



Adams, Dawda, Adams, Kweku ORCID logoORCID:  
<https://orcid.org/0000-0002-3737-954X>, Ullah, Subhan and Ullah,  
Farid (2019) Globalisation, governance, accountability and the  
natural resource 'curse': Implications for socio-economic growth of  
oil-rich developing countries. Resources Policy, 61. pp. 128-140.

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**Globalisation, governance, accountability and the natural resource ‘curse’: Implications  
for socio-economic growth of oil-rich developing countries**

Mr Dawda Adams,  
PhD Student  
Department of Accounting and Finance  
Adam Smith Business School, University of Glasgow, UK

Dr Kweku Adams,  
Senior Lecturer in Management  
York Business School  
York St. John University, UK

Dr Subhan Ullah,  
Lecturer in Accounting and Finance  
Hull University Business School  
University of Hull, UK.

Mr Farid Ullah  
PhD student  
School of Economics  
Sichuan University, China

**Note:** This is the author’s version of the accepted article in the Resources Policy. Changes resulting from the publishing process, editing, corrections, structural formatting may not be reflected in this document. Please cite as:

Adams, D., Adams, K., Ullah, S., Ullah, F., (2019) Globalisation, governance, accountability and the natural resource ‘curse’: Implications for socio-economic growth of oil-rich developing countries, *Resources Policy* (Forthcoming).

\* Corresponding author: Dr Subhan Ullah, Lecturer in Accounting and Finance, Faculty of Business, Law and Politics, Hull University Business School. Email: subhan.ullah@hull.ac.uk

# **Globalisation, governance, accountability and the natural resource ‘curse’: Implications for socio-economic growth of oil-rich developing countries**

## **Abstract**

*Motivated by recent inconclusive debates on the natural resource ‘curse’ phenomenon, this paper reviews studies that have explored the causes and implications of natural resource endowments ‘curse’ within oil-rich developing countries (ODCs). Most of these studies find corruption, transparency, accountability, weak institutions and poor governance as causes of developing countries’ natural resource ‘curse’. However, recent studies identify a strong association between oil and gas multinational corporations (MNCs) as agents of globalisation and the resource-curse. First, we consider the international dimensions of this relationship and how MNCs have an influence on the resources of ODCs. Second, we link the impact of MNCs and their natural resource nexus to broaden debates on strategic organisational practices. We show that globalisation creates the platform for the natural resource ‘curse’ phenomenon. Our findings offer new insights into the natural resource ‘curse’ debate. We expand knowledge on the traditional focus of the resource-curse literature to include globalisation and how ethical practices of MNCs could avert the ‘curse’ or allow ODCs to experience the advantages of their natural resource wealth.*

## **Keywords:**

Globalisation, oil and gas multinational corporations, management strategies, profit maximisation, natural resource ‘curse’

## **1. Introduction**

The phenomenon of abundant natural resources being a ‘curse’ or ‘blessing’ within oil-rich developing countries (ODCs) has been widely studied and debated amongst researchers, academics and policymakers within the energy literature (Ayelazuno, 2014; Kolstad and Søreide, 2009; Öge, 2016; Sachs and Warner, 2001; Sovacool and Andrews, 2015). Most studies suggest that natural resources in developing countries do more harm than good. It is therefore, argued that most ODCs tend to experience slow socio-economic growth and development, a phenomenon termed as the “Dutch Disease” (Larsen, 2006). In these discourses, there are scores of recent studies, whose authors, alongside anti-globalisation

activists, all agree that the increasing rate of global economic activities, particularly by oil and gas multinational corporations (MNCs) such as Shell, British Petroleum (BP), Total, Exxon, Tullow Oil, Mobil, and others, exerts heavy pressure on oil resources within ODCs (Rudra & Jensen, 2011). In ODCs such as Iran, Saudi Arabia, Nigeria, Chad, Angola, Libya, DR Congo, Sudan and Venezuela, MNCs have been found to have majority ownership and control over the oil and gas resources within these economies (Rudra & Jensen, 2011). This poses a challenge for resource-dependent nations to expand their global economic power, maintain domestic stability and effectively harness their resource wealth. Despite decades of this phenomenon's existence, it is unfortunate to find that most studies have repeatedly focused on the traditional causes of the resource-curse, whilst the globalisation dimensions underlying this phenomenon have regrettably been neglected.

Several studies on the traditional causes of the natural resource 'curse' (NRC), such as Atkinson and Hamilton (2003), Auty (2002), Brunnschweiler and Bulte (2008), Davis and Tilton (2005), Humphreys et al. (2007) including Mehlum et al. (2006), find that oil discovery in developing countries, especially in Africa, rather than yielding sustainable socio-economic advantage to those countries, is considered to be a 'curse'. Most NRC studies find corruption (Kolstad & Wiig, 2008; Öge, 2016; Kasekende et al., 2016), transparency and accountability (Sovacool & Andrews, 2015), weak institutions (Mehlum et al., 2006) and poor governance (Papyrakis and Gerlagh, 2006; Tsani, 2013) amongst others, as socio-economic growth and development impediments within ODCs. Kolstad & Wiig (2008) find that corruption permeating within ODCs impedes transparency and accountability resulting in the resource-curse. Therefore, increased access to quality information and accountability could curb corruption and help to address the resource-curse. In this regard, Mehlum et al. (2006) also show that governance and institutional strengths partly determine ODCs' resource-curse. They claim that these economies typically have poor governance systems and weak institutions and

inadequate skills, expertise and methods needed to manage the resources. Whilst there is inadequate political will and commitment to strengthen governance systems, and for good policies and reforms, the citizenry lacks interest, confidence and power to hold their leaders accountable for their stewardship (Papyrakis and Gerlagh, 2006). Similarly, studies into Ghana's natural resources (e.g., Gyampo, 2016 and Gyimah-Boadi and Prempeh, 2012) show shortfalls in legislative and institutional frameworks in Ghana's petroleum sector, indicating significant inadequacies in the nation's modern democratic dispensation.

These notwithstanding, contemporary studies find some activities of MNCs as the primary cause of the resource-curse within ODCs (Adams et al., 2017; Kolk and Lenfant, 2010; Kopiński et al., 2013). These studies find that MNCs often implement various management, innovative international financing and profit maximisation mechanisms and strategies such as legitimisation, transfer pricing and tax avoidance to deprive ODCs from benefiting fully from their legitimate, mandated and legal share of their natural resource endowments. Additionally, MNCs lack corporate social responsibility (CSR) commitments (Frederick, 1992; Frynas, 2005; Barraquier, 2011) including sustainably responsible exploitation of resources to support environmental preservation and sustainable growth and development (Barbier, 2011). This study seeks to expand the traditional focus of the resource-curse debate to include globalisation. We do so by explicating how, and the extent to which some activities of oil and gas MNCs can contribute to the NRC phenomenon; and how MNCs' ethical practices could avert the 'curse' or rather work to ensure natural resources are instead advantageous for ODCs. Our findings, therefore, contribute to the resource-curse debate, knowledge and policy. The rest of the paper is structured to then include section 2, which has two parts and extensively reviews the relevant literature on the NRC from the perspectives of: (a) traditional views: corruption, transparency and accountability, governance and economic growth including institutional quality.

(b) international dimensions - globalisation in terms of MNCs' management strategies: profit maximisation agenda, CSR commitments, legitimisation, transfer pricing and tax avoidance, rent-seeking behaviour and long-term licence lobbying, employment and human capital development, executive compensation, ownership structure and capital flight. Informed by the recent literature, section 3 discusses the subject matter of natural resources being a 'curse' or 'blessing' in ODCs; while section 4 concludes the study and recommends policy directions and areas for future research.

## **2.0 Literature review on the natural resource 'curse'**

### **2.1 Traditional perspectives**

#### **2.1.1 Corruption and natural resource 'curse'**

Corrigan (2014) sees the natural resource 'curse' (NRC) as a situation where the rewards generated from resource usage is lower than the total input cost. He therefore, assumes that natural resources impact negatively on both economic development and governance in weak institutional countries. Literature on the NRC suggests that many developing countries could not exploit their natural resource wealth to facilitate socio-economic growth and development of their economies (Kasekende et al., 2016). Kolstad and Wiig (2009:522) define corruption as "*the abuse of public office for private gain*". Using the worldwide governance indicators' (WGI) control of corruption index, Kasekende et al. (2016) find that Extractive Industries Transparency Initiative (EITI) membership has not reduced corruption scores in member countries. They further use both economic theory and empirical study techniques to systematically analyse the association between corruption and transparency within ODCs. They explore how transparency could affect corruption and policy implementation in ODCs. They find that both education and policy reforms are key to processing, understanding and acting upon information. They conclude that whilst transparency is necessary, it is insufficient in reducing corruption and that such policy reforms should focus primarily on areas that could

specifically address the resource-curse. Additionally, Öge's (2016) examine how EITI membership could avert corruption within its member countries. Using an interrupted time series and panel data analyses between 2006 and 2013, he shows that EITI membership improved aggregate data disclosure in its member countries during this period. However, he finds no change in corruption perception and undermines the conclusion that a reduction in corruption is unlikely as a result of EITI membership.

Furthermore, Arezki and Brückner (2011) use a panel of 30 oil-exporting countries from 1992 to 2005 to investigate oil rents effect on corruption and state stability based on the exogenous factors within-country variation to determine resource-curse. They show that oil rents increase corruption significantly and also affect political stability, but at the same time, improves civil rights and liberties. They associate these mixed findings with the political elite who wield the power and authority to extend civil liberties but minimise political rights during periods of oil windfalls in order to avoid redistribution and conflict.

Though most oil-rich African countries (OACs) lack a strong track record of efficient oil wealth management, Ghana is most cited as a model of best practice (Standing, 2014). Hence, Standing (2014) investigates how corruption, and the mismanagement practices of local authorities and traditional leaders undermine the government's policy of distributing mining rents to affected communities in Ghana. He argues that the normal antidotes of transparency and social accountability prescribed by the development community may not solve the resource-curse problem. Whilst improved transparency and accountability is important, it is not likely that it could bring substantial gains. He finds that government policy and initiatives to increase transparency have been ineffective due to local corruption and a lack of accountability. He suggests an alternative policy of promoting access to international support and using the natural resource revenue to finance a universal cash transfer scheme. He concludes that a cash transfer scheme could be an ideal solution to the corrupt and inadequate governance systems in ODCs.

Aside from corruption, other studies find transparency and accountability as the NRC determinants.

### **2.1.2 Transparency and accountability and the natural resource ‘curse’**

The extractive industries transparency initiative (EITI) has been the international energy policy intervention organisation that seeks to mitigate the negative impacts of natural resource abundance by promoting transparency and accountability of resource revenues and governance (Adams et al., 2018; Corrigan, 2014). In this regard, Kolstad and Wiig (2008:522) define transparency as “*public access to information*”. Öge (2016) investigates how EITI membership and policy compliance could improve transparency and curb corruption in ODCs. He finds that transparency is narrowly defined by EITI. This leaves EITI’s objective of effectively promoting transparency as a measure to prevent corruption questionable. He, therefore, attributes this phenomenon to the corruption prevention failure amongst member countries. He suggests more comprehensive policy reforms on transparency to distinguish regimes that use transparency reforms for public relations purposes as opposed to genuine reformers. Additionally, Adams et al. (2018) use 222 cases from 18 of Ghana's key petroleum stakeholders to investigate possible NRC escape factors. They find EITI membership and petroleum revenue management policies insufficient to avert the resource-curse unless they are complemented with improved country-level institutional factors including governance quality, government effectiveness, accountability, corruption controls, natural resource sustainability and effective accounting practices. The next paragraph discusses how governance and economic growth impact on the resource-curse.

### **2.1.3 Governance and economic growth impact upon the resource ‘curse’**

Sachs and Warner (2001) argue that countries abundant in natural resources ironically tend to grow more slowly than their resource-poor counterparts. The study shows that there is



insignificant direct evidence that omitted geographical or climate factors explain the ‘curse’, or that there is a bias resulting from some other unobserved growth deterrent. They conclude that resource-rich countries are most likely to be high-price economies, which perhaps means that these countries miss out on export-led growth. Similarly, using approximately 200 countries in a panel study, Corrigan (2014) critically examines the EITI’s effectiveness, based on economic development and quality of governance. He finds that natural resource abundance impacts negatively on GDP per capita, rule of law, and the government’s capacity to formulate and implement sound policies in EITI member countries. However, the study shows that the effect of EITI membership on democracy, political stability and corruption is insignificant. Based on such mixed findings, he suggests that further studies be repeated 10 years later when enough time would have lapsed for EITI’s policies to have taken full effect.

Based on the savings-investment transmission channel, Papyrakis and Gerlagh (2006) use an empirical study to build a mechanism that explains the long-term potential income reduction during resource windfalls. In their model, savings responds downwards to income from natural resources, and investments respond to savings with a subsequent fall in aggregate productivity. Resource affluence poses two counteracting effects on income. In the short-term, resource wealth increases income, but decreases income in the long-term through a crowding-out effect on knowledge creation. They conclude that the most mineral-producing countries do not keep incentives for savings and investment during positive resource shocks – a situation they attribute to the NRC.

Additionally, Sovacool and Andrews (2015) qualitatively assess EITI’s performance of Azerbaijan and Liberia, the first two countries to achieve candidacy. They find that despite the EITI’s affirmation of the salience of reliable information and data regarding the extractive industries, attributing governance improvement causality to EITI is a misconception. Additionally, EITI discloses an inherent paradox on transparency virtues which confirms that

much damage from mining and hydrocarbon development is socially and economically unavoidable.

Studying the perspectives on community representation within the EITI, Smith et al. (2012) examine the nature and quality of governance in community representation, including civil society engagement from a transnational large-scale mining perspective. They use experiences in the Anosy region of South-East Madagascar to explore functional relationships between government, mining business and civil society stakeholders. They find that state manipulation creates an equivocal legitimacy for certain civil society representatives which cause community disempowerment. The situation of appointing instead of electing local government officials results in an upward dependency hierarchy with a culture where most officials express similar views and political alliances. Consequently, community resistance is suppressed. They find that power relationships amongst mining industry stakeholders supersede efforts to achieve good governance through voluntary community engagement. They conclude that voluntary initiatives are unable to engineer good governance within the extractive industries sector. Despite these findings, studies continue to regard institutional quality as a great challenge to escaping the NRC.

#### **2.1.4 Institutional quality and the natural resource ‘curse’**

Whilst Sachs and Warner (1995) find no relationship between institutional quality and natural resource-curse, Mehlum et al. (2006) claim that natural resources abundant countries form both growth losers and growth winners. They attribute such diverging experiences to differences in institutional quality. They confirm that abundant natural resources can reduce aggregate income within institutional grabber-friendly environments, whilst also increasing income in institutional producer-friendly environments. Building on Sachs and Warner's (1995) influential work on the resource-curse, their empirical test confirms that natural resource

abundance could only be harmful to economic development within countries with grabber-friendly institutions. Therefore, countries having producer-friendly institutions would not experience any NRC. They conclude that natural resource abundance could hinder economic growth within grabber-friendly institutions but not within producer-friendly institutional contexts. Confirming their hypothesis, they conclude that institutions themselves play a key role in the NRC. However, this contrasts with Sachs and Warner's (1995) claim that institutions do not play a role in the resource-curse.

Although van der Ploeg (2011) find resource abundance to raise the real exchange rate, it discourages industrialisation. He opines that such phenomena are prominent in weak institutional environments that experience negative economic growth, corruption, and typically have underdeveloped financial systems. Additionally, and similar to the findings of Mehlum et al. (2006), van der Ploeg (2011) discovers that a resource boom engendered rent-seeking behaviour and civil conflict within weak institutional contexts. He shows that such phenomenon drives corruption, particularly within non-democratically governed nations that lack good policies. He concludes that, driven by weak institutional context, ODCs fail to invest their depleting exhaustible resources into other productive investments. Bhattacharyya and Hodler (2010) use panel data from 1980–2004 from 124 countries to study the relationship between natural resources and corruption, and how this relationship is induced by the quality of democratic institutions. They find that resource rents increase corruption within weak democratic institutional contexts and vice versa. They confirm that the association between corruption and resource rents is influenced by institutional quality. Furthermore, Tsani (2013) investigates the relationship between resource funds, governance and institutional quality in resource-rich countries. He finds resource funds associating with governance and institutional quality improvements as possible tools for addressing the resource-curse. This discussion

notwithstanding, recent studies find the activities of oil and gas multinational corporations (MNCs) to be key determinants of the NRC.

## **2.2 Globalisation – oil and gas multinational corporations (MNCs) and the natural resource ‘curse’**

This section reviews studies on ODCs that use institutional, legitimacy, resource dependence, stakeholder, transaction cost economics, resource-based view and agency theories to investigate how globalisation, with specific emphasis on MNCs and how they set the platform for the NRC within ODCs. Variables of significance include MNCs’ management strategies, such as profit maximisation agenda, CSR commitments, legitimisation, transfer pricing and tax avoidance, rent-seeking behaviour and long-term licence lobbying, employment and human capital development, executive compensation, ownership structure and capital flight. The subsequent section examines how these variables can influence the socio-economic growth of these ODCs.

Progressively, businesses are becoming vital societal institutions worldwide, with remarkable consequences for the wellbeing of human society (Gabbioneta et al., 2013). Factually, ODCs lack the requisite capital to exploit and/or process their abundantly endowed natural resources to facilitate speedy socio-economic growth and development. In an attempt to attract significant foreign direct investment (FDI) inflows, these ODCs demonstrate their commitment, responsibility and business sustainability within a business-friendly environment to attract foreign investors. Hence, oil-rich African countries (OACs) have recently been cited as the most capital-hostile regions (Adams et al. 2017) having experienced large volumes of capital transfers within the last two decades (Collier and Gunning, 1999; UNCTAD, 2018) through oil and gas business activities owned by MNCs. However, influenced by their profit maximisation agenda, these MNCs encounter significant corporate ethical responsibility dilemmas. These

include, but are not limited to, commitment to corporate social responsibilities (CSR), transfer pricing and tax avoidance, tax evasion, rent-seeking behaviour with long-term licence lobbying, profit expatriation, ineffective human capital development strategy, environmental degradation and sustainability issues (Jamali, 2010; Kolk & Lenfant 2010; Nyuur et al., 2014). Such developments undoubtedly result in untold devastating socio-economic consequences and decreased development opportunities on these economies, leaving them poorer than before. In such discourses, MNCs' profit maximisation objective has been at the top of the recent NRC debate.

### **2.2.1 The implications of MNC's profit maximisation agenda (PMA) on the natural resource 'curse'**

Studies under MNCs' corporate policies and objectives reveal their profit maximisation agenda (PMA) and its implications on host countries. Friedman (2007) sets the pace by arguing that a firm's primary CSR objective is profit maximisation. Ferguson (2005) investigates MNCs' initiated schemes and their effects on neoliberal global capitalism. He finds that recent capital investment by MNCs within OACs is territorialised with accompanying new forms of order and disorder that drive selective strategy to gain and maintain their hegemony of African resources. He argues further that such investment, largely owned by MNCs is mostly concentrated in petroleum extraction. Such capitalist investment ideologies held by MNCs impede the economic growth of these ODCs as their profit maximisation objective supersedes their CSR commitments.

### **2.2.2 The implications of CSR commitment on the natural resource 'curse'**

The CSR commitment of MNCs has come under the radar of policymakers as the public and researchers intensify their calls for change. In this regard, Barraquier (2011), Frederick (1992) and North (1991) find that MNCs' CSR compliance is influenced by imperatives of a trade-off

between ethics and business profit. In line with these findings, Ferguson (2005) mentions that, motivated by MNCs' profit maximisation agenda, their present massive capital investment in ODCs has been affected by some current forms of order in relation to their selective investment strategy which results in CSR vulnerability. Therefore, MNCs encounter massive CSR dilemmas, concerning their CSR contribution to these ODCs compared to their CSR commitment to their home countries (Jamali, 2010; Kolk & Lenfant 2010; Nyuur et al., 2014). Wanderley et al. (2008) examine whether FDI inflows helps or hinders local firms', and the relationship between FDI inflows and local firms' uptake of CSR activities. Using results of hierarchical regression analysis of data from 227 samples of Ghanaian local firms, they find a substantial improvement in local firms' uptake of CSR with corresponding improvement in FDI inflow. They conclude that institutional quality improves FDI and boosts economic growth.

Jamali (2010) examines how the influx of MNCs and their polycentric and geocentric strategies in ODCs has affected their CSR contribution in such countries. He uses an interpretive research methodology to examine the CSR orientations of a sample of MNC subsidiaries in Lebanon. He discovers diffusion and dilution of global CSR patterns in developing countries regarding specific subsidiary endowments and host market characteristics. He concludes that MNCs' CSR commitment level is low in developing countries, which directly affects their growth prospects. Exploring how MNCs report on CSR and conflict in three Central African countries, Kolk and Lenfant (2010) argue that MNCs in ODCs encounter CSR dilemmas, with specific regard to the contribution they are able and willing to offer in other regions as against their home countries. They find MNCs' CSR report to be generic and representative of a high CSR vulnerability which negatively affects the economic growth of host countries. This is demonstrative of MNCs' corporate social irresponsibility (CSIR) to their host countries. Confirming this, Wanderley et al. (2008) suggest that country of origin and industry sector

together have great influence on CSR information disclosure. In addition, institutional theory associates MNCs' organisational ethical vulnerability (Brown 2013; Ullah et al., 2018) within OACs to insufficient country-level institutional factors (Adams et al. 2018), institutional voids or weak institutional arrangements (Amaeshi et al., 2016; Castellacci, 2015).

From the '*institutional theory*' perspective, Amaeshi et al. (2016) find CSR in developing countries is characterised by problematic and non-enabling institutional contexts. In this guise, firms may hide behind weak institutional structures and relegate their CSR to the background. Hence, we argue that MNCs' PMA succeeds within ODCs where weak institutional structures abound. Such weak institutional context therefore, holds the implication that legal, regulatory and judicial systems within ODCs are not strong enough to hold MNCs accountable for their actions and inactions. Odera et al. (2016) investigate the quality of social and environmental disclosures by oil and gas MNCs (MNCs) and find that low quality social and environmental disclosures drive their business profit maximisation agenda. Agreeing to this finding, Ntim and Soobaroyen (2013) show that such practices are engineered by '*institutional voids*' within ODCs, especially Africa. Similarly, Ackah-Baidoo (2012) shows that weak institutions within African countries account for the poor governance systems which puts less pressure on companies to comply with regulations to embrace and honour their CSR commitments. It is in this respect that Idemudia (2012) and Contractor (2016) argue that MNCs hide behind weak institutional contexts, and implement their strategic profit maximisation agenda, which causes ODCs to lose hundreds of billions (USD) annually. Furthermore, in his study on the false developmental promise of oil and gas for MNCs' CSR, Frynas (2005) finds that CSR non-compliance and the oil and gas sector's revenue mismanagement impact negatively on the socio-economic growth and development of ODCs. This implies that MNCs' CSR non-compliance significantly impact upon local economic development policies and programmes. Therefore, many social and community initiatives, together with expected social welfare

projects and programmes, would never fully materialise as the principles for responsible management remains an *optional extra* in MNCs' strategic toolkit.

There have been frequent concerns regarding the extent to which those MNCs involved in the oil and gas industry could, and are willing to, contribute through CSR activities to sustainable development in ODCs. There exists, therefore, enough evidence to show that MNCs operating within ODCs create wealth for themselves, by means of some artificial and cosmetic adjustments to camouflage their reports. This results in a misrepresentation of information to the users of the reports which reflects the concern of inadequate corporate stakeholder accountability (Gray, 2013, 1992). Such MNCs' actions support the argument that ODCs are vulnerable and exploitable (Belal, 2013, 2015). Hence, Adams et al. (2017) show that by the end of the current decade, most African countries would celebrate their 50th independence anniversary, but at the same time would be attending to the risks 'manufactured' by MNCs operating in such countries.

Similarly, Ntim and Soobaroyen (2013) investigate the association between corporate governance and CSR within the South African economy. They argue that '*economic neo-institutional theoretical applications*' underpin economic activities and engagement. They show that strong institutional structures facilitate good corporate governance (CG) practices which support socio-economic growth. Such increasing CSR importance in the contemporary competitive business environment motivated García-Rodríguez et al. (2013) to investigate how social and environmental contexts can influence MNCs' CSR commitments within ODCs. Using a case study, they examine an environmental management system (EMS) in Luanda Oil Refinery in Angola. They find that MNCs' CSR commitment would be a great asset to socio-economic growth and development in ODCs if they integrate CSR programs into their business strategy. They conclude that MNCs' operations affect their operational and social



environments such that their CSR non-compliance impacts negatively on the socio-economic growth and development of such economies.

Additionally, Jo et al. (2015) and Wang and Berens (2015) find that most high-performing global investment companies resort to CSR as a socially responsible investment philosophy, and this has a strong positive impact on socio-economic growth and development in emerging economies. From the same line of study, the findings of Bhardwaj et al. (2018) and Sun et al. (2018) confirm that CSR compliance is profitable and supports businesses, economic growth and development. Furthermore, George et al. (2016) show that the contribution of MNCs towards the socio-economic growth of ODCs is insufficient. They opine that Africa should make full use of the intellect and expertise of entrepreneurs and corporate executives. MNCs should be held accountable for the externalities of their business activities and the authors encourage MNCs to offer due attention to CSR compliance. It follows that the PMA of MNCs operating in an institutionally void context can create CSR vulnerability and unethical business practices. This supports the argument that institutional strength determines CSR compliance or vulnerability (Jones, 1999).

Frynas (2010) evaluates the potential of the recent CSR agenda for addressing issues on societal governance. He analyses revenue transparency, as studies find it to be the principal governance challenge that EITI seeks to address. He finds that addressing the impact of corporate activities and governance challenges is crucial. He affirms that though MNCs' activities may have marginal contribution in ODC's, their aggregate contribution (influenced by their PMA and business externalities) to 'real economic growth' might have contributed to ODCs' governance and socio-economic growth failures. The above discussions show that MNCs' inadequate CSR commitment contributes immensely to the resource-curse which has slowed the socio-economic growth of ODCs. Other studies, however, find MNCs' legitimisation as a determinant of the NRC.

### **2.2.3 The implications of legitimisation on the natural resource ‘curse’**

From the ‘*legitimacy perspective*’, Suchman (1995) shows that CSR commitment improves legitimacy, efficiency, corporate reputation and image, including the provision of critical resources. It is in this vein that Du and Vieira (2012) argue that, being a controversial industry, oil MNCs use a variety of tactics to undertake CSR activities to gain legitimacy. However, in situations where MNCs would comply with their CSR provisions, they do so for the purposes of corporate legitimacy, which enhances their corporate reputation and image. In addition to their inadequate CSR contribution, MNCs’ transfer pricing and tax avoidance practices have attracted significant attention from researchers.

### **2.2.4 The implications of transfer pricing and tax avoidance on the natural resource ‘curse’**

From the ‘*transaction cost economics*’ perspective, Dobers and Halme (2009), Hilson (2012), Jones (1995) including Morck et al. (2008) examine MNCs’ transfer pricing and tax avoidance behaviours. They show common evidence that MNCs operating in ODCs pursue rigorous cost reduction strategies including supply chain accounting, outsourcing, inappropriate pricing techniques, rigorous tax planning and organised tax avoidance strategies including transfer pricing for the purposes of profit maximisation and capital flight. Studying CSR and tax avoidance, Sikka (2010) shows that MNCs’ organised tax avoidance has negative effects on socio-economic growth and entire human survival. He argues that firms legitimise their social credentials through responsible and ethical conduct promises. He however, laments that such publicly espouse claims are not aligned with the realities of organisational culture. Consequently, such differences between corporate ‘talk’ and actual practice impact negatively on the welfare of the company, its executives and employees. He concludes, with demonstrable evidence, that although MNCs promise responsible conduct, they usually end up in situations

of tax avoidance and tax evasion to the detriment of ODCs' socio-economic growth and development.

Similar to the above research is the study of the dark side of transfer pricing and its implications on tax avoidance and wealth retentiveness by Sikka and Willmott (2010). They argue that transfer pricing is a mechanism being used by MNCs, including a group of related firms, to optimally allocate costs and revenues amongst divisions, departments and subsidiaries. They find that such transfer pricing activities misrepresent the real values of transactions, drive wealth retention processes, facilitate a firm's tax avoidance and motivates capital flight. They opine that transfer pricing calculations are influenced by the politico-economic contexts of their development and use. The globalisation perspective shows that MNCs operating in ODCs adopt transfer pricing practices to increase private gains which result in ODCs' relative social impoverishment through avoidance of public tax payments.

Dowling (2014) studies the curious case of corporate tax avoidance. He finds that corporate tax payment was the basic measurable yardstick for a firm's patriotism in honouring its social obligations. Some successful and able firms deliberately and actively adopt certain legally acceptable measures that are hidden from public view in order to continually avoid tax payment. Contractor (2016) investigates seven tax-avoidance techniques used by MNCs to drive this corporate behaviour. He argues that a huge number of MNCs around the world seek local optimisation of revenues and perceived different countries as centres of profit maximisation. He finds that MNCs placed corporate tax avoidance at the centre of their global profit maximisation strategy. He shows that the strategic behaviour of MNCs hindered the economic growth of ODCs, their global operations, their supply chains, and their location decision making.

North (1991) and Jones (1995) study the relationship between CSR and profitability. They find that quality institutions have a greater likelihood of influencing greater productivity to maximise business profits. Furthermore, Jones (1995) affirms that in determining economic performance, transaction costs are critical. As an extension to this argument, Du and Vieira (2012) show that MNCs adopt supply chain accounting, including certain price violation strategies, in order to maximise profits to show their managerial effectiveness and efficiency, and to please their principals. Confirming this, Aupperle et al. (1985), Aupperle and Pham (1989) and Dowling (2014) show that MNCs often indulge in rigorous tax avoidance and tax evasion practices including income-shifting strategies in a bid to increase revenues. Such practices common among all MNCs obviously contribute to the NRC in ODCs.

In addition, Sikka (2003) considers globalisation as the most advanced phase of capitalism and note that tax havens are an integral part of globalisation. He finds that capitalism is inherently ‘crisis-ridden’ since MNCs utilise offshore financial centres (OFCs; also called tax havens) to facilitate the mobility of capital around the world. Policies aimed at inducing tax avoidance, tax evasion, capital flight, instability and CSR non-compliance; including degradation of regulation, seem to have become the hallmarks of these global corporations. Similarly, Cash (2012) examine governance, transparency and CSR in the Republic of Chad. He concludes that amongst other factors, the international investor profitability agenda seems to have been in contrast with their CSR initiatives in weak institutional economies. He shows that practices, such as oil revenue mismanagement and tax avoidance, impede socio-economic growth and this result in ‘Dutch Disease’ like symptoms which facilitate slow socio-economic growth. The above-stated research arguments, discourses, opinions and findings suggest that MNCs’ PMA influence their CSR commitment which drives the resource-curse phenomenon. However, studies also find MNCs’ rent-seeking behaviour and licence lobbying to be contributing to the NRC.

### **2.2.5 Implications of rent-seeking behaviour and long-term licence lobbying on the natural resource ‘curse’**

Kolk and Lenfant (2010) find that there is a prevalence of MNCs lobbying sub-Saharan African (SSA) governments to provide very long-term operational licenses and tariff protections. This implies that, irrespective of their performance, MNCs would play to their advantage as against the interest of the host nation. Additionally, investigating the resource-curse problem, Kopiński et al. (2013) find ODCs more vulnerable to MNCs’ oil and gas revenue ‘rent-seeking behaviour’. Ackah-Baidoo (2012) investigates enclave development and offshore CSR’ implications on oil-rich African countries (OACs) and shows that MNCs’ PMA impedes proactive CSR engagement. He laments that MNCs encourage the corrupt practices of public officials and discourage natural resources innovations through their rent-seeking behaviour. These antecedents contribute immensely to the ‘Dutch Disease’ and the NRC.

Based on the ‘*resource dependency theory*’, Idemudia (2012) argues that Nigeria is often seen as a poster child for resource-rich developing countries that have suffered the resource-curse phenomenon. He indicates that Nigeria’s Oil Producing Area Development Commissions (OPADCs) have failed to improve the well-being of the people in oil producing communities in Nigeria. In this sense, Adegbite et al. (2012) argue that such phenomenon is mostly caused by the politics of Nigeria’s shareholder activism. OPADCs have failed to amend existing opportunities and incentives provided for rent-seeking petroleum MNCs whose CSR non-compliance contributed to Nigeria’s socio-economic growth failures (Idemudia 2012). Consequently, Watts (2006), Peteraf (1993), Wernerfelt (1984) and Frynas and Paulo (2007) agree that whilst ODCs are said to be an empire of abundant natural resources, capitalist dispossession, the scramble for Africa’s oil and MNCs’ CSIR significantly contribute to ODCs’ NRC and the slow socio-economic growth and development. Aside from these findings, studies indicate that employment and human capital development contribute to the NRC.

### **2.2.6 Implications of employment and human capital development on the natural resource ‘curse’**

The ‘*resource-based view*’ (RBV) protagonists argue that businesses should be analysed from the resource side rather than the product side (Peteraf, 1993; Wernerfelt, 1984). They advocate that strategic management options naturally emerge from the resource perspective. This is in line with the opinion that MNCs’ community involvement through employment creation for local people, and continual employee training or human capital development (HCD), support and improve legitimacy, sustainability and economic growth (Liu et al., 2013). However, MNCs primarily reserve their most senior corporate positions for expatriates who are paid substantial packages, remunerations and compensations. This is done at the expense of the ‘can do’ local employees who tend to understand the local industrial terrain better, and who do the greater part of the jobs. This may be due to local peoples’ seemingly inadequate knowledge and training to enable them to compete with expatriates. Such industrial discrimination occasionally results in industrial unrests which affects productivity and performance and the huge capital flights involved have serious resource-curse and socio-economic growth implications.

Employee training is an organisation’s investment. It generates valuable assets including quality leadership and positive social reputation (Wu et al., 2015) which leads to competitive advantage and potentially higher returns (Luo and Bhattacharya, 2006). However, MNCs’ decisions regarding who to be trained tend to be selective. MNCs’ senior managers benefit from high-profile training, most of which is internationally undertaken with a huge cost, whilst local employees undergo such programs occasionally and locally. Ironically, during voluntarily or involuntary redundancies, such local employees may not find another job as good as their previous one, due to lack of continuous professional development (CPD). Arguably, it is suggested that employees’ CPD could reduce political costs (such as litigation and

nationalisation), labour frictions and customer boycotts (Donaldson and Preston, 1995). However, considering such MNCs' discriminatory employee training practices, the objective to develop its human capital to acquire core competencies, enhanced skills and intangible assets aimed at improving and preserving corporate performance and legitimacy (Wernerfelt 1984) would be relegated to the background. Hence, such unskilled and low-waged local MNC's employees, considering their meagre income, investment capabilities, income tax liabilities, purchasing power and consumption pattern, may not contribute meaningfully to socio-economic growth and development. Therefore, the ODC's non-replaceable oil resource may be more of a 'curse' than a 'blessing' prior to depletion, or when depleted, due to inadequate local employees' training and meagre salaries.

Similarly, Sundaram and Inkpen (2004) examine a firm's stakeholders' interest and community involvement. They wondered whether shareholders' interests must be a firm's only concern, or attention must be directed to all stakeholders. In discussions on a firm's commitment to socially responsible activities, including how and the extent to which such commitment contributes to a firm's wealth, the '*stakeholder theory*' (Freeman 1984) is the most used approach. From a firm's social commitment perspective, the stakeholder theory suggests that a firm's CSR investment in employees represents the value relevance of a firm's nonfinancial information (Amir and Lev, 1996; Shevlin, 1996). It is against this backdrop that Greening and Turban (2000) confirm that job seekers may prefer to work for such firms who consider CPD and HCD as part of their CRS investments, as opposed to those firms that put less premium on HCD. Therefore, MNCs must consider the interest of their all stakeholders. This would improve the natural resource benefits to these ODCs. The next paragraph discusses executive compensation, ownership structure, capital flight and their implications on the NRC.

### **2.2.7 Executive compensation, ownership structure, capital flight and their implications on the natural resource ‘curse’**

Jensen and Meckling (1976) suggest that ‘*agency problem*’ may hinder CSR commitment because of the managerial power and discretion exercised in big listed firms. Minnick and Rosenthal (2014) argue that MNCs’ ownership structure and the design of consistently high executive compensation arrangements have some implications on MNCs’ CSR commitments, cash flow, dividend payouts and capital flight. They cite that such a ‘crony capitalism’ phenomenon where controlling shareholders expropriate minority shareholders are machinated by MNCs operating in ODCs. This claim is supported by low CSR investments and fluctuating cash flow patterns which give way to huge executive compensation, well-crafted multiple blockholders including crafted executive stock option offers and payments of high dividends (Minnick and Rosenthal, 2014). Hence, He et al. (2012) find that MNCs’ ownership structure, executive compensation and dividend policy affect their CSR commitment. Such firm-level practices of MNCs contribute greatly to the resource-curse phenomenon, which ultimately impede the socio-economic growth opportunities within ODCs.

It is worth noting that factors that influence the NRC are inexhaustive in this piece of work. Other studies identify causes to include resource constraints, economic and governance challenges of market entry, and the nature and complexities of CSR activities in addition to responsible investment and fair trade (Amaeshi et al. 2016; Nyuur et al., 2016). In view of the literature reviewed thus far, we pose a hypothetical question: is there a natural resource ‘curse’?

### **3.1 ‘Curse’ or ‘blessing’?**

Concerning the NRC, and escape from the resource-curse cycle, four studies, amongst others, immediately come to mind. In response to this hypothetical question, Papyrakis and Gerlagh (2004) empirically examine the resource-curse transmission channels and how the natural resource abundance can impact directly and indirectly on economic growth. They find natural



resources to impact negatively on growth when it is captured in isolation. However, it has positive direct effects on growth when certain factors, including corruption, investment, openness, terms of trade, and level of education are considered. They find that the negative indirect effects of natural resources on growth outweigh the positive direct effect by a reasonable order.

Incidentally, Boschini et al. (2007) also pose a similar hypothetical question – “*resource curse or not: a question of appropriability*”? They argue that the interaction between institutional setting and the types of resources a country owns is crucial in suggesting whether natural resources are good or bad for a country's development. They argue that, for economic and technical reasons, some natural resources have more potential to create problems such as rent-seeking and conflicts than others. However, this foreseeable problem could be avoided where strong and quality institutions exist. This study clearly shows the ultimate importance of strong institutions towards escaping the natural resource ‘curse’ (Adams et al., 2018).

Similarly, van der Ploeg (2011) asks: “are natural resources a curse or a blessing”? Responding to his question in his empirical studies, he concedes that either outcome is a possibility. He surveys various hypotheses and supporting evidence to understand the reasons why some countries benefit whilst others suffer from the NRC. He considers a resource bonanza, which he said can influence real exchange rate appreciation, poor growth prospects, and de-industrialisation. He indicates that such variables prevail in weak institutional contexts. He further hypothesises that resource abundance motivates rent-seeking behaviour and propels corruption, particularly in non-democratic countries. Moreover, ODCs appears not to successfully turn around their depleting exhaustible resources into other productive investments. He then concludes that for ODCs to escape the NRC, institutional quality, rule of law, democratic governance, innovative re-investment of resource revenue and well-developed financial systems could not be compromised. It is indeed established wisdom that improvement

of financial systems in ODCs would invariably contribute to efficient capital allocation to the oil and gas sector (Levine et al. 2000; Beck et al, 2000). Table 1 and 2 provide a summary of literature, and present the views of various school of thoughts on causes of natural resources curse in developing countries. In Figure 1 we present a summary of the traditional and international concepts/theories which outline the reasons for the resource-curse in ODCs. These conceptual/theoretical paradigms inform the discussion and findings of this study.

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### **3.2 Discussion**

In reviewing the studies that explore the causes and implications of the natural resource ‘curse’ within ODCs, three things have become apparent. First, most of these studies find an abundance of natural resources endowments in developing countries as a ‘curse’ rather than a ‘blessing’. Second, the studies find a strong relationship between the resource ‘curse’ and a country’s level of corruption, transparency, accountability, institutional strength and efficiency of governance. Interestingly, studies that associate the resource ‘curse’ to corruption agree that corruption has been a pervading fundamental socio-economic growth challenge within developing countries generally. Hence, its elimination could help resolve the NRC. Whilst corruption is generally known as a global problem, additional capital for natural resource exploitation is another problem for developing countries. Therefore, understanding the underlying reasons for corruption and the capital needs of developing countries to exploit their natural resource seems to be a complex endeavour which may have made it difficult for such studies to be able to

present a definitive and convincing conclusion. To a large extent, improved transparency and accountability practices could help solve the resource ‘curse’ phenomenon in ODCs. Similarly, other studies allude that, since EITI seeks to address possible challenges driving the NRC, through the implementation of policy initiatives and compliance by member countries, it is expected that member countries may escape the NRC. However, scores of studies show that EITI membership has not lived up to its expectation since the socio-economic growth of most member countries still leaves much to be desired.

This paper argues that owners of capital of the oil and gas MNCs in these ODCs reserve top management positions to their favourite managers who may misrepresent information or alter reports to suit their personal and principals’ interests (Gray, 1992, 2013) at the expense of local community development. Accordingly, principals and owners of capital should not only see ‘business’ as just demand, supply and pricing, but the conditions within which production, distribution and consumption take place. In addition, Adams et al. (2017) find that the rent and resource-seeking strategies being used by MNCs are central to the ‘manufactured risks’ which negatively impact ODCs’ economies. Whilst these countries have been inconsistent in their approach to effectively deal with the challenges emanating from the resource-curse phenomenon, MNCs in the oil and gas sector continue to extract resources and expand their market base without much recognition to the CSR implications of their resource extraction activities.

In addition, the literature on governance and economic growth reviewed to date indicate that international market prices tend to fall during oil windfalls. Therefore, where revenue from oil windfalls are not properly saved or invested to take care of future fluctuations in oil production and international market prices (Papyrakis, and Gerlagh, 2006), the result is a fall in expected oil income needed for finance and economic planning. Therefore, where resource wealth does not have a corresponding increase in income, the result is the resource-curse. Though the

findings of these studies are significant, they fail to consider the fact that control of oil production has the potential to increase the world market price of oil. Hence, the absence of sustainability programs and an ‘invisible hand’ price increase through targeted periodic quota production strategies could also be attributed to the reasons for the resource-curse in ODCs. Papyrakis and Gerlagh (2006) fail to recognise the fact that good oil resource governance could help improve oil revenue and reduce or avoid the resource-curse. A body of literature establishes that weak institutional environments can promote the resource-curse phenomenon. This finding was also affirmed by studies that attribute the resource-curse to the activities of MNCs operating within weak institutional contexts due to their increased PMA activities in a globalised world.

We find MNCs’ rent-seeking behaviour and long-term licencing lobbying being driven by their profit maximisation agenda which contribute to the slow socio-economic growth and development of ODCs. Whilst rents are a perfectly good profit maximisation concept, MNCs in the oil and gas sector use their competitive advantage to seek excessive rents by creating entry barriers to sustain their hegemony (Dunning and Lundan, 2008; Kolk and Lenfant, 2010). MNCs’ rent-seeking behaviour leads them to utilise their bargaining power to influence the market actors to gain and reassert their market position at the expense of CSR obligations. Based on the ‘*resource-dependency theory*’, this paper affirms that the prevalence of MNC’s rent-seeking behaviour and long-term licence lobbying motivates the resource curse (Kopiński et al., 2013). Focusing on MNCs as agents of globalisation and owners of capital in the ODCs, it is safe to assert that global capitalism and the profit maximisation agenda of oil and gas MNCs greatly contribute to the natural resource ‘curse’ phenomenon.

Consequently, studies that focus on a firm’s CSR commitment and economic growth argue that a firm, and for that matter, MNCs’ CSR commitments towards effective and speedy socio-economic growth and development cannot be underestimated. However, from the *institutional*

*theory* perspective, ODCs' slow socio-economic growth and development can be attributed to MNCs' CSR non-compliance, driven by weak institutional contexts (Frederick, 1992; Barraquier, 2011; Ferguson, 2005). This confirms that weak institutional context contributes to the resource-curse and makes institutional quality a significant determinant within the resource-curse debate. It has become apparent that even where MNCs honour their CSRs, they do it purposely for legitimisation (Suchman, 1995).

Other studies also conclude that, in a bid to satisfy their PMA, MNCs constantly embark on rigorous transfer pricing and tax avoidance. In this regard, the *transaction cost economics* (TCE) protagonists suggest that MNCs cut costs substantially to increase profits to satisfy shareholders' interests (Voegtlin et al., 2012). It is therefore, established that through TCE, MNCs embark on cost-cutting exercise and tax avoidance to maximise profits and facilitate capital flight.

We also find that MNCs' exclusive concern for shareholders needs when considering stakeholders' needs is inadequate, as they seem to be more concerned with developing the human capital of expatriate senior managers and directors. This paper argues that it is critical for MNCs to appreciate that though debt holders and shareholders fundamentally have explicit claims on a firm's success, other stakeholders have implicit claims on a firm's wealth (McWilliams et al. (2006). Therefore, in considering shareholders' interest, oil and gas MNCs operating in ODCs must consider government and employees' interests, since they contribute positively to socio-economic growth and development (Voegtlin et al., 2012), as evidence of responsible global business leadership. Hence, the resource-based view theory (RBV) literatures argue that MNCs could help ODCs to escape the resource-curse through the creation of sustainable employment and continuous professional development (training) for local people (Peteraf 1993; Wernerfelt 1984). These arguments suggest that effective CSR practices support

economic value creation and equitable distribution of economic wealth for the wellbeing of society.

Using Ghana as an example of one of the few ODCs that have recently joined the African oil producing giants, Kopiński et al. (2013) suggest that Ghana's membership of the oil-producing giants has greatly raised hopes amongst the public. However, they confirm it could generate the anxiety and fears of a 'Nigerian scenario' where oil becomes a 'curse' instead of 'blessing'. This is because researchers and policymakers do not seem to have a clear and detailed understanding of the pathways of failure and trajectories that some ODCs have followed and experienced. They argue that, whilst Ghana, as a latecomer to the oil and gas industry, might have acquired some structural immunity against the NRC phenomenon, a deeper understanding of the phenomenon is necessary. They demonstrate that since its oil discovery, Ghana has embarked on effective and efficient oil and gas resources management, including rigorous and intensive capacity building to strengthen the legal framework, improving transparency and accountability, along with modest attempts to strengthen the non-resource sectors of the economy.

In view of these developments, they argue that considering Ghana's stable political system, its relatively strong and diversified economy, and the strength of civil society - the usual symptoms associated with oil and gas extraction within ODCs - makes it unlikely that Ghana's oil and gas resources could turn the country upside-down. However, in view of the many debates surrounding MNCs' CSR commitments on the African continent, coupled with its weak institutional structures (Frynas and Paulo, 2007; Kolk and Lenfant, 2010 Adams et al. 2017; Adams et al. 2018), this paper asserts that Africa is the '*cautious continent*'; it is important to be cautious in being optimistic about predicting its future growth prospects and cautious in being pessimistic about enumerating its problems. With that in mind, this paper is

careful in positing that the '*natural resource curse*' phenomenon in ODCs, particularly in Africa, should be considered as a '*treatable disease*'.

Besides, the wide range of literature reviewed so far, this paper takes a step further in enhancing our understanding of the critical drivers and implications of the NRC phenomenon. Informed by the comprehensive discussions, criticisms and findings, we describe the hypothesised phenomenon, '*natural resource curse*', as remnants of capitalism, being the scramble for, exploitation, manipulation, and mismanagement of natural resources revenues (Frynas & Paulo 2007), induced by greed and ignorance. Considering the recent case of oil-rich Ghana's strengthened socio-economic position and institutional structures, and the petroleum sector arrangements in its preparation to advance oil production (Kopiński et al., 2013), we expect ODCs in sub-Saharan Africa to record improved performance and to become an exemplary model for ODCs. Until then, the natural resource 'curse' debate remains inconclusive.

### **3.3 Conclusions and avenues for future research**

This study explores how, and the extent to which, the activities of MNCs operating in the oil and gas sector in ODCs contribute to the natural resource 'curse' phenomenon; and how MNCs' ethical practices could avert the 'curse' or possibly bring about advantages of natural resource abundance for ODCs in order to support sustainable socio-economic growth and development. We conclude that globalisation, with respect to MNCs' activities, contributes greatly to the natural resource 'curse'. Key factors such as MNCs' profit maximisation agenda (capitalism) and institutional weakness within ODCs contribute significantly to the natural resource 'curse'. Other factor such as MNCs' CSR non-compliance, transfer pricing, tax avoidance and evasion, rent-seeking behaviour, legitimisation and lobbying ambitions, petroleum revenue mismanagement, employment and HCD practices, executive compensation schemes, company ownership structure and capital flight, all work to impede the socio-

economic growth and development of ODCs. It is in this regard that Du and Vieira (2012) allude that the controversial nature of the oil industry drives MNCs to adopt various strategies to undertake CSR activities just to gain legitimacy.

We show that even though oil MNCs operating in some ODCs may have brought modest growth results, somewhere in the late 20th century, MNCs' CSR non-compliance might have affected the expected meaningful contribution to the socio-economic growth of these countries. This finding confirms Collier and Gunning (1999) who show that MNC's activities within ODCs explain the poor socio-economic performance of these countries. A critical examination of the '*resource-dependence theory*' shows that globalisation, and for that matter, MNCs' capitalist ideologies, contribute immensely to the slow socio-economic growth and development in ODCs (Sachs and Warner 1995, 2001). Based on these contextual circumstances, one could argue that MNCs' activities might either contribute insignificantly towards the socio-economic growth of ODCs or might be responsible for the ODCs' slow socio-economic growth and development.

We recommend some policy directions. Resource-rich developing countries may use the financial systems to mobilise funds (capital) to wean themselves from over-reliance on foreign capital (economic dependency theory) for their resource exploitation. ODCs must not focus only on attracting MNCs into their economies to provide capital and employment. We argue that a well-developed financial system would serve as a primary source of capital and technology transfer. It would promote human capital development and increase economic productivity without the associated risks that MNCs bring due to their profit maximisation agenda. As long as ODCs continue to depend on MNCs for their resource exploitation, they would continue to be exploited and the resource-curse debate would continue. However, if ODCs strategise to manage and own their rich natural resources, then it is possible the natural resource 'curse' debate would be a thing of the past.



Whilst we recommend that ODCs should set policies which provide effective methods for responsible exploitation of oil resources and revenue management, MNCs must be directed to support environmental preservation and sustainable development programmes. From the MNCs side, policy could be reformed to include assessing the quality of investments and intensity of production, whereas host ODCs could explore opportunities for oil-revenue management aimed at building a sustainable economy to help escape oil-dependent economic crisis. They may also reduce their overreliance on oil revenue for lasting economic planning and development. Countries could adopt a long-term national development plan to accumulate capital to exploit their own resources and wean themselves from being owned and managed by MNCs. They may amend current natural resource management and governance regulations and policies to incorporate MNCs' legal, mandated and voluntary CSR requirements which include regular monitoring and inspection of MNCs' CSR compliance reports. National CSR laws and regulatory policy must enjoin MNCs to incorporate their CSRs into their firms' policy framework as a mandatory requirement. Policy direction should focus on minimising capitalists' profit maximising agenda. Concerning institutional quality, we suggest ODCs update and strengthen existing legal, regulatory and judicial systems as well as policy frameworks governing all institutional bodies and environments, particularly the oil and gas sector, supported by the rule of law. They may have strong international oil market (pricing) representation. They may have policy direction on periodic quota production and utilising, reprocessing or converting all oil-related by-products into economic use.

If ODCs commit to having strong institutions, and MNCs' commit to earnest CSR compliance, coupled with quality measures, committed leadership and political will, the natural resource 'curse' debate could become be a thing of the past. Considering the similarities of the resource-curse and the 'Dutch Disease', we could have considered other literature to explain how price and productivity fluctuations could cause the 'Dutch Disease'. Additionally, we could have

considered wider studies on the sustainability of natural resource usage to consolidate our argument on the effect of the resource windfall on a non-replaceable asset. These are areas for future research.

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**Table 1. Extant literature on traditional/country-based causes of the natural resource-curse**

Author(s)	Year	Country	Sample	Method	Conceptual underpinnings	Key findings
Kasekende et al.	2016	76 countries	76 countries that are rich in hydrocarbon and mineral resources	Use panel data estimation techniques for the first decade of the EITI's existence (2002–2012) based on the worldwide governance indicators (WGI) of EITI membership	Corruption	They find that countries join EITI to signal their commitment to greater transparency. Corruption scores have not reduced in EITI member countries.
Kolstad and Wiig	2009	Use EITI	Use EITI as the sample and Freedom House data of the press as transparency proxy	Using regression, they draw on both economic theory and other empirical studies to systematically test, review and analyse the association between corruption and transparency within resource-rich developing countries		They find that education is key to process, understand and act on information.
Öge	2016	Azerbaijan Indonesia and Zambia	Azerbaijan Indonesia and Zambia	Uses interrupted time series and panel data analyses between 2006 and 2013		Though EITI membership improved aggregate data disclosure in member countries during this period, he however, finds no change in corruption perceptions
Arezki and Brückner	2011	30 oil-exporting countries	30 oil-exporting countries	Use a panel of 30 oil-exporting countries from 1992–2005		They conclude that oil rents increase increases corruption massively, affects political rights instability but at the same time improves civil liberties.
Standing	2014	Ghana	Ghana's petroleum sector	Uses empirical/field study	Transparency and accountability	Found that the normal antidotes prescribed by the development community of transparency and social accountability may not solve the resource-curse problem. The policy has been ineffective due to local corruption and lack of accountability.
Adams et al. (2018)	2018	Ghana	Use 222 cases from 18 of Ghana's key petroleum stakeholders	They use 222 cases from 18 of Ghana's key petroleum stakeholders to investigate possible natural resource curse escape factors		They find transparency and EITI membership insufficient to avert its 'resource-curse' unless they are complemented with quality of institutions, quality of governance, government effectiveness, accountability, corruption control mechanisms, natural

						resource sustainability and effective accounting practices.
Sovacool and Andrews	2015	Azerbaijan and Liberia.	Azerbaijan and Liberia	They empirically test the supposed benefits of the EITI by qualitatively assessing the performance of Azerbaijan and Liberia.	Governance	They find that attributing governance improvements causality to the EITI is a misconception
Sachs and Warner	1995	97 developing countries	97 developing countries	They use regression in explorative cross-country study	Institutional quality	They find no relationship between institutional quality and natural resource curse. They find economies with a high ratio of natural resource exports to GDP in 1971 to have low growth rates during the subsequent period 1971-89
Mehlum et al.	2006	82 countries	Nigeria, Zambia, Sierra Leone, Angola, Saudi Arabia and Venezuela, Korea, Taiwan, Hong Kong Singapore, Botswana, Canada, Australia, and Norway	They empirically test resource curse theory building on Sachs and Warner (1995)		They find that abundant natural resources reduce aggregate income within institutional grabber-friendly environments, whilst a higher level of resources increased income in institutional producer-friendly environments
van der Ploeg	2011	Iran, Venezuela, Libya, Iraq, Kuwait, Qatar, Nigeria	Low-income countries Middle-income countries High-income OECD countries	Uses empirical study – survey on a variety of hypotheses including World Development Indicators, 2004, World Bank	Rent-seeking behaviour	He discovers that a resource boom engenders rent-seeking behaviour and civil conflict within weak institutional contexts.
Bhattacharyy and Hodler	2010	124 countries	Use 124 sampled countries	Based on the game theory, use panel data covering the period 1980–2004 and 124 countries to test this theoretical prediction.	Rent-seeking behaviour	They find that the relationship between resource rents and corruption depends on the quality of the democratic institutions.



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Source: Compiled by the authors

**Table 2. Literature on globalisation/multinational corporation activities induced resource-curse school of thought**

Author(s)	Year	Country	Sample	Method	Conceptual underpinnings	Key findings
Ferguson	2005	Conceptual study	Conceptual study	Uses empirical studies to analyse James Scott (1988) Seeing Like a State	CSR commitment	He finds that recent capital investment (multinational oil companies) in oil-rich African countries is territorialized and drive selectively territorialized investment
Nyuur et al.	2016	Ghana	227 sample Ghanaian local firms	Use results of hierarchical regression analysis of data from 227 sample Ghanaian local firms		They find substantial improvement in local firms' CSR uptake with corresponding improvement in FDI inflow
Jamali	2010	Lebanon	Uses purposeful sampling methodology to select 10 well-known subsidiaries of MNCs in Lebanon	Uses interpretive research methodology to examine the CSR orientations of MNC subsidiaries		Discovers diffusion and dilution of global CSR patterns in developing countries regarding specific subsidiary endowments and host market characteristics.
Kolk and Lenfant	2010	Central African countries	Angola, DR Congo, and Republic of Congo	Use secondary data (company information)		They find most MNCs report on their economic and social impacts. They also find MNCs' CSR report to be generic and high CSR vulnerability
Amaeshi et al	2016	Nigeria	Fidelity Bank, Nigeria	An explorative case study on Fidelity Bank, Nigeria		Find CSR in developing countries being characterised by institutional weakness

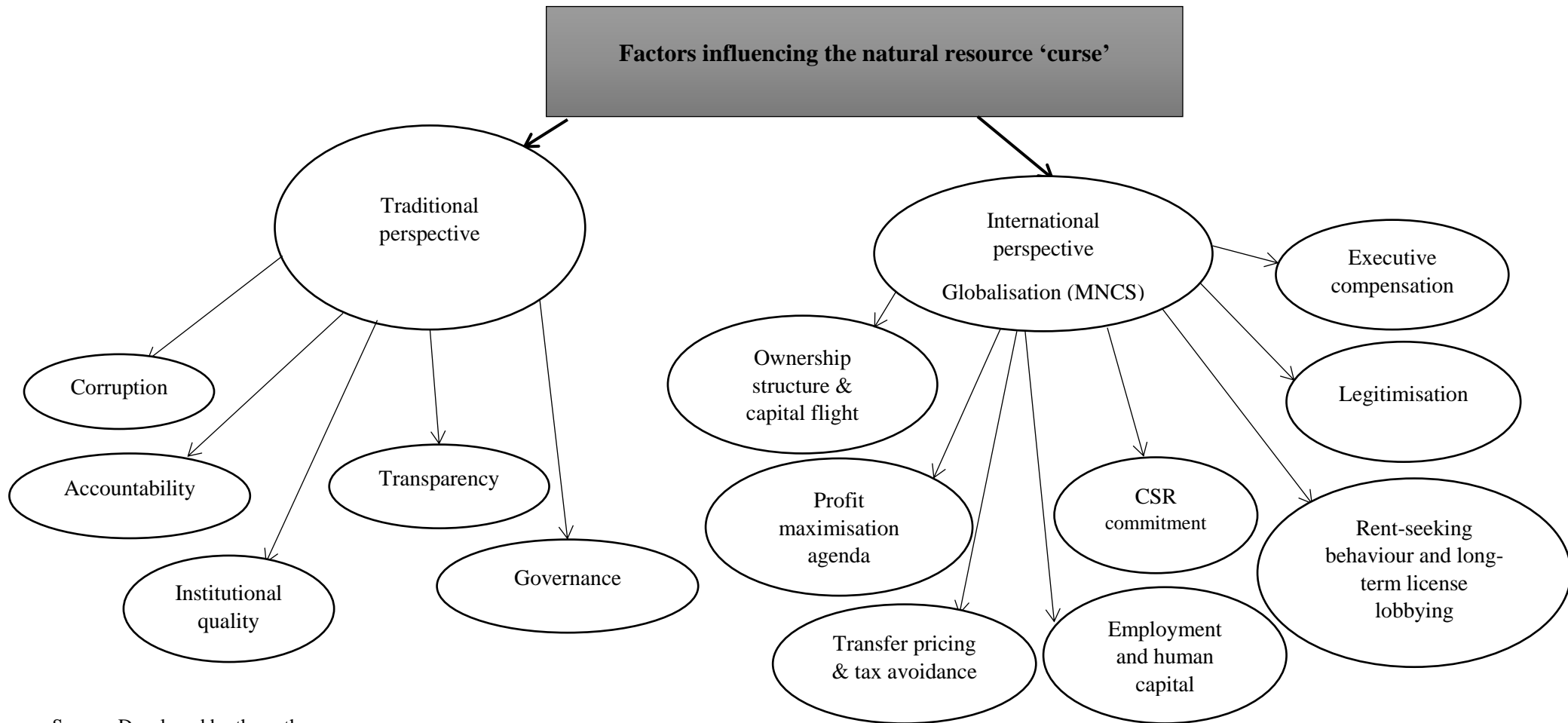
Odera et al.	2016	Nigeria	Nigerian oil companies.	The study analyses annual reports through content analysis	CSR	Find Nigeria's MNCs' oil business presents low quality social and environmental disclosures.
García-Rodríguez et al.	2013	Angola	Luanda oil refinery in Angola.	They use case study to examine the use of an environmental management system (EMS) in Luanda oil refinery in Angola.		They find that MNCs CSR commitment would be a great asset to socio-economic growth and development of ODCs if MNCs integrate CSR into their business strategy
Suchman	1995	Conceptual study	Large literature review on legitimacy	Synthesizes and analyses large but diverse literature on organizational legitimacy	Legitimacy	Identifies three primary forms of legitimacy: pragmatic, based on audience self-interest; moral, based on normative approval; and cognitive, based on comprehensibility and 'taken-for-grantedness'
Du and Vieira	2012	United States and UK	6 oil companies	Adopt a case study methodology to analyse 6 oil companies' 2011–2012 web site content		Find all six companies studied using CSR activities to address the needs of various stakeholders
Sikka	2010	Conceptual study	Conceptual study	Adopt transaction cost economics for investigative study	Transfer pricing and Tax avoidance	MNCs promise of responsible conduct, however they end up practising tax avoidance and tax evasion.
Sikka and Willmott	2010	Conceptual study	Conceptual study	Adopt transaction cost economics for investigative study		Find transfer pricing misrepresenting the real values of transactions, driving wealth -retention processes and facilitates a firm's tax avoidance, engendering capital flight
Sikka	2003	Jersey, a UK Crown Dependency,	Jersey, a UK Crown Dependency, protected by the UK government	Uses empirical study – case study		Finds that capitalism is inherently crisis-ridden since MNCs utilise offshore financial centres (OFCs; also called tax havens
Contractor	2016	US, UK and China	MNCs of European, western and eastern countries	Uses empirical studies		Finds that MNCs use tax avoidance techniques to remain in the global business competition behaviour
Kopiński et al.	2013	Ghana	Oil and gas sector	Adopt empirical study	Rent-seeking behaviour	Find oil-rich developing countries more vulnerable to MNCs' oil and gas revenue 'rent-seeking

Idemudia	2012	Nigeria	Oil Producing Area Development Commissions	Draws on empirical data		Oil Producing Area Development Commissions failed to improve the lives of the people in oil-producing communities due to their failure to amend opportunities and incentives for rent seekers and allow for active community and civil society participation.
Jensen and Meckling	1976	Conceptual study	Conceptual study	Conceptual study	Executive compensation, ownership structure and capital flight	They find that managerial power and discretion facilitate high executive compensation which is part of the agency problem itself
Minnick and Rosenthal	2014	United States	All S&P 500 firms over the period 2003–2007, sample are banking, utilities, insurance, energy, retail, manufacturing and technology	Use proxy statements, to hand-collect information about restricted stock grants		Find that MNCs' ownership structure, and design of consistently high executive compensation arrangements had implications on MNCs' CSR commitments, cash flow, dividend pay-outs and capital flight.
Bebchuk and Fried	2003	Conceptual study	Conceptual study	Conceptual study		A firm's high executive compensation arrangement results to capital flight
Friedman	2007	Conceptual study	Conceptual study	Uses conceptual study	Profit maximisation	He finds that in addition to profit prospects, a firm promotes desirable organisational and "social" ends for survival
Sikka and Willmott	2010	Conceptual study	Conceptual study	Adopt transaction cost economics for investigative study	Profit maximisation	They find MNCs' transfer pricing activities as profit maximisation agenda
Sikka	2003	Jersey, a UK Crown Dependency	Jersey, a UK Crown Dependency, protected by the UK government	Uses empirical study		Finds MNCs' capitalist ideology as a profit maximising strategy

Sundaram and Inkpen	2004	United States	Conceptual study	Conceptual study	Employment and human capital development	They uphold the corporate objective function of shareholder value maximization which they claim could lead to decisions that enhance outcomes for multiple stakeholders.
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Source: Compiled by the authors

**Figure 1: Theoretical background/ conceptual framework**



Source: Developed by the authors