



Why Transparency is Important

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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.

The revenues raised from a country's natural resources ought to be a force for good but in many cases the misuse of these revenues can result in poverty, corruption and conflict. The greater transparency over these revenues, promoted by the Extractive Industries Transparency Initiative (EITI), is one way of helping to tackle these problems. When a country adopts the principles of EITI it means companies operating in that country declare the payments they make to the government and the government declares the corresponding receipts. This provides local people and groups with greater opportunity to question how this money is being spent. In this way EITI helps to improve the management of those resources and promote better governance.

I am delighted to be here this morning and to have the opportunity to underline both industry's and my own company's support and commitment to this vital initiative.

The discovery of natural resources in a country ought to be a force for good. The revenues raised from those resources ought to help improve the lives and well being of the people of that country. However, in far too many cases, that is not what happens. In far too many cases, the result is continuing poverty, lack of development, corruption and, in the worst cases, conflict.

That presents problems for us all as members of the international community. But it also makes it harder to do business in such countries – and it makes it difficult for extractive industry companies, like Shell, to operate in a sustainable way. And that in turn risks diminishing, or even cutting off, the investment that these countries so desperately need to support their development.

Energy and mining investments are long term in nature. In many projects, it can take many years before investment capital is repaid and before profits are earned. That means we have to take a long term view. It means that companies have a clear interest in peace and the social and economic development of the regions and countries where they work. Put simply, we prefer to invest and work in countries that are tackling the scourge of corruption; that are instilling good governance and the rule of law; and that are concerned about the health,

education and livelihoods of all of their people.

Of course, the industry recognises that the scale and impact of its operations brings special obligations to help tackle some of those issues. We meet those obligations in a number of ways. We play our part tackling corruption. We try to minimise the impact of our operations on our host communities. And, often in partnership with NGOs and development agencies, we support development projects that respond to the needs of the particular communities where we operate. Such projects can include the provision of educational and training opportunities, supporting health programmes, promoting small and medium sized enterprises and encouraging agricultural development.

But these projects, however worthwhile, cannot by themselves address all of the underlying development challenges facing a nation or a region. Nor can they, or should they, be a substitute for the proper exercise of Governments' role. And one of those roles, in resource rich countries, is to ensure that good use is made of the revenues provided by the extractive industries.

Governments and civil society organisations have a particular interest in working towards that aim. But companies do too – which is why Shell was an early supporter of the Extractive Industries Transparency Initiative (EITI) and why I am happy to reaffirm our continuing commitment. Indeed I would be happy to volunteer a senior Shell

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representative to sit on the proposed International Advisory Council for this initiative.

EITI is a simple and straightforward concept – as are the underlying EITI principles, which were endorsed at the 2003 Lancaster House Conference and which I fully support. But simple concepts are not always easy to put into practice. I know that in each of the pilot EITI countries it has taken time, effort and commitment from all of the stakeholders to find practical ways forward. But today's conference is an extremely powerful symbol of the progress that has been made and the real momentum that is now behind this initiative.

In particular, I applaud the efforts and courage of those governments who have endorsed this initiative and are making the concept a reality on the ground. I know there has been significant progress in a number of countries but I would like to spend a moment on the work in Nigeria, as this is a project in which Shell has been closely involved.

President Obasanjo and his economic team are driving the transparency agenda in Nigeria with impressive vigour and commitment. A great deal of progress has already been made and, in 2003, the Shell Petroleum Development Company of Nigeria became the first company to disclose the revenues it paid to the Nigerian government. We could not, of course, have done this without the support of the government, which was willingly given.

In early 2004, we were delighted to be 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. One result of that approach is that 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 – with concerned citizens and civil

society groups beginning to ask searching questions of their local officials on how the monies received by them have been spent.

Leadership and active support from the government, as in the case of Nigeria and other governments represented here, is of course essential for EITI to proceed in a particular country. But others are also playing a vital role. This includes the Prime Minister, the Secretary of State for International Development and DFID – who have done outstanding work in defining the issues, bringing the parties together in conferences like this and giving real impetus to the initiative. The Bretton Woods Institutions, particularly the World Bank and the IMF, have also played a key role – not least in providing practical support and advice on the ground. And, though some may not agree with this opinion, I wonder whether we would have been here at all – were it not for the work of the NGO community in highlighting revenue transparency as an issue that had an impact on people's lives and for which a solution was required.

I think we can see from that list that EITI is a rather unusual kind of initiative. It is rare for governments, multilateral agencies, NGOs and companies to agree on much these days. And it is rarer still for them to work together, constructively and in partnership, on developing specific and practical proposals. Inevitably there have been some tensions on the way, but I think the fact that we all share the view that transparency is important and that it can be a real force for good has helped to make sure that EITI has developed into a workable and sustainable initiative.

As a result, there is now real momentum behind EITI and I have every confidence that it is a momentum that will be maintained. It's important that it is maintained, because there is much still to do. More host governments are coming forward to support EITI – and we, collectively, need to support them. Some are not coming forward – and we need to

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persuade them. In some cases, civil society needs support to build capacity so that they can get to grips with the information provided to them. In other cases, it is governments themselves that need support to develop transparent and accountable systems. All of these are essential elements in bringing about the improvements in governance that we all want to see.

By being here today, we are all demonstrating that we are willing to play our part in tackling those challenges. We recognise that we have a very valuable

prize in our grasp. If we get it right, transparency will create a virtuous circle where improved governance encourages more investment – which in turn leads to improved and sustained economic and social development.

We all have an obligation to do what we can to help ensure the wealth from every nation's natural resources truly enriches the country and its people.

And I am sure that by supporting and working on this initiative we are making real and substantial progress towards achieving that goal.

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