



The Role of the Private Sector in a Changing Africa

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Jeroen van der Veer is Chief Executive of the Royal Dutch/Shell Group and President of Royal Dutch Petroleum Company. He has been a Managing Director of Royal Dutch Petroleum since 1997.

He joined the Group in 1971 and worked in manufacturing and marketing in the Netherlands, Curaçao and the United Kingdom. In 1984, he returned to Shell Nederland as manager of Corporate Planning, and then of Pernis Refinery. After an assignment in Shell International, looking after Africa and Canada, he became a managing director of Shell Nederland in 1992. Four years later he became president and chief executive of the Shell Chemical Company in the United States.

He is a non-executive director of Unilever, serving as a member of the Nomination and Remuneration Committees.

He was born in Utrecht in the Netherlands. He has two degrees – one in mechanical engineering from Delft University and another in economics from Rotterdam University.

He is married and has three daughters.

Business can make a contribution to tackling poverty in Africa through its everyday business operations. It can also play a role by targeting social investment. The Shell Foundation, through its support for small enterprises, is helping to develop Africa's entrepreneurial potential and those small businesses will play a vital role in stimulating economic growth across the continent. However business cannot act alone, governments need to create a supportive investment climate, underpinned by good governance, that will allow businesses, big and small, to unleash Africa's potential. Business Action for Africa is committed to playing its part in this work to help stimulate the economic growth which will be the key factor in reducing poverty in Africa.

I am delighted to be here this morning to underline Shell's support for Business Action for Africa.

I would particularly like to congratulate the Commission for Africa in providing the stimulus that has led to the creation of Business Action for Africa. Today, we are seeing the result of a very positive process in which NEPAD, the African Union and business have worked very effectively together. One element in that work was the very positive consultation and engagement with the private sector in all the G8 countries. However, even more important is the way that the process involved Africans themselves, and sought their views on what action would best help them maximise economic growth in their own countries.

That involvement is vital because clearly Africa is best placed to drive its own development. But that does not mean that others should not play their part too. A business like Shell has a major presence in Africa, and it is clearly in our interests to promote economic growth and support the development of stable, healthy and prosperous communities. And from my time in the early 1990s as Area Coordinator for Sub Saharan Africa in Shell I saw at first hand some of the challenges that we all face in achieving that goal, and in bringing the substantial economic progress we all want to see.

What I would like to do in my comments today is cover three areas. The first is the contribution business can make simply by investing and operating in Africa. The second area is to look at where business can target social investment to best effect. Finally I will focus on what governments need to do to create the supportive investment climate

that will stimulate the economic growth that is the key to tackling poverty.

Shell's Commitment to Africa

Africa is important to Shell. Our total equity oil production across the continent is more than 400,000 barrels a day, making up 17 per cent of our total production, and last year our capital expenditure in Africa amounted to more than \$2 billion.

Amongst our operations in Africa are some truly world scale projects. In Nigeria the Bonny Island liquefied natural gas (LNG) plant is the largest single industrial enterprise in Africa. It has already been extremely successful in finding markets across the world and a major expansion will mean by 2007 it will be one of the largest such plants in the world, supplying up to 13 per cent of the world's LNG needs, not least to the key energy markets of North America.

Shell has a presence in a total of 36 countries across the continent ranging from these large upstream projects to our oil products retailing businesses. And new business opportunities are emerging all the time - opportunities in which Shell will be keen to play a part if we can achieve satisfactory commercial conditions.

All of this underlines that many parts of Africa are rich in resources and the most important driver for us all is to ensure that those resources are developed in a way that brings long-term and sustainable benefits to Africa.

One way energy companies can do this is by helping to facilitate projects that bring the benefits of modern energy to the local population. Two thirds of people in Africa still depend on traditional fuels such as

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wood and biomass for their fuel, and improving their access to modern energy plays a particular role in opening up new economic opportunities.

The Commission has called for major investment in infrastructure and some of that investment must be focused on energy infrastructure whether that is in pipelines or power stations to help ensure that local populations benefit from their energy resources. The West Africa gas pipeline is one example of a major investment in energy infrastructure which will bring gas to a significant domestic market in Togo, Ghana and Benin. And I hope we will see more of this type of project.

The other role energy companies can play is in increasing the opportunities for local contractors and local people. That can range from providing jobs directly in our operations, and we have made considerable progress both in increasing the number of local staff employed across Africa and in providing opportunities for those staff to develop and extend their skills. We also have a range of training and support programmes that help to transfer skills and technology which in turn increase the opportunities for local contractors to bid for Shell contracts. And I know international businesses that invest in Africa recognise the continuing need to do everything they can to ensure that they maximise the economic opportunities for the communities in which they work.

We are proud of what we have achieved in Africa, though I accept our record is not perfect. Perfection is always hard to achieve, especially in Africa. We know that ourselves, and the NGOs know it too. And well founded criticism by NGOs of multinational companies can be a stimulus to work better. However, criticism that is out of context or unfounded does not help Africans and could cause those companies to be hesitant about investing Africa.

Targeted social investment

Whatever the scale of the contribution from international business it cannot, by itself, bring sustainable economic growth to the continent. The real engines of economic growth in Africa will be its own small businesses and the real key to tackling poverty must surely lie in unleashing the

power and dynamism of local entrepreneurs.

I'd like to briefly mention some of the work the Shell Foundation is doing in this area. The Foundation is funded by Shell but operates independently and, since its establishment in 2000, has been refining and developing its programmes to focus on tackling poverty through market and enterprise based solutions.

At the heart of its approach is support for the creation of sustainable enterprises that are owned by people in poor communities and which provide jobs and, in many cases, supply affordable goods and services to people in those communities. In the end it will be the emergence and growth of these kind of small scale enterprises that will provide the most effective routes out poverty for the people of Africa.

Amongst the Foundation's projects are two small enterprise funds of about \$14 million in Uganda and South Africa. These funds, developed in partnership with local banks, provide finance and business development advice to entrepreneurs who are not able to secure commercial finance elsewhere.

Both funds will be fully committed within two years of creation – proving there is no shortage of entrepreneurial talent in Africa. So far they have supported more than 350 enterprises that have in turn generated thousands of jobs. Both funds are now expected to deliver commercial returns and this performance is already attracting additional investment from both local and foreign investors.

The Foundation is now building on this success and, last week, announced a new partnership with GroFin Capital, a specialist financier; British and Dutch government development organisations; as well as African banks. The partnership will provide a \$100 million fund to support small enterprises across East Africa. I think the backing this initiative has received, including that of the Prime Minister, underlines the growing recognition that this kind of support for Africa's entrepreneurs will play an essential part in lifting Africa out of poverty.

Africa also faces some particular

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obstacles to economic growth and one of the greatest of these is HIV/AIDS. This is clearly having a dramatic impact on the lives of millions of people and is holding back economic growth. Shell, along with many other international businesses, has developed a detailed response to HIV/AIDS for our own employees providing support and medical care where appropriate.

But we also know that we need to look outside our own direct concerns to the impact on the wider communities. Shell has supported a project with UN AIDS which provided scenario planning expertise to help explore the possible future scale of the problem. More than 150 people, mainly Africans, provided time and expertise to the project – including representatives of African governments, NGOs, development agencies and people living with HIV/AIDS.

The scenarios confirm that Africa is facing an unprecedented and exceptional crisis. But, equally, the scenarios showed that this was not necessarily a hopeless or inevitable situation. There is action we can take today that could reduce the future impact of AIDS and so save millions of lives. But it will need concerted action from businesses, governments and NGOs.

Role for Governments

This brings me to my third theme. All of the initiatives I have outlined cannot be achieved successfully by business acting alone. Governments must take on the central role of creating an investment climate across Africa that supports enterprise and the role of the private sector and provides a clear and predictable economic policy framework for business to succeed. And this is vital for domestic businesses as much as international investors.

A key feature of the supportive climate is good governance. I think there are some positive signs emerging of an increasing number of governments being willing to tackle corruption and to operate in more transparent and accountable ways.

One of those signs is the increasing support for the Extractive Industries Transparency Initiative. I believe this

initiative will be a key element in helping resource rich countries make better use of the revenues from those resources – in ensuring the discovery of energy or mineral resources is a blessing not a curse.

One of the countries where the initiative is being pursued most vigorously is Nigeria. Last year Shell was part of the stakeholder conference that launched the Nigerian Extractive Industries Transparency Initiative - NEITI. The intention behind NEITI is to go further than simply publishing the revenues paid by companies and received by the Government. As a result every month the Nigerian Government publishes the amounts of money it pays to each of the States and the Local Government Areas. Already this has had a noticeable effect – as local groups begin to use the information to ask questions about how the revenues are being spent in their areas.

Elsewhere across the continent, not least in South Africa, we are seeing very visible action on tackling corruption. These are all signs that there is an increasing recognition that good governance matters and that governments are more willing to take the courageous steps that will lead to that improvement in governance.

Conclusion

So while it is easy to find reasons to be pessimistic about Africa, I think our presence here today; the work that the Commission has done; and our own experience as business leaders shows that this pessimism is not necessarily valid.

We – governments and business - now have an exciting opportunity build on the growing momentum that will put the conditions in place that will lead to a significant increase in economic growth in Africa. Business, big and small, can unleash the potential of Africa. And we in Business Action for Africa are committed to playing our part in helping Africa to realise that potential.

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