agents Influence CSR Policies? Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Sector Respondents</td>
<td>Non-Oil Sector Respondents</td>
</tr>
<tr>
<td>National Government</td>
<td>94.1%</td>
</tr>
<tr>
<td>National Regulators</td>
<td>82.4%</td>
</tr>
<tr>
<td>Local Population</td>
<td>76.5%</td>
</tr>
<tr>
<td>Company Stakeholders</td>
<td>76.5%</td>
</tr>
<tr>
<td>Local Government</td>
<td>70.6%</td>
</tr>
<tr>
<td>The Market</td>
<td>47.1%</td>
</tr>
<tr>
<td>Shareholders</td>
<td>47.1%</td>
</tr>
<tr>
<td>NGOs</td>
<td>29.4%</td>
</tr>
<tr>
<td>Trade Unions</td>
<td>29.4%</td>
</tr>
<tr>
<td>Home Country Government</td>
<td>29.4%</td>
</tr>
<tr>
<td>International Regulators</td>
<td>23.5%</td>
</tr>
<tr>
<td>International Organisations</td>
<td>17.6%</td>
</tr>
<tr>
<td>Industry Unions</td>
<td>17.6%</td>
</tr>
<tr>
<td>The Church</td>
<td>17.6%</td>
</tr>
</tbody>
</table>

Regarding whether specific agents influence (rather than determine) MNOCs’ CSR, the government’s key role is again acknowledged by both sides (94.1% v. 96%), closely followed by the national regulator (88.4% v. 66.7%). Interestingly, most respondents commented that they no longer differentiate between the President, the Ministry of Oil and PDVSA, including them all in national government and regulator (there is not an independent regulator as such in Venezuela). Responses differ when it comes to the local population’s role (76.5% v. 44%). It is however unclear whether oil-respondents acknowledge what they believe happens in practice or if they have
appropriated the official discourse that the population has a voice. This view is nevertheless not shared by non-oil respondents.

**With whom do MNOCs work to determine CSR projects and policies?**

**TABLE 16**

<table>
<thead>
<tr>
<th>WITH WHOM DO MNOCs WORK TO DETERMINE CSR PROJECTS AND POLICIES?</th>
<th>Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oil Sector Respondents</td>
</tr>
<tr>
<td>Government Agencies</td>
<td>88.2%</td>
</tr>
<tr>
<td>Local Associations</td>
<td>52.9%</td>
</tr>
<tr>
<td>NGOs</td>
<td>47.1%</td>
</tr>
<tr>
<td>Consultancies</td>
<td>35.3%</td>
</tr>
<tr>
<td>Academic Institutions</td>
<td>29.4%</td>
</tr>
<tr>
<td>Church</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

Oil and non-oil respondents predominantly agreed that government agencies are relevant agents in determining CSR (88.2% v. 88%), followed by local associations (52.9% v. 36%) and NGOs (47.1% v. 36%). Local associations include communal councils, which had recently been formed when the data was produced, and this is reflected in the level of agreement. Regarding the latter, despite the increasing exclusion of NGOs from the associative sphere (at least rhetorically), they nevertheless remain an important actor to nearly half of oil sector respondents.

**Which partners are retained by MNOCs to execute CSR programmes?**

**TABLE 17**

<table>
<thead>
<tr>
<th>WHICH PARTNERS ARE RETAINED BY MNOCs TO EXECUTE CSR PROGRAMMES?</th>
<th>Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oil Sector Respondents</td>
</tr>
<tr>
<td>Government Agencies</td>
<td>76.5%</td>
</tr>
<tr>
<td>NGOs</td>
<td>64.7%</td>
</tr>
<tr>
<td>Local Associations</td>
<td>52.9%</td>
</tr>
<tr>
<td>Church</td>
<td>29.4%</td>
</tr>
<tr>
<td>Other Subcontractors</td>
<td>23.5%</td>
</tr>
</tbody>
</table>

MNOCs’ main partner is PDVSA. Thereafter, respondents indicate that MNOCs predominantly work with three actors to implement CSR programmes: government agencies (76% v. 60%), NGOs (64.7% v. 56%)
and local associations (52.9% v. 56%). Respondents identified no further actors. Qualitative data from the interviews corroborates that NGOs are still important actors despite the government’s rhetoric of removing them from the Venezuelan associative sphere. NGO respondents who had worked with MNOCs were mostly positive about their experiences (V14-NGO; V21-NGO; V26-NOC; V29-NGO).

**Opinions on MNOCs as social actors**

Respondents in Venezuela agreed unanimously or nearly unanimously that MNOCs are legitimate social actors (100% oil sector v. 100% non-oil respondents), with social obligations to fulfil (100% v 96.2%) and that should respond to the local populations’ needs in areas where they operate (100% v. 96.2%). When asked whether MNOCs should be able to determine responses to social issues that may arise in the communities surrounding their operations, oil sector representatives are the most enthusiastic (76.5% agreement), although 65.4% of non-oil respondents also agreed with this approach. This may sound inconsistent with official discourse, as companies in Venezuela can no longer self-determine their CSR; however, I argue that it reveals the lack of confidence expressed by the vast majority of respondents towards PDVSA.

**Should or do MNOCs cooperate in conducting CSR programmes?**

<table>
<thead>
<tr>
<th>Should MNOC’s Cooperate?</th>
<th>Agree, Strongly Agree or Very Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Sector Respondents</td>
<td>94.1%</td>
</tr>
</tbody>
</table>

Whilst agreement is practically unanimous that MNOCs should cooperate (94.1% v. 88%), when asked whether MNOCs cooperate in practice, the oil sector response decreases to 59.2% and the non-oil response sinks to 12%, indicating an absence of cooperation and possibly a lack of publicity surrounding existing cooperation. In the current framework, “at exploration, companies can take decisions with neighbours, but at production they take
part of mixed companies and conduct CSR through these as constitutionally required" (V29-NGO). Companies acknowledged their resistance to PDVSA and government initiatives to promote further cooperation:

"Each company does their own thing. PDVSA tries to coordinate action between companies in different regions. We do try to agree on some actions amongst ourselves. When PDVSA coordinate it, we try to boycott this" (V10-CSR).

However, MNOCs' reluctance to accept external control is not the only reason for non-cooperation. As respondent V26-NOC explained, "Each company wants their own area and wants to be the only company to work in that area, be it education or environment". This is almost impossible under the current framework. Respondent V46-CON noted: "as a cynic, it is better if they compete as they give more money".

7.2.1.2 The government

Venezuela is governed by a central government with a capital district and 23 states that are subdivided into municipalities. Legally, the soil and subsoil belong to the state. Respondents almost unanimously agreed that the state influences MNOCs' CSR and the oil sector agreed (94.1%) that state requirement was a key motivating factor behind their CSR. Moreover, government agencies were identified as key partners in executing CSR programmes.

Regarding CSR, the government has taken the lead in reconceptualising and emphasising its importance. Whilst oil is located in the north-west and north-east of Venezuela, the state has promised to redistribute oil wealth to help the poor nation-wide as part of its political agenda. Respondents acknowledged the importance of the government’s conceptualisation of CSR. Respondent V25-NGO stated that in determining CSR, “The internal norms of the country are important” and V5-CSR noted that “CSR is also linked to the core values of a country”. However, they also noted that social action programmes are highly political.

Moreover, respondents saw the central government as unpredictable. Certain companies were leaving Venezuela at the time of interview, with
those remaining adopting a more pragmatic approach to new government policies (see level 2). As interviewee V29-NGO said, "If you sign with the Government, you sign that everything belongs to the State, but if the State decides it is finished, it is finished".

Local government can also influence MNOCs' CSR. As interviewee V22-CSR claimed: "Sometimes, we do questionnaires which show us the needs of the local people. However, the local government also imposes social action. So, it is a mixture of both, company and state". In particular, respondent V5-CSR noted that local governments prioritise infrastructure as it is expensive and they lack the resources to build it (see point 7.2.3.3.6).

7.2.1.3 Civil society

This subsection discusses the influence of NGOs, the Catholic Church, trade unions and universities upon MNOCs' CSR.

NGOs picture themselves as natural partners for CSR and, indeed, oil sector respondent agreement places them as the second partners MNOCs retain when executing CSR (64.7%). Whilst most oil and non-oil respondents agreed that MNOCs should work with NGOs to determine their CSR (59.2% v. 60%), they appear to be less involved in determining policies (47.1% v. 36%) and have limited influence (29.4% v. 33%).

Most NGO representatives interviewed had worked directly on projects with MNOCs and some were still working on projects with the new mixed companies. Their role was clarified further in the open-ended questions. Oil sector respondents noted that:

"NGOs contact us for funds after seeing local needs. NGOs go to corporations searching for funds to use in the community. They often act to implement a programme that we want done and ask what they can do for us" (V28-CSR).

"We invite [NGOs] to come together to see how to improve the quality of life of the communities. We use it as a measure to create a reference to learn from mistakes and to improve performance. Then we call NGOs and ask them to send in projects and we select, using a point system, the NGO’s we will sign an agreement with. It is the same in health, environment, banking, education and micro-hospitals and schools. These are results oriented projects" (V10-CSR).
On the whole, CSR representatives positively portrayed the experience of working with NGOs. As respondents V29-NGO and VO3-OSP noted respectively, "NGOs are excellent partners for social development. Some NGOs are experts in areas of education and healthcare. The impact is greatest when they work with a company" and "we have done well in co-projects with local NGO actors".

However, interviewees also raised concerns. Respondents V18-NOC, V21-NGO, V31-NOC, V36-NGO and V47-CSR voiced concern that as businesses, poor finances can leave NGOs more susceptible to asymmetric working relations with other actors, undermining their credibility and legitimacy. Thus, NGOs may lack the independence and freedom to decline company requests or criticise government policies. As V25-NGO and V21-NGO stated respectively:

“If you criticise the state, you are a coup leader, an imperialist. They want to get rid of critical thought”.

“Some NGOs have financial problems. If we express an opinion that is not the government opinion, partners no longer want to be our partners. Normally, when we work with communities, we see great results. People forget politics and we need to show that our actions are not linked to politics. If NGOs don’t have finance, many will present projects to ensure their survival. Donations are normally given by board members, partners or companies. If they give money, they have an influence as to what one can and cannot do. We have to follow their broad guidelines".

Respondent V24-NGO also voiced concern that many NGOs lack the experience and research skills needed to produce quantitative data requested by MNOCs. Indeed, interviewee V12-OCU stated that they were careful to only work with reputable NGOs and respondent V31-NOC stated that many NGOs were not qualified to represent the people. These latter arguments were also discussed by interviewee V47-CSR.

"NGOs lobby us. NGOs here are a business and business is booming. Everyone has an NGO and they don’t do much. It is like if I said to you that we could both run an NGO with no prior experience at all. […] It is tricky to know where to invest. Auditing is a problem. […] We prefer to use the money to build a science lab for a university.”

In the official discourse, it is the end of NGOs and other intermediaries between the state and the people. Indeed, as interviewee V38-NGO stated:
“The missions have no counterpart. The counterpart is being eliminated. There is little funding for counterparts to participate. The oil industry funds the missions. Some NGOs offer to help companies, but the number is diminishing. This is Government strategy. They keep programmes and social action for themselves.”

NGO respondents spoke of being omitted from official discussions. However, they asserted that whilst some local NGOs had closed operations, others adapted to the new political surroundings to continue playing a social role, by opening their work to missions such as Barrio Adentro. Interviewees V24-NGO, V26-NOC and V38-NGO noted that, despite these changes, mixed companies still regularly ask them to help with new projects given their experience. These NGOs are learning to work alongside the communal councils.

“The communal councils are the principal source of participation. [...] There is no more need for mediators; contact takes place directly between the government and the communities. NGOs thus lose their purpose and there has been a great loss in the NGO community as many are shutting down or reducing operations in a recurrent fashion. [...] There is a loss of capacity stemming from this vision of a country with reduced intermediation” (V20-NGO).

The church was seen as a minor partner in determining and executing MNOCs' CSR. As interviewees V10-CSR, V13-HGOV and V47-CSR noted, the socialist government does not like working with the church and as such they predicted that its social role would decline further over the coming years. Interviewee V47-CSR illustrated this point:

"We work with NGOs and the church. [...] we saw that the school was so neglected and found nuns who would help. We built a house for them and they manage the school. Chávez doesn't want anything to do with the church. So we were lucky with the nuns because PDVSA trusts us".

Trade union representatives have participated in talks with companies relating to CSR (V41-CON), but their influence upon MNOCs' CSR programmes is limited (29.4% oil sector v. 25% non-oil respondents). As in Colombia, trade unionists have been threatened and killed in Venezuela. Struggles between older unions and newer pro-government unions have
occurred. Respondent V35-JO, in particular, argued that union leaders have lost their principles, becoming pro-government Chavistas to obtain more money, but, that were the government to change, they would switch allegiances.

As in Colombia, universities might be consulted if companies need specialised studies (i.e. V23-CSR). As respondent V46-CON notes, however, universities can also benefit under the science and technology heading.

7.2.1.4 Communities and communal councils

Non-oil respondents’ agreement that communities influence MNOCs’ CSR was 44%, significantly lower than the oil sector (76.5%). Moreover, the oil sector indicated that meeting communities’ needs was an important reason as to why they conduct CSR (82.4% v. 66.7% non-oil respondents). Given the politicisation of oil policy and government rhetoric about oil belonging to the people (as opposed to the state, to whom it constitutionally belongs), companies have to be seen to take local peoples’ views into account. As interviewee V5-CSR noted, "Communities should be the driving force behind all oil programmes".

Indeed, MNOC representatives V10-CSR, V20-NGO, V22-CSR, V23-CSR, V29-NGO and V47-CSR explained that community relations represented a large part of their work and should focus upon cooperation and not compensation. After making their budget, MNOCs conduct socio-cultural diagnostic surveys with community focus groups, to gather information that helps to determine the CSR needed. CSR representatives clarified that within the communities, they identify leaders, able people and local organisations with whom to define and execute projects.

The communal councils, as the new model of social participation, should approve projects and their execution. As respondent V20-NGO stated:

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258 At present, the International Trade Union Confederation accuses the government of violating ILO Convention 144 on tripartite consultation, through political discrimination by only appointing trade unionist representatives from the recently created, pro-government Bolivarian and Socialist Workers’ Confederation” to draft a New Organic Labour Law (ITUC, 2012).
“If we want to build a school, we need written permission from the communal councils to approve it. [...] We also need to do a social audit as the communal council can ask for costs and who will do the tasks.”

Opinions on councils’ influence were divided. Whilst they can directly influence CSR by outlining community needs, the majority of respondents agreed that their negotiating power often remains unactuated. Respondents V6-CSR and V47-CSR, for example, argued that community members are often the underdog in oil negotiations, lacking the technical knowledge to express their needs and influence proceedings. They stated that most councils were not equipped with people able to overcome these weaknesses. Peoples’ empowerment is insufficient without education to eliminate asymmetric relations. As V47-CSR explained:

"We need community engagement and long-term relationships. The communal councils are part of the community we have to deal with. They know their needs, but often have no education or skills. They cannot manage projects; these are too big for them. They should be a focus group, but not decision makers. In poor areas, they don’t understand urban development priorities."

Respondents V20-NGO and V21-NGO also highlighted that some councils had been hijacked by political interest rather than social concerns, complicating company-community relations.

7.2.1.5 The international community

Whilst many of the MNOCs active in Venezuela produce sustainability reports that reflect current sustainability standards, many of which stem from neoliberal institutions and organisations, respondents acknowledged that international institutions had little influence on their CSR. Respondents argued that the UN and the World Bank had greater influence in the 1990s, when the UN offered multilateral programmes to support MNOCs’ CSR (V24-NGO). Respondent V40-CON noted that the World Bank had given money, but failed to follow-up properly and was never really influential. Whilst companies’ home governments were not seen as particularly influential, respondent V9-CSR noted that European companies received the most pressure from their home governments and consumers.
7.2.1.6 The new PDVSA

PDVSA, the majority shareholder in all mixed companies, has acquired a decisive role in CSR decision-making. Since oil-sector nationalisation, PDVSA has worked both on its core business, oil (either alone or as a mixed company shareholder), and on using its oil revenues to administer social assistance to Venezuela’s poorest. As interviewee V25-NGO notes:

"Before, there were TNCs and subsidiaries of PDVSA. Now, the government is the one and only actor. This fact has unified social action and allowed them to realise actions that are more unified. In PDVSA all is coordinated."

Most respondents viewed PDVSA as a more efficient social action coordinator than the government, reducing cumbersome governmental bureaucracy (V45-NGO). However, they also questioned the long-term viability of PDVSA’s social role, given its failure to sustain its core business, loss of focus and the blurred PDVSA/government boundaries (V5-CSR; V12-OCU; V13-HGOV; V17-NGO; V46-CON; V47-CSR).

Respondents offered convincing arguments to illustrate PDVSA’s structural decline, including its failure to adequately reinvest in its exploration, production and refining operations. Some had also witnessed a new clientelism spreading within PDVSA. As interviewee V5-CSR stated:

“PDVSA throws money at everything. Corruption is rife and I see many of them with very handsome salaries for doing nothing, living the high life”. Interviewee V37-NGO also had worked on "PDVSA projects where funds are being used for other things".

Lastly, respondents questioned the capacity of PDVSA to conduct social work:

"PDVSA has committed thousands of mistakes [...]. They have no new ideas and have the same old clientelist way of doing things. We have gone back in time to the same way oil companies were doing things ten years ago. PDVSA is now worse. It just delivers money. How many sustainable programmes have they created? None. Nothing. They are just spending money" (V36-NGO).

“They lack capacity and objectives and so money is wasted. People are learning to expect hand-outs and are living off the money" (V5-CSR).
Similarly, interviewee V47-CSR explained that constant internal reshuffling is an obstacle to cooperation and progress on projects:

“PDVSA staff is very well intentioned, but still learning. The problem is that they appoint a manager and then change him. They always appoint someone and then change their appointee so that you never work with the same person twice. You convince them of one thing and then they change and then you have to convince them again and they think something else and have different ideas about their needs. There is no long term plan.”

7.2.1.7 The Media

As outlined in chapter 5, the media has been a scene of hegemonic struggle in Venezuela, stirring up pro-Chávez or anti-Chávez sentiment. Regarding CSR, news about the use of the Venezuelan oil wealth receives constant media coverage (for example, when former President Chávez made policy decisions live on national television) and is omnipresent in official propaganda. This is consistent with the government’s efforts to take the credit for CSR programmes.

7.2.2 Level 2: policies, structures and events

This section outlines a selection of policy events and structures that enable or constrain the actions and influence of the agents identified above on oil industry CSR. This selection is non-exhaustive; nevertheless, the factors identified appear to be the most significant from the research conducted and the academic literature.

<table>
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<th>LEVEL 2 POLICIES:</th>
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<tr>
<td>NATIONALISATION OF PDVSA</td>
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Each of the policies identified is recent or has changed substantially following the introduction of 21st century socialism.
7.2.2.1 PDVSA’s nationalisation

As indicated in chapter 5, PDVSA was nationalised in 2003 after a long workers’ strike and an unsuccessful coup against President Chávez. As of 2006, MNOCs that wished to continue operating in Venezuela had to accept minority partnerships with PDVSA in the form of mixed companies.

PDVSA is obliged to spend directly on social programmes and as such social responsibility extends to their mixed-venture partners (see below). There has been an unofficial partial merging of PDVSA and the oil ministry, best symbolised by the double role of Rafael Ramirez, oil minister and PDVSA president, making it difficult to distinguish the oil ministry from PDVSA (V13-HGOV;V25-NGO;V46-CON). This can lead to conflicts of interest as the oil ministry is the oversight body monitoring the oil industry.

7.2.2.2 Mixed companies

A key government policy change in the oil sector has been the creation of mixed companies. This change has profoundly affected MNOCs, which lost control over operating companies, including decision-making autonomy vis-à-vis CSR projects. Effectively, CSR budgets are now under PDVSA/government control, whereby mixed companies need to consider not only communities’ needs, but primarily the government’s wishes (V3-OSP; V29-NGO; V47-CSR).

“A company could have its own philosophy, but the State controls the rules of the game. They establish the rules whether companies agree or not. Communities are telling us to help them, but companies are limited” (V30-OCU).

Although it is debatable whether social contributions paid by mixed companies still qualify as true CSR, MNOCs retain some influence during exploration and in project execution. Moreover, MNOCs are not legally prohibited from developing CSR projects funded with their own money, although the implementation of these projects would require governmental consent and support.
7.2.2.3 Increased royalties and changes to the tax burden

Contrary to Colombia, Venezuela has introduced special taxes to be paid by mixed companies (and indirectly by MNOCs) to finance social development projects. As mixed company shareholders, MNOCs indirectly bear a 3.33% tax on the value of extracted crude oil, which should benefit community stakeholders (Gaceta Oficial, 2009). As of 2009, 1.11% is paid directly to the municipal councils where oil activities are conducted\textsuperscript{259} and 2.22% go to the Special People’s Fund (FOPO), dedicated to financing endogenous development projects (Gaceta Oficial, 2009).

An additional social investment tax requires mixed companies to pay 1% of their earnings before taxes in social taxes. In this vein, mixed companies must create and implement a social investment plan, which needs national government approval. Mixed companies also need to create an endogenous development policy based upon the principles of cultural and biological diversity, minimising their negative environmental impact and promoting social responsibility, as outlined in the National Development Plan (Gaceta Oficial, 2009). The approval of the social investment plan is a key measure to allow the government to control how mixed companies invest in social projects.

Article 42 of the Science, Technology and Innovation law states that mixed companies must contribute or invest 2% of their Venezuela-generated gross annual income in specific scientific social activities (Omaña & Troconis, 2011). Additionally, mixed companies pay 1% of their financial profits as anti-drug contributions (Gaceta Oficial, 2009; Omaña & Troconis, 2011).

Between 2006 and 2012, mixed companies paid around USD 1,004m towards social projects (PDVSA, 2012:51). As shown in the figure 4 below,\textsuperscript{260} the social financial contributions of mixed companies have increased substantially over the last decade, except between 2011 and 2012.

\textsuperscript{259} 30% is paid to the municipal councils where the primary activities of mixed companies are performed and 70% is paid to municipal councils where oil activities are performed in proportion to the population and Human Development Indexes of such entities.\textsuperscript{260} The title of figure 4 is ‘Contribution to social development by mixed companies’ in English.
These contributions are in addition to the plethora of other traditional income-based taxes and royalties paid by the oil sector. Royalties in Venezuela are paid by mixed companies as follows (subject to certain exceptions and special arrangements with the authorities): i) 30% of the value of extracted hydrocarbons; ii) income tax equal to 50% of net income; iii) surface tax, based upon the size of unused land and non-use duration; iv) 50% withholding tax on dividends paid to shareholders (including PDVSA), and v) windfall tax, levied on export volumes if international oil prices surpass certain thresholds.\textsuperscript{261}

\textsuperscript{261} The windfall tax was modified by presidential decree on 18 April 2012. The rates are as follows: 80% for prices between US$70 and US$90; 90% for prices between US$90 and US$100; and (iii) 95% for prices over US$100. Practically, this contribution does not apply to mixed companies as they are not in charge of exporting.
Additional taxes include: i) an extraction tax of one third of the value of extracted liquid hydrocarbons; ii) a fuel consumption tax of 10% of the value of by-products used as fuel by the company; and iii) an export registration of 0.1% of exported hydrocarbons (Omana & Troconis: 2012).

7.2.2.4 Government centralisation

The Venezuelan government is following an active policy of centralisation at a public level (Jacobin centralisation), but also within the private sphere: civil society is being eliminated, hostile media tamed, industries nationalised (at least partially), including the oil sector. The approach has been more aggressive in the oil industry, as CSR activities (previously conducted by private companies) have been centralised and entrusted to PDVSA.

7.2.2.5 The replacement of traditional civil society by new means of participation

The Venezuelan government is trying to form a direct link with the people, by removing traditional intermediaries such as churches and NGOs, whilst establishing new civilian groupings such as the Bolivarian circles, collectives and communal councils. In determining CSR, MNOCs are expected to engage with these actors, needing community council approval for their CSR projects.

Some respondents voiced concern that the emancipatory power of the councils is illusory, due to the simultaneous dismantling of civil society with its checks and balances and, more generally, of the freedom of association in non-state prescribed forms, leading to excessive state control. This view is summed up by respondent V25-NGO:

"The associative sphere needs freedom and autonomy to be strong. It needs to reproduce itself, add organisations, as it wants. It needs to be able to reproduce freely. The State is creating the way it needs to be. The State is perverting the model as the associative sphere is weak. Now it is not just the State, but also the President as the Head of State, that has a direct link with

\(^{262}\) Mixed companies also pay an annual Special Advantage tax based on the difference between the value of the extracted hydrocarbons and the royalty payments, if the sum of these components is lower than 50% of the value of the extracted hydrocarbons (Omana & Troconis: 2012).
each citizen. Only communal councils are recognised by the State. If I am not recognised, I don't exist. The State gives certain means of articulation. […] In the new structure there is no autonomy and no independence.”

CSR representatives raised a more practical structural concern that companies do not always know how to approach the councils. As respondent V20-NGO noted: “There is little structure for companies trying to meet the communal councils. The cooperatives and municipalities are middlemen.”

7.2.2.6 Creation of parallel welfare structures: the missions

The government established missions as new social welfare structures, running in parallel with the old ministries. They are a central tool to implement 21st century democracy. As discussed in the chapter 5, they are financed through oil money and, contrary to the traditional state welfare, they are directly administered by PDVSA and presented under the antinomic government CSR brand.

7.2.2.7 Enabling laws

The enabling laws discussed in chapter 5 have created a climate of legal instability in the oil sector. The president can issue decrees to change laws rapidly and private oil sector interests are not always in line with the government’s agenda. As noted above, such legal changes led certain companies to leave Venezuela.

7.2.2.8 The robust PR machine

The government has a robust PR machine and uses it to communicate the changing CSR parameters and its lead on CSR projects. The omnipresent bright red textual branding is present on television, the internet, street images and slogans, and is even worn by street cleaners as an effective means of communicating the government’s presence and its direct link with the social use of oil monies. The placement of government logos also affects items distributed as part of the mixed companies’ CSR. Indeed, in one of the barrios I visited, local children had been given toys bearing official government/PDVSA logos. MNOC respondent V47-CSR spoke of obtaining permission to conduct a particular CSR programme by offering to place government/PDVSA logos on the work. The labelling of social initiatives as
Bolivarian also implies that their good actions are directly accredited to/aligned with the government. This PR extends to Venezuelan foreign policy with social action being used as a message of anti-Empire solidarity (see the subsequent point).

7.2.2.9 Creation of new international alliances

As discussed in chapter 5, the government has realigned its alliances in favour of socialist or anti-imperialist states, vocally opposing capitalism, US-imperialism and the transnational elite. Subsequently, the US and international institutions, such as the UN and the World Bank, were seen as increasingly less relevant, although their absence is an important feature of this model. Respondent V13-HGOV noted that Western diplomats had struggled to meet their counterparts in the Venezuelan ministries, whereas, in Colombia, they receive a flow of invitations.

7.2.3 Level 3: reasons

Having identified the agents in the models and the reasons/policies that hinder and/or enable these actors to play a role, this section uses a deeper layer of analysis to provide the main reasons that underlie the structures and policies above. These causal factors are grouped into three subsections: i) New Socialist Society; ii) International causes; and iii) Socio-political causes.
7.2.3.1 New socialist society

7.2.3.1.1 Participatory and protagonistic democracy

As seen in chapter 5, the Venezuelan government is working to create a new social order against the previous governments’ neoliberal standpoint. In this new democracy, President Chávez had established himself as the primary protagonist in bringing social welfare, discrediting the legitimacy of other possible contenders, such as MNOCs, NGOs and the church, which he deemed fundamentally neoliberal. The associative sphere, which would normally encourage independent social groupings to emerge, is thus being eliminated. Such reforms indicate a centralisation of social policy, where all initiatives must fall under the governmental banner, including private social action. In this vein, MNOCs have had to: i) partner with the new, political PDVSA; ii) accept less choice in CSR decision-making; iii) incorporate specific new community actors, such as the communal councils, into their decision-making process; and iv) accept that the government takes the credit for CSR and its redefinition. As noted above, for this reason, respondents V3-OSP, V10-CS, V11-NGO, V17-NGO, V18-NOC, V24-NGO, V30-OCU, V38-NGO, V40-CON, V41-CON, V42-CH and V46-CON concluded that social action is highly political, rather than purely business-related.

7.2.3.1.2 Permanent revolution

The permanent state of revolution in Venezuela is partially caused by the trial-and-error, progressive implementation of Bolivarian socialism (as shown in chapter 5), but also by a political need to introduce and entrench change quickly to purge the influence of Empire. The revolution has, moreover, justified the use of the enabling laws discussed above. Respondent V6-CS argued that companies receive them as surprise laws that seem to emerge from nowhere without previous discussion. Interviewee V16-HGOV added that even ministers do not always know about the new laws. As such, respondents argued that MNOCs’ precarious position amidst the revolution, especially considering the legal uncertainty it can create, is a causal motivating factor for MNOCs to seek government approval of their CSR in order to have political protection (V4-NGO; V21-NGO; V23-CS; V29-NGO;
Some respondents admitted that the inexperience and experimental trajectory of the government presented an opportunity to influence it. One CSR representative argued that, "The government is not well organised. They have an excess of resources. We will try to influence that because they just do not have the experience".

### 7.2.3.1.3 Oil ownership

As indicated above, although the oil “belongs to the people”, the oil-generated income is received and spent by the government. This is consistent with the government message that the oil has been democratised, which, as a matter of principle, changes the asymmetric relationship of social action. As respondent V16-HGOV noted:

"There is the rise of National Oil Companies and energy nationalism. Who owns the oil and what is the role of the national oil company? This impacts the social development projects that are carried out."

Not only does energy nationalism delegitimise private social initiatives, but moreover, the government’s direct relationship with the people justifies governmental control, as it is deemed to be acting in favour of the people and thus selfless. However, the people’s oil ownership is both causal and explanatory of the government’s need to continue to provide social welfare, however (un)sustainable. Indeed, the government’s electorate is amongst the country’s poorer segments and the government needs to maintain popular support for its new model of society to remain.

### 7.2.3.1.4 Rejection of neoliberalism and Empire

The move from a neoliberal to a 21st century socialist model explains the following policy approaches: i) greater state intervention; ii) PDVSA’s nationalisation; iii) private initiative’s delegitimisation; iv) increased oil wealth redistribution; and v) greater welfare provision and support to formerly neglected poor Venezuelans.

As indicated above, the government has categorised neoliberals as antagonists. As interviewee V20-NGO noted, "There is a changing social
reality and an increasing distrust of multinationals and imperialism.” Language has played an important role in this paradigm shift. Indeed, pro-government respondents spoke in terms of “us” and “them” dichotomy. As respondent V18-NOC asserted, “What have they done? Nothing. They just play with cardboard pieces on their models. Capitalists”. Some NGOs and associations noted that they were afraid of being categorised as pro-US and, thus, anti-government. There has even been a conscious effort to find new language to describe social relations. Interviewee V41-CON, for example, found the term market too capitalist, although he lacked alternative language by which to articulate this idea.

7.2.3.2 International Causes

7.2.3.2.1 Displaying international solidarity

The Venezuelan government’s rejection of Empire and advance of socialist solidarity is part of a new model of international politics and development cooperation (V13-HGOV; V19-POL; V24-NGO; V25-NGO; V41-CON). As respondent V24-NGO noted, “It is new for Venezuela to consider itself as a social actor in Bolivia, Las Antilles and Haiti.” International socialist solidarity in the form of social action is seen as a remedy to such capitalism. Respondent V19-POL summarised the philosophy behind the new paradigm concisely: “The more oil is the topic, the more capitalism emerges, but social action serves to bring change”. However, Venezuela is also sending a moralising, political message to the West with its oil donations to poor countries in the region and cheap oil supplies to places such as Brooklyn and London: “We are saying look at what we are doing for your country that you aren’t doing. That is political” (V41-CON). Respondents viewed such message-sending as wasteful (given Venezuelan poverty) and/or concerning (given Venezuela’s decision to create ties with pariah states such as Cuba, Iran and Belarus, which have incompatible business cultures and human rights records). As respondent V13-HGOV asserted:

“How would an Iranian or Belorussian oil company interpret its social action and implement it? […] How will Belorussian companies cooperate on social action projects with Total or Lukoil?”
7.2.3.2.2 Influence of international markets

Despite the strong motivational factor of government pressure, several respondents argued that international market pressure is such that companies would have conducted increasingly advanced CSR programmes without it (V9-CSR; V10-CSR; V19-POL; V26-NOC; V28-CSR; V29-NGO; V30-OCU). As interviewee V9-CSR asserted: “Social investment is seen as an obligation to assume. Why? It’s a global trend. […] As a global citizen it has become a convention”. Respondent V17-NGO also noted that social and environmental responsibilities are weighty factors in Latin America in explaining MNOCs’ social action.

7.2.3.2.3 Fluctuating oil prices

Venezuela’s strong oil dependence means that prices affect the government’s ability to provide welfare. Its non-oil income stood at only USD 27,536m in 2011 (TI, 2012:1), compared to oil related products of USD 88,131m in the total USD 92,602m Venezuelan 2011 exports (BCV, 2012:B10). It also directly impacts upon companies’ ability to provide CSR. As respondent V28-CSR stated, “The market affects oil prices so it determines our revenue and spending on CSR”.

7.2.3.3 Other Socio-Political Factors

7.2.3.3.1 Poverty and a lack of welfare and opportunity

Venezuela suffers from high inequality and extremes of poverty and wealth. President Chávez’ initial election was partially caused by this inequality and was a key motivating factor for the reform process. As respondent V47-CSR noted, “Employment is difficult. People sell things on the street because what else can they do. Many people are unhappy with Chávez, but after him things will be good. He is shaking up the country. The legacy in some areas will be good.”

However, respondents worried about the state’s impotence in tackling poverty without relying upon the oil sector to conduct welfare on behalf of the state. As respondent V10-CSR claimed:
It is a well-known concept that “companies should not replace governments”. What changed this role is that all the poverty reduction efforts have failed. The number of poor people is rising. The problems exceed government capacities, that of civil society or companies. Thus, it requires a synergy of three groups working together to solve the problems”.

Nevertheless, oil sector respondents accepted that they have some material, if not moral, obligation to meet peoples’ basic needs. As respondents V23-CSR and V29-NGO noted respectively: "The main obstacle is the needs of the people in the areas where we conduct social action. There are lots of poor people who have lots of expectations."

"The concept or vision is that CSR started as business and has ended up as a concept of welfare. If a man sees a pretty woman and uses her it is utilitarian, but then if she has a baby and she is the mother of his baby, she develops a relationship with him. It is a process. We need to learn. Sometimes we do good, other times we do not. We all have things in common, needs, obligations."

7.2.3.3.2 Failure to sow oil

The failure of governments to diversify the Venezuelan economy is well-documented as shown in chapter 5. The current government is over-reliant upon oil wealth and its oil-based expenditure is unsustainable (V5-CSR; V7-CSR; V11-NGO; V12-OCU; V13-HGOV; V29-NGO). This is not from an absence of alternative economic planning, but these plans have not shown themselves to be sustainable. As respondent V12-OCU commented:

"My main concern is that the government has good motives of what to do with the nation’s wealth and it even created a legal framework to respond to the challenges of core business, but to promote local industry and investments. In implementation, they are too driven by traditional goals. They want to take a part of the huge oil rent. And it is huge. […] Up until now, despite rhetorical “sowing” of oil, they are slicing the same pie. This is a constructive criticism. They resort to higher taxes in this higher price cycle. They do not do away with the tradition of poor resource management, despite the rhetoric and the new legal framework".

7.2.3.3.3 Social LTO

As stated above, were it not government imposed, some CSR would exist that simultaneously meets some peoples’ needs and acts as a communication tool. Public opinion is important so that part of the rationale for CSR is not only to do good, but to be seen to do good (V5-CSR; V6-CSR;
V9-CSR; V10-CSR; V11-NGO; V26-NOC; V40-CON). This has been taken very seriously by some companies so that as respondent V10-CSR asserted, "Within communities, we also provide training to public speakers, so that they can convey messages of our social action clearly to the community".

However, locally, MNOCs need to communicate their CSR to be able to operate. Indeed, companies which fail to build trust with communities and to meet some of their needs, not only face state punishment, but also community action (i.e. roadblocks) against their operations. As interviewee V10-CSR stated, "If inhabitants see that you have water and fancy air-conditioning in your building, and they do not, they will become militant".

### 7.2.3.3.4 Assistentialistic culture

Assistentialism was a recurring theme in Venezuelan interviews. Whilst cynics argued that the government manages assistentialism strategically, using oil funds to bribe the electorate, the less cynical recognised such handouts as social welfare. Respondent V24-NGO made a noteworthy observation: "Interestingly working with PDVSA, they arrive and say we will give you what you 'want'. It is assistentialism. We say what you 'need'". The distinction between wants and needs is important, although it does not address the question of who should be in charge of determining relevant needs. Putting aside the dubious generalisation of PDVSA vis-à-vis MNOCs, the argument could be made that meeting short-term basic needs is welfare, whereas wants or long-term assistentialism is bad planning. However, as welfare, the concern amongst respondents was that oil wealth was not always strategically allocated, even if it targeted those in need. The emphasis rather seemed to be upon meeting peoples’ immediate requests. As respondent V9-CSR stated, "In Colombia, human rights are key. In Venezuela, the needs are more immediate. People say “get me a car for my friend” or “get me medicines for a hospital”. This is not a global overview".

Eight respondents stated that people increasingly feel ownership of the oil wealth and view oil as the means to solving all of their problems (V5-CSR; V13-HGOV; V20-NGO; V23-CSR; V35-JO; V36-NGO; V38-NGO; V47-CSR). Such expectations upon oil to deliver better conditions make it harder to
reverse what respondents recognised as a growing tide of assistentialism. As respondent V36-NGO asserted:

“Chávez wants one thing, but the people executing the projects want another. They want a clientelistic relationship. [...] The missions were going strong. Now there is a beggar syndrome. The country is so unproductive that no-one wants to work. How do you become an entrepreneur in Venezuela? We are a mono-producing country.”

Respondent V23-CFR also indicated their frustration at the situation:

“We want to build people’s capacities, but people want to receive things quickly. People think oil will solve all their problems. It is their mind-set, especially with rising prices. Companies are not banks, nor governments. [...] We have not come to the communities to solve all of their problems through philanthropy. That is not our philosophy”.

Unsurprisingly, respondents indicated that CSR was no longer result focused. Moreover, respondent V38-NGO argues that assistentialism kills people’s creativity, as it fosters a culture where people fail to help themselves.

Whilst the immediate basic needs of the most vulnerable must be met by society, it is ultimately not emancipatory for people to permanently rely as dependents upon state help, especially when the latter is in a permanent state of revolutionary change and it does not offer a solution for the post-oil era.

7.2.3.3.5 Inefficiency/bureaucracy

As noted in the academic literature discussed in chapter 5, and confirmed by respondents, parallel structures such as the missions and PDVSA’s new role were partly created due to the perceived need to bypass old structures. The Bolivarian governments have deemed these structures as inefficient to bring change and as obstructionist to the revolution.

7.2.3.3.6 Clientelism and corruption

The government uses PDVSA to work with the ministries and the missions to bypass existing structures, not only as these were deemed inefficient, but also, and more essentially, clientelistic and corrupt (see chapter 5).
However, despite these changes, some respondents noted that these features are still present, and causal, in the new socialist structures (V2-HGOV; V4-CSR; V5-CSR; V11-NGO; V12-OCU; V16-HGOV; V17-NGO; V28-CSR; V36-NGO; V38-NGO; V40-CON; V46-CON). Indeed, as respondent V36-NGO claimed about PDVSA:

"Why are they building so much, because they can steal money? They get good contracts with commission."

They illustrated how they and their friends have seen corruption in practice in building projects in their area.

"Does the community really know what they want? They go to the communities and ask ‘would you like a home for children?’ Of course they say yes, because they do, but they may truly need something else. Who makes money and commission? Which contractors are chosen? […] The military is also involved."

As respondent V11-NGO also commented:

"The communities aren’t living much better. Already, with the money they have accumulated, they could have built 100 motorways, but they have only built three. The barrel of oil has been rising since 2001, but they have not even built 100,000 homes. We send PDVSA documentation and evaluation requests, reports, but they never reply. It’s always ‘closed’.

Several respondents also questioned the accuracy, transparency and asymmetry of government information and statistics:

"PDVSA is a public company, but there are no accounts for social investment. It is difficult to see where the extra money is going. Transparency is a huge problem. Social investment is done through foundations. There are no audits or balance sheets. […] There are no official indicators to measure the budget, for example. After 2004 the general figures have been made up by PDVSA" (V46-CON).

"Nothing is precise. There is no official data. In the fourth republic, all ministers and the President produced annual reports. Now, not all public offices produce reports. Figures are decided by the minister on the spot. We can’t corroborate the information" (V29-NGO).

One NGO transparency worker commented that they had tried to get companies to implement transparency standards, but that it is impossible as the reality is complex.
“We have tried to work to discuss the EITI with companies. They are interested, but today, in Venezuela, no. We do not receive information from PDVSA. Organisations such as NGOs can work on programmes directly with the state, but these are limited and controlled by PDVSA. NGOs do not receive funds from PDVSA. PDVSA invests in government programmes. The situation is obscure; there is little information from PDVSA. There are no regular reports. It is impossible to find out what they are doing. We do not know how much money they have, how much they have invested. [...] We do not know who signs the cheques. We know they give money to missions, but we do not know how much. Huge sums of money are unaccounted for. This is not of a lack of government inefficiency. It's a means of political control.”

The corruption and lack of information are detrimental to community participation. As both V29-NGO and V38-NGO commented, the situation is aggravated by an ostracisation of organised and informed civil society. Local communities often lack the necessary skills to combat corruption or obtain information.

The lack of transparency also manifests itself in oil production figures. Looking at the figures below, I show that unofficial production rates are more consistent with government discourse. One would expect royalties paid in Venezuela to be proportionally higher per barrel than in Colombia, as the taxation rates are higher. However, using the official production rate, royalties per barrel are lower (USD 11.43 in Venezuela and USD 12.18 in Colombia). However, when using unofficial production figures, the royalties per barrel soar to USD 14.86, which better fits with official communications. Interestingly, the amount of royalties of USD 12,473 for 2011 in Venezuela is calculated by PDVSA using an official exchange rate of Bs 4.3 for USD 1, when the black market rate was about double. However, these figures do not include other taxes levied by the Venezuelan and Colombian governments on the oil sector.

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263 This approach also gives an indication of the royalties burden in each country, although it does not take into consideration the differences in companies’ costs to extract oil in these countries.
### TABLE 19

<table>
<thead>
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<th>2011 Figures</th>
<th>Venezuela</th>
<th>Colombia</th>
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<tbody>
<tr>
<td><strong>Total Royalties</strong></td>
<td>USD 12,473m&lt;sup&gt;(Source: PDVSA, 2012)&lt;/sup&gt;</td>
<td>COP 7.5 trillion (~USD 4,065m)&lt;sup&gt;(Conversion based on average exchange rate of 2011)&lt;/sup&gt;&lt;sup&gt;(Source: ACP, 2012)&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Production (b/d)</strong></td>
<td>2,991,000 (official)</td>
<td>914,300</td>
</tr>
<tr>
<td></td>
<td>2,300,000 (unofficial)</td>
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<tr>
<td><strong>Royalties per barrel</strong></td>
<td>USD 11.43 (official)</td>
<td>USD 12.18</td>
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<td></td>
<td>USD 14.86 (unofficial)</td>
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Finally, corruption and honesty were challenged at many levels in Venezuela. Several respondents claimed in passing that they could not speak freely or that other respondents may not speak freely or honestly. As one oil respondent openly stated, "Don't believe what people tell you. Question everything in this country".

#### 7.2.3.3.7 State weakness

The state has raised expectations, but huge social needs persist in Venezuela. Moreover, the state is unable to meet its social obligations (V9-CSR; V10-CSR; V16-HGOV; V28-CSR), including in housing, health and education. The state also fails to assume its basic role of public safety, as criminality is a real concern in Venezuela.

#### 7.2.4 Level 4: Causes

Having outlined the main structures, agents and mechanisms and their interplay, I now look at three key causal mechanisms or ideas that I have identified as supporting these patterns.
7.2.4.1 Drive for emancipation

The first causal mechanism/idea that I identify is the drive for emancipation. Given that this is a dialectical process, it may appear surprising to use it here as a cause. According to Bhaskar (1986:171), emancipation is the "transformation from unwanted, unneeded and/or oppressive sources of determination to wanted, needed and/or liberating ones". Emancipation needs an object, i.e. emancipation from what/whom? Initially, I had conceived that emancipation could have emerged in counterresponse to three absences: inequality, injustice or the absence of peoples' basic needs, as they all have real causal power in Venezuela. On closer examination, however, I found each of these absences inadequate, on their own or even together, to explain the dynamics underlying the Venezuelan CSR model, because another cause, which encapsulates these concepts, offers greater explanatory power. This is the case of emancipation; emancipation, as such, always has an object that is an absence or set of absences that depend on geo-spatial temporalities and that has the potential to drive popular protracted revolutions. Considering that this categorisation is the most comprehensive idea relevant to the situation in Venezuela, I have identified it as a causal mechanism/idea.

Chávez' message was one of emancipation; giving power back to the people and freeing Venezuelans from elite rule and the influence of Empire. This class struggle has underlain the evolutionary process of creating a new socialist society, with its new forms of social participation and new international politics.
The government identified several structures and agencies that hinder or enable emancipation including: i) the remnants of Punto Fijista democracy and corresponding structures and agents; ii) oil wealth use; iii) lacking solidarity; and iv) the regional and global systems and Empire. Moreover, it has identified solutions, which have varied over time, proposing major transformations, in some cases throwing off old structures to bring in structural changes that it argues will be more empowering. These include: i) control and use of oil wealth to benefit the poor; ii) protagonistic and participatory democracy; iii) institutional change; and iv) increasing top-down and bottom-up approaches.

There have been emancipatory successes including the relatively peaceful nature of the Bolivarian revolution, by contrast with the Marxist-Leninist dialectic. There has been an increase in solidarity, and of power\(^1\) through the new means of community participation and welfare.

Nevertheless, there remain certain sources of determination that promote duality and there is little indication that these are being shed. Emancipatory concerns include: i) the erosion of institutions without solid replacements in place; ii) clientelism and corruption; iii) the separation of powers; iv) personalistic leadership (which has not changed despite Chávez’ death); v) resistance to change and to the new elite; vi) violence and street crime; and vii) the practice of socialist solidarity versus universal solidarity\(^2\), whereby the categorisation of us and them is reduced in the interests of society. These factors still hinder emancipation, which has the “goal of a society in which the free flourishing of each concretely singular agent is a condition of the free flourishing of all”, rather pointing to the second causal mechanism, caudillismo. This said, the drive for emancipation remains strong and causal of President Chávez’ re-elections and whilst the rhetoric has surpassed the results, Boliviarism has re-shaped the socio-political landscape.

\(^{264}\) Bhaskar (1993) uses this distinction of power1 and power2 as a way to view complex power relations (see footnote 54 on page 145).

\(^{265}\) The principle of Universal Solidarity specifies that any human being can empathise with and come to an understanding of another and become one with something radically different from him/herself (Bhaskar, 2010:18).
7.2.4.2 Caudillismo

Concomitant with the drive for emancipation are signs of a Venezuelan caudillo culture. Whilst the current government is openly trying to implement new forms of democracy, certain means used to do so are conducive to despotism. The tensions between emancipation and despotism are now discussed.

Whilst the parliament is democratically elected, the president’s ability to resort to emergency laws to concretise 21st century socialism is somewhat comparable to the decrees of 18th century enlightened European despots, or 19th century Latin American caudillos, who enjoyed significant powers. Indeed, in each Venezuelan interview conducted, interviewees named President Chávez as causally responsible for changes affecting CSR, although no president can make everything happen on his own. As respondent V34-POL stated in quasi-religious vocabulary: "when you analyse the situation, Chávez has a feel for the people. He is not just a leader, but he transcends this."

Several respondents also indicated that President Chávez' personal, unscripted news broadcasts and his television show Alo Presidente served to sensitise companies to imminent policy changes. Indeed, whoever failed to watch an episode may have missed a specific social action plan that the president had unexpectedly announced. The lack of democratic process in such decision-making was outlined by several respondents, as was the difficulty of implementing such policies. One interviewee recalled a telephone conversation with a government minister, who asked their advice on how to implement an unexpected new policy idea announced by the president on television, stating: “I just don’t know what the president wants. I think he just wants companies to put money into the communities like an assistance programme”.

Another concern voiced by several respondents was that ordinary people are not free to voice their genuine opinions. Three respondents were particularly concerned that they were being monitored by a Cuban-trained secret police. One respondent asked to meet me outdoors as they thought their office was
being monitored. Another interviewee claimed that “it is hard to visit company projects because you have to get permission from PDVSA as they need to send the PCP or the secret police”. Respondent V35-JO noted that, as discussed in chapter 5, if you are not pro-government, you are unlikely to get a promotion and your offices might be shut. This use of coercion to bring change could fit into a protagonistic vision of emancipatory democracy, if not a truly participatory one. It denies those with dissenting opinions certain freedoms, which is symptomatic of revolution (i.e. abolishing an old order to replace it with a new one), but which, as a protracted revolution, could damage popular emancipatory aspirations by strengthening the authoritarian pater familias figure of the president.

As such, as respondent V25-NGO commented:

"The DNA of our citizens is caudillismo […]. Instead of socialising the State, we are State-ising society. […] [Some] call it ‘emocracia’. We are governed by emotions. Reasoning is less important. If people are mates, this is all that matters, anything goes”.

The tensions between the poles of emancipation and despotic practices reveal that caudillismo remains a strong causal mechanism in Venezuela, which will require the country to operate a Copernican revolution if it is to abandon old patterns and truly enter 21st century socialism. Whether or not Venezuela appears to be more emancipated or despotic is of course a matter of the ideological views of those analysing the situation, but a one-man show is rarely a sign of a healthy democracy. Whilst Chávez is now dead, the symbolic father figure is still alive, as his successor is capitalising upon his legacy to boost internal support for the continuance of the revolutionary process. In parallel, President Maduro is emulating Chávez’ communication methods, for example with his own TV show, Dialógo Bolivariano.
7.2.4.3 The capitalist global system continues to impact Venezuela

Bolivarism aims at purging capitalism from Venezuelan society and has created policies to achieve this. Rhetoric has even gone further to position the state against the capitalist free market and neoliberalism, but the state is nevertheless not in a position to abandon capitalist free market policies entirely. Indeed, the government’s reliance on oil revenues and international trade (for the export of oil and the import of most new materials, petrol and basic products including food) keep it reliant upon the overarching capitalist system. Venezuela remains vulnerable to drops in oil price and upon the actions of other oil producers and consumers. Despite the anti-Empire rhetoric, the continued presence of US and EU MNOCs, embassies and trade, is an important feature of this model. Therefore, there could be reasons to argue that the negation of Empire is processual; nevertheless, it has not been completely rejected at a conceptual level. As a PDVSA representative commented, still today “PDVSA prepares people to compete in the global market”.

Capitalism appears to be an insurmountable causal mechanism without a complete change of paradigm at a global level. Countries such as Cuba and North Korea, which are seen to have most isolated themselves from the system, did not fully succeed due to their reliance upon outside funds from Russia and China respectively. Indeed, such a paradigm shift would require the government to significantly reduce the country’s dependence on oil dividends and diversify the economy in other sectors, as is being attempted in countries such as the UAE.
7.3 Is the selection of ideas in level 4 arbitrary or applicable to both countries?

There is, of course, some arbitrariness in the division of the ideas/causes that I identified above. Indeed, they are all present to some extent in both countries. Thus, I have used judgemental rationality and now show the reasons for preferring one explanation to another. I argue that the manifestations of these ideas/causes are different in both contexts, making them more causally important in one of the geo-spacial contexts.

Neoliberalism, for example, has defined many of the laissez-faire, free market oriented policies in Colombia. It also drove pre-Bolivarian policy-making and still impacts Venezuela. Neoliberalism still has supporters within Venezuela as evidenced by the 2002 coup attempt and current social tensions. However, to say that neoliberalism is a driving cause/idea behind the Venezuelan model is erroneous. Venezuelan government policies are gradually abandoning neoliberalism to embrace a mixture of Jacobin centralisation and anti-capitalist discourses. MNOCs, for example, have had to adopt government reforms or leave Venezuela. Nevertheless the global capitalist system still impacts Venezuela. As I argued above, Venezuela’s dependence upon this system is the causal mechanism behind its trade with the US, fluctuating oil revenues and, to some extent, Venezuelan international politics.

Similarly, the drive for socialist emancipation, which I attributed to Venezuela, was/is arguably a guiding principle of armed groups such as the FARC-EP. Nevertheless, in Colombia, power resides with the elite and social inequality remains high. No state-led revolutionary drive exists to change this situation, despite attempts to bring greater liberal emancipation in the Santos government’s royalties’ reform, negotiations with armed groups and more balanced approach to civil society. Emancipation is not considered as an impetus to rethink the CSR model, but rather the Colombian government’s vision of CSR is neoliberal or passive, focusing upon economic improvement to improve local communities’ conditions. Venezuelan policy
measures thus represent more deliberate and targeted attempts to improve conditions for the country’s poorest.

In Venezuela, the centralisation that has accompanied the government’s measures to overcome weak state-society linkages symptomatic of the oil curse has also fostered caudillismo. This mechanism is not as strongly actuated in Colombia, as evidenced by Uribe’s failure to change the constitution to obtain a third presidential mandate. However, both presidents Chávez and Uribe were described as paternalistic/populistic, publicising assistentialistic acts, although conducting public functions funded by public monies. An NVivo word frequency search of their names showed that throughout the Venezuelan interviews ‘Chávez’ appeared 77 times and ‘Uribe’ 0 times. In the Colombian interviews, ‘Chávez’ appeared 20 times and ‘Uribe’ only 18 times. Both were identified as pursuing social control, but in Colombia, such discussions focus upon the legitimisation of social control via the security paradigm. This is linked to the government’s struggle for sovereignty over territories where armed groups may have more influence, which has led MNOCs to assume state functions. The same mechanism is also partially present in Venezuela if one considers internal opposition to the government. Indeed, the Venezuelan government’s positive discrimination in favour of Bolivarians is an attempt to influence the battle of ideas within the country.

If the current use of the oil wealth, and indeed Bolivarian socialism, is to be sustainable, there need to be more attempts to reach a state of universal solidarity\textsuperscript{266} as opposed to socialist solidarity. This is also true of Colombian peace talks. Indeed, both the government and the armed groups justify their own actions through their specific rationale and may not consider their conduct to be morally wrong. For positive peace to flourish in a society, a transcendental consciousness, whereby people are not merely seen by group labels, is important for dialogue, mutual understanding and less violence.

\textsuperscript{266} The principle of Universal Solidarity specifies that any human being can empathise with and come to an understanding of another and become one with something radically different from him/herself (Bhaskar, 2010:18).
Chapter conclusions

This chapter has identified and discussed two different models of CSR in Colombia (private-led) and Venezuela (RCSR), which respectively exist within a neoliberal and a 21st century socialist paradigmatic understanding of CSR. I have argued that the Venezuelan RCSR model, using state levies to run state-led social action with PDVSA’s oversight, is still CSR as it does not completely remove any potential for MNOC initiative to influence the CSR process. Moreover, I have shown that both models, despite their different regulatory approaches, share similar categories of agents, policies and causal mechanisms and how these can produce different outcomes in different geo-spatial contexts.

Regarding MNOCs’ relations with the socio-political fields as outlined by each model, a comparative analysis of MNOCs’ interaction with other agents in determining and executing CSR shows that:

1. **In both models, MNOCs are more or less explicitly expected to engage in and finance CSR projects.** In Venezuela, 96.2% of non-oil respondents agreed that MNOCs have a social obligation to fulfil (91.3% in Colombia) and responsibilities vis-à-vis local communities in oil areas (100% in Colombia). This demonstrates the existence of a strong paradox in Venezuela, as the official discourses support the view that MNOCs should no longer be engaging themselves in CSR, but rather this role should be assumed by the state, through PDVSA. In Colombia, expectations are also high, but, remarkably, this coincides with low levels of trust in MNOCs amongst non-oil actors (see below).

2. **Respondents perceived MNOCs as legitimate social actors and trusted them significantly more in Venezuela than in Colombia.** Indeed, non-oil respondents do not consistently agree with answers that suggest that CSR is purely about MNOCs’ needs. This appears to be counter-intuitive, as the Venezuelan state has attempted to institutionalise the distrust of MNOCs by regulating their CSR. Venezuelan non-oil respondents unanimously agreed that companies are legitimate social actors, compared with only 56.5% of the non-oil
respondents in Colombia. This can be explained by several factors, including: i) a lack of communication by MNOCs in Colombia, where several operate through foundations that do not carry their name, (whereas, in Venezuela, MNOCs are keen to be visible, but face increasing competition for logo space); ii) perceived or real negative impacts of MNOCs’ operations; iii) an institutionalised lack of trust in big business; and (iv) MNOCs’ past relations with armed groups.

Trust levels are also visible in other ways: under half of non-oil respondents agree in Colombia (47.8%) that MNOCs should be able to determine their own responses to social issues that arise in areas of operation as opposed to almost two-thirds in Venezuela (65.4%) who think that they should be able to recover this ability. Again, this demonstrates the existence of a strong paradox in Venezuela, as according to official discourses, communal councils (rather than MNOCs) should determine the content of CSR projects, alongside the state. In Colombia, the CSR model implies that MNOCs should autonomously determine their social action, and it is noteworthy that nearly half of non-oil respondents do not agree with this approach.

3. In both countries, non-oil sector respondents perceived CSR primarily as a matter of corporate communication. MNOCs’ primary motivations for conducting CSR are perceived by non-oil actors to be profit-driven in both countries (communication). However, Colombian non-oil respondents viewed MNOCs’ motivations as more utilitarian than in Venezuela.

4. The Venezuelan government and PDVSA have acquired significant influence over CSR, through regulations and attempts at delegitimising private welfare. The regulated character of the Venezuelan CSR model is a key feature of the RCSR model, but the attempts at delegitimising private welfare are Venezuela specific and not a prerequisite of RCSR. In Venezuela, PDVSA plays an integral part in shaping CSR, as it is in charge of approving projects to be developed by mixed companies. This is also known to respondents, who nearly
unanimously agreed that the government influences CSR (94% oil sector v. 96% non-oil agreement) and agreed, after PDVSA, that it is the main partner in determining CSR (88.2% v. 88%) and executing CSR (76.5% v. 60%). As regards the Colombian government’s role in determining CSR, respondents’ agreement was significantly lower; around 40% (oil sector) and 30% lower (non-oil respondents). Whereas PDVSA co-leads CSR projects in Venezuela, Ecopetrol does not influence other companies’ CSR and its own CSR is viewed as backward.

5. **The role assigned to MNOCs under the Venezuelan model reinforces the corporate communication nature of CSR, as the link between CSR spending and CSR projects has become increasingly abstract. This ultimately risks making MNOCs less socially responsible, as they have lost significant decision-making power vis-à-vis CSR projects.** The primary role played by the government/PDVSA regarding CSR is symptomatic of a state distrust in private actors, which translates into a general systematic replacement of *old* agents (e.g., MNOCs, NGOs, traditional civil society) by new ones that are state-linked (PDVSA, communal councils, etc.), as if the only legitimate actor allowed to contribute to human flourishing and emancipation were the state itself, or the people through state-controlled structures. The Venezuelan model’s strength is that it more clearly sets the parameters of giving, making companies more democratically accountable, whilst ensuring that companies funnel oil money to where the government deems that it is most needed so that resources are better allocated. However, the proactive top-down approach does not incentivise companies to take on additional responsibility and to act, more or less willingly, as a vector of social change and emancipation. Indeed, CSR representatives noted that they are increasingly disenfranchised and have less responsibilities, even if they pay more.

In Colombia, the evolution from the voluntary initiative to the mandatory, legally enforced action has not taken place and, in the absence of a complete political paradigm shift, this looks like a very remote possibility in the near future. The Colombian model presents the advantage of
making companies ultimately more responsible for their part in CSR, allowing willing actors to contribute to human flourishing.

6. **In both models, civil society has very limited impact on MNOCs’ CSR decision-making processes. It nevertheless plays a greater role in project implementation.** In both countries, looking at the data, civil society has limited influence, although NGOs appear to play a greater role in Venezuela than in Colombia. A minority of oil sector respondents agreed that NGOs influence the determination of their CSR (27.3% agreement in Colombia v. 41.7% in Venezuela). Whilst just under two-thirds of Venezuelan respondents agreed that NGOs should be involved in this process, thus acknowledging their potential value, in Colombia, only half of respondents agreed and, as noted above, the NGO community itself even doubted its usefulness (only 53.8% agreement from NGO respondents). There are several explanatory reasons: i) this implicitly shows that MNOCs wish to remain in control, as much as possible, of their CSR policy-setting, which, as part of a communication package, requires corporate control and internal (multi-level) approval; this corresponds to MNOCs’ message that CSR reflects individual company’s values, and that they support thematic CSR areas aligned with their corporate ethos; ii) NGOs’ narrow agendas can ignore broader issues; and iii) NGOs business side and reliance upon external funding. Whilst these concerns are not wholly unfounded, MNOCs can use them as reasons not to include suitable partners from within civil society. In Venezuela, the state’s opposition to NGOs contributes to this reality.

NGOs, however, appear to be more common partners in executing CSR. Whilst they are not primary partners in Colombia (oil sector agreement to their partnership was 41.7%), NGOs are the second partners retained by MNOCs in Venezuela (64.7% oil sector agreement). A key reason given by MNOC respondents for why they work with NGOs was their expertise in specific social fields and their commitment to benefitting communities. Indeed, NGOs and MNOCs who had cooperated with each other at this level were mostly positive about their experiences.
Looking at the data, there are other related reasons why NGOs are less likely partners in Colombia. Firstly, the data shows that Colombian CSR is more likely to be framed at an international level. Secondly, in Colombia, the greater use of consultancies in determining CSR (54.5% oil sector v. 71.4% non-oil respondents’ agreement) than in Venezuela (35.3 v. 32%) and subcontractors in executing CSR (50% v. 61.9%) than in Venezuela (23.5% v. 20%) may partially account for the lower use of e.g. NGOs or the church. Thirdly, and most importantly, the use of foundations also contributes to this difference. There are of course several positive benefits to creating foundations. Whilst the tax incentives are one reason, another commonly cited advantage in Colombia was the element of trust; these actors are not linked to armed groups. This is a legitimate concern in Colombia; however, it is unjust and ultimately damaging to not include reputable NGOs as partners, nor to seek out other legitimate partners from the NGO community. Where foundations exist, they have the know-how to train promising partners in the skills that many NGOs were noted as lacking, such as collecting and analysing quantitative data or keeping their accounts in a particular way to be able to participate in such projects.

As the data shows, MNOCs face obstacles in choosing civil society partners in both models, given the challenges of identifying experienced and professional partners. This trend has been reinforced by the state delegitimisation of civil society in both countries and in Colombia by the victimisation or infiltration of certain civil society organisations by armed actors.

The exclusion of NGOs in both countries from the planning level indicates a lack of knowledge sharing is suboptimal, especially where NGOs have already worked with other companies in conducting social projects. Their inclusion would be a means for MNOCs to strengthen the NGO community, thereby reinforcing the democratic social fabric, for example, helping NGOs to build capacity and experience of working with corporate actors and stronger ties and experience of working on practical projects with local communities. This learning can in turn play a more
emancipatory role within local communities. Indeed, a healthy civil society can play an important role in sensitising communities to their rights and welfare, and in monitoring the workings of democratic institutions in countries with weak states.

Where companies are overly prescriptive with NGOs, this can impact upon their abilities to bring added value to the process. Thus, as much as possible, MNOCs should treat NGOs as partners as opposed to contractors in determining and executing CSR and establish a good working dialogue with them, if they are to bring more emancipatory social action.

7. **International institutions have little direct involvement, but shape the CSR paradigm.** As shown in chapter 3, the international neoliberal discourse on CSR permeates company reports. In the field, I found that it also influences the language and the paradigm of CSR. Even the English acronym CSR has been literally translated into Spanish under “RSE” and this is the predominantly used term to describe such activities. Equally, the international reporting standards were name-checked by various interviewees as important to the oil industry, although they acknowledged their limited impact.

8. **In both models, MNOCs are required to involve local communities in their CSR processes.** In the Colombian model, MNOCs have the obligation to consult local communities before starting their activities, and CSR is one of the incentives discussed, to compensate communities. In Venezuela, local communities are not only consulted, they have to approve CSR projects proposed by the oil sector, through the local communal councils. This reflects the need for MNOCs to have a social LTO in both countries. This does not mean that direct community dialogue is emancipatory, as it can also be controlling or done as a mere matter of course. Unsurprisingly, therefore, in both countries, respondents expressed concern about the asymmetric relationship between companies and communities in dialogues. Regarding communal councils’ involvement, there is little evidence in the data collected that this
is a more emancipatory process than in Colombia (and although these were relatively new structures when I conducted the research, this still appears to be the case (see chapter 4).

As to whether communities influence MNOCs’ CSR, in Venezuela oil respondent agreement reached 76.5%, but non-oil respondents were more sceptical (44% agreement). In Colombia, oil sector agreement of local peoples’ influence is a quarter lower than in Venezuela at 50%, whereas non-oil respondents agreed (60.1%) that MNOCs are influenced by the local people.

One problem identified in the data was that, in both contexts, local groups can struggle to identify local needs. Where communities cannot identify their needs, this can foster greater assistentialism, whereby people present wish-lists that companies fulfil. Indeed, this is the easiest short-term option as it helps companies to acquire a social licence to operate.

There is an element of enlightened despotism in the deliberations of CSR in both countries. Ultimately, the community does not control company finances and does not decide where money will be allocated. Where the community is asked to identify their needs, and they identify needs that are immediate and not truly capacity-building, an enlightened, emancipatory approach might be to give communities something else. Respondents in both countries called this sustainable development and mostly affirmed their commitment to this emancipatory principle. Of course, the argument of having a global overview can also be used as an excuse to provide other things that a community may not need.

In Venezuela, where, working with mixed companies, MNOCs do not have the same access to the communities and are not conducting CSR directly, they lose a social licence to operate, and can become removed and less transparent. This is frustrating for local communities where people feel that they own the oil and should see the benefit from oil wealth. Equally, indirect contact can lead companies to become less sensitised to the genuine needs of the people. Thus, in such a context, dialogue remains crucial and arguably it is better to have direct dialogue.
between companies and all of the stakeholders of their CSR, which can better foster universal solidarity\textsuperscript{267} and ensure that the genuine concerns of the local people with respect to a project are discussed.

Given the importance of CSR as a communication tool, where there is a lack of transparency as to MNOCs’ reasons for conducting CSR, there is more room for distrust and a sense that communities may be nothing more than pawns for communication purposes.

\textsuperscript{267} The principle of Universal Solidarity specifies that any human being can empathise with and come to an understanding of another and become one with something radically different from him/herself (Bhaskar, 2010:18).
Chapter 8

General conclusions and future work

This final chapter focuses on bringing together the findings from each of the previous chapters - the key finding being the categorisation of the RCSR model in Venezuela - and on using these findings to make policy recommendations and to propose ways of further developing this research. It also, thereby, shows the contribution of this thesis to existing academic research and outlines its limitations.

8.1. General conclusions

The central research question I have set out to answer is: How is MNOCs’ CSR influenced by the socio-political field in which MNOCs operate? Thus, to fulfil the aims and objectives of this thesis, at the outset of this research, I firstly set out to establish how the socio-political environment in which MNOCs operate influences their CSR in Colombia and Venezuela. Based upon my analysis of the academic literature and the research I conducted in both countries, I developed two separate models to explain the dialectical-relational dynamics of MNOCs’ CSR. Secondly, I set out to identify and explain key factors that affect these dynamics within each model. Based upon my research, I identified reasons and causal mechanisms that describe the patterns of agents’/structures’ interaction in both countries, using a process of abstraction that sought to consider and resolve some of the tensions in the academic literature discussed in preceding chapters and the field data that I had collected. To this end, I have used each of the critical realist layers of reality to move from empirical field data and actual policies and events to the real causal mechanisms that drive them, shedding light upon why different models prevail in each country.

Before looking at the recommendations, I have summarised below how I developed my argumentation throughout the thesis, preceding the categorisation of the RCSR model. This summary is by nature reductive and does not replace reading the chapters in their entirety.
I began by introducing the research and its philosophical and methodological underpinnings in chapter 1. In chapter 2, I outlined the oil curse problematic present in certain oil-rich developing countries, as well as solutions that have been proposed to tackle the absences stemming from the curse. These absences create different challenges for MNOCs operating in these countries. I then followed this analysis with a discussion of CSR in chapter 3, which businesses propose as a means of compensating communities for the negative impact of their operations. I addressed: (i) the various rationales offered in the literature as to why MNOCs conduct CSR, which I argue cannot fully answer this somewhat existential question; (ii) existing transparency and, to a lesser extent, existing behavioural standards and regulations; (iii) the need for further transparency regulation at an international level to create a level playing field and level-up MNOCs’ CSR practices; and (iv) how the latter would support the enforcement or, where appropriate, the enactment of regulations by oil-producing countries to allow the authorities to oversee MNOCs’ CSR budgets and practices, assess CSR projects and step-in as necessary.

Thereafter, I introduced the two case studies of Colombia (chapter 4) and Venezuela (chapter 5), describing: (i) the social responsibilities assumed by companies and the history of oil interests and policies in each of these countries as well as the roles played by external actors; and (ii) key socio-political characteristics prevailing in Colombia (including the weak state and incomplete democracy, the presence of various competing protostate actors, the violence and the role played by the United States in particular, and their interaction with the prevailing neoliberal discourses) and in Venezuela (the implementation of Bolivarian socialism and its translation into new types of protagonistic and participatory democracy). In chapter 6, I critically reviewed 18 MNOCs’ CSR reports to analyse their dialectical relationship with the global paradigmatic discourses on CSR and to better understand how MNOCs portray themselves and their CSR.

The purpose of the first six chapters was to contextualise and begin to show the existence of a dialectical relationship between MNOCs, their CSR practices and the environments in which they operate in Colombia and
Venezuela. In chapter 7, I presented two distinct models of MNOCs’ CSR in each country, identifying four separate levels, and outlining key findings from these models to better understand divergences of praxis, showing how the socio-political environment affects MNOCs’ CSR. These models emerged both from an analysis of the field research conducted and in light of previous chapters’ findings and represent important findings in themselves. However, arguably one of my key findings in chapter 7 was that CSR in Colombia and Venezuela falls under two separate models. Whilst Colombia is a textbook example of private-led CSR model, where the oil industry have more freedom to determine their social contributions, by contrast, Venezuelan CSR deviates from the neoliberal norm and I have categorised it as an example of Regulated CSR (RCSR).

RCSR is an acronym that I have developed to frame a specific group of principles that underpin one way in which CSR can be conducted. The first feature that I ascribe to the RCSR model, which differentiates it from the private-led model that prevails in Colombia, is that the authorities determine a percentage of financial flows or an amount to be spent by oil companies towards the financing of CSR projects, which must be paid regularly throughout the life of the project. This percentage or amount is non-negotiable and applies to all relevant oil companies. A second feature is that like royalties, these contributions are a part of the remuneration to be paid by oil companies to operate oil fields; this is a key difference with taxes, as the latter are paid without reference to a specific benefit received by the paying party, and testifies that RCSR is irreducible to taxation. A third feature is that the contributions paid by oil companies’ are abstract payments, or in other words, they are not as such linked to specific (one-off) projects; this is a key difference with the private-led CSR model that prevails in Colombia in which MNOCs claim to select their own projects carefully and purposefully. A fourth characteristic of RCSR is that oil companies do not ultimately determine how the contributions are spent. Indeed, there is a disconnection of responsibilities between the entities that finance CSR projects and those that allocate the funds; again this is a key difference with the private-led model that prevails in Colombia in which MNOCs have the ultimate decision-making
power. A fifth characteristic is that authorities play an active role in project development and monitoring; this is also different to private-led CSR as, for example, in Colombia, there is no such holistic vision. A sixth feature is that RCSR fits within a wider vision of state welfare than the neoliberal version of CSR; Colombia is a good example of the latter as CSR has mostly been set to meet isolated local needs, without much country-wide reflection. The implications of the RCSR model are manifold.

For the purposes of this concluding chapter, I will now present my other core arguments and findings in light of the implications of this RCSR model.

8.1.1. The oil curse

On the oil curse as the outcome of presence and absence and the relating societal challenges to MNOCs, I found that the academic literature suggests that the presence of oil has led to economic and political disparities in certain oil-rich countries, to such an extent that this phenomenon is known as the oil curse. I agree with this, but as Bhaskarian dialectic shows, abundance/presence cannot be fully understood without identifying and acknowledging absences. As such, I have shown that the absences stemming from oil-abundance are as important in explaining the oil curse. Within the resource curse literature, I have argued that the overarching theories that attempt to explain the oil curse have sometimes led to reductionist, inadequate and/or categorically flawed explanatory analyses. I have found that greed and grievance are powerful explanatory mechanisms, yet they are inadequate to grasp the complex realities characterised by a constellationality of causal mechanisms that can underpin the curse. Additionally, these can be misused to attach simplistic and/or normative judgments to agents’ actions. I have argued that the feasibility thesis does not offer causal mechanisms and, as such, it is a categorical error to use it to explain the oil curse. Moreover, I have contended that endogenous and exogenous factors need to be considered both in determining causes of the oil curse and in finding solutions. Despite the various proposed solutions to

268 Constellationality is a critical realist term used to describe the coincidence of real distinctions and connections in the world (Hartwig, 2007:79).
the resource curse in the academic literature, I have argued that there is no *silver bullet* solution and agreed with recent work in peace studies that has challenged the neoliberal assumption that the curse is *hands-on* and corrigible. This has implications for policy-makers as any pre-written catalogue of proposed solutions designed in the laboratories of international institutions and tested in closed systems is unlikely to bring any fundamental change in the real world, especially if its design and implementation fails to take local agency into account, as was demonstrated by the Chad precedent. I will return to this below.

How can CSR solve the oil curse? Is RCSR the new universal panacea? Looking at the neoliberal CSR model and the RCSR model, neither of these models are designed to abolish the oil curse. Indeed, in terms of their effects upon the curse, much depends upon the way in which these models are implemented. In the short-term, the practice of RCSR may lead developing countries to depend more heavily upon the oil sector for welfare provision. Nevertheless, RCSR has the potential to go further towards addressing important absences created by inequality, funnelling money to where it is most needed in a coordinated way. As such, it has arguably more emancipatory potential as people also perceive (and thus may be empowered by the fact) that the oil revenues are being used to go to the areas of welfare that need it most. Assistentialism is a risk of the RCSR model, but its (non-)development depends upon the way that RCSR is implemented.

As noted above, no type of CSR should be applied to a country blindly in a one-size-fits-all manner. RCSR has more potential to avoid falling into this trap as social policies are somewhat centrally planned; in this model, there is limited space for corporate involvement in decision-making, although companies are always able to lobby governments and communities. In terms of combatting greed and grievances, neither model is in itself a safeguard against the perception that the oil wealth is not evenly distributed, even if CSR can provide a good communications tool to combat such perceptions. Whilst, the private-led CSR model does afford companies more flexibility in terms of determining responses to the communities in which they operate,
nevertheless, it also leaves them more open to blame, as there is no objective universal yardstick to determine how much social action is enough.

8.1.2. CSR

A whole chapter of this thesis is dedicated to the literature on CSR. As explained above, to my knowledge, this literature does not discuss the RCSR model as such, but is primarily focused on the definition, effects and limitations of the private-led CSR model. On CSR and CSR reports, I found that there is no universal definition of CSR (as to content or extent) in the academic literature. This can lead to potentially contradictory world views, as it enables companies to define CSR through their praxis and their stakeholders to define CSR based upon their expectations. This can, therefore, lead to incompatible/unrealistic expectations and tensions between companies and communities. I have argued that CSR is an important compensatory mechanism within the prevailing neoliberal paradigm. Despite the lack of a universally accepted definition of CSR, internationally, neoliberal IFIs and the UN market CSR as a means to further development within oil-rich, developing countries. One of the risks that this approach entails is the creation/perpetuation of unhealthy relations of dependency between MNOCs and local communities, as MNOCs’ CSR becomes a way to replace absent government welfare.

I have also argued that companies are fundamentally constrained by the profit motive; this is an intrinsic feature of the capitalist system, which will continue as long as it remains the cornerstone of the world economic system. CSR, which has become the market standard for MNOCs, can only be understood with these constraints in mind. As such, in my opinion, CSR is arguably the most generous model of corporate welfare that MNOCs are willing to offer within the neoliberal system, but it could be improved within these constraints with appropriate international and national regulations. Indeed, CSR is predominantly self-regulated. I have argued that this is insufficient and that transparency requirements applying to MNOCs’ actions should be regulated at an international level to create a level playing field and level-up MNOCs’ CSR practices. This will support the enforcement or, where
appropriate, the enactment of regulations by oil-producing countries to allow the authorities to oversee MNOCs’ CSR budgets and practices, assess CSR projects and step-in as necessary.

My analysis of 18 MNOCs’ CSR reports has shown that these companies view CSR as an essential part of their communication strategy. Using critical discourse analysis, I have highlighted how MNOCs appropriate language from both IFIs and civil society discourse and how their reports pick and mix elements from across the specific reporting standards to which they adhere, hindering a clear understanding of how certain standards affect certain companies’ actions.

The analysis of these reports has also shown that each MNOC identifies its own relevant stakeholder groups. This has implications as to who is presented as a legitimate (community) representative and is included or excluded from discussions. I have, moreover, shown that these corporate reports rarely adequately disclose CSR decision-making processes and or the identity of those who ultimately take CSR-related decisions within companies.

Where do Colombia and Venezuela stand in light of the CSR models? The answer is relatively straightforward as CSR as practiced in Colombia fits within a wider neoliberal framework, whereas, by comparison, the Venezuelan environment presents different features, so that I have qualified CSR as practiced in Venezuela as RCSR. In essence, RCSR more sharply defines a category of CSR. I would argue that further categorisation of CSR is helpful given the large array of actions that qualify as CSR. Vis-à-vis the academic literature on CSR, the pattern practiced in Venezuela is a somewhat novel concept of CSR. In addition, the use of CSR, rather than oil monies, as a creative political tool to boost government support, appears not to be discussed in the literature and this research is innovative in this sense. Whilst communication is seen as being of key importance to MNOCs, it is not government (like in Venezuela), but rather MNOCs’ promotion of their CSR activities that is discussed in the literature.
The question remains as to whether MNOCs benefit more from one model or the other, but the answers are mixed and contingent upon several variables. The fact that companies are ultimately constrained by the profit motive means that CSR will inevitably never be enough to please all citizens in a given country, especially where companies are simultaneously damaging the local environment surrounding their operations without company or government remedy. At first sight, the neoliberal CSR model, which prevails in Colombia, appears to be better suited to MNOCs’ needs. Companies are freer and have more flexibility to decide and act, constrained predominantly by state/civilians’ requests. They also gain greater credit for their actions, even if they are also more likely to suffer the blame of their (in)action. Under the RCSR model, the government receives both the praise and the criticism for the use of oil monies on social welfare projects. In Venezuela, there is also a link between the public perception that MNOCs are paying money, including for CSR projects, and public support for the government. This has, in part, been enabled by the development of the RCSR model. Paradoxically, this research has shown that RCSR also appears to offer MNOCs greater social legitimacy to conduct CSR. There is little difficulty in identifying stakeholders or what is expected from companies as these criteria are clearly defined by the state. RCSR better enables companies to account to shareholders for additional CSR spending. RCSR can also lead MNOCs to favour a tick-the-box approach, where the payment of fixed social contributions is seen as more than sufficient to purchase a social conscience, allowing MNOCs to escape any ethical reflection as to their ability to support local communities through their own CSR projects. Whilst emancipatory RCSR relies upon good central governance, this model does avoid some of the pitfalls of project trendiness in the business world. It also creates a level playing field within countries and a yardstick that indicates how much social action is expected and sufficient; from a more ethical perspective, it provides MNOCs with a clear answer of what is expected and introspective soul-searching is no longer necessary. Thus, RCSR is less prone to unhealthy assistentialistic relations of dependency between MNOCs and local communities; rather this is, at least in the short term, transferred to the state.
Unfortunately, however, RCSR does reduce corporate responsibility and creativity in responding to community needs. Arguably this is not the role of a company within the neoliberal profit-making paradigm; nevertheless, it may be important to companies that want to adopt a more inspirational rhetoric and business culture and address generation Y.

8.1.3. Colombia and Venezuela: further comparison

Do the practices of CSR in Colombia and Venezuela in the current global neoliberal era represent a rupture from the past? The answer to this question is both yes and no, as, although some things may appear to have remained constant, this does not necessarily mean that the underlying causal mechanisms have not changed or that these mechanisms have reproduced the same effects in exactly the same fashion. As I have shown in chapter 1, critical realism posits that reality is not limited to the empirical or even to the actual, but also incorporates the real.

Corporate understanding of CSR has changed throughout the years and companies have adapted the way in which they frame and conduct CSR; however, some social responsibility has been present since the early oil days in both countries. Indeed, the literature reviews and my research have shown important similarities and differences in its practice.

In both Colombia and Venezuela, MNOCs arrived in the early 1900s and, like today, their ultimate motives were predominantly profit-related; social projects were not viewed as ends in themselves, but emerged in response to governmental expectations rather than as a direct response to those of the local communities. Indeed, CSR was a form of compensation; albeit inadequate, for wrongs done. However, a century of US hegemonic dominance and attempts to frame and control Latin American domestic politics, alongside national political developments in both countries, shaped the practice of corporate social projects to take on grander objectives, sometimes aimed at socially engineering a new DNA for the peoples of these two countries under the banner of modernisation. Limited corporate social development by MNOCs also enabled the good relations necessary for MNOCs to maintain their position in the oil developing countries and to delay
unfavourable nationalisation. Today, CSR is arguably still a form of inadequate compensation in both countries, not only for MNOCs’ (in)action, but also for state absences and unfulfilled expectations. In Venezuela, there has been an attempt to root CSR more firmly into a wider vision of state-led welfare. In the recent years of neoliberal Colombia, such grand projects in the area of state welfare have been notably absent. Whilst, ambitious megaprojects by oilmen such as N.A. Rockefeller appeared in both countries, the underpinning rationale of such policies was, at least partially, set to support US hegemony. In Venezuela, the state’s hijacking of corporate CSR is part of a recent strategy set to counter such hegemony and dependence. Whilst, there is a historical continuity in both countries, in terms of the state asking for MNOCs to engage in projects, the discontinuity (and novelty) of the Chávez era is the more direct earmarking of fixed amounts for social spending to be contributed by oil companies.

In Colombia, in the 1980s and 1990s, in particular, calls for MNOCs to get involved in welfare increasingly emerged from illegal armed actors, who dictated their terms, and from a state abandonment of certain oil areas. I have shown that MNOCs have been both directly and indirectly affected by the violence prevailing in Colombia in different ways. Although the oil industry has played a role in peace-building, it has also aggravated the Colombian conflict dynamics, by at certain times paying protection money to armed groups and turning a blind eye to paramilitaries’/private security companies’ activities. I have shown that this has contributed to widespread social distrust of MNOCs and a questioning of the legitimacy of their social action. In Venezuela, MNOCs were also targets of violence during the Cold War, but this violence was short-lived unlike in Colombia, where MNOCs appear to have less social legitimacy.

The presence of the Dutch disease in both countries has also contributed to heightened popular demands for CSR. The role of oil in fuelling conflict is found in the oil curse literature as shown in chapter 2. The violence in Colombia has been fuelled by, but not primarily caused by, the presence of MNOCs. However, in Colombia, the oil curse is not due to a mono-export of oil and oil related products. Colombia is a mild Dutch disease sufferer, with a
weak state and incomplete democracy, but the social inequalities of poor resource distribution and the seeds of social exclusion began long before the value of oil was recognised. On the other hand, Venezuela is a textbook example of a Dutch disease sufferer, displaying various oil curse features. The failure to sow oil income into sustainable development fostered the gradual rise of social and state demands upon companies. These conditions were more directly conducive to the election of Hugo Chávez in the late 1990s and the implementation of a new model of CSR.

Could RCSR thrive in neoliberal Colombia? Indeed, Venezuela shifted from a neoliberal model to RSCR over a short space of time, despite the fact that RCSR is fundamentally incompatible with neoliberalism given its emphasis upon strong central coordination. In my opinion, Colombia would not be able to sustain the RCSR model at present. Under US influence, the Colombian government introduced a neoliberal agenda and neoliberal measures in the early 1990s. I have argued that neoliberalism, based upon laissez-faire policies, an economy open to outside actors and a reliance on trade and FDI, may be a better fit for a state that has historically struggled to impose itself throughout its whole territory, as it allows the government to practically delegate development in remote areas to the private sector according to the latter’s own terms; however, the neoliberal logic has not addressed the pre-existing inequalities and social divisions within Colombia and is not, in itself, an instrument of social cohesion.

In Venezuela, the period of neoliberal reforms were short-lived given the severity of the social, political and economic crisis. Moreover, Venezuela does not suffer from the same violence as Colombia, although criminality in Venezuela is a serious and rising problem. However, the dawn of Bolivarian socialism does not mean the disappearance of neoliberal pockets within Venezuela. Former President Chávez was elected with a mandate to bring social change towards greater social justice. This was implemented under the banner of 21st century socialism, which is an anti-neoliberal attempt to reshape society and overturn the elitist politics that are still prevalent in much of Latin America. I have shown that this new socialism has emerged as a
rejection of neoliberalism and as an attempt to reverse asymmetric relations of dependency internally and externally.

However, I have argued that by attempting to reverse former social structures and give a voice to poorer segments of the population, the government has fostered social division, by isolating those who resist change, those who are associated with the ancien regime or others who oppose the methods being used to achieve the end goals. This opposition is partially due to the fact that the revolution is still young, but for it to mature, it will need to define its identity less through opposition and rejection, and more on the acknowledgement of a need to peacefully coexist. Failure to do so is leading the Venezuelan government to repeat the historical cycles of political change, whereby new regimes often end up repeating the mistakes of the predecessors that they had adamantly opposed. In both countries, socialist political parties were long isolated in the context of pacted democracies and the Cold War. In Colombia, political reform aimed at ending elitist politics has not yet occurred.

How does this translate into MNOCs’ CSR? In Colombia, MNOCs have significant autonomy in determining, executing and promoting their CSR. The Colombian government’s approach to oil and social policies follow the paradigmatic neoliberal logic, which has been adopted by the country. In Colombia, CSR is private-led, falling within an explicit CSR approach. MNOCs are legally free to do as much or as little as they wish when it comes to the implementation of CSR initiatives. As such, CSR is treated by the government with a laissez-faire approach. Companies have not used this space for domestic self-promotion and have not sought domestic publicity for their CSR activities. I have argued that this low profile can be explained by their reluctance to (continue to) replace the state in certain areas and their desire to avoid attracting attention from protostate actors, such as the armed groups. This approach, coupled with MNOCs’ past relations with armed actors, has nevertheless narrowed the space left to MNOCs to conduct CSR in Colombia.
This is at sharp contrast to Venezuela, where I have shown that, under the RCSR model, CSR has become compulsory and has been somewhat institutionalised; although it is still funded by the oil sector, CSR projects are ultimately state-led and controlled by the government, through PDVSA, the national oil company. The oversight of CSR projects by PDVSA has caused a drastic change in the way that MNOCs can conduct CSR in Venezuela. CSR is no longer a matter of private initiative following the consultation of local communities, but it has become a matter of the oil sector funding CSR through mandatory social contributions and MNOCs trying to influence PDVSA and the government in CSR spending. This is, however, less the case as far as extra MNOC initiatives funded on a voluntary basis are concerned (although some government approval remains necessary). Moreover, whilst the model implies a partial negation of private-led CSR, social action remains within the realm of CSR, if only at the very least as a manifestation of speech-acts and through the ability that MNOCs still enjoy to influence CSR projects overseen by PDVSA. I have argued that this represents another manifestation of the state’s distrust of private social initiative; however, I have also contended that, given the current social and economic challenges prevailing in Venezuela, the government should not, as such, cut itself off from MNOCs’ non-financial resources and experience.

Additionally, the government decided not to fund the social projects through increased royalties, but rather through specific social/CSR contributions, which still allow the oil sector to count them towards their CSR spending. However, the Venezuelan government has taken the credit for CSR. I have argued that this is a message that a large segment of the Venezuelan population needed to hear following the years that they spent disenfranchised from the political and economic life of their country. It has been an emancipatory message that has not blamed the poor for their poverty. Moreover, whilst in effect neither the social levies paid by the oil sector nor the use of PDVSA as a piggy bank to fund social projects are the only means needed to tackle the resource curse, this message has nevertheless symbolically resonated with the people and there is an element of transcendental empowerment to this model. Arguably, President Santos in
Colombia, whilst not taking over CSR, has learnt from this model in his attempts to redistribute oil payments to the local governments, by redirecting money to the country’s poorest areas.

How do MNOCs and civil society work in Colombia and Venezuela? In Colombia, civil society actors were ostracised in governmental discourses under the Uribe administration, and some have been infiltrated or targeted by armed groups. Thus, civil society is weak and MNOCs do not always trust civil society actors. This limits their capacity to act as effective, natural partners for MNOCs executing CSR. In Venezuela, I have shown that under Bolivarian socialism, the communal councils play a role in determining the local communities’ social needs and apply for CSR projects based upon their own assessments; however, this occurs under government control where the ultimate decision-making power resides. I have argued that this has led to the gradual exclusion and ostracising of traditional civil society actors, such as NGOs. Indeed, both countries are characterised by a weak civil society. By consulting the people directly in Venezuela, however, the people feel more directly empowered and engaged in the process of deciding where the oil monies are spent (if their projects are accepted). Nevertheless, despite its empowering capacity, to some extent, this new co-decision mechanism is chimeric, given that the ultimate spending decisions are not made by communal councils.

Looking at how Venezuela and Colombia operate CSR, I created two models to outline the dialectical-relational dynamics that influence the practice of CSR in both countries. Using the literature discussed above and the data that I collected in the field, these models show the agents involved in framing CSR (level 1), the structures, events and policies that shape MNOCs’ CSR (levels 2), the immediate reasons that explain why the structures and agents interact as they do, thereby shaping MNOCs’ CSR (level 3) and the underlying causal mechanisms behind the models (level 4).

The underlying causal mechanisms that I identified to explain the dynamics of CSR in Colombia are neoliberalism and a struggle for sovereignty, and in Venezuela, capitalism, a drive for emancipation and caudillismo. I have
argued that, in an open system, there are multiple causal mechanisms that are or are not actualised at any given time and, as I demonstrated, their identification in one country does not exclude their presence in another. However, I have selected these mechanisms for their strong explanatory power compared to other explanations that I examined within each country. This selection also entails, to a certain extent, a reliance on the author's subjective judgements, and I have shown above the reasons for preferring one explanation to another; thus, this exercise of judgemental rationality is fully assumed. Nevertheless, it was apparent in conducting this research that, as noted above, the weak state and struggle for sovereignty in Colombia, held explanatory power as to why Colombia has been open to the promotion of a neoliberal CSR model. By contrast, Venezuela has adopted the RCSR model, which can somewhat be explained by its oil-permeated identity and by the new incarnation of caudillo style politics under former President Chávez, as well as by its drive for emancipation and Venezuela’s economic foundations in the capitalist system. The internal contradictions within Venezuelan society between Bolivarianism and capitalism and between caudillismo and emancipation are noteworthy. As I have argued, however, neoliberal CSR falls short of being able to fulfil as emancipatory an agenda as is found in Venezuela.

I have outlined the features of RCSR, and shown that RCSR in Venezuela is different from the private-led CSR model prevailing in Colombia. I have also compared these two models and shown that, despite their different regulatory approaches, each one shares similar categories of agents, policies and causal mechanisms, which can produce different outcomes in different geospatial contexts. Moreover, I found that in both models, MNOCs are, more or less explicitly, expected to engage in and finance CSR projects, although in both countries, non-oil sector respondents viewed CSR primarily as a matter of corporate communication.

Respondents perceived MNOCs as legitimate social actors and trusted them significantly more in Venezuela than in Colombia. This is counter-intuitive, as the Venezuelan state has attempted to institutionalise the distrust of MNOCs, amongst others, by regulating their CSR. Indeed, the Venezuelan
government and PDVSA have acquired significant influence over CSR, through regulations and attempts at delegitimising private welfare. In many ways, the role assigned to MNOCs under the Venezuelan model reinforces the corporate communication side of CSR as the link between CSR spending and projects become increasingly abstract. This ultimately risks making MNOCs less socially responsible, as they have lost decision-making power vis-à-vis CSR projects.

In each model, civil society has a very limited impact on MNOCs’ CSR decision-making processes. It, nevertheless, plays a greater role in project implementation. However, MNOCs face obstacles in choosing civil society partners in both models, considering the challenges of identifying experienced and professional partners. This trend has been reinforced by the state’s delegitimisation of civil society and, in Colombia, also by the infiltration of civil society by armed actors.

International institutions have little direct involvement in the practice of CSR, but do play a role in shaping the CSR paradigm, mainly through the enactment of non-binding sets of transparency disclosures and best practices to be used by MNOCs when reporting or promoting their CSR activities.

In both models, MNOCs are required to involve local communities in their CSR processes. In Colombia, this materialises through consultations with local groups; in Venezuela, through meetings with the communal councils and the latter’s ability to communicate their social needs. Neither model proposes an ideal solution to tackle assistentialistic CSR projects; as I will recommend below, in order to transform this pattern, governments could monitor projects more carefully and step in as necessary to change praxis. However, the Venezuelan communal council process has symbolic importance in reducing community grievances and it could be interesting for Colombia to consider how to better incorporate community groups into the decision-making process, based upon the protagonistic and participative model of councils in Venezuela.
8.2 What do these findings mean for policy-makers?

This section outlines some policy recommendations that I have developed based upon the findings outlined in this research. The recommendations are directed at the Colombian, Venezuelan and other oil producing countries’ governments, consumer governments and oil companies’ representatives.

8.2.1 To the Colombian government

Firstly, the Colombian government should encourage greater oil company accountability in terms of revenue transparency and reporting. This could be set out in oil contracts and should be extended to CSR, where companies should publish records of their activities with key comparable data. This would enable both domestic and international civil society to more closely monitor and encourage companies to adopt better practices. These accountability standards could be derived from international standards (see below).

Secondly, the Colombian government should continue to strengthen its support of Colombian civil society, protecting human rights defenders and ensuring their safety. International funds, such as the European Union’s European Instrument for Democracy and Human Rights (EIDHR), could be sought to specifically assist in civil society training and capacity building projects. Indeed, genuine civil society representatives constitute relevant and important interlocutors for MNOCs projects.

Thirdly, citizens need to be able to engage and take greater ownership of CSR, playing active, rather than passive roles. This could be done through the establishment of communal councils, like in Venezuela, or through another mechanism, but civil society needs to be strengthened. Whilst there is an element of symbolic mediation to such councils, beginning with such a mechanism directly empowers participants and represents an important first step in the establishment of further mechanisms that empower communities.

Fourthly, linked to my last recommendation, the government needs to further develop and implement policies that ensure free, prior and informed consultation (not merely information) with communities in all areas where it is
considering allowing oil companies to operate, including in indigenous areas where lands are contested. The government should not allow companies to begin oil operations in areas in which community consultations have not yet taken place. In addition, where oil exploitation is carried out, the state should put the necessary mechanisms in place to ensure fair compensation for those who are displaced or whose livelihoods are affected and ensure implementation of such mechanisms.

Fifthly, the state should work to ensure that royalties secure public access to essential social services in oil areas as a way to correct asymmetric relations between MNOCs and communities in which MNOCs may have provided such social services in the absence of state action.

Sixthly, the government should incentivise oil companies operating in Colombia to engage in peace-building initiatives, such as the UN Global Compact’s Business for Peace initiative to share promising practices from across different conflict areas. More generally, the government should foster the emergence of a valid business case for MNOCs to do so.

8.2.2 To the Venezuelan government

Firstly, the government needs to put in place better accountability mechanisms to control financial flows surrounding CSR projects and the use of social levies by PDVSA. Corruption has long been, and continues to be, a significant problem in Venezuela. It has permeated the RCSR model as practiced in Venezuela. This entails that PDVSA, like MNOCs, should adhere to more rigorous reporting standards of its (CSR) activities. These standards could be derived from international standards (see below).

Secondly, the Venezuelan government needs to ensure that sufficient investment is being directed back into PDVSA and that monies that are spent on CSR, in addition to mandatory social levies, are not spent at the expense of future production; the sustainability of the Bolivarian model depends upon a healthy flow of oil revenues.

Thirdly, policies to diversify the economy should be accompanied by CSR programmes that tackle the cultural propensity towards assistentialism.
Indeed, CSR has, in part, been used by the government to reinforce the image of the president as a saviour figure, which is a causal mechanism underpinning assistentialism.

Fourthly, the government should reintegrate a depoliticalised, or non-government led, associative sphere back into its model of society. This would not only help to counter caudillismo with a civil society that would monitor and hold the state accountable for its actions and/or gather professionals working in development or human rights, but also provide/safeguard expertise in the development and implementation of CSR programmes. Moreover, in this vein, the Venezuelan government should support the activities of human rights defenders and independent non-governmental organisations in the promotion of human rights and democracy, including through positive public recognition of their role.

Fifthly, given the current social and economic challenges prevailing in Venezuela, the government and PDVSA should avoid cutting themselves off from MNOCs’ non-financial resources and experience. There is the risk that in several years, companies will have lost local capacities to do CSR projects if these are not put to use. More specifically, the risk is that these companies’ Venezuelan operations could regress into the trap of viewing the world only through the eyes of an engineer.

8.2.3 To the governments of oil-producing and resource-rich countries

This thesis is focused upon CSR, the oil industry, and Colombia and Venezuela. However, the resource curse is, of course, neither limited to Colombia and Venezuela nor to the oil industry, but it is applicable to the extractive sector more generally. Whilst there are peculiarities arising from the various resources in a curse context, one common response from the extractive industry has been CSR.

Indeed, the extractive industry’s expanding activities across the developing world have triggered numerous social and environmental conflicts. In Africa, conflicts have arisen over pollution by oil contamination in the Niger Delta and small-scale mining in Tanzania. Moreover, conflicts have arisen over
local livelihood degradation or forced displacement in Botswana, Ghana, Namibia and Tanzania. In Asia, Indonesia, Papua New Guinea, the Philippines and Thailand have all experienced socio-environmental conflicts around extractive sites, and gold mining has caused transnational armed conflict in India (Damonte, 2013).

In Latin America, conflicts have primarily arisen where local populations have resorted to confrontations with the state or private extractive companies over land use, environmental contamination and the distribution of resource revenues. Thus, determining a suitable CSR framework is important for all governments, to limit the effects of a resource curse in the face of a growing extractive sector. Indeed, the three-fold increase in the value of Latin American mining activities from USD 90.1 billion in 2001 to USD 305.8 billion in 2011 presents unique challenges and opportunities to companies’ stakeholders. CSR programmes will need to take into consideration the following rising trends across Latin America: i) the increasing awareness of and expectations upon companies’ CSR and, more generally, upon their social and environmental performance, with the rise of a more educated middle-class; coupled with a general rise in communication capacities, the emergence of this more savvy and informed local stakeholder adds to the traditional stakeholder’s expectations; and ii) the tension between the promotion of FDI by national governments and the opposition of local communities in areas of extraction (Martin, 2013). According to the Observatory of Latin American Mineral Conflicts (OMCAL) (2014), this problem is not negligible as 211 mining projects in Latin America are currently in conflict with 305 communities, 6 of which are transborder conflicts.

Examples of such tensions have been seen in Bolivia, where until recently the government had simultaneously sought to attract extractive industry-related FDI and encouraged communities to assert their rights to natural resources without effective access to remedy, resulting in communities taking extreme measures against companies (including holding company employees hostage), whilst companies felt legally entitled to operate. Even in Chile, despite the traditionally greater alignment between the government’s
historically pro-mining policies and civil society support, this support is gradually dwindling in communities near to mining sites. Thus, MNOCs and other extractive companies will increasingly need to navigate the socio-political context so as not to be caught between competing local and national agendas (Martin, 2013).

Returning to oil, in Latin America, MNOCs have adopted CSR in other countries than Colombia and Venezuela. Another oil-producing country in the immediate vicinity of both Colombia and Venezuela, that decided to transition from neoliberalism to 21st century socialism in the period in which both Uribe and Chávez were in power, is Ecuador. This thesis is not dedicated to Ecuador, but the following aspects are noteworthy to emphasise the ways in which Venezuela’s model is novel.

Since becoming president, Rafael Correa (2007-) has attempted to re-balance MNOCs’ relations with local communities and the state. One strategy has been to increase the state’s share of oil profits, at the expense of CSR. This approach has been based on the assumption that increased royalties would allow the government to return the benefit of oil to the people and distribute the money appropriately. This is not dissimilar to what has happened in Venezuela, or even in Colombia where the allocation of oil royalties has recently been reviewed to allocate the money more generally throughout the whole territory. Whilst, like in Venezuela, the state has attempted to curb private CSR initiatives, viewing these as falling within the realm of the state’s exclusive responsibilities, a striking difference is that in Ecuador CSR has not been institutionalised through social contributions. Moreover, the NOC, Petroecuador, is not taking the same leading role as its counterpart, PDVSA.

Arguably unlike in Venezuela where the poor and disenfranchised enthusiastically supported the revolution, in Ecuador, certain local oil communities appear to have a greater solidarity with MNOCs vis-à-vis the national government. In 2008, the Ecuadorian government proposed to review profit allocation under production contracts, from a 50:50 split to a 99:1 split, a move which led Repsol-YPF to threaten to leave the country.
This situation triggered the Waorani indigenous organisation NAWE\textsuperscript{269}, to publish a press statement urging the government to prevent Repsol-YPF from leaving the country. One of the concerns expressed was that indigenous communities depended on Repsol-YPF’s CSR programmes and thought their survival to be at risk, self-identifying as Repsol beneficiaries (Billo, 2012:120). Irrespective of the authors’ motivations and of whether they were manipulated by the oil lobby, this example shows the embedded nature of the asymmetric relations of dependency that can arise between MNOCs and local communities. It also shows that any government that wishes to increase its stake in the royalties, at the expense of reducing CSR budgets, should ensure that the local people do not suffer, or perceive a threat to their wellbeing.

Nevertheless, CSR is a hot topic in Ecuador. Its relevance is both local and national, but it also has global implications. Chevron’s experience in Ecuador is a well-known example. Chevron was sentenced in appeal in Ecuador to pay damages of USD 9.5bn for past pollution. Given the amounts at stake, the beneficiaries tried to obtain the enforcement of the court decision outside Ecuador: in the US, in April 2014, a court declared the Ecuadorean decision to be unenforceable, based on alleged corruption, but Chevron did not manage to obtain a similar decision in Canada, where courts allowed for the enforcement of the court decision. Thus, MNOCs can be held responsible on grounds related to social responsibility and their assets outside their home country are at risk. The Ecuadoran precedent is not yet over, but it may be a source of inspiration for local communities in other parts of the world, such as in Venezuela or Colombia, where MNOCs may face similar legal actions in the future.

Understanding, preventing, and managing conflict scenarios related to the resource curse and the extractive industry’s expansion is both complex and context-specific. Indeed, no two countries are the same or share exactly the same set of circumstances and as such, recommendations should not fall prey to a one-size fits all approach. Whilst CSR is an important

\textsuperscript{269} Nacionalidad Waorani del Ecuador
compensatory mechanism that can be used to give something back to local communities, governments and companies should not oversell its potential and they should tailor it to their individual contexts.

In terms of recommendations, based upon my findings, firstly, I recommend that governments consider the merits of the RCSR model versus the private-led CSR model for their country, taking into consideration the different features of both models. As a category of CSR, RCSR is neither a magical panacea nor a checklist of measures that guarantee success in each country in which these measures are applied. Nevertheless, it is potentially relevant not only for MNOCs in Venezuela, but also for those in other Latin American countries and around the world. It is also relevant to other industries with natural resources.

Secondly, a significant limitation of the RCSR model relates to its financing, which is somewhat linked to the prices of natural resources that vary and are cyclical. This entails that RCSR contributions, calculated as a percentage of profit, are unlikely to be stable, which can make it difficult to implement long-term social projects. In addition, the exploitation of some resources is more profitable than that of others and the income that could be achieved through RCSR mandatory contributions could be nominal for certain of them, or in a worst case scenario could even make their exploitation unprofitable, if royalties are not simultaneously decreased. Therefore, governments should not base a whole social welfare system upon a RCSR model and should make sure that appropriate funding mechanisms are available during the more difficult years.

Thirdly, there needs to be a strong institution in charge of monitoring and deciding upon the spending of the social contributions to avoid another layer of red tape or corruption. This would be a mechanism to counter clientelistic and populistic spending. A national oil company can play that role, but success is not guaranteed, as shown by the Venezuelan precedent. By contrast, this is where the discretionary choice of MNOCs to act to develop CSR programmes in the private led model brings an element of distributive justice that can make it more difficult to criticise how CSR money is spent.
Fourthly, the RCSR model should foster stronger relations between the government and MNOCs, rather than leading to confrontation. Governments should leverage upon MNOCs’ experiences in CSR projects to lead them to implement the projects in their country that would have the strongest impact considering the MNOCs’ skills and capacities.

In determining which model to retain, oil-producers’ governments can also find support in the work done at an international level. In this respect, national governments and individual companies could find a source of inspiration in the current UN Guiding Principles to implement the Protect, Respect and Remedy Framework. To this end, the UN also has a role to play in disseminating these standards and in supporting countries that are willing to integrate them into their national legislations.

8.2.4 To consumer governments

As discussed in chapter 3, oil is an internationally traded commodity of such global importance that oil producers and consumers are interdependent. Many consumer governments have received oil supplies and income from value-added taxes and other levies on oil-based products, by purchasing oil from governments with questionable social records. As noted above, whilst it is reductionist to ignore national factors and to hold the international institutions and hegemonic powers solely responsible for the oil curse, a certain ethical flexibility on the part of these actors has led to certain double standards.

The BRIC countries aside, the US and the EU consistently, for example, place trade before human rights. This was shown in the rush to turn Chad into an oil producer without adequately ensuring that the safeguards the World Bank had set were truly in place; but another more recent example could be the EU’s lifting of sanctions on Burma in 2013 before the latter had met the human rights criteria required by the EU. This compromises the attempts by the West to establish itself as the world’s moral policeman. If the West is to impose conditions upon developing countries, more must be done to ensure that human rights conditions are improved in the oil producing countries in which companies are to invest prior to the start of operations. In
particular, governments should not push developing countries to exploit natural resources where this could lead to social conflict. Thus, I recommend the following:

Firstly, consumer governments should actively reflect upon their relationships of mutuality and reciprocity with oil consumers. It is important that governments keep in mind that using less oil in the short-term may be detrimental to developing economies given supply and demand. In this vein, the current oil-driven capitalism is unsustainable and other systemic models need to be devised. Such reflection would undoubtedly challenge current lifestyle patterns and, thus whilst envisaging this change, wider societal questions such as the state of the environment and the best use of resources would also need be considered. In this regard, it is important that a new colonialism is not engendered.

Secondly, reflection is needed on whether governments are willing to decrease taxes on oil products, by paying more for oil that is produced in a socially responsible way. The criteria used to determine whether oil is produced in a responsible way should be meaningful and not politically expedient. Moreover, criteria would need to be agreed upon globally for such measures to have effect and this would require considerable political will. Another alternative, which is consumer based, is FairTrade oil. This is arguably easier to implement although it is less immediately effective and it is unclear how many consumers would actually pay higher prices for this product.

Whilst consumer governments do not consistently put human rights before trade considerations, nevertheless, certain governments have played an important role in pushing for higher international corporate standards, establishing norms and regulations to this end. Such laws, norms and pressures affect both MNOCs and, to a lesser extent, NOCs. As I argued in chapter 3, in regulating CSR at an international level, governments should start with far-reaching transparency requirements, rather than behavioural standards, given the difficulty in identifying which behaviours should be regulated. Such international regulation should be industry specific and goal
orientated, preventing irresponsibility rather than focusing upon ideologically imbued abstract utopias. To this end, I recommend the following measures:

Firstly, governments should push for a harmonisation of corporate reporting, which levels practices up and not down. At present, corporate reports pick and mix elements from across the specific reporting standards to which they adhere, hindering a clear understanding of how the different standards affect companies’ actions.

Secondly, consumer governments should sanction bribery and other forms of corruption by enforcing existent penalties and fines.

Thirdly, the implementation of these new rules, enacted by the US and the EU on transparency for the extractive sector, need to be monitored carefully if they are to have the potential to lead to behavioural changes. In the short-term, not only should penalties be applied to encourage compliance, however the outcome of these new measures and the effects of their interaction with the existing behavioural rules (such as anti-bribery regulations and competition rules) will need to be assessed. Indeed, it is important to evaluate how effective they have been in causing positive behavioural change and whether the transparency criteria chosen were the most effective or whether the regime needs to be amended. New transparency rules should enhance comparisons between MNOCs’ CSR practices and level up the stakes. This could be a first step towards the emergence of a universal yardstick to assess the social value of MNOCs’ CSR.

Fourthly, governments should fund initiatives to empower the governments of oil-producing countries to enforce or, where necessary, enact appropriate regulations and to oversee MNOCs’ CSR budgets and practices.

8.2.5 To oil companies

Whilst there is a business case for CSR, there is also an inherent conflict in the increasingly symbiotic relationship between CSR and profit. Without profit, there cannot be CSR and CSR is an important asset that helps companies to remain competitive, win contracts and make profits. In the current global economic framework, however, a company’s profit-making
core can undermine corporate attempts to be more socially responsible and CSR can damage a company's bottom line if its scope is not clearly determined and communicated. In this regard, companies need to be able to overcome their shareholders’ schizophrenia, as this group may have expectations both as ethical consumers and/or as investors. In this vein, RCSR does provide corporate shareholders with clear answers to questions surrounding the justification of social spending versus profit.

In many regards, CSR is a matter of expectation management: what can MNOCs’ CSR provide? The risk to companies and their stakeholders is one of a magic realism of the kind described by Colombian author Gabriel García Márquez, whereby companies risk finding themselves squeezed between “the lines of demarcation that separate what seems real from what seems fantastic” (García Márquez in Janes, 1991:101). The reality is that companies can deliver efficient projects, but the realm of fantasy is perhaps that they can fund an entire state’s welfare and single-handedly solve the oil curse.

In terms of recommendations:

Firstly, like governments, MNOCs also have a responsibility to ensure that local communities in areas in which they operate have been consulted fairly prior to the start of their operations.

Secondly, MNOCs with a positive record of conducting CSR should work to share their best practices with their newer competitors from BRIC countries as well as with NOCs. Looking at MNOCs’ programmes in, for example, Colombia, many are focused upon vocational training that should enable citizens to reduce their dependencies upon MNOC welfare. These projects, however, do not occur on a large enough scale to truly reduce communities’ dependencies over time. Indeed, companies need to work together and with other partners to enable the emergence of an enabling environment in which citizens are able to exit debilitating poverty; in this respect, a minimum of coordination should be expected at a local level to ensure that MNOCs’ CSR is mutually reinforcing to the benefit of the local communities.
Thirdly, MNOCs should continue to work to ensure that their own internal understanding of their social responsibilities is not the remit of a small CSR department or desk in a communications department, but that it permeates their corporate culture to become a part of each company’s DNA.

8.3 Limitations of this research and recommendations for future work

The primary purpose of this thesis was not to advocate either neoliberalism or Bolivarian socialism, based upon their CSR. This approach would be overly reductive and would involve resorting to ideological considerations and lived illusions. The research I have conducted in this thesis is, nevertheless, foundational for any scientifically-based research in this vein. One limitation I faced in terms of assessing the effects of the Bolivarian governments’ oil and social policies regarded the reliability of official statistics. Future research, however, could be done to assess the success of such policies and, more generally, the emancipatory effect of Bolivarian socialism over time, if it survives the current political tensions.

The question as to whether MNOCs’ CSR should be regulated, from a transparency and/or behavioural perspective, also deserves further research. I have argued that a mix of appropriate international and national regulations is necessary:

At an international level, transparency regulations are necessary to create a level-playing field and to level-up MNOCs’ CSR activities. In this context, the introduction of new EU requirements in respect of payments made to governments by the extractive industry should produce a wealth of data that could underpin such future research; moreover, the study of MNOCs’ CSR reports over several years could help to see whether, and if so how, transparency is being implemented.

At a national level, further research should also continue to assess the merits and limitations of the RCSR model and its potential effects upon the oil curse in countries with significant natural resource deposits. In addition, oil-producing countries should enforce or, where necessary, enact regulations to ensure that MNOCs’ CSR funds are properly allocated and monitor and
assess CSR projects, suppressing or amending those which reproduce assistentialistic patterns; such measures would require the political will for governments to step in as necessary. To avoid naïve optimism, further research would need to be conducted to determine how such an approach could be implemented successfully on a case-by-case basis, whilst identifying the means and policies needed to ensure that oil producers move forward, leaving the oil curse firmly in their past. This will not take place overnight.

At a local level, research is needed to determine the role of emerging technologies and an educated middle class in shaping social and environmental expectations as to MNOCs’ CSR.

From a consumer perspective, CSR should not be an excuse for no longer asking the more important questions relating to the priority of trade versus human rights and the import of oil from pariah states. These are difficult questions. As mentioned in chapter 3, initiatives such as fair trade oil are important initiatives that should be researched further.
Annex 1 – Overview of oil companies in Venezuela and Colombia

<table>
<thead>
<tr>
<th>Name</th>
<th>Home country</th>
<th>Size of oil operations in Venezuela</th>
<th>Size of oil worldwide operations</th>
<th>History in Venezuela</th>
<th>Information on Venezuelan operations</th>
</tr>
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<tbody>
<tr>
<td>Chevron</td>
<td>USA</td>
<td>In 2013, net production averaged 61,000 b/d (oil) and 26 million cf/d (natural gas).</td>
<td>In 2013, worldwide net liquids production averaged 1,731,000 b/d. Venezuela represented 3.5% of Chevron's worldwide production of liquids in that year, which is comparable to Thailand (3.6%) or Canada (4%). In 2013, worldwide</td>
<td>Chevron's presence in Venezuela started in the early 1920s, when the company began exploring for oil in the country. In 1946, the giant Boscan oil field was discovered west of Lake Maracaibo, in the state of Zulia. Following the nationalisation of the Venezuelan oil industry in the</td>
<td>Chevron is the largest private foreign oil producer in Venezuela in terms of daily crude oil production. Chevron is a shareholder in several Venezuelan companies: Petrobocan (39.2%) operates the onshore Boscan Field in western Venezuela under a contract that is due to expire in 2026. In 2013, net daily production averaged at 26,000 barrels of liquids and 6 million cf of natural gas. 21 development wells were drilled in 2013. A financial agreement was also signed in 2013 for the funding of the field’s continued development. Petroindependiente (25.2%) operates the LL-652 Field in Lake Maracaibo under a contract expiring in 2026. In 2013, net daily production averaged 1,000 barrels of liquids and 7 million cf of natural gas. Petropiar (30%) operates the Hamaca heavy oil</td>
</tr>
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natural gas net production averaged 5,192 million cf/d. Venezuela represented 0.5% of Chevron’s worldwide production of natural gas in that year.

Chevron’s combined production of oil and gas corresponds to an average of 2,597,000 boe/d.

mid-1970s, Chevron returned to Venezuela in 1996 to assume operation of the same field. That same year, Chevron headquartered its Latin American operations in Caracas.

production and upgrading project under an agreement expiring in 2033. The project is located in the Orinoco Belt and includes processing and upgrading of extra heavy crude oil (8.5 degrees API gravity) into lighter, higher-value synthetic oil (up to 26 degrees API gravity). In 2013, net daily production averaged 25,000 barrels of synthetic crude oil, 9,000 barrels of extra-heavy crude oil and 13 million cf of natural gas during 2013. Enhanced oil recovery studies continued through the year. 62 development wells were drilled in 2013.

Petroindependencia (34%) is working towards the commercialisation of the Carabobo 3 Project. This heavy oil project is located in three blocks within the Carabobo area of the Orinoco Belt. The primary term of the concession is for 25 years, with a 15-year extension granted upon upgrader start-up and commencement of thermal recovery operations. Project activities in 2013 focused on assessing development alternatives.

In addition, Plataforma Deltana Chevron operates and holds a 60% interest in Block 2 and a 100% interest in Block 3 in the offshore Plataforma Deltana region. The Loran Field in Block 2 and the Manatee Field in Trinidad and Tobago form a single, cross-border field that lies along the maritime border of Venezuela and Trinidad and Tobago. In 2013, cross-border
### CNCP / PetroChina (Sources: PetroChina, 2014; PetroChina, 2014a; Wallis, 2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Details</th>
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<tbody>
<tr>
<td>China</td>
<td>No specific figures are disclosed for Venezuela. However, Petrochina (2014a) indicates that in 2013, oil and gas equivalent output from overseas operations reached 136.5 million barrels (i.e. 373,972 b/d). These figures include Venezuela’s production. In 2013, the group’s total crude oil output was equal to 932.9 million barrels (i.e. 2,555,890 b/d). The marketable natural gas output reached 2,801.9 billion cf (i.e. 7,676 million cf/day). The oil and natural gas equivalent output amounted to 1,400 million barrels (i.e. 3,835,816 boe/d).</td>
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<tr>
<td></td>
<td>CNPC has been present in Venezuela since 1997, when it won tenders for the Intercampo and Caracoles Oilfields.</td>
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<td></td>
<td>CNPC has oil and gas assets and equity in the country, but also provides oilfield services. According to Wallis (2013), in 2013, CNPC announced that they would work with PDVSA to develop the Junin 10 block in the South American country’s Orinoco extra heavy crude belt to produce 220,000 barrels per day with an investment of USD 14 billion. PDVSA had begun early crude production at Junin 10 earlier that year, operating the project alone after failing to reach an agreement with France’s Total and Norway’s Statoil. CNPC already has minority stakes in two other Orinoco belt projects with PDVSA, Petrosinovensa and Petrourica. In 2013, the CNCP and PDVSA reached a deal for USD 4 billion in funding to more than double output at Petrosinovensa from 140,000 b/d to 330,000 b/d. Early production was expected to begin at Petrourica in the beginning of 2014.</td>
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<tr>
<td>Country</td>
<td>Eni (Sources: ENI, 2014; ENI, 2009)</td>
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| 0.02% of ENI's natural gas production. | approximately 350,000 b/d. Eni agreed to finance part of PDVSA's development costs for the early production phase and engineering activities of the refinery plant up to USD 1.74 billion. Drilling activities and the installation of the transport and treatment facilities are ongoing.

The sanctioned development plan progressed at the Perla gas discovery, located in the Cardon IV Block (Eni's interest is 50%), in the Gulf of Venezuela. PDVSA exercised its 35% back-in right. Eni will retain the 32.5% joint controlled interest in the company, following this transfer. The early production phase includes the utilisation of the existing discovery/appraisal wells and the installation of production platforms linked by pipelines to the onshore treatment plant.

Target production of approximately 450 million cf/d is expected in 2015. The development programme will continue with the drilling of additional wells and the upgrading of treatment facilities to reach a production plateau of approximately 1,200 million cf/d.

In 2013, ENI also paid a capital contribution of EUR 43 million to PetroJunin SA, which is developing gas and crude oil fields in Venezuela.

In 2013, ENI booked receivables originating from |
divestments, including a residual outstanding amount of EUR 166 million, recognised following the compensation agreed with the Republic of Venezuela for the expropriated Dación oilfield in 2006. The receivable accrues interests at market conditions as the collection will be made in instalments. In 2013, reimbursements amounted to EUR 68 million (USD 90 million). Negotiations for further compensation are ongoing.

In 2013, a parent company guarantee was issued on behalf of CARDÓN IV (Eni’s interest is 50%), a joint venture operating in the Perla oilfield located in Venezuela, for the supply to PDVSA GAS of gas until 2036 (end of the concession agreement). On 31 December 2012, the commitment amounted to a maximum of USD 800 million corresponding for Eni to the maximum amount of the penalty clause provided for in case of a unilateral and anticipated resolution of the supply contract. Eni replaced this guarantee in March 2013, as a consequence of ongoing contract renegotiations. In particular, the penalty clause for unilateral anticipated resolution and, consequently, the maximum value of the guarantee will be determined by applying the local legislation in case of non-fulfilment. The valorisation of the gas to be provided by Eni amounted to a total of USD 11 billion. Whilst it does not correspond to an effective valuation of the guarantee issued, this amount represents the
<p>| Source: (Lukoil, 2012; 2013; 2014) | Russia No specific figures are disclosed for Venezuela. However, Lukoil (2014) sets out figures for Lukoil’s production through affiliates outside Russia, in which Venezuelan activities are included | In 2013, worldwide production of crude oil and natural gas liquids averaged 1,873,000 boe/d and natural gas production available for sale averaged 2,202,000 boe/d. Venezuela’s stake in Lukoil’s production cannot be accurately | Lukoil’s first project in Venezuela started in 2005 with the Junin-3 project, which was abandoned in 2010 following the results of feasibility studies. Lukoil owns an 8% stake in project Junin-6, under an agreement signed in 2010. The duration of the agreement will expire in 2034 with a possible prolongation of 15 years. Other project participants initially included: PDVSA (60%), Rosneft (8%), TNK-BP (8%), Surgutneftegaz (8%) and Gazprom Neft (8%), but Rosneft has become the main shareholder in the project, together with PDVSA. Lukoil and Rosneft have indicated that the latter acquired Lukoil’s stake in Junin-6 in 2013, but it is unclear when the transaction was realised. LUKOIL began production of early oil in the Junin-6 project in 2012 and achieved a daily output of 50,000 boe. Output at peak production should be 450,000 boe/d. Lukoil (2012) indicated that production would be | maximum exposure risk for Eni. A similar guarantee was issued to Eni by PDVSA regarding the fulfilment of the commitments relating to the gas to be collected by PDVSA GAS. In 2013, the total share of procurement from local markets increased, reaching 63%, including Nigeria (94%), Kenya (100%), Gabon (81%), Indonesia (92%), Vietnam (87%), Poland (94%), Venezuela (92%) and Ecuador (89%). |</p>
<table>
<thead>
<tr>
<th>Country</th>
<th>Information</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDVSA</td>
<td>In 2012, average crude oil production of 3,030,000 b/d (crude) and 4,456 million cf/d (or 768,000 boe/d) of natural gas.</td>
<td>calculated based on public figures.</td>
<td>200,000 barrels at the initial stage, with subsequent ramp-up to 450,000 barrels. The expected Internal Rate of Return (IRR) of the project was 19%, with over USD 20 billion to be invested by NPC, the Russian consortium.</td>
</tr>
<tr>
<td></td>
<td>PDVSA was created in 1975.</td>
<td>PDVSA has the largest proven oil reserves in the world of 297.7 billion barrels and has 196.4 billion cubic feet of natural gas.</td>
<td>An environmental audit was completed in 2011 and confirmed that petroleum operations on the block will have a minimal environmental impact.</td>
</tr>
<tr>
<td>Venezuela</td>
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</tr>
</tbody>
</table>

(Source: PDVSA, 2014; EIA, 2013)
| **Perenco**  
<p>| <strong>(Source: Perenco, 2014)</strong> |<br />
| <strong>UK / France</strong> | <strong>Current gross production averages 11,000 boe/d (oil and natural gas)</strong> | <strong>Perenco currently produces approximately 375,000 boe/d, of which 210,000 boe/d is net to the</strong> | <strong>Perenco arrived in Venezuela in around 2000.</strong> | <strong>Perenco's operations in Venezuela comprise interests in two public-private partnerships with PDVSA: Petrowarao and Baripetrol. Petrowarao operates the Pedernales and Ambrosio fields and Baripetrol operates the Colon field. The Pedernales field is located on the northern margin of the Orinoco Delta. It currently produces</strong> |</p>
<table>
<thead>
<tr>
<th>Country</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Event</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>2012</td>
<td>2012</td>
<td>Petrobras arrived in Venezuela in 2002.</td>
<td>Petrobras holds minority interests in four joint ventures with subsidiaries of PDVSA, which hold production rights. Petrobras is the minority holder and operator: Project Ontupano-Leona (22%) Project Acema (34%) Project La Concepcion (36%) Project Mata (34%) In 2012, Petrobras’ average production price of oil per barrel in Venezuela amounted to USD 89.73 and their average production costs amounted to USD 22.80.</td>
</tr>
<tr>
<td>Spain</td>
<td>2013</td>
<td>2013</td>
<td>Repsol YPF was the largest private gas producer in Venezuela.</td>
<td>Repsol’s main blocks are Quiriquire, Barú Motatán,</td>
</tr>
<tr>
<td>Year</td>
<td>Country</td>
<td>Region</td>
<td>Production</td>
<td>Agreement Details</td>
</tr>
<tr>
<td>------</td>
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</tr>
<tr>
<td>2014</td>
<td>Russia</td>
<td>Rosneft</td>
<td>139,726 b/d and 128.8 million cubic m/d (natural gas). This corresponds to 35,616 boe/d.</td>
<td>agreements with PDVSA. In 1997, PDVSA awarded the operating agreement Mene Grande to Repsol. In 1997, Repsol YPF and PDVSA discovered the Tacata field under the Convention Quiamare - La Ceiba.</td>
</tr>
<tr>
<td></td>
<td>(Sources:</td>
<td></td>
<td></td>
<td>Rosneft conducted exploration and production activities in Venezuela.</td>
</tr>
<tr>
<td>Rosneft, 2013; BP, 2013</td>
<td>disclosed by Rosneft in connection with its Venezuelan activities. In 2013, Rosneft increased the size of its activities in Venezuela following BP’s sale to Rosneft of its stake in TNK-BP, which included activities in Venezuela. BP published figures for Venezuela: in 2012, BP’s net oil production averaged 2,445,000 b/d and its total gas production was 263,000 boe/d. In 2012, BP’s net production averaged 2,056,000 b/d (liquids) and 7,393 million of cf/d (natural gas). In 2012, Venezuela represented 0.68% of BP’s worldwide oil production and 0.07% of its worldwide natural gas production.</td>
<td>exploration in 2009.</td>
<td>In 2012, Rosneft and PDVSA signed an agreement on the creation and management of a joint-venture for the development of ultra-heavy crude oil at the Carabobo-2 (North) and Carabobo-4 (West) blocks and on production of synthetic crude oil. In 2012, Rosneft signed an agreement as part of its cooperation with PDVSA for the establishment of a joint venture to develop the Carabobo-2 block, located in the heavy-oil belt of the Orinoco River. Oil in place amounts to 6.5 bln tonnes, with Rosneft’s share in the joint-venture amounting to 40%. In January 2013, Rosneft acquired an additional 20% share in National Oil Consortium LLC (“NOC”) for RUB 6 billion. As a result of this acquisition, Rosneft’s ownership interest in NOC will become 40%. NOC is involved in geological exploration of the Junin-6 block in Venezuela jointly with a subsidiary of PDVSA. In 2012, the first heavy oil was produced at the PDVSA. In 2013, Rosneft also acquired BP’s stake in TNK-BP, including TNK-BP’s activities in Venezuela.</td>
<td></td>
</tr>
<tr>
<td>Shell (Source: Shell, 2014)</td>
<td>UK / The Netherlands</td>
<td>No specific figures are disclosed for Venezuela. However, Shell (2014) indicates that Shell's overall share in production through joint ventures and associates, averaged 9,000 b/d in 2013 (crude oil and natural gas).</td>
<td>In 2013, worldwide production of crude oil and natural gas liquids averaged 1,396,000 boe/d and worldwide production of natural gas amounted to 9,616 million scf/d. Venezuela's stake in Shell's production cannot be accurately calculated based on public</td>
<td>Shell arrived in Venezuela in 1913 and drilled the country's first commercial oil well in 1914. It was the first MNOC to enter Venezuela. In Exploration and Production, Shell operates under a service agreement with PDVSA in the Urdaneta West field, located in the northwestern section of Lake Maracaibo in Zulia state. Shell is linked to the development of the Liquefied Natural Gas &quot;Mariscal Sucre&quot; project, which could turn Venezuela into one of the major players in the Liquefied Natural Gas market in the Americas. The shareholders in this venture are PDVSA (60%), Shell (30%) and Mitsubishi (8%), with 2% reserved to local investors.</td>
</tr>
<tr>
<td>Statoil</td>
<td>Norway</td>
<td>In 2013, equity production averaged 11,200 boe/d (oil and natural gas). In 2013, worldwide production averaged 625,000 boe/d (combined oil and natural gas). In 2013, Venezuela represented 1.8% of Statoil’s worldwide combined oil.</td>
<td>Statoil has been present in Venezuela since 1994.</td>
<td>Statoil owns a 9.7% interest in Petrocedeño, one of the largest extra-heavy crude oil projects in Venezuela. The field is located onshore in the Orinoco Belt area. Petrocedeño S.A, which is owned by project partners PDVSA, Total and Statoil, operates the field with related facilities and markets the products. Petrocedeño's upgrader is still operating below design capacity. A major turnaround for the upgrader is expected to be executed in 2014. The license expires in 2032.</td>
</tr>
<tr>
<td>Total (Source: Total, 2014)</td>
<td>France</td>
<td>In 2013, net production averaged 35,000 b/d (oil) and 80 million cubic m/d (natural gas). This corresponds to 48,000 boe/d.</td>
<td>In 2013, worldwide production averaged 1,167,000 b/d (oil) and 6,184 million cubic m/d (natural gas). This corresponds to 2,299,000 boe/d.</td>
<td>Total entered Venezuela in 1980.</td>
</tr>
</tbody>
</table>
## Oil companies in Colombia

<table>
<thead>
<tr>
<th>Name</th>
<th>Home country</th>
<th>Size of oil operations in Colombia</th>
<th>Size of oil worldwide operations</th>
<th>History in Colombia</th>
<th>Information on Colombian operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP</td>
<td>UK</td>
<td>In 2009, BP’s net share of production averaged 23,000 b/d (liquids).</td>
<td>In 2009, BP’s worldwide average production of liquids amounted to 2,535,000 b/d.</td>
<td>BP phased-out its activities in Colombia from 2010 and stopped its production in Colombia in 2011 with the sale of its interests in Colombia to Ecopetrol and Talisman.</td>
<td>No activities at the moment in Colombia.</td>
</tr>
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<td></td>
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<td>In 2009, BP’s net share of production averaged 62 million cf m/d (natural gas).</td>
<td>In 2009, BP’s worldwide average production of natural gas amounted to 8,485 million cubic m/d.</td>
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</tbody>
</table>
| **Chevron**  
_{Sources: Chevron, 2013a; Chevron, 2014}_ | **USA** | In 2013, net production averaged 216 million cf/d of natural gas. | In 2013, worldwide gas production of 5,192 million of cf/d. In 2013, Chevron’s combined production of oil and gas corresponded to an average of 2,597,000 boe/d.  
In 2013, Colombia represented 4.2% of Chevron worldwide production of natural gas, and was comparable to Nigeria (3.5%) or Indonesia (4.3%). | The company began exploring for oil in Colombia in the late 1920s and made crude oil and natural gas discoveries during the 1960s and 1970s. The oil fields were sold during the 1990s. Two additional oil fields, in the Llanos Basin, were turned over to Ecopetrol in 2000.  
Gas production started in 1977. | Chevron is Colombia's largest producer of natural gas.  
Chevron’s activities in Colombia are focused on the production of natural gas from properties in the Caribbean Sea and adjacent coastal areas of the Guajira Peninsula. The company operates the offshore Chuchupa and the onshore Ballena and Ríohacha natural gas fields and receives 43% of the production for the remaining life of each field and a variable production volume based on prior Chuchupa capital contributions. In 2013, additional compression facilities for existing fields were installed. |
| **Ecopetrol**  
| **Colombia** | In 2012, production | In 2012, production | Ecopetrol was founded in 1951. | Ecopetrol is Colombia’s national oil company and has oil and gas activities throughout the |
(Source: Ecopetrol, 2013)

| Exxon (Source: Exxon, 2014) | USA | In 2013, Exxon only had exploration activities | In 2013, net liquids production averaged 2,202,000 b/d and net natural gas production averaged 591,000 b/d (oil) and 111,000 b/d (gas), which corresponds to an average production of oil and gas of 702,000 boe/d. Colombia represents 100% of Ecopetrol’s production activities. | Jersey Standard began commercial operations in Colombia in 2013.

Of Ecopetrol’s total production, 53% (372,000 boe/d) corresponds to fields under joint operation, and 47% (330,000 boe/d) to direct operation fields. During 2012, heavy crude accounted for 51% of total crude production.

Production fields that are currently in the company’s heavy crude programme via direct operation are: Castilla, Caño Sur, reservoirs K1 and K2 in Chichimene; fields LLA 37, Chichimene, Apia y Suria in the T2 reservoir, which contains extra heavy crude (less than 10° API).

The following fields are under joint operation: Rubiales, Quifa, CPO9 and Camoca, in the department of Meta, and Chicala, Jazmini, Moriche, Girasol, Under River, Nare Sur, Teca, Cocorna and Abarco, in Valle del Magdalena Medio.

ExxonMobil has an interest in four blocks and a technical evaluation agreement for one block in the emerging tight liquids play of the Magdalena Basin. An initial short-term test of the first exploration well and additional drilling
<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>In 2013, sticking point of production capacity (oil, no gas)</th>
<th>In 2013, production of oil and natural gas averaged</th>
<th>Year</th>
<th>Survey</th>
<th>Planned for 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occidental</td>
<td>USA</td>
<td>In 2013, Occidental's share of production averaged approximately 29,000 boe/d (oil, no gas)</td>
<td>In 2013, worldwide production of oil averaged 474,000 b/d and worldwide production of oil and natural gas averaged 763,000 boe/d.</td>
<td>1927</td>
<td>2D seismic data was collected to evaluate potential core hole locations. Exploratory core hole drilling is expected to be completed in 2014</td>
<td>are planned for 2014.</td>
</tr>
<tr>
<td>Pacific Rubiales</td>
<td>Canada</td>
<td>In 2013, net production of</td>
<td>In 2013, worldwide net</td>
<td>Pacific Rubiales began its</td>
<td>Pacific Rubiales is a public company listed on the Toronto and Colombian stock exchanges.</td>
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<tr>
<td>(Source: Pacific Rubiales, 2014)</td>
<td>Oil and liquids averaged 117,089 b/d and net production of natural gas averaged 10,942 boe/d.</td>
<td>Production averaged 129,386 boe/d (oil and gas). Colombia represents 96.95% of Pacific Rubiales’ worldwide production.</td>
<td>Operations in Colombia in 1982.</td>
<td>The company is not as such a MNOC, but it is the largest independent oil and gas exploration and production company in Colombia. Pacific Rubiales owns 100% of Pacific Stratus and Meta Petroleum Limited, two Colombian oil and gas operators, which operate and own interests in, amongst others, the Rubiales and Piriri oil fields in Colombia’s Llanos Basin and the La Creciente natural gas field in northern Colombia. The company is focused upon identifying growth opportunities in almost all the hydrocarbon basins in Colombia, as well as in eastern Peru, and Guatemala. In addition, the company has a diversified portfolio of assets outside of Colombia, which includes exploration and production assets in Peru, Guatemala, Brazil, Guyana and Papua New Guinea. Perenco operates five association contracts (Casanare, Estero, Corocora, Gacero, and Orocué), two ANH contracts (Oropendola and Llanos45, in exploration phase), one concession contract (Yalea) and one contract in exploration phase (SIN3). Operations in Colombia have focused on</td>
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<td>Perenco (Source: Perenco, 2014)</td>
<td>UK / France</td>
<td>The current gross production averages 18,000 b/d. Perenco currently produces approximately 375,000 boe/d (oil and gas), with a net production of 210,000 boe/d.</td>
<td>Perenco began operations in Colombia in 1993 after acquiring assets in the Llanos basin.</td>
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</tbody>
</table>
Colombia represents 8.6% of Perenco’s worldwide net production of oil and gas.

developing these isolated fields, spread over 9,000 km², by integrating them into a single operation.

The company’s ongoing drilling campaign has already involved a total of 55 development wells and 11 exploratory wells. A 240 km² seismic programme on Corocora and Lianos45 was carried out in 2013.

In 2013, the drilling campaign included two wells on La Gloria and Cravo Sur, one on Trinidad, two wells on Oropendola and 30 well interventions (production optimisation, oil behind casing, ESP changes, etc). In total these wells have added close to 4,000 b/d through production optimisation.

In September 2013, Perenco signed a share purchase agreement to acquire Petrobras’ Colombian assets, including interests in 11 onshore exploration and production blocks and participations in the Colombia and Alto Magdalena oil pipelines.

| Petrobras (Source: Petrobras, 2014) | Brazil | Petrobras does not disclose production figures | In 2013, worldwide production of crude oil and NGL averaged | Petrobras arrived in Colombia in 1972, marking the beginning of its internalisation | Petrobras agreed to sell its subsidiary Petrobras Colombia Limited (PEC) to Perenco, for a total amount of USD 380 million (subject to price adjustment before the closing of the transaction), including interests in onshore |
In 2013, Petrobras’ production outside Brazil averaged 109,000 b/d (crude oil and NGL production) and 546 million cf/d (natural gas). Colombia’s stake in Petrobras’ worldwide production cannot be accurately calculated based on public figures. Repsol owns rights on 8 blocks, 4 exploration process.

producing blocks and the pipelines Colombia and Alto Magdalena, with a capacity of 14,950 b/d and 9,180 b/d, respectively. The conclusion of this transaction is subject to customary conditions precedent, including approval by the National Agency of Hydrocarbons (ANH). Petrobras’ remaining upstream portfolio in Colombia includes offshore exploration blocks and one onshore exploration block.

Petrobras is involved in the following projects in Colombia:

- Colombia Guando, Production, operated by Petrobras (15%)
- Yalea, Production, operated by Petrobras’ partner (50%)
- Espinal, Production, operated by Petrobras (33%)
- Balay 1, Production, operated by Petrobras (45%)
- Tayrona, Development, operated by Petrobras (40%)
- Cebucan, Exploration, operated by Petrobras (50%)

All these projects, except for Tayrona, are being sold to Perenco.
| (Source: Repsol, 2014) | production averaged 2,904 b/d (oil). | worldwide production of liquids and natural gas averaged 346,000 boe/d. Colombia's production represents 0.84% of Repsol's worldwide production. | operated in Colombia since 1994. | blocks with a net surface area of 12,720 km² and 4 development blocks with a net surface area of 151 km².

In the onshore block Cosecha, which is in its exploratory phase, Repsol owns 25% and Oxy, the operator, owns 75%. In the offshore block Tayrona, in which Repsol owns 30%, the seismic campaign is reaching an end, having recorded 1,518 km of 2D analysis. The environmental license was obtained in May 2013. |

| Shell (Source: Shell, 2014; BG Group, 2014; El Tiempo, 1991) | UK / The Netherlands | In 2013, no production in Colombia. | In 2013, worldwide production of crude oil and natural gas liquids averaged 1,396,000 boe/d and worldwide production of natural gas averaged 9,616 million scf/d. | Shell arrived in Colombia in 1936. It began to produce oil at the Yondó concession in Antioquia in 1941. | Shell has exploration activities in Colombia. In 2012, Shell announced plans to invest USD 100 million into exploration. In 2014, Shell reached an agreement with BG Group to sell a 30% interest in its offshore assets in Colombia, located off the coasts of Bolivar, Atlantico, Magdalena and La Guajira to BG Group. The assets include the GUA OFF-3 and COL-3 blocks. These areas represent opportunities for natural gas production. As such, BG Group will become Shell’s partner, conducting offshore studies and sharing the risk of exploration activities. |

| Total | France | In 2013, no | In 2013, | Total, through Elf | Following the discovery of Huron-1 on the |
| Production in Colombia. | Worldwide production averaged 1,167,000 b/d (oil) and 6,184 million cubic m/d (natural gas). This corresponds to 2,299,000 boe/d. | Aquitaine, began operations in Colombia in 1971. Total no longer has production activities in Colombia since the sale in 2012 of one of its subsidiaries, TEPMA BV, which held a stake in the Cusiana field. | Niscota (50%), which was licensed in 2009, and the drilling of the second well, Huron-2, which yielded positive test results in April 2013, a third well, Huron-3, was drilled with disappointing results. The conceptual development studies have started for a declaration of commerciality that is expected during the second quarter of 2014. After selling 10% of its stake in the Ocensa pipeline in 2011 and reducing its interest in this asset to 5.2%, Total sold its entire stake in 2013, but kept its transport rights. Total has relinquished its stakes in the OAM and ODC pipelines that were previously held by TEPMA BV. |
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