

Oil Resource Management and Its
Utilization for Economic Transformation
– The Case Study of Ghana

A speech Delivered by His Excellency
John Agyekum Kufuor, Former
President of the Republic of Ghana at
the Climax Celebrations of Makerere @
90 at Makerere University in Kampala,
Uganda

on

2nd August, 2013

1. Rt. Honourable Amama Mbabazi,
Prime Minister of the Republic of
Uganda
2. Honourable Ministers and Members
of Parliament

3. Professor Mondo Kagonyera,
Chancellor of the University
4. Eng Dr. Charles Wana-Etyem,
Chairperson of Council and your
Colleague Members of Council
5. Vice Chancellor Professor Ddumba
Ssentamu, and Members of Staff
6. Dr. Angelika Klein, Country
Representative for Konrad-Adenauer-
Stiftung
7. Mr. Bruce Kabaasa, Chairperson of
Convocation
8. Distinguished Invited Guests
9. Ladies and Gentlemen,
10. It is indeed a privilege to be called
upon to deliver this lecture to climax
your year-long programmed activities
celebrating Makerere @ 90.

11. I take delight in being with you on this famed campus, an institution noted for scholarly excellence in East Africa.
12. Indeed, your university is one of Africa's premier institutions of higher learning, and has at times been referred to in Africa as "the Oxford of the East".
13. Makerere has produced so many post-independence African leaders, including former Ugandan presidents Milton Obote, Yusuf Lule and Godfrey Binaisa, and the late Tanzanian president Julius Nyerere.
14. Former Tanzanian president Benjamin Mkapa, the current president of the DRC, Joseph Kabila, and recently-

retired Kenyan president Mwai Kibaki are all also Makerere alumni.

15. Indeed, you have had very turbulent and trying times with unfriendly governments, especially in the early decades of this nation's independence.

16. Your academic freedom was almost taken away from you, and many of the then members, both students and faculty, paid for it dearly with their lives.

17. Remarkably, however, your institution always bounced back in spite of the many tribulations and vicissitudes that it suffered.

18. Makerere is therefore worthy of great praise and continued high expectations from your nation and its

many well-wishers and friends from around the world.

19. You deserve congratulations for chalking 90 years, and ought to be proud of your esteemed alma mater.

20. It is my pleasure to celebrate your 90th birthday with you.

21. Mr. Chairman, Ladies and Gentlemen, I have been asked to deliver an address on “Oil Resource Management and Its Utilization for Economic Transformation – The Case Study of Ghana”.

22. I don't claim to be an expert on this topic.

23. However, the oil and gas find in Ghana in commercial quantities, that

occurred in 2007 was under my watch as the president of the nation.

24. As euphoric as my government and I were with the find, we were not privileged to be in office at the first pumping of oil three years later in December, 2010.

25. So, Ladies and Gentlemen, you see that the industry is very young in my country, and there should be caution in proffering it as a case study.

26. Suffice it to say that because my government was already aware of the potentials and pitfalls of oil resource management in other countries, it immediately took steps to seek best practices to inform policy, and fashion out regulatory framework for it.

27. This was to avert it becoming a curse to the nation.
28. So I hope this address will be useful enough to assist our sister nation, Uganda, make headway with the search for sustainable ways to make the oil find here a blessing.
29. At this stage, I have to acknowledge that Uganda preceded Ghana in her oil find, but complexities in the industry have delayed the exploitation of your oil resources.
30. Here, permit me to wish you Godspeed in the search.
31. Coincidentally, Mr. Chairman, the major operator of the current oil fields of both Ghana and Uganda is the British-Irish company, Tullow Oil.

32. Ladies and Gentlemen, interestingly, Ghana has so many other areas in common with Uganda.
33. To begin with, the two countries were both styled as “jewels” in the British colonial establishment; the Gold Coast, now Ghana, in West Africa and Uganda in East Africa.
34. They were both naturally well-endowed economically with good forests, farm lands, water bodies and excellent human resource at the time of independence.
35. They also have great cultural heritages of traditional governance including time-tested kingdoms.

36. At independence, our populations were fairly-well manageable, not too large and not too small.

37. Indeed, given the administrative systems and healthy states of the economies which were bequeathed to them at independence, these two countries seemed the likeliest to succeed with self-government in their respective regions.

38. Alas, Mr. Chairman, our two countries have not performed to expectation.

39. In the latest 2013 world rankings of countries by the Human Development Index of UNDP, most of us Sub-Saharan African countries are ranked at the bottom.

40. Ghana is ranked 135th out of 186 countries assessed, and Uganda is at 161.
41. A little probe will show that poor governance has been the bane of development of not only our two countries, but also of almost all the other Sub-Saharan African countries.
42. Historically, most African states lurched into a gap of almost three decades without constitutions.
43. This period has been marked as the era of so-called “strong men” who ruled without transparency and accountability to the people on whom they imposed themselves.
44. Mr. Chairman, this by and large, is the source of the woes and slow

progress that have afflicted our continent.

45. Now, Africa has come to a critical point where democracy and good governance have been recognized across the board as the principles to be pursued to achieve rounded development and transformation of our nations.

46. The African Union says so and all the Regional Groupings subscribe to them; hence the resort to constitutionality for legitimacy by our various countries currently.

47. Good governance should be all-embracing of the citizenry, regardless of tribe, religion, gender, or minority status.

48. It would respect the rule of law, equality before the law, and individual human rights.
49. Private initiative and property rights which define the private sector would also be instituted and protected, and an enabling environment will thus be created for both domestic and foreign investment to operate productively.
50. Hallmarks of good governance also include enlightened laws, such as sensible taxation for infrastructural development, the provision of social amenities of education and healthcare for all, the maintenance of law and order, and accountable and transparent governance maintained by

checks and balances between the executive and the legislature.

51. This is the way to realize the principle of equality of opportunity within the society; a critical factor for national transformation.

52. In the search for such socio-economic transformation, many an opinion suffers from the delusion that having an abundance of natural resources like hydrocarbons and minerals is the key.

53. If this were so, Africa might rank at the top, or with the topmost developed of countries on the globe.

54. But this is not so.

55. There are many nations without resource wealth but who have attained dramatic heights of transformation.

56. Mr. Chairman, countries like Singapore, South Korea, and some of the so-called “Little Tigers” of Southeast Asia are typical examples.

57. It was not so much by the abundance of their natural resources as by the quality of leadership and their commitment to the progress and welfare of their peoples.

58. Therefore, as Africa seeks ways to ensure an accelerated development and economic transformation for its nations, including Uganda, it must accept the challenge to focus on achieving quality leadership that will

offer good and accountable governance.

59. This will make for leaders showing competence in negotiating for the best interests of their peoples, and applying their natural resources to facilitate the development processes of their nations.

60. Mr. Chairman, the utilization of oil resource for economic transformation continues to be a subject of global interest to governments, civil society organizations, interest groups, good governance advocacy groups, international development organizations and development partners.

61. You do not need to go far to discover countries where huge oil resources have not done much to change the fortunes of the citizenry.

62. However, there are others where the discovery of oil and its prudent management have catalyzed rapid transformation of their entire societies.

63. Therefore the touchstone for transformation is good governance, so let Africa learn by these examples.

64. Mr. Chairman, as has been documented by the World Bank, Uganda established a strong record of prudent macroeconomic and structural reforms between 1990 and the year 2000.

65. It became one of the first Sub-Saharan African countries to embark on liberalization and pro-market policies in the late 1980s.
66. Gross Domestic Product growth rates hovered between 6.5% and 7% during the 2000s, well above the average for Sub-Saharan African countries.
67. Poverty rates declined, and there was some progress made towards reaching the Millennium Development Goals.
68. By 2009/10 the population of people living in poverty had declined to 24.5% from the 56% poverty rate recorded in 1992/93.

69. This meant that Uganda had surpassed the 1st MDG of halving poverty by 2015, far ahead of the target date.
70. This economic performance was achieved without the input of oil revenues.
71. However, since 2009/10, this fine economic performance began to stall.
72. Economic growth has lowered to below historical levels to the extent that GDP growth rate dipped to 3.4% in Fiscal Year 2011/12.
73. The forecast for later years is still below historical levels.
74. Ladies and Gentlemen, according to the latest World Bank country outlook, Uganda appears to be having

challenges in meeting targets in health-related MDGs, as well as MDGs related to universal primary education, though gender equality pertains in school enrollment.

75. It has been posited that the Ugandan economy has to, among others, be transformed into one of higher productivity; a transformation which hinges on how well the country manages its resources.

76. Mr. Chairman, luckily for Uganda, in recent times, oil has been struck in commercial quantities, and hopefully, its revenues will be available to undertake the agenda of national transformation.

77. The challenge therefore is how this resource is going to be managed to achieve the above-mentioned objectives and the other stated national aspirations as spelled out in your National Constitution.

78. It is worthy of note that the 2005 Ugandan Constitution has a preamble which states among others that the: *“People of Uganda is committed to building a better future by establishing a socioeconomic and political order, through a popular and durable National Constitution based on the principles of unity, peace, equality, democracy, freedom, social justice and progress”*.

79. All these fine principles are realizable on the condition that the teeming youth, including the almost two hundred thousand graduates churned out every year by the over thirty universities, would be hopeful to secure gainful employment.

80. Here, I should say Uganda is not alone.

81. This is another similarity with Ghana and other countries where massive unemployment in the youth is a danger looming in the foreseeable future for our continent.

82. To pre-empt the menace, governments should use some of the benefits of the oil find to launch far-seeing and far-reaching policies for

entrepreneurship incubation based on technical, agribusiness and vocational skills training.

83. The youth will be enabled to join the private sector and thereby curb the tendency for looking up to the public sector alone for employment.

84. This is but one example for the use of oil revenues.

85. Emulation of Malaysia will show that revenues from oil resources have been

1. Re-invested in the industry itself to expand the local content especially to benefit the youth.

2. Some are allocated for regular budgetary support.

3. There is expansion of credit accessibility to the private sector

especially small and medium scale enterprises.

86. These are some of the best practices that Ghana has emulated from places like Norway, Britain and Malaysia to try to manage its resource.

87. In implementing these, all Ghana's petroleum agreements are put before parliament by the executive for scrutiny before passage into law.

88. Some of the resulting laws are the Petroleum Revenue Management Act of 2011 (Act 815), and the Petroleum Commission Act 2011 (Act 821).

89. The Petroleum Revenue Management Act has strong provisions for governance, oversight, transparency and accountability,

including rigorous rules for reporting on oil fund assets, expenditures and investments.

90. The most unique feature of Ghana's petroleum revenue management regime is found in the creation of the Public Interest and Accountability Committee (PIAC), a 13-member body comprising the Bar Association, TUC Ghana Journalists Association and others, to monitor government in its management of the revenues from oil.

91. Mr. Chairman, additionally, Ghana has signed on to the Open Government Partnership and the Extractive Industries Transparency Initiative which reports on the industry.

92. Distinguished Audience, these laws and regulations that are being put in place are within the control of Government but impunity and political patronage have often undermined the laws.

93. Nevertheless Ghana seems to be heading in the right direction.

94. This is captured in the Country Policy and Institutional Assessment Index report of the Africa Development Bank, which in 2011, ranked Ghana first among ten Sub-Saharan oil producing countries.

95. These are what we have as a case study to put before Uganda which we hope will be relevant.

96. To sum it all up, Ladies and Gentlemen, economic transformation with or without oil, arguably, depends on three key attributes: leadership, good governance and development.
97. That is why I have set up the John A Kufuor Foundation for Leadership, Governance and Development to advocate this.
98. To this end, I would remind us of President Obama's statement to Africa in Accra, in his maiden visit to the continent that *"Africa needs strong institutions and not strong men"*.
99. As much as this appeal is indisputable, I will add that institutions are built and operated by men.

100. It is therefore, equally true that it is the value commitments and focus of such people which give strength to the institutions.

101. Therefore, the nurturing of such people, imbued with fellow feeling and missionary zeal to serve society and to transform Africa, should be in institutions such as Makerere University.

102. Makerere has already produced so many leaders in all fields of endeavour including several presidents.

103. Makerere should not relent in its efforts and Africa will be the better for it.

104. Happy Anniversary and thank you for your kind attention.