

PAPER PRESENTED BY MR. ANDREW K.L. BADOO, DIRECTOR OF ADMINISTRATION & HUMAN RESOURCE, [GNPC] AT THE WEST AFRICAN INSURANCE COMPANIES ASSOCIATION (WAICA) ANNUAL GENERAL MEETING AND EDUCATIONAL CONFERENCE, ACCRA 21ST TO 24TH MARCH 2010

Theme of Conference: The Oil discovery in West Africa: Its impact on the Socio-Political and Economic Development in the Sub-region and the vital role of the Insurance Industry in the Management of the natural resource

Topic of the Paper: "Oil Discoveries in West Africa: A Bane or a Blessing in the Socio-Economic and Political Development and Integration of the Sub-region"

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ACKNOWLEDGEMENT

Mr. Chairman, the Chief Executive Officer/Secretary General of WAICA, Members, and Associate Members of WAICA, from across the West African Sub-region, Invited Guests, Ladies and Gentlemen:

I thank you for the honour done the Ghana National Petroleum Corporation (GNPC) and for the invitation extended to the Managing Director of the GNPC to present this paper to this august gathering of Insurance Experts from our West African Sub-region.

I bring you special greetings from Nana Boakye Asafu-Adjaye, the Managing Director of the GNPC. He has asked me to convey his special wishes to you for a successful Annual General Meeting and Educational Conference. He could not be here this morning because he is presenting a paper at the "Ghana Summit" Oil, Gas the Frontier Province Conference organized by CWC Group Limited, United Kingdom, taking place at another location in Accra.

The Topic you have chosen for me to speak on is interesting and significant: *"Oil Discoveries in West Africa: A Bane or a Blessing in the Socio-Economic and Political Development and Integration of the Sub-region"*

The subject of Oil and Gas Discovery in Ghana has remained as a topical issue for discussion since the announcement of the discovery of Ghana's first commercial find on June 18, 2007. The issues it throws up touches every facet of our lives. Not surprisingly therefore, the topic explores the effect of the discoveries on the socio-economic and political development and integration of the Sub-region.

I think you should have offered this as a topic for one of the Ph.D students in one of the Universities in West Africa. I believe he or she would have done a better job in about a 2000-page thesis.

But here I am to do this in 30 minutes! Whatever you do at the end of this presentation, remember my handicap. Thank you.

FEATURES OF THE OIL AND GAS INDUSTRY

We are dealing with an industry that is significant in many ways.

Let us consider a few.

The Industry is referred to as a Long term cycle industry. Decisions made for the industry typically has a minimum of 20 to 50 year profile.

It is a unique industry characterized by the following:

- a) Huge investments
- b) High risks/high rewards
- c) Complex reserves
- d) Economic turbulences
- e) Price volatility
- f) Scarce technical talents
- g) Scarce/expensive Rigs, and equipment
- h) Application of hi-tech equipment and technology
- i) Multi-sectoral draw/discipline
- j) Amazing utilization of multi-racial group of people
- k) Strong corporate and social responsibility
- l) Contribution to the economic and social life of the community
- m) Impact on the environment
- n) Footprints on the sands of time
- o) Potential source of political conflicts within national borders or across international borders
- p) Etc.

OIL DISCOVERIES AND THE POTENTIAL DISQUIET

You can almost understand why some people would consider the discoveries in West Africa as constituting a bane for the people.

But why should it be so when a resource like oil and gas brings so much benefit to the society? Pick up five products around you and you are sure to find they have their source in oil and gas. The plastic parts of the vehicle you traveled on to this place; the streets you went on have got oil-based materials.

La Cote d' Ivoire is already producing some oil and gas. I am also aware of recent discovery offshore Sierra Leone (Venus discovery), and the active efforts being made by TGS-Nopec with the Governments of Sierra Leone and Liberia in the acquisition of large vintages of seismic data as a medium of promoting the hydrocarbon potential of these countries. Ghana maintains the lead in terms of recent discoveries in the Sub-region. Not surprisingly, Ghana which is located almost at the center of the world has become the focus of the upstream industry in the Sub-region.

Sadly, our brothers in Nigeria tell a sad story about aspects of the exploitation of oil and gas in their country. Their encounter with neighbouring Cameroon centering on the Bakasi Peninsula have until the ruling in the Hague, The Netherlands, been an unpleasant news nobody would like to repeat. Already there are whispering along the Ghana, La Cote d'ivoire maritime boarder.

As a student of Geography in the 1960s I read about the groundnut mountains in Nigeria; the contribution of cocoa, and cotton to the economic development of Nigeria. At the risk of over-simplification we may say that the ongoing agitations in the Niger Delta due partly to concerns over serious environmental degradation; and issues with the allocation of oil revenue; have caused many to suggest that real or perceived inequities arising from the exploitation of the oil resource and allocation of oil revenues could trigger trouble for any country that discovers oil. Further north of the equator, the experience of the Netherlands at the beginning of their oil industry gave the World the expression

'The Dutch Disease'

So perhaps there is a case to be made when it is suggested that the growing discoveries of oil and gas along West Africa may well be the bane of the region.

THE OIL AND GAS RESOURCE: TANGIBLE BENEFITS

It is also true to say that the discovery and exploitation of oil; and utilization of oil revenues have contributed to the wider development of the socio-economic and political development and integration of some oil producing countries. Norway readily comes to mind as an example of a society that learned some useful lessons and adopted Policies to avert potential threats to their society. The amazing infrastructural development in some countries in the Gulf and the Arabian Peninsula are eloquent testimony of the positive aspects of oil on society. Brazil is making important strides to apply oil revenues to transform its society.; This is not to say that there are no problems in these countries.

Ghana and the other emerging oil and gas economies in West Africa can learn from the script. We do not have to start from scratch as some had to do. Appropriate Policies and programmes crafted with the supreme goal of improving the lives of the generality of the people in any given country would be the ingredients for avoiding the much talked about curse that had befallen some countries which did not do too well in managing their resources.

AVERTING THE POTENTIAL THREATS: STRATEGIES

- The Legal regimes underpinning Petroleum Exploration and Production operation must be fair to participating parties and be seen to be transparently administered.

- The fiscal regimes which determine the share of revenues between the investor communities and the national resource owners, that is, the country, must offer fair reward to the investor while providing reasonable benefit for the host country. Of course, what is reasonable remains debatable.
- Internal distribution of the oil revenues among regions, provinces, states, etc., in a given country constitute a great policy issue that must be handled expertly. This must meet the efficiency test and not just emotional aspirations.
- Individuals who expect an improvement in their economic and social lives would almost demand opportunities for jobs where they believe their capabilities will match the job requirements. Opportunities must also be created for those who do not have requisite skills for direct jobs in the oil industry and indirect jobs outside the oil industry, to acquire those skills to enable them realize their aspirations.
- Business entities within the national borders especially those owned by the citizenry expect, no, infact demand that national policy managers will introduce relevant and sustainable policies and programmes that will guarantee them minimum share of ownership in oil service. Provider companies; as the oil industry matures in the acquisition and management of exploration blocks and licences; give them access to needed capital to grow their businesses, etc.
- The allocation of oil revenues beyond the constituent political regions, provinces and states: must also be invested in sectors e.g., education, health, and social services which touch the core of the people's lives; leading to an improvement in their general wellbeing; and also in ventures

with a potential for higher multiplier effect on the economy

e.g., infrastructure which will endure, be evident, long after the oil resources have been exhausted.

A deliberate, concerted, and frank effort must be made by policy makers to manage the huge expectation from all the stakeholders in any given country. This will include traditional rulers, civil society organizations, youth groups, trade and artisanal/vocational groups, and of course the business community at every conceivable stage of the policy design and implementation.

Initiatives which can encourage people to desert the rural economy and for that matter agriculture, and other traditional economic pillars of the society that could lead to the introduction of *'The Dutch Disease'* in the economy must be avoided.

Economists and Financial Managers of the economy must expertly manage the oil revenues to ensure that an overvaluation of the national currency with a resulting increase in the price of the country's exports and a consequential negative effect on income from the traditional and regular exports from the country.

The relationship between countries with maritime boundaries must be managed by West African countries themselves. Negotiations of boundary cases must be jealously guarded by these countries, avoiding possible stoking of the fires by the invisible hand of former imperial or metropolitan rulers and benefactors.

In a nutshell, the dreaded curse or bane, could be successfully avoided if the leaders of the various West African countries would

adhere to the principles of **engagement, involvement** of its people and the **ownership** of the resource by the people.

Government and the various stakeholders have taken significant steps to ensure that the management of the oil resource in Ghana is conducted in a very civil, transparent, and professional manner.

A Committee set up by Government on Petroleum Revenue Management has been touring the entire country to engage the people and solicit views on this matter. The Ministry of Energy last Saturday concluded a three (3) day road show to six (6) Coastal Districts in the Nzema area to interact with them, on various aspects of the emerging oil industry. Draft Local Content Policy Document prepared by Ministry of Energy for Government is being reviewed. Public forum to discuss Environmental Impact Assessment of Oil and Gas projects have been held by the Environmental Protection Agency (EPA), the International Oil Companies (IOCs), and the public at-large. Various programmes reflecting the commitment of the IOCs to their social responsibility towards neighbouring communities are being undertaken.

We expect this momentum and commitment towards engaging and involving the public will create and guarantee the sense of ownership that will take away any tendency among the people to sabotage any of this oil and gas projects.

A MANDATE OF THE GNPC

In this connection, I have to emphasize that the GNPC remains committed to fulfilling all of its mandate to the people of Ghana, and in particular the one that enjoins the Corporation to **"ensure that petroleum operations are conducted in such manner as to prevent adverse effects on the environment, resources, and people of Ghana"**.

REALIZING THE BLESSING OF THE OIL RESOURCE, THE ROLE OF THE WAICA

You will recall I said at the beginning of this paper that the oil industry is characterized among others by huge investments, high risks and high rewards. Your interest in this industry as Insurance experts, if for nothing at all, will be on these. You may adopt a what is in it for me approach which I don't believe you would but rather advise the investor and all other stakeholders in the industry to manage their risks, give them the expected relief when the occasion demands. I will not attempt to advise you on the synergies that you can build to your benefit in lending your support to this industry across the West African Sub-region. Reading through the objectives of WAICA, I note among others the following:

- ✓ To encourage the exchange of business among member companies operating within Anglophone West Africa.
- ✓ To encourage the promotion of insurance education in each country and to encourage existing educational institutions such as universities to initiate courses and training programs on insurance and allied subjects as well as encouraging the exchange of business and personnel from company to company.
- ✓ To work towards and facilitate the establishment of a West African Reinsurance Corporation.
- ✓ To take any other necessary steps which are in the interest of members and which directly or indirectly have positive benefits on the lives of the communities within which members operate and promoting the objectives and aspirations of the Association.

This is assuring.

I am happy to note that since WAICA was formed on 4th May 1973 it has recorded some significant achievements which our oil industry can draw from.

I have observed in particular that:

- ✓ the objective of encouraging the development of the insurance market in each area on sound and technical basis has been achieved by way of exchange of personnel on periodic attachment with insurance companies in member countries.
- ✓ in the matter of encouraging of exchange of insurance business among member countries, the creation of WAICA pool has given effect to the achievement of that aim among English speaking countries in West Africa.
- ✓ it has become a policy that a fixed percentage of each risk being insured overseas must be ceded to the WAICA Pool, which is being managed by the Nigeria Reinsurance Corporation in Abuja, Nigeria. No doubt when WAICA succeeds in facilitating the transformation of WAICA Pool into WAICA Reinsurance Company, this will go a long way in servicing the "exchange of business" objective.

This is refreshing news!

WAICA has asserted that "it is strategically placed to facilitate and implement projects that have a bearing on more than one country's industry and economy". I believe that.

WAICA further affirms that it has acted as a catalyst in advancing economic integration and development in our sub-region..... "We expect more of this in the future.

I commend the Vision of the founding fathers of WAICA.

CONCLUDING REMARKS

Let's step back to where we began, and restate the topic **"oil discoveries in West Africa: A bane or a blessing in the Socio-economic and political development- and integration of the Sub-region"**.

We are focused on this, and the next generation. We are determined people. Together we can make the oil discoveries in West Africa a blessing not a bane in the socio-economic and political development and integration of the sub-region.

I wish you a successful deliberation at your Annual General Meeting and Educational Conference.

Thank you.