

CASE STUDY: RISK MANAGEMENT IN THE HORN OF AFRICA 2011-2013

THE CLIENT

The client was a NASDAQ OMX listed oil and gas exploration company who secured a long-term exploration and drilling license in Puntland, Somalia. The client was the operating partner of an international consortium involved in the project. The client was keen to get the project started with a programme of exploration and seismic research, but their current security services provider advised that the political and security situation was too unstable to proceed.

THE RISK ASSESSMENT

The Puntland Petroleum and Mineral Agency (PPMA), with the support of the client, pushed for an independent risk assessment to a) review the political and security risk, and b) advise on security measures, manpower requirements and the cost implications of managing the risk to a level acceptable to the client's insurers and stakeholders, so that the project could proceed.

What followed was an intelligence-led assessment, leading to a comprehensive operational plan covering:

- Landing and securing equipment at Bossaso harbour.
- Establishment of a safe headquarters and logistics base in Bossaso
- A secure convoy system to deploy equipment 300 Kilometres to the Dahroor Valley drill site and maintain its operations there.
- Establishment of a secure operating base and airstrip in the Dahroor Valley,
- To vet recruitment and oversee the training, deployment and management of locally recruited exploration security unit (ESU).
- Intelligence monitoring and operational response to the threat posed by Al-Shabaab insurgents.
- A liaison, employment and social development programme to ensure the co-operation of the local tribal elders.
- Liaison with the Government of Puntland e.g. PPMA, Ministry of Security and security forces assigned for the protection of the project.
- Liaison with the United Nations Security Monitoring Group.

- Detailed costing of all components of the security operation required to secure circa 100 expatriate workers and the drilling rig throughout the operation.



THE RESULT

The assessment was submitted to the client and its insurers. The project was given the ‘green light’ to proceed. The client replaced its security service provider. For the first time in 20 years a drilling rig was deployed in Somalia. The two-year operation started in January 2011. There were no casualties amongst circa 100 expatriates involved in the drilling programme. All components of the drilling rig left Bossaso harbour intact in April 2013.

The UN Security Monitoring Group praised the client’s security service provider for its ***“transparency and its efforts to comply with the sanctions regime ...(which) arguably represent “best practices” for private security companies in Somalia”***.

KEY PERFORMANCE INDICATORS (KPI)

Provide a vital role in:

- Monitoring improvement, identifying measures that are not proving effective and reducing risk-related incidents;
- Demonstrating compliance with international standards of corporate governance, service level agreements, the local regularity environment and insurance cover;
- Monitoring expenditure on equipment and manpower, to prevent cost-inflation;
- Providing confidence to senior management and stakeholders that the controls are effective.



Typical examples of KPIs

Monitoring of:

- Man-hours spent on specific tasks, registering its effect on incident reduction and measuring this improvement against cost (cost-benefit analysis).
- Effectiveness of IT solutions in reducing manpower costs.
- Compliance with Standard Operating Procedures (SOP's), testing effectiveness and speed of response.
- Security's contribution to the success of the business e.g. safety and efficiency of operations, loss reduction and decrease in insurance premiums.

Comparison of forecasts with real-time play out on the ground, to measure the effectiveness of information collection and analysis on the anticipation of risks.

END