



## Partnering for Health *Shell-Obio: A Case Study*

**Can Multinational Corporations actually make a sustainable impact on the long-term public health of local communities?**

By Osefame Ewaleifoh

During a conference at Carnegie Mellon University in 1960, David Lilienthal, an attorney and author of the 1946 International Control of Atomic Energy report, articulated the first definition of Multinational companies as such corporations which have their home in one country but operate under the laws of other countries where they do business(1). Understanding the impact of Multinational Companies (MNC) in local communities where they operate is a new but growing area of research. While previous studies have focused on positive roles of MNC, such as stimulating local economies or negatives, such as polluting the environment, less is known about the strategic role or potential of MNC in driving local public health.

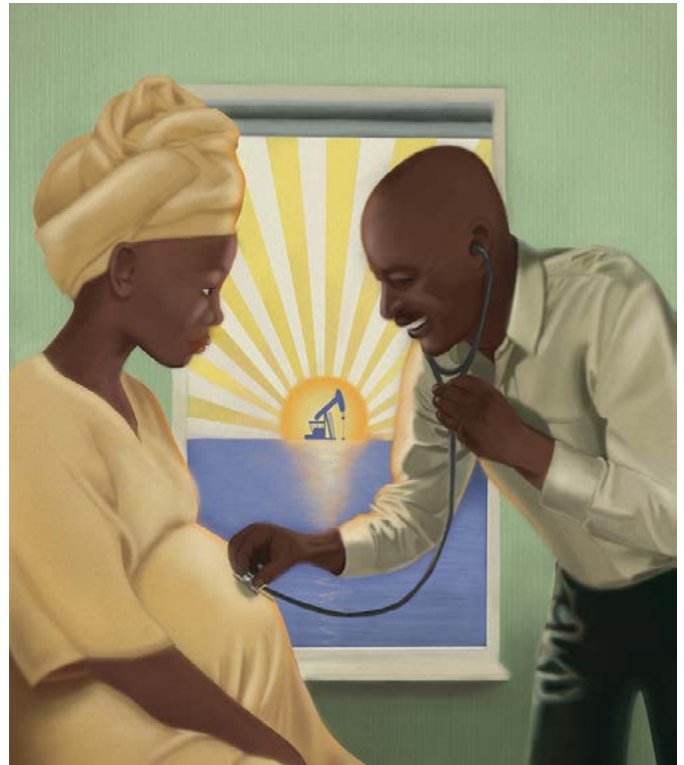
Since the 1970's MNC have grown enormously in both size and economic power, giving them enormous leverage and reach in influencing both international

and local policies(2). More significantly, multinational companies have enormous intellectual capital and resources which can be harnessed to enhance local public health. The combination of economic capital, extensive technical expertise, and a vested long-term interest in the community, makes multinational companies an increasingly indispensable stake holder in the dialogue over the public health future of many developing countries. We make the argument here that increased engagement and partnership(s) between public health practitioners and multinational corporations could prove to be deeply mutually beneficial to both local communities and multinational corporations. Among multinational companies, energy companies are singularly and of particular interest to public health for several reasons, first because they bring specific technical expertise to the new

Laguna Lagos,  
H. Boll Stiftung  
(top)

Abuja Street  
Portraits,  
M. Fischer (left  
and right)

community. Second, they have a long-term interest in exploiting latent untapped resources in a community. Third, the focus and search for natural resources draws energy companies to the poorest regions of the world, often the same regions with grave public health needs. These three factors make the partnership between multinational energy companies and public health a potentially fruitful union. We propose that when deliberately orchestrated and channeled, the expert engineering knowledge and intellectual resources provided by multinational companies can be employed to solve a significant portion of the public health needs in resource limited local communities in which the MNC often work. We consider the partnership between Shell Petroleum, a major Multinational energy company in the Niger Delta region, and the Obio community of Rivers State in Nigeria.



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## Corporate Social Responsibility and Public Health – Choice vs. Responsibility

Up until the 1980’s, the widespread perception on corporate social responsibility was that corporations had only one social responsibility: to stay profitable for their shareholders. This position was most effectively articulated in a 1970’s New York Times article in which the legendary economist Milton Friedman declared “[t]here is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits”(3). By this logic, a company could and should do whatever it needed to do to make the most profit for its shareholders. In time, however, corporate disasters such as the Exxon Valdez oil spill proved the narrow mindedness of this claim as the public began to demand action from corporations on social responsibility beyond profit. Still, the specific role of corporations as socially responsible players remains poorly defined, particularly in the areas of public health, and a central question lingers – must corporations be expected and or required to act in a socially responsible way to promote public health, or is it simply a good idea? To explore this thought it is important to define corporate social responsibility (CSR).

For the purpose of this discussion we define CSR as “business strategies and activities that meet the

needs of the enterprise and its stakeholders today while protecting, sustaining, and enhancing the human and natural resources that will be needed in the future”(2). For most companies, efforts at CSR often end as lip service to placate the community and embellish the corporate image – maybe even get a tax write off. While such intentions might be understandable, they are extremely unfortunate and a wasted opportunity, since MNCs are very uniquely poised to make significant impact in the communities where they do business.

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## Multinational companies are uniquely poised for community empowerment

Contrary to wide-spread opinion, the true impact of a multinational company in a region where it operates is not how much money it donates through charity – it is in how much it empowers the indigenous community to help themselves. Ultimately, an empowered and self-supporting community becomes an asset to the companies working in the area. In this light, efforts at corporate social responsibility are not necessarily just “a nice idea” but an essential strategic advantage that benefits all parties involved in both the short and long term.

While the local economic boost provided by a MNC in a local community is self-evident, very little attention has been paid to the intellectual and technical capital infusion provided by a MNC in a new local community. Beyond financing, applying all the available intellectual resources at the disposal of the MNC to help indigenes think about and solve local public health challenges might prove more sustainable than any efforts at charity and philanthropy. In support of this argument, earlier study argues that “through its empowerment of indigenous professionals and managers, multinational corporate subsidiary transfers knowledge and experiences that are less available locally”(4). To prove the capacity of MNC intellectual investment to enhance public health, Novo Nordisk, a Danish pharmaceutical MNC working in China, provided its starch degrading

enzyme technology to locals for application in biological waste water treatment. This partnership led to over a 90% decline in organic waste in the regional water supply(4).

A full appreciation and acceptance of the strategic advantage of a healthy local population is essential because while civic engagement and public health advancements are highly desirable goals, the central singular *raison d’etre* of every business entity is to maximize profit for their shareholders. This profit making incentive is the strongest sole argument for any MNC to invest in local public health efforts. To stay profitable MNC must depend on the services provided by healthy locals and a healthy community, as the outbreak of public health crises can be severely damaging to MNC. This scenario was proved during the Ebola crises that adversely affected local operations of several MNC in West Africa.

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## Case Study: The Shell/BP Obio Health Insurance Project

A fundamental strength of most multinational companies is a highly refined and fine-tuned operational process. From oil exploration, to drilling and distribution, down to daily business management, these highly refined operational processes provide the competitive edge that keeps the businesses immensely profitable. The Royal Dutch Shell petroleum development company (popularly known as Shell or SPDC) started operation in the Nigeria Niger Delta company in 1958, shortly after the first discovery of crude oil in the region in Oloibiri. For decades after commencing operation, the possibly deleterious public health and environmental effects (among others) of oil exploration in the region was a



Oil exploration



major concern for locals. These concerns culminated in a UN Committee on Economic, Social and Cultural Rights report (1998) which noted “with alarm the extent of the devastation that oil exploration has done to the environment and quality of life in areas such as Ogoniland where oil has been discovered and extracted without due regard to the health and well-being of the people and their environment”(5). In response to these international and local pressures, multinational oil companies are beginning to take their role in CSR more seriously.

As a first step towards a more public health-centered corporate social agenda, 10 years ago Shell created a first-of-its-kind community health department. This step was unique and important, first, because it is the only one of its kind among MNC’s in the region. Second and more importantly, the sole focus of this department was to look for novel ways to sustainably engage company resources to promote long-term community public health. While previous SPDC SRC efforts at public health have focused on “short-term development projects” that were tied to specific company projects that began and

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ended once the Core SPDC projects (such as laying new oil pipelines through a community) were completed, the current Shell Community health department “Obio health campaign” takes a more longitudinal approach to public health by helping empower local communities.

The most dire public health need in West Africa remains basic access to care. Among WHO member nations, the Nigerian Health care system is among the lowest in terms of access to care. Maternal mortality within Nigeria is

560/100,000 while mortality for children under 5 years old is at 124/1000 live births(6). This picture is complicated by the fact that most people simply cannot afford the full cost of care when they need it—even when it is available. In response to this dire health access need, the Obio health insurance project was introduced by Shell in March 2010. Another first-of-its-kind in the region, the goal of the Obio Community Health Insurance Project (CHIS) was simple—to employ the full resources of Shell to tackle local health care access barriers at the fundamental level of affordability.



### **The Obio Health Insurance model in action**

Shell already provides comprehensive health care for locals who work for Shell. Still, this is a drop in the bucket of need for health care access in the region. Instead of providing free health care access, which is neither feasible nor sustainable, the Obio Health Insurance Project has focused on developing a community health insurance system paid for and managed by the community. In this system, Shell works as an underwriter, organizer, and initial financier of the insurance system. More significantly, by its mere association with the system, Shell provided instant credibility and expert managerial oversight for the new local insurance system.

All Enrollees (indigenes and non-indigenes) pay NGN 7,200.00, equivalent to USD \$44/annum. Indigenes get a partial refund from their Obio Community Trust Foundation (Local GMoU Board), subsidized with funds from SPDC. Local indigenes who enroll in the insurance scheme pay the equivalent of USD \$21/annum(7). This amount is subsidized by



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both the local government and SPDC. Purchasing this insurance package grants enrolled members with access to a comprehensive health benefits package covering medicines, surgery, and in-patient care(7).

It is noteworthy that although Shell initially provided capital investment in the setup and operational cost of the health insurance systems as well as general insurance operation, their current involvement is almost exclusively in the capacity of managerial oversight and supervision.

Within the first 2 years of the Shell-directed Obio community health insurance program, over 4058 babies have been safely delivered within the system, with an average of 180 births per month versus only 10 births per month before CHIS. Furthermore, HIV transmission has been prevented in 150 babies through an “HIV Prevention of Mother to Child Transmission” Program. 15,000 community members have enrolled in CHIS and the operation

staff strength at the Obio College Hospital has increased from 15 to 90 across all departments(7).

The Obio health insurance project is instructive; first, because it provides a template for community engagement and interaction between MNC and their local communities. Second, it makes the community ultimately responsible for their own health outcomes; and finally, it is sustainable—ensuring that long after the MNC leaves the locals can still have access to a system that works. This feasible but sustainable local health improvement program is mutually beneficial to both the MNC and the local community as it improves the health of the work force as well as the community relations efforts of the MNC(8).



### A symbiotic public health relationship

Beyond simply providing a sustainable health access system, the model marriage between the MNC energy company and the local public health community affords several other mutual benefits. Ultimately, in the long-term, MNCs like Shell benefit from a healthy, stable community and productive work force. In turn, local public health efforts benefit from the enormous resources, capital and technical expertise that MNCs offer. A fundamental limitation of public health in remote communities is the lack of resources, economic or technical. The potential partnership between public health advocates and multinational companies with deep presence, extensive resources, and vested interest in local communities might provide a new model for health access in remote corners around corners around the

world with the gravest public health needs. MNCs hold the power to make a major difference in the public health and quality of life in regions where they operate. Since we cannot coerce, legislate or regulate virtue, we must create incentives for public health engagement so that the marriage between public health and multinational corporations remain voluntary and mutually beneficial. MNCs in turn must realize that their continued welcome, engagement and success depend on the availability of a healthy workforce and community. The future of public health must be born of new symbiotic partnerships that go beyond symbolic charitable actions and focus on long-term community empowerment.

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