
ENERGY AND THE DEVELOPING WORLD: THE NEED FOR NEW KINDS OF PARTNERSHIPS

By David J. O'Reilly, Chairman and Chief Executive Officer, ChevronTexaco Corporation

Corporations have compelling reasons to work toward stability and higher standards of living in developing countries in which they operate, says O'Reilly, a recipient of the 2003 State Department award for corporate excellence. He argues that businesses can achieve best results by entering into broad partnerships that can help break down barriers between developing countries and the rest of the world as well as between those countries' governments and their people. O'Reilly describes a partnership in which ChevronTexaco joined forces with multiple partners to spur sustainable investment in Angola.

By necessity, the petroleum industry operates in some of the most challenging parts of the world — challenging in terms of the technology required to find and develop new sources of energy and challenging in terms of social and economic disparity.

Indeed, much of the world's energy resources are located in developing countries where life is a daily struggle against disease, malnutrition, unstable social systems, and conflict. Poverty is at the root of these intractable problems.

When it comes to global poverty, the statistics are alarming. It is estimated that one-half of the world's population exists on the equivalent of \$2 a day, and more than 1 1/2 billion people do not have access to electricity. In Africa alone, upward of 300 million people, half of the continent's population, live on less than \$1 a day. In fact, the average yearly income for African citizens comes to less than the annual agricultural subsidy for a cow in Europe or Japan.

Despite the statistics, I am often asked why business should care about lifting the burden of poverty. In today's highly connected yet fragile world, the reasons are compelling — as compelling, in fact, as for any part of society. Who more than business needs:

- an operating environment of peace and political stability
- a healthy, educated work force

- the highest-quality local suppliers
- a thriving demand for our products

There exists, of course, yet another, even more compelling, reason why business must join the fight against poverty. It is the right thing to do.

Recently, U.S. Secretary of State Colin Powell presented my company with the State Department's highest award for corporate excellence. The honor was based on the sustained efforts over many years of the employees in our Nigerian affiliate to improve the quality of life in the communities in the Niger Delta where they work.

Certainly, the award was a proud occasion for our company. But more important, it underscored the profound philosophical change that has occurred in how many companies are increasingly viewing their role in society, especially in developing nations. No longer is it enough that we fund "bricks and mortar" programs. Instead of giving our neighbors a helping hand, we must, in the words of the late Reverend Leon Sullivan, give people a "hand up."

Of course, no company can do it alone.

In addressing the causes of poverty, I believe progress needs to be made in several areas: trade reform, human capacity building, debt relief, and the improved delivery of development aid. Action on these fronts must be accompanied by government reform in the areas of good governance and transparency. In developing countries where these issues have been addressed, we have seen the benefits of economic growth being more broadly distributed across the population.

I am also convinced there is a need for new, innovative global partnerships and collaborative approaches — approaches that will help create sustainable economic growth while making sure benefits are widely shared. To bring about substantial and lasting change requires that all stakeholders — governments, nongovernmental organizations (NGOs), communities, and business — work together in partnership. Each player has an important role.

- Governments must do the things that only they can do: advocate and practice good governance, provide education and health care, and create a stable and transparent investment climate.

- Multilateral organizations such as the World Bank, the International Monetary Fund, and the World Trade Organization should work with governments and help them establish good policies.

- NGOs must help local populations make sustainable improvements in their economies and be open to working with all stakeholders, including industry.

- Business, for its part, should be focused on making wise investments, creating jobs, and running sound, profitable operations. But it must also work collaboratively with both government and NGOs to improve the quality of life where it operates.

What could these new partnerships look like? To offer one example: Late last year, ChevronTexaco joined with the United States Agency for International Development (USAID) and the United Nations Development Programme to form a \$50 million partnership to spur sustainable investments in Angola.

The largest private alliance ever entered into by USAID, the partnership has opened the way for government to tap new sources of financing and technical expertise that the private sector brings to the table. Major relief groups and nonprofit agencies have joined in the partnership as well. We turned to NGOs with expertise in agriculture, finance, and education — even seed multiplication and goat raising. We worked with international banks and development agencies, the government of Angola and, most importantly, with communities and rural villagers themselves.

One initiative alone, aimed at reviving the nation's small farms, will have helped nearly 900,000 Angolans, approximately 8 percent of the entire population, by the end of this year.

This example shows that success will come, but it will only come through new partnerships and coalitions that combine our separate strengths.

Clearly, business objectives for many companies — including ChevronTexaco — are tied to economic growth around the globe. However, until basic human needs can be met, it will be a difficult world in which to do business, much less to create new markets and growth opportunities.

Effective partnerships can break down barriers that often isolate developing countries from the community of nations and a world of ideas. Partnerships can also break down barriers that are caused when government, businesses, and communities simply do not speak each other's language or, at worst, distrust one other.

One can only wonder how long our shrinking world can tolerate economic disparities so vast that human beings in one place are valued less than livestock in another. By working together, I'm convinced we can begin to span such chasms. □

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