Oil Company CSR Collaboration in ‘New’ Petro-States*

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This paper explores oil company collaboration in handling corporate social responsibility (CSR) in Azerbaijan and Kazakhstan. Both states display some features of the ‘paradox of plenty’ thesis: that is, large mineral resources, overspending due to exaggerated expectations of petro-riches, a weak system of tax collection, accumulation of loans, lack of development of other sectors of the economy and increasing social inequality. We ask whether oil companies assume any responsibility for improving this situation and propose that oil companies are likely to co-operate to promote economic, social and political development in new petroleum provinces. Such collaboration could reduce the individual company’s economic costs and risk of exposure in sensitive issues. It is found that although oil companies have established co-operative forums in both states to address CSR, government policy or adjacent issues, little has been achieved. While the co-operative CSR forums in Azerbaijan have ceased to exist, those identified in Kazakhstan have dealt with oil companies’ core business interests rather than wider CSR issues. Various explanations for the lack of co-operative success in handling CSR are discussed.

- **Azerbaijan**
- **Collaboration**
- **Corporate citizenship**
- **Corporate social responsibility**
- **Development**
- **Kazakhstan**
- **Multinational corporations**
- **Oil industry**
- **Transparency**

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The international oil industry is moving ever further into 'new' petroleum provinces, including several African countries and former Soviet republics recently opened to international oil companies (IOCs). According to the 'resource curse' (Auty 1994; Ross 1999) or the 'paradox of plenty' (Karl 1997) thesis, countries with strong dependence on oil and mineral resources perform markedly worse than those with a poorer resource base. Although some new petro-countries perform better in terms of GDP (gross domestic product) increase following rapid oil revenue influx, statistical indicators tapping social and economic development for the population at large indicate that oil riches have not led to any country-wide distribution of benefits (Bergesen *et al.* 2000). Indeed, several studies show that the sudden, steep rises in revenue from extractive industries may undermine economic development, increase political conflict and social inequality and retard democratisation (Auty 1994, 1998; Sachs and Warner 1995; Davis 1995; Karl 1997; deSoysa 1999; Ross 1999, 2001; Bergesen *et al.* 2000).

World Bank statistical data analyses corroborate these studies inasmuch as they demonstrate that the more a country is dependent on one or a few commodities (such as oil) for a majority of its export revenues, the more likely it is to suffer from corruption and under-development (Collier 2000, 2003). This has led various quarters to urge IOCs to acknowledge that oil revenues may be a curse rather than a blessing and assume some responsibility for the political and social development in the countries in which they operate (e.g. Frynas 1998; Global Witness 1999; Ross 2001). Calls for such involvement represent a turnaround from the prevalent position a few decades ago when interference of multinational corporations in 'domestic affairs' of developing countries was regarded with deep suspicion. But, even if the mood has changed, there are obviously difficult normative issues involved, such as whether oil companies, or any firm, should be in 'the business of nation-building'. Clearly, there are many dilemmas involved in handling CSR (corporate social responsibility) issues as well as limitations to what companies can do (see Zinkin 2004).

We expect that oil companies would be likely to collaborate to reduce the risk involved in addressing sensitive issues such as corruption, human rights and government policies. In this paper, we explore whether IOCs could, and under what circumstances it is likely that they would, join forces to address the challenges emanating from the paradox of plenty. This is investigated in a comparative case study of oil company collaboration in Azerbaijan and Kazakhstan. These states are well suited for an analysis of the response of oil companies to the widening social agenda in new petroleum provinces. They have attracted massive foreign direct investments in the petroleum sector in recent years and their political and economic systems expose multinational oil companies to similar problems, including capricious legal, regulatory and tax regimes. They also display, albeit to a varying extent, some of the features of the paradox of plenty thesis: overspending due to exaggerated expectations of petro-riches; a weak system of tax collection; accumulation of loans; lack of development of other sectors of the economy; and increasing social inequality.

In exploring these questions, we first differentiate between micro and macro CSR and propose that oil companies are likely to collaborate on the latter type, before examining co-operative forums set up by oil companies in Azerbaijan and Kazakhstan. Finally, we discuss our findings and re-examine our initial propositions in the light of the empirical results.

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Micro and macro CSR

IOCs have been engaged in or supported activities that go beyond their core industrial activities for some time now. Such engagements have become part of companies' 'licence to operate' (Zinkin 2004), not only in developing countries, but in all countries where they have major operations or economic interests, and are often presented as part of a given company's CSR. In developed countries, CSR activities will typically include sponsorship of cultural institutions or support for research and science, whereas in developing countries multinational companies often support projects supplying basic services, typically the funding and building of schools and hospitals and the provision of clean water supplies in particular communities. An emerging issue is known as 'local content'; it reflects the increasing pressure being put on multinationals to ensure that their endeavours maximise local benefits, through, for example, the use of the local workforce and the buying of goods and services from local suppliers (Pursell 2001; Qiu and Tao 2001). However, companies also support environmental and social projects that go beyond basic services and the local community in developing countries (see, for example, Sharma *et al.* 1994; Moser 2001; De Venanzi 2002).

In both developed and developing countries such activities are supplementing government policies in specific areas, but they do not interfere with government policy. We will call them **micro CSR** activities. They are typically directed towards communities directly affected by the company's operations, but may also encompass projects at a national level. **Macro CSR** refers to the responsibility for the indirect consequences of relatively sudden, steep rises in revenue from extractive industries on a country's economic, political and social development. The question being asked is whether multinational companies have some responsibility for ensuring that revenues resulting from their activities should benefit society at large. Obviously, the use of state revenues is not usually regarded as a legitimate concern for oil companies. But then one is not talking about well-functioning state structures; on the contrary, this solicitude is directed at badly governed states with high corruption levels and widespread social problems.

Examples of macro CSR in the oil industry are the promotion of transparency—of payments from IOCs to host governments—and accountability, good governance, anti-corruption programmes, human and social rights, and democratic development. Clearly, creating a neat distinction between micro and macro CSR is not easy; the lines between the two are often blurred. In countries characterised by high levels of poverty, low levels of economic development and low levels of public provision, the employment of local people, the building of schools, the establishment of new hospitals and the maintenance of other vital infrastructure by IOCs are critical. Despite being considered as micro CSRs—and therefore perhaps implying small-scale intervention and impact—such endeavours can often produce significant results.

There is, however, a fundamental difference between the micro and macro CSR field that may represent a significant barrier to action in the latter field. Micro CSR issues are by their nature 'benign' issues, in that they are, as a rule, win–win projects, dually benefiting both companies' reputation and community development. We would expect oil companies to engage in micro issues because of the benefits to company reputation and image and the fostering of goodwill with the authorities and society at large. By contrast, macro issues are potentially 'malign' in the sense of the risk potentially run by companies of exposure in sensitive issues. Indeed, there appears to be a 'paradox of participation' in this field. International organisations, transnational non-governmental organisations (NGOs) and civil-society groups are increasingly expecting multinational corporations to engage in the broader social and development agenda by promoting issues such as transparency, good governance, social equality and human rights (Haufler 2004). Companies

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that do not actively promote a wider social agenda in new petroleum provinces are liable to be criticised by international and domestic audiences for lack of corporate responsibility, while those that are proactive have to balance their act carefully to avoid criticism by host and home audiences for intervening in affairs outside their legitimate sphere of influence. In fact, proactive companies may risk the host government terminating contracts over differences about macro CSR issues. This was nearly the case when Sonangol, the state-owned Angolan oil company, threatened to terminate BP's contract when the company announced in 2002 that it would publish its payments to the Angolan government.

The problem for an oil company in addressing such issues single-handedly is therefore that it risks losing goodwill or even falling out with the authorities, with potentially severe business consequences. However, promoting transparency, stable legal, regulatory and tax frameworks, along with social and economic development and human rights, may lead to long-term benefits for all oil companies in the shape of reliable information about behaviour, decreased transaction costs and a degree of certainty about the future (cf. Cutler *et al.* 1999: 8). We note therefore two good reasons for seeking collaboration with other companies: (1) to obtain lower costs than would be possible by going alone; (2) to spread the risk of exposure in sensitive issues. We thus propose that oil companies are likely to collaborate to address and promote macro CSR issues.

Collaboration

Collaboration occurs, according to Wood and Gray (1991: 146), 'when a group of autonomous stakeholders of a problem domain engage in an interactive process, using shared rules, norms, and structures, to act or decide on issues related to that domain'. They describe a collaborative alliance as 'an interorganisational effort to address problems too complex and too protracted to be resolved by unilateral organisational action. Collaboration refers to the process; collaborative alliances are the forms' (Gray and Wood 1991: 4). For collaborative alliances to form, involved stakeholders have to perceive that collaboration will serve their own interests and that the achievement of any benefit (whether individual or collective) is contingent on mutual action (Wood and Gray 1991: 160-61). Oil companies could be expected to have both high stakes and high interdependence with regard to improved legal, regulatory and tax frameworks, which could secure some stability and predictability for their business activities.

Although it is difficult to operationalise improved regulatory, social and economic conditions in host countries, in principle they can be regarded as a collective, or public good: that is, a good that cannot be denied to anyone once it is provided (Olson 1965). By contrast, an exclusive or private good is available only to those who share what it costs to obtain it (or to whom the providers decide to give access to the good) (Olson 1965). Efforts to provide a collective good by collective action always involve the risk of free-riding: that is, actors (in this case companies) who do not share the costs, but reap the benefits. Thus, in theory, it is not enough that actors agree on the desirability of the collective good in question; there must be penalties for actors who are unwilling to share the costs of obtaining the good. Alternatively, there must be a group of actors who value the good so much that they are willing to cover all the costs themselves, even if they have to share the benefits with everybody else. If these conditions were not met, it would not be in the narrow self-interest of a rational, utility-maximising actor to contribute to the realisation of the good, even though all actors presumably would benefit from it. We thus propose that failure of IOCs to collaborate on macro CSR issues is due to a collective action problem.

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While our primary focus is on oil company collaboration, we also explore how they collaborate with international NGOs, the local business community and civil-society organisations to promote social and economic development and good governance. In this regard, we share a research interest with an increasing number of scholars who investigate business–non-business collaboration (cf. Garcia and Vredenburg 2003: 42). The notion of strategic bridging helps us to understand how oil companies interact with NGOs, local business and host governments through participation in co-operative forums set up by civil-society organisations or the oil companies themselves. Scholars have used this concept to describe collaborative alliances between a company and environmentalists (Westley and Vredenburg 1991); an international development bank and a state government in a West African country (Sharma *et al.* 1994); and a Canadian oil and gas company and relevant stakeholders in Ecuador (Garcia and Vredenburg 2003). In all these cases, bridging organisations—whether a multinational corporation (Sharma *et al.* 1994) or an independent NGO set up by a company (Garcia and Vredenburg 2003)—facilitated collaboration.

Of course, the international oil industry is fiercely competitive, and all major oil companies would probably reject measures that could be interpreted as undermining their competitiveness. Despite this natural inclination against collaboration, there are instances of oil companies working together to present common industry viewpoints—or even to advocate specific changes in the framework conditions, not least in the area of taxation. The prominent example here would be the Petroleum Advisory Forum (PAF), which foreign oil companies established in Russia in the early 1990s. One of the major tasks of this group was to work on Russian tax legislation, which at the time was underdeveloped. A variety of like-minded associations are in existence in other countries. Thus it is clear that oil companies have found it useful to collaborate or at least co-ordinate policies in some areas. But it is also evident that the companies do not see it in their best interest to advertise such efforts in sensitive areas such as those explored in this study. Next to nothing is published on oil industry co-operative structures—making it difficult to judge the scope of such activities.

The investigation carried out for this paper, for which we draw heavily on interviews with company representatives, sheds some light on collaborative alliances in the CSR field. In Azerbaijan, interviews were conducted with representatives of four oil companies; NGO representatives of the Eurasia Foundation and the Citizens Democracy Corps; and the manager of a local business development alliance set up by oil companies. In Kazakhstan, interviews were conducted with representatives of four oil companies. The interviews took place in November 2002, and were supplemented with personal communication in 2003 and 2004. We used open-ended questions to allow the interviewees to describe and reflect on the collaborative efforts. Because of the sensitive issues discussed, it was necessary to cultivate trust among our interviewees and approach difficult topics in a careful and non-obtrusive manner. We have also decided not to identify the oil company representatives by name. Based on these interviews and documents from oil companies and NGOs, we explore the specifics of oil company collaboration in Azerbaijan and Kazakhstan below, before returning to our general propositions in the conclusion.

Oil company CSR collaboration in Azerbaijan and Kazakhstan

IOCs are faced with common problems in the former Soviet republics Azerbaijan and Kazakhstan, which, in short, result from malleable and opaque legal, regulatory and tax regimes. Certainly, there should be considerable scope for collective action on these issues in Azerbaijan and Kazakhstan.

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Azerbaijan

In countries with a broad presence of IOCs one would expect different kinds of contact point to emerge, and this is also the case in Azerbaijan. A consortium, the Azerbaijan International Operating Company (AIOC), heads the main oil activity in Azerbaijan: the development of three giant fields in the Caspian Sea (Azeri, Chirag and Gunashli). This is a strong formal joint body connecting the major IOCs present in Azerbaijan.[1] Within the consortium are various forums for collaboration on technical and commercial issues. This consortium, as well as the two other main consortia, all three of which are dominated by BP, the Shah Deniz gas project and the Baku–Tbilisi–Ceyhan pipeline, run significant community investment projects. However, macro CSR issues are not discussed within the consortia.

At the other end of a continuum of meeting points between oil companies, we find quite unofficial gatherings, notably a bi-weekly or monthly breakfast meeting convened by the US ambassador for the major Western oil companies, represented by their general manager or government relations officer, which provide an informal venue for discussions. This, in addition to bilateral or social contacts in the dense petroleum community in Baku, means that there is probably no problem airing thoughts and ideas in the CSR field. But there are also bodies that have been specifically set up to handle CSR or related issues, and their experience is of particular interest to the present study.

Two co-operative forums involving the oil companies are particularly interesting. The first is the Business Development Alliance (BDA). The history of the BDA goes back to 1999, when BP, the Norwegian oil company Statoil and the UK-based NGO International Alert[2] organised several meetings and seminars with the Azerbaijani government, Western embassies and several NGOs on how IOCs could support local business development (Mammadbayli 2001). These discussions resulted in the establishment of an Enterprise Development Committee (EDC) in the middle of 2000. The idea was that EDC could provide a forum where oil companies and local companies could meet to discuss issues of mutual interest and in particular to encourage greater involvement of local companies in the oil sector in Azerbaijan (Mammadbayli 2001). In this vein, EDC focused specifically on how small and medium-sized enterprises could be assisted in capacity building, so that they could become service providers and subcontractors to the IOCs.[3] With a similar, although somewhat broader purpose, the Enterprise Centre, owned by BP, was set up in 2002 to facilitate local business development in Baku.

The EDC was organised in an informal, ad hoc way, with a representative from International Alert travelling from London every second or third month to arrange meetings between oil companies, NGOs and other stakeholders. In 2002, it was decided to formalise the EDC by officially registering the forum and establishing a permanent secretariat in Baku. A new position as secretariat executive director was set up and the EDC was renamed the Business Development Alliance (BDA) to signal its new status and role. Cofounders of the 'new' BDA were two American NGOs, Citizens Democracy Corps and the Eurasia Foundation, the British and Norwegian embassies in Azerbaijan, and the oil companies BP and Statoil. The core of BDA activity was to be an information point that could facilitate small and medium-sized business development in Azerbaijan. To achieve this end, oil companies could work in two ways through the BDA network. First,

1 BP (34.1%, operator), Unocal (10.2%), Lukoil (10%), SOCAR (10%), Statoil (8.6%), ExxonMobil (8%), TPAO (6.8%), Devon Energy (5.6%), Itochu (3.9%), Amerada Hess (2.7%), as of June 2002. See www.eia.doe.gov/emeu/cabs/azerproj.html.

2 International Alert is a UK-based NGO working with conflict resolution and peace-building; for example, by helping to develop local capacities and grass-roots organisations and facilitating dialogue at different levels and sectors of society in conflict. See www.international-alert.org.

3 Personal communication with Jeyhun M. Mammadbayli, manager, BDA, November 2002.

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they could co-operate 'on the ground' with local companies to provide training, capacity building, planning and other kinds of assistance. Second, they could offer advice to the government about possible improvements in legal, regulatory and tax frameworks that could facilitate local business development. Although primarily a forum to promote local business development, the BDA clearly had a potential to address adjacent issues more closely related to the macro CSR field and could as such be described as a bridging organisation that could facilitate collaboration between local businesses, oil companies and the government.

Nevertheless, the activities of the alliance folded and it was formally dissolved in June 2004. One of the reasons for this outcome may be that, by establishing the Enterprise Centre on behalf of its consortium partners in 2002, the key function of BDA for BP was covered more efficiently and there was no longer any need for the bridging organisation. The end of BDA also meant, of course, that the potential for bringing up macro CSR issues through that alliance was lost.

More than the BDA, the activities of the Government and Public Advisory (GPA) Forum have gone to the core of the macro CSR field. Established in April 2000 by the Citizens Democracy Corps in Baku and IOCs, the GPA forum was meant to foster collaboration between oil companies in ways that would benefit Azerbaijani society as a whole. Government and public affairs managers were invited to meet regularly to discuss issues related to transparency, governmental policies and other macro CSR concerns. 'In this way,' said the country director of the Citizens Democracy Corps in Azerbaijan and initiator of the GPA forum, 'we would like to see the oil companies—as corporate citizens—taking action to promote democratic, economic and societal development in Azerbaijan'.[4]

In 2001, GPA's director resolved to find, by the end of the year, a collective CSR project in Azerbaijan that all members could take part in developing. The objection voiced by the oil companies can be summarised as follows: 'If we all fund it, who will get the credit?'[5] Some oil companies also said they would prefer to consider a real project proposal, rather than spending time and resources trying to develop a collective project. There were clearly wider differences of opinion among the oil companies as well. Some companies wanted to play it very safe, whereas others advocated a more active stand on CSR issues. Another problem with establishing a joint project related to the different levels of seniority among the representatives of oil companies. Some companies sent heads of Government and Public Affairs divisions; others dispatched junior managers or officers who could not approve funding.

Some of the more concrete proposals discussed by the forum included the establishment of an anti-corruption programme, which never materialised. Another idea was to organise a meeting with the political opposition in Azerbaijan just to, for once, meet with politicians other than those from the ruling party. The initiative was met with 'less than no interest' by the oil companies.[6] Even a modest proposal to produce a common brochure on CSR projects and rules of the oil companies failed. While companies had various objections to each proposal individually, several were also sceptical of the GPA forum as such because it was run by an NGO (Citizens Democracy Corps) rather than the oil companies themselves. In conclusion, attendance at GPA meetings was not high on the oil companies' agenda and little came of it. In the course of 2003 the forum ceased to function.

4 Personal communication with Aaron N. Bornstein, Citizens Democracy Corps, November 2002.

5 *Ibid.*

6 *Ibid.*

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Kazakhstan

There are two forums of particular importance to IOCs in Kazakhstan: the Kazakhstan Petroleum Association (KPA) and the Foreign Investors Council (FIC).[7] The KPA started as an informal lunch group in 1994, with only a few companies coming together to discuss issues of mutual interest. Officially registered in 1998, by 2004 the forum counted 44 members, including practically all Kazakhstani and foreign oil and gas companies operating in Kazakhstan.[8] In contrast to the oil companies' co-operative forums in Azerbaijan, NGOs and other stakeholders do not participate in the KPA.

The KPA works primarily to facilitate exploration and production in the oil sector and exchange non-proprietary information between member companies and the government with a view to advance the investment and operating climate for the oil and gas industry (*Petroleum* 2001). Meetings of the KPA member companies are held regularly in Almaty, the oil capital and former government capital of Kazakhstan. Monthly meetings are also organised in Astana, the new seat of government. A number of subcommittees have been created to deal with various issues, including: finance and tax; legislation; health, safety and the environment; and human resources. These committees 'can recommend ways forward to assist members and where necessary (or requested) to allow KPA to advise government bodies on problems having impact on the industry' (*Petroleum* 2001).

Thus far, KPA members have shared dossiers of information on legal issues, though not on contractual or proprietary matters.[9] The association also assists local companies in building business relationships with KPA members, primarily by promoting Kazakhstani goods and services required by the oil and gas industry.[10] However, the attempts to involve Kazakhstani industry in the tender processes have not been successful so far.[11] Apparently, most local companies have problems meeting the very high international standards and requirements in the oil industry.

Nevertheless, an important KPA goal remains to ensure 'a smooth transition to a market economy in which the petroleum industry operates, with due responsibilities to the communities within which it works' (*Petroleum* 2001). Although primarily a forum to look after the interests of oil companies, the KPA may therefore address macro CSR issues such as economic and societal development to ensure a stable and safe investment climate. As one informant in an IOC in Almaty explained, '[t]he more healthy a society, the more stability—and stability is essential to oil companies and investors. It is in the self-interest of companies to help ensure stability in a country in which they operate,' whereupon he added, 'but there are many ways to promote stability without risking to create conflicts with the authorities'.[12] Hence, KPA may potentially become a more important vehicle for promoting macro CSR issues than hitherto, but oil companies obviously take care not to criticise the government. It seems that the confrontational approach is used only when there is a threat to oil companies' core interests: that is, activities related to oil exploration and production. Witness, for instance, the companies' joint response and public denunciation of the Kazakhstani government's attempt in

7 There are also other forums involving the oil companies in Kazakhstan, such as the oil and gas subcommittee in the European Business Association of Kazakhstan (EUROBAK), but our focus is on the forums that are most important to the oil companies.

8 www.kpa.kz/cgi-bin/index.cgi/37, accessed 30 August 2004.

9 Personal communication with managers in IOCs, November 2002.

10 www.bgalmaty.kz/en/membership_in_accosiations/kazakhstan_petrole.../index.shtm, accessed December, 2002.

11 Personal communication with manager in oil company, November 2002.

12 Personal communication, November 2002.

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2002 to renegotiate contracts with them.[13] Arguing that the political opposition in Kazakhstan is not comparable to the opposition in Western countries, the oil companies have not met with them, nor have they any plans to do so.[14]

While the KPA is not a forum that deals directly with government, top officials from the government, oil companies and other industries attend the meetings of the Foreign Investors Council (FIC). This is a consultative–advisory body, established in 1998 to provide a forum for direct dialogue between foreign investors, local companies and government. The main sponsors were President Nazarbayev and the European Bank for Reconstruction and Development (EBRD). Chaired by President Nazarbayev, a number of top government officials attend meetings, including the Prime Minister and high-level executives of major foreign investors and local country managers. Four working groups have been set up under FIC: on taxation, legislation, operations of foreign investors, and investment image enhancement of Kazakhstan. As with the KPA, NGOs do not participate in the forum.

Although primarily a forum to enhance investment climate, FIC certainly has a potential to address macro CSR issues under its mandate. Its major objectives range from submitting proposals to President Nazarbayev on improvements in investment-related legislation and regulations; proposals concerning the implementation of large investment programmes; recommendations to improve investment climate and strategy to attract foreign investment; to proposals for the integration of Kazakhstan into global economic processes.[15] The British Gas FIC website declares that

> [w]hat we like about it [FIC] is that disputed questions are of a general character and never really involve commercial interests of a single corporation; there is some sort of taboo on raising concerns about anything if it is not of use to a broad public.[16]

Nonetheless, there seems to be little interest in discussing what many might regard as the key issues—that is, the spending of oil revenues, the economic and social development of the population at large and transparency—either in this forum, or indeed at any other venue involving IOCs and the government. It follows, unsurprisingly, that little has actually been done even to address or discuss macro CSR questions in the KPA or the FIC.

Explaining inaction: collective problem or individual priorities?

We see then that IOCs operating in Azerbaijan and Kazakhstan spend little time working together on CSR issues. How can we explain this finding? Elements of collective action problems have been identified. Quite clearly, getting the companies to work together on projects of which the benefits may not be proportional to their costs is hard, particularly in projects with a combination of problem-solving, social well-being, company PR and goodwill issues at stake. So, even if joining forces would produce stronger and more comprehensive programmes, the unlikely hope of individual benefits puts an effective

13 IOCs publicly declared discontent with the government's attempt to renegotiate contracts with the companies at the 10th annual Kazakhstan International Oil and Gas Exhibition in October 2002. The conflict was resolved with a compromise in 2003.

14 When questioned whether the KPA has ever considered meeting with the political opposition in Kazakhstan, the reply was 'Who are they?' (personal communication with manager in oil company, November 2002).

15 See the official website of FIC: www.fic.kz/en.

16 bgalmaty.kz/en/membership_in_accosiations/foreign_investors_co…/index.shtm, accessed December 2002.

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brake on such efforts. Consider, as an example of the collective action problems in this context, the failed attempt in 2001 to find a collective project in Azerbaijan by GPA participants. It stalled because the oil companies found it impossible to agree on a common project platform. The same happened to an anti-corruption programme and we can also cite the lack of interest to meet the political opposition—both apparently caused by the same underlying collective action problem.

We could also mention the practice of signature bonuses. Signature bonuses are one-off payments to governments for licences, and many governments have a record of misusing them. Competition for contracts obviously would curb company enthusiasm to address this issue single-handedly. A forum such as the KPA in Kazakhstan or the GPA in Azerbaijan might be the place where IOCs could raise this issue collectively and 'anonymously', but it appears that not all the member companies have strong opinions on signature bonuses. While many oil companies do not favour signature bonuses because of the economic risks involved, they say that it is not up to them to question it and that such action would be risky.

Although oil companies acknowledge that oil revenues have benefited the leaders of Azerbaijan and Kazakhstan, as well as their allies, more than the population at large, they also agree that it is not up to them to either advise or object to the governments' spending of oil revenues. 'Imagine us telling President Nazarbayev that we don't like how he uses the oil money. It's impossible!' a representative of an IOC in Kazakhstan explained.[17] At least, oil companies agree that it has become easier during the late 1990s to ensure that payments really go to the government and not to individuals, and the companies have gained acceptance for the proviso that all payments should be made to the proper account at the national bank.

Not all the IOCs in our study agree that collective action actually would produce 'public goods' in Azerbaijan and Kazakhstan. So, in addition to the collective action problem, the 'law of the least ambitious' helps explain the disinclination of oil companies to collaborate on macro CSR issues. Essentially, the least ambitious oil company establishes the ceiling rather than the floor of oil company collaboration. Realising that the logic of the collective action problem and public goods only partly explains the dearth of common initiatives of oil companies in the macro CSR field, we have to include variations in oil companies' individual *willingness* to promote macro CSR issues among our explanatory variables. Although not systematically investigated in this study, we observed that some oil companies appeared to doubt whether such involvement was warranted. Not surprisingly, oil companies' involvement in CSR issues correlates with activity levels in specific regions.

Consider the case of the BDA in Azerbaijan. Oil companies and other business partners in the BDA participated at three levels in the forum: as partners, members and supporters. The involvement intensity in the BDA generally corresponded to the form and penetration of operations of oil companies in the Azerbaijani oil sector, which can be divided into the following three forms: (1) operators, (2) companies involved in consortia that produce oil, and (3) companies looking for oil. As well as being the leading IOC in Azerbaijan, BP was clearly the leading member of the BDA, a position that the company has used to promote good governance issues, such as improvements in legal frameworks for local business. BP also set up the Enterprise Centre and provided rent-free office space for the BDA. In Kazakhstan, where BP has a modest position, there is little evidence that the company ever played a proactive role. Note also that operational intensity not only reflects a company's stake in the host country but also influences its physical presence; non-operating companies have a very small staff, limiting their capacity to engage in non-core activities.

17 Personal communication with manager in oil company, November 2002.

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That apart, there are exceptions to the general rule that level of participation in the BDA equals involvement in the Azerbaijani oil sector. Although the Norwegian oil company Statoil has a fairly limited set of activities in Azerbaijan, it was a founding member of BDA, and, in comparison to most other oil companies, takes an active part in addressing macro CSR issues in the country. Evidently, company specific features account for some of the variance in macro CSR involvement. For example, BP and Statoil do address some macro CSR issues in Azerbaijan, whereas ExxonMobil treads very carefully, limiting its range to traditional and 'safe' micro CSR issues. A study of four major oil companies' CSR policies corroborates our observations inasmuch as it found significant differences between the oil companies. BP and Shell, in particular, are generally more willing to address and act on macro CSR issues than ExxonMobil and Total (Skjærseth *et al.* 2004). Further corroboration comes from an NGO representative in Azerbaijan: 'Luckily the BP is the chief operator here. If ExxonMobil had that role, there would be no such thing as the BDA in Azerbaijan'.[18] Although we do not pretend to have conclusive evidence, our case studies do indicate some correspondence between what oil companies say and what they actually do in the CSR field. At face value, it seems that the more pronounced the company image on macro CSR issues, the more active the company is likely to be in the macro CSR field.

To conclude, then, the potential to address macro CSR issues through co-operative arrangements within the oil industry seems limited. But this does not rule out other options. Broadly speaking, there are two other possible avenues that companies could choose if they wanted to be active in this field. Although not discussed in depth here, there are signs that a well-established and dominant company in a particular host country may find it more efficient to act unilaterally, in particular if that company maintains a prominent CSR image (as does BP in Azerbaijan). Also, interestingly, there is a growing tendency to look for alliances beyond industry itself and collaborate with NGOs and multilateral development institutions with specific programmes at the national level. Owing to the lack of tangible results from oil companies' joint efforts to address macro CSR issues, such alliances might prove attractive to promote democratic and economic development in 'new' petroleum provinces such as Azerbaijan and Kazakhstan.

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