

MAKING OIL A BLESSING

A blessing and a curse. Many countries with the black gold in their veins end up marred by conflicts and poverty. Itself a child of a successful oil story, the Norwegian oil company Statoil wants its social investments to contribute to sustainable development in countries of operation. Anna Leer, UNHCR, has talked to Natalja Altermark, Social responsibility manager with Statoil.



A health post at a Reception Centre, rehabilitation financed by Statoil, Angola

Statoil first engaged in UNHCR's global operations in 2001. Since then, Statoil and UNHCR have co-operated in a series of field activities all working to build peace, advance human rights and secure durable solutions for the world's persecuted and most vulnerable people. From education of internally displaced persons in Azerbaijan, rehabilitating schools and health infrastructure in post-conflict Angola to the production of an e-learning tool promoting integration among school children all over the Baltic/Nordic region. Beginning 2005, the partnership between Statoil and UNHCR will exclusively focus on projects in Statoil's core countries.

The wake-up call

Taking social responsibility has according to Natalja Altermark always been a part of doing business for Statoil. Partaking in social enhancement on a global scale however began with their international activities. "It began when we moved into countries that were very challenging from a reputational perspective, from a risk perspective, from a security and crime perspective," Natalja Altermark recalls, and explains, "We had a wake-up call with the Ken Saro-Wiwa case (human rights activist executed in Nigeria in 1995 ed.). We were there (in Nigeria ed.). Other companies were targeted in the international media, but Statoil was in the Norwegian debate in a way. A lot of people got very critical about how we could be in Nigeria, when human rights violations took place. It became clear that both from a moral view point and also in order to protect reputation and manage the

risks we face, we needed to move beyond our direct sphere of influence and do something with problems in society at large. We had to engage in issues that we didn't have to engage ourselves in before because in developed countries the state takes care of governance and human rights issues. That is putting it a bit simplistic of course...

But in many developing countries, authorities either do not want to or cannot assume their whole responsibility, and they need help. And we think that the corporate sector, just as the non-governmental sector, has a role to play. And we wish to contribute."

Cutting risks and boosting reputation

More than seven years have gone by since Statoil's project for the Akassa ethnic group in Nigeria took off in 1998. The company now wants to strengthen the business case in its social investments. "In addition to the moral argument, we say that all social investments should contribute to building reputation and they should contribute to risk management through a better understanding of social problems and a better knowledge of how we can help to alleviate them. Also, our funds will be concentrated on our countries of operation."

Statoil sees social investments as contributing to risk management because they extend the company's network beyond the business sector and the national authorities. "This helps you understand that society," Natalia Altermark thinks, "and their (partnering

organizations ed.) experiences will typically be a lot longer and more deep-going than Statoil's experience as a newcomer." In terms of reputation building, Statoil has both the Norwegian constituencies and the reputation abroad to consider. Since Statoil is more than 70 percent owned by the Norwegian state, "we need to make sure that our major owner trusts in our ability to conduct business in a responsible manner," as Natalja Altermark says. But next to the Norwegian state, in Norway alone, she enumerates Statoil's employees, their organizations, trade unions, the informed public, the media, the NGOs, Norway at large and the customers as "groups in society with whom it is important to maintain our reputation". In the host countries, the governments and the local communities are key to Statoil.

The significance of the stakeholders, however, varies from stage to stage, Natalja Altermark points out: "In a business development stage, the relationship we have with the licensing authorities is very important. In an operational phase, the local community becomes very important because the local community is surrounding our operations. But what we always try to secure is that prioritizing doesn't mean either this group or that group. We have to balance. And a country manager's top priority is to secure the reputation of Statoil operation in that country, while being wary about how this operation affects Statoil's corporate reputation in Norway..."

Sometimes these reputations can be conflicting because what you do to boost your reputation with one constituency can be detrimental for your reputation with another constituency. There are a lot of social investments or other CSR (corporate social responsibility ed.) activities we could engage in that would be seen as very positive from a Norwegian viewpoint but would not be in line with the host countries' priorities. So reputation is many things..."

Do you have any experience with such conflicts?

"Not really. Because we have always been careful not to... It is not our place to lecture anyone or go against somebody's wishes. We think that rather than having just a bilateral relationship, a partnership with an NGO, we always try to engage the authorities as well and get their sort of understanding and secure their acceptance for what we do, because if we don't, then we won't be able to do anything."



Statoil office in Trondheim, Norway

So how much has Statoil done about reputation building and marketing of its social investments? Not enough, according to Natalja Altermark. "I think we are on the right track internally but externally it is a bit of a catch 22. Why shouldn't you inform about the right things that you do? Why shouldn't you inform the world about them? But very easily, and unfairly maybe, whatever you do is interpreted as something you do for commercial purposes only, that this is just something you do to sell a product. So it can backfire to market it too much."

Beyond business

Would you say that the social investments you do go beyond Statoil's own interest?

"I think that self-interest and what is good for society may start out as two different things but in the end it is the same thing. Yes, it is also a wish to contribute to a well-being in those societies but in the end that will benefit us too, so in the end there is self-interest even in that. I think that this dichotomy is not really valid in the long term. It sort of melts together... to rephrase a famous American quote- "what is good for General Motors is good for America" – we think that, "what is good for Nigeria will ultimately be good for Statoil". I mean, in a very long perspective, companies suffer from bad governance, human rights violations, unstable conditions, poverty, crime and insecurity. There is a risk for companies as for any other actors in the society."



A sign outside a health post in Angola

And it is these fundamentals of governance in society that Statoil wants its social investments to impact on. The company wants to cut to the actual disease and not just the symptoms. “I hope, that we should contribute to long-term stability, to better governance, contribute to people being able to help themselves,” Natalja Altermark says. In this thinking UNHCR’s durable solutions of reintegrating returnees, rehabilitating and reconstructing war-torn countries “fit well”, she remarks. And according to Natalja Altermark, the attraction for Statoil in partnering with UNHCR lies in the organisation doing, “a lot to alleviate, even in the short-term, the big security risks around the world posed by the fact that there are refugees and internal conflicts.”

But what has led to Statoil’s big ambitions in social investments projects – has bad governance and corruption been wrecking business in its countries of operation?

“Not just corruption. I think it is also a reflection of the fact that we are a Norwegian oil company and we are a child of what most people would call a successful oil history. Oil has been a blessing for the Norwegian society because the opportunities that oil has given this society have been well spend. In many other countries, research and people point out that in spite of their oil and gas wealth these countries are worse off than their neighbours with less resources, and why is that? Because paradoxically having all these easily accessible oil resources reduces the incentives for

good management, for good governance. Whether that is true and whether there is a direct causal link,” Natalja Altermark says with a shrug of the shoulders, and continues, “We at least think, it is fair to share some of our resources on exploring this link and trying to look at the more underlying reasons of underdevelopment in the societies that we have activities in.”

Statoil wants to do add another level to the traditional philanthropy, where a company does something for the local community to mitigate or alleviate the direct impacts of the business on the local community. “When we talk about governance, we move beyond the direct impacts that our business might have and into the more indirect impacts that our industry or business as a whole has on the society. We haven’t done enough in practicing it but we have come quite far in the realization,” Natalja Altermark concludes.