



STANFORD
GRADUATE SCHOOL OF BUSINESS

STANFORD SOCIAL INNOVATION *review*

On the Frontlines

Oil in Troubled Water

To enrich Africa, oil companies and NGOs must cooperate

By Florence C. Fee

Stanford Social Innovation Review
Fall 2007

Copyright © 2007 by Leland Stanford Jr. University
All Rights Reserved



STANFORD
GRADUATE SCHOOL OF BUSINESS

Stanford Social Innovation Review
518 Memorial Way, Stanford, CA 94305-5015
Ph: 650-725-5399. Fax: 650-723-0516
Email: info@ssireview.com, www.ssireview.com

Oil in Troubled Water

To enrich Africa, oil companies and NGOs must cooperate by Florence C. Fee

Africa keeps slipping behind the rest of the world in its social and economic development. According to United Nations statistics, the number of people living in poverty in Africa has doubled over the past 20 years. At the same time, the world has grown increasingly dependent on African oil and gas resources. Africa now produces about 12 percent of the world's oil, with China, Europe, and the United States especially looking to the "Big Four" African hydrocarbon producers – Nigeria, Algeria, Libya, and Angola – for their future supplies.

One way to ensure that revenues from Africa's oil and gas fields feed local economies is to encourage greater cooperation between oil companies and NGOs. Combined, they have the resources, motivation, and experience to stabilize the region and promote its prosperity. In the 1990s, for example, oil giant BP, along with Global Witness and Transparency International, pressed the Angolan government to publicize its petroleum revenues and social spending data. This effort

not only galvanized reforms in the Angolan state oil industry, but also put pressure on all oil-producing states in Africa to apply their hydrocarbon earnings toward raising local living standards.

Oil companies and NGOs operating in Africa have a lot in common. Both are pursuing expensive, strategic long-term goals: Oil companies routinely take seven to 10 years to bring a newly discovered oil field into production, at costs ranging from \$1 billion to \$5 billion. And the largest NGO involved in the African continent, the Bill & Melinda Gates Foundation's Global Health Program, states that it can take more than 10 years and \$800 million to develop a new vaccine.

NGOs and oil companies also depend on each other. Oil companies rely on the major health NGOs to combat HIV/AIDS, malaria, and other illnesses that weaken African labor pools. NGOs, in turn, rely on oil companies' donations, good government relations, and physical infrastructure, such as roads and pipelines.

In the past, one impediment to NGO-big oil cooperation has been the culture of secrecy and insularity of many large international oil firms.

To be sure, companies have to guard their proprietary information. But this protectiveness has contributed to an "us vs. them" attitude that undercuts their relations with NGOs and local communities.

Oil firms need to open up and form partnerships with NGOs. Most oil companies are hierarchical, centralized organizations, and so this openness must start with strong, clear directives from the top tier of management. Oil firms must also assume responsibility not only for meeting their own business aims, but also for supporting communities.

Shell has led one such initiative: Youth Link Lending for Living. Youth Link develops young entrepreneurs in the volatile and impoverished Niger Delta. The program teaches young people vocational and business skills and then helps them apply their skills to microenterprises. This combination of training, lending, and mentoring is creating small businesses for the young to own and manage.

For their part, NGOs must recognize the vital role that business and foreign investment play in Africa. World Vision, CARE, Save the Children, and several other high-profile NGOs are doing just that, expanding Chevron's development assistance program via the Angolan Partnership Initiative (API). The partnership will take Chevron's activities well beyond their normal base of operations, helping Angola return to being one of the world's biggest coffee and cotton exporters and bringing computer technology to Angolan schools.

Sub-Saharan Africa is a difficult place to work. But progress can be made, with realism, pragmatism, and persistence. The stakes are much higher today, not only for Africans, but also for the rest of the world. □



FLORENCE C. FEE worked for 25 years at Chevron and Mobil as head of global external relations, director of international political risk management, and president of Mobil Russia Ventures. She currently heads the international energy consultancy F.C. Fee International Inc.