

# **Realization of a Dream: Staatsolie, a Model for the Development of Natural Resources in Suriname**

By Eddy Jharap



*Eddy Jharap with President R.R. Venetiaan - 2005*

**For the Youth and  
Young Entrepreneurs  
Of Suriname**



Dr. S.E. Jharap

Sirahmpersad Eduard Jharap (Eddy) was born in 1944 in the rural district Wanica of Suriname, South America, in a small and poor farming family. During his growing-up period he had to overcome many hurdles, but was able to complete the high school and pre-university, and in 1964 he obtained a scholarship from the bauxite mining company, SURALCO, a subsidiary of Alcoa, to study geology at the University of Leiden, the Netherlands. In the Netherlands he participated in activities of the Suriname Students Union, that increasingly became politicized: the students demanded for independence, and end of the reigning political culture of rent mentality and patronage.

In 1970 he obtained his master's degree in Geology and returned to Suriname to work with the Government Geological and Mining Service as a field geologist. In Suriname he became also politically active in community development, trade Unions and was co-founder of the leftist Volkspartij (Peoples Party). In 1980 a sudden end came to his political career by the first military coup of the country. Even so, he got in the same year an opportunity to put into practice the ideas he was advocating on the stages of the Volkspartij with respect to the development of natural resources. A state oil company (Staatsolie) was founded and he was appointed as president (CEO). In the next 25 years he built Staatsolie from scratch into an integrated petroleum exploration and production company that became the Pride of the Nation. Mr. Jharap retired in 2005.

Jharap is recognized and awarded for his contributions by the Surinamese community and the Government of Suriname. Among others he received a doctorate of the University of Suriname and was decorated with the countries highest civilian order of "Drager Grootlint van de Ere-Orde van de Gele Ster". In 2007 a book was written and published about his life and work for Staatsolie titled: "Eddy Jharap-Confidence in Own Abilities" in the Netherlands.

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## **1. Summary**

In order to obtain development and prosperity, we cannot continue to have the hands out, but have to work ourselves. Jharap shows with an example from his own, how a descendant from indentured immigrants, born in an illiterate and poor family, have built a non traditional, but technological advanced petroleum company, Staatsolie, almost from scratch, in a politically turbulent small developing country, Suriname, South America. The path was not easy. He had to overcome personal health problems, prejudices of race and culture, and strong disbelief. He did not possess special talents, but had a dream of making something special, not only for him, but something that would benefit the whole nation.

In this paper he demonstrates that the ownership of technical expertise and capital in the country are not the main determining factors for development. Most importantly, are commitment, confidence in own abilities, hard work and perseverance to make a dream real. Staatsolie, the national petroleum company provides today, 2010, not only an important economical and technological contribution for the development of Suriname, but has also enriched the country with a well trained national cadre, with practical experience of its own, to promote and to participate in the development of petroleum resources of the country, in such a way that the nation gets a just part of the benefits. Jharap believes that the example of Staatsolie also can be applied to other sectors and in other developing countries as well. He calls this experience: "the Staatsolie Model". He dedicates this presentation to the Youth and the aspiring entrepreneurs (of Suriname) and hopes that after reading this article, they loudly say: "If that little cooli-boy, from boiti, could build such a company, then I can realize my dream as well". (Boiti is the neglected back country).

## **2. Introduction**

The State Oil Company Suriname NV (Staatsolie) was founded in 1980. This Company has developed today, 2010, into one of the leading and revenue-providing companies of Suriname. Staatsolie has developed successfully, despite the known turbulent political developments, sky-rocketing inflation, economical downslide, flight of

local capital and cadre, during the eighties and nineties in Suriname. The people of Suriname proudly call the company "the Pride of the Nation".

In this presentation I will describe the processes and some of the steps that were essential for the success of Staatsolie. The presentation is subdivided in three parts:

- a. The motif to set up a national company for the development of petroleum;
- b. The applied development strategy, spirit and leadership; and
- c. The acquisition of necessary technical, operational and management expertise, investment capital and the development of organization.

### **3. Part I: The Motif to set up a National Company for the Development of Petroleum.**

#### **a. The Essence of Natural Resources**

Natural resources play a crucial role in the daily life of people. No nation or government, in developing countries or developed, socialistic or capitalistic, can remain indifferent with respect to the exploitation of its natural resources. Natural resources, specially mining minerals, and in particular strategic minerals, such as petroleum, are needed for security, economic development and military power. These resources also contribute to the enormous profits for the companies and their home countries, and they form the key to their industrial and economic development.

The mining industry is very important in Suriname. For almost a century, 90 to 95% of the export comes from the mining sector and it contributes between 60 to 70% of the GDP. In spite of the rich mining history, the general opinion in Suriname is that we are not getting a fair and just share of the benefits, and we have not succeeded to align the exploitation of our minerals with our national developing policies.

The cry we hear more and more today is: "Our natural resources are carried away by foreign companies, and we are getting just hand-outs". Meanwhile the industrial development in the country stagnates and we have become addicted to foreign aid and hand-outs. The question that comes to mind then is: "what do we have to do in order to get a fair share from the exploitation of our natural resources?"

#### **b. Confidence in Own Abilities - Yes, you can**

During a visit in June of 2009 in Ghana the President of the United States of America, Mr. Barack Obama, spoke very frankly to the leaders of the African Continent.

His speech was about a call on the leaders and people of Africa, not to wait longer for gifts and hand-outs from the rich countries to feed their people, but to show good governance, and to take the development of their vast natural resources in their own hands. "Yes, You Can", he added. His speech got wide attention in the international press. In the American weekly Time Magazine of 3 August 2009, appeared and Inbox letter from a person from Nigeria that got my attention. The sender wrote:

.... *"I was interested to read the article "Cutting Off a Continent?" of Vivienne Walt. Although I can appreciate the philanthropy of the richest countries of the World, I do not agree with their gesture. The problem is education. Why are the nations in the West industrialized and we are not? Teach us how to mine our resources and how to design and to build the mining installation, and then Africa will catch up. That is the best way to help. Otherwise it seems as if the West is purposely keeping away the real source of development".*

The cry for help of this African friend has motivated me to write about my experiences in the development of a natural resource from scratch in Suriname, a small developing country. For an outsider, it may seem curious that the launch of the slogan: "Yes, we can", by President Obama happened, right in the country where large groups of people are trying to go in order to realize their own dreams. I think that President Obama deemed it necessary to incite large groups of people in the USA, including, the Afro-Americans whose ancestors were enslaved, dehumanized and discriminated, that they also could have special dreams and make that real. The people in Africa could also use some empowerment as well.

At this point, comes the question: "What about the dreams of people from the post-colonial developing countries?" In search for an answer, I want to take you to observations made by the Nobel Prize winner V.S. Naipaul, in his book "The Middle Passage" that was written in 1962. Naipaul wrote:

.....*"I knew Trinidad to be unimportant, uncreative, and cynical. The only professions were those of law and medicine, because there was no need for any other; and the most successful people were commission agents, bank managers and members of the distributive trades. Power was recognized, but dignity was allowed to no one. Every person of eminence was held to be crooked and contemptible. We lived in a society which denied itself heroes.*

*It was a place where the stories were never stories of success but of failure: brilliant men, scholarship winners, who had died young, gone mad, or taken to drink; cricketers of promise whose careers had been ruined by disagreements with the authorities. It was also a place where a recurring word of abuse was "conceited", an expression of the resentment felt of anyone who possessed unusual skills. Such skills were not required by a society which produced nothing, never had to prove its worth, and was never called upon to be efficient. And such people had to be cut down to size or, to use the Trinidad expression, be made to 'boil down'. Generosity — the admiration of equal for equal — was therefore unknown; it was a quality I knew only from books and found only in England".*

These comments by Naipaul were not appreciated at the time of this writing by the emerging nationalists and the well to-do class. But it certainly does explain why the industrial development and the private sector have stagnated for a long time in the post-colonial developing countries. Most of these countries have abundant natural resources, but people who lack "confidence in their abilities" to make their dreams real, in their own country. This description could also be applied to Suriname, a former Dutch colony.

Fifty years ago, as I grew up in Suriname and attended high school, almost all high level positions in the private sector as well as in the government service were occupied by foreigners. There were hardly any role-models that looked like us.

For higher education we all had to go abroad. In 1964, at the age of age 20, I obtained a scholarship from the bauxite mining company, SURALCO, a subsidiary of Alcoa, to study geology at the State University of Leiden, the Netherlands. The sixties are known for turbulent student's movements in the Netherlands. Also the Surinamese students had their share. We became increasingly politicized and called for independence and for social justice in the country. For the Dutch, we had to keep quiet. Occasionally, discussions concerning the future of Suriname heated up, and when the Dutch students ran out of arguments, they would say: "Why do you want independence? For every task of any importance you need us to do the job there. You can't even do anything at all by yourselves". I was flabbergasted, and these denigrating remarks were not acceptable.

Then I made up my mind. There was no use for talks anymore. I would show them to be wrong. I would complete my study as fast as possible and go back to Suriname, to accomplish something special and challenging to show the world that, we people from developing countries, are not less than people from the First World. My dream got a clear shape.

#### **4. Part II. Development Strategy and Leadership**

##### **a. National Policy for Petroleum**

In 1970, I graduated with a master's degree in Geology and returned to Suriname to work with the Government Geological and Mining Service as a field geologist. Besides geological work I also became politically active in community development, trade Union organization, and was a co-founder of the leftist Volkspartij (Peoples Party). During the next ten 10 years I was looking for something special in the jungles of Suriname as well as in the political arena.

In 1980 the military staged a coup and replaced the government and much of the vested government advisers. They searched for new faces, and after some time, I was asked to head an Oil-commission to negotiate petroleum contracts with foreign oil companies, which were interested in exploring for petroleum in offshore Suriname. I was at first not very enthused, but the new Minister said, it would be an opportunity for me to apply some of "my leftist ideas" in the contracts. After some hesitation, I accepted and did not look back.

Within a couple of months the Oil-commission prepared a proposal for a new petroleum policy, statutes for the yet to be founded State oil company, and model petroleum contracts for the participation of foreign oil companies. In the new concept the State-enterprise would in fact be in charge of execution of the petroleum policy: promoting participation of foreign companies in petroleum activities, negotiating contracts, participation and controlling the activities of the foreign oil companies. Since I was Head of the Mining Service and I could explain the new policy so well to the new government and the military, I was appointed as president of the new State Oil Company Suriname N.V. (STAATSOLIE), which was founded on 13 December 1980.

## **b. Development Strategy for the National Petroleum Industry**

At the foundation of Staatsolie an exploration and production sharing contract was signed with a major American oil company, Gulf Oil. In that contract, Gulf Oil had to share decision making power for its activities in the contract area with Staatsolie. During the very first meeting with Gulf, the newly formed company was faced with her major challenge: in order to participate meaningful in the deliberations we must have specific operational petroleum knowledge of our own. The immediate task became apparent:

“Staatsolie had to educate and train as soon as possible, a loyal cadre of nationals in petroleum operational expertise, so that we could represent the State in the various working-committees to serve the interest of the State the best possible way”.

The questions was: “How do we acquire such a national cadre in a country without any petroleum infrastructure, and how do we keep those people in the bosom of the State?” We tried to get some advice from the petroleum producing countries in the area, but most of them were struggling with similar problems. Then in the beginning of 1981 the United Nations organized a big seminar on petroleum strategies for developing countries in The Hague, The Netherlands. I participated in that seminar with the hope to meet interesting people and pick up some ideas for my burning problem.

A week long we could listen to various ideas from right to left, what developing countries should do to get their potential petroleum resources developed and to get fair share from the benefits. Then almost at the end of the week a rather young man in shirt sleeves, presented a strategy for developing countries that shook me awake and got my full attention. Here is what Dr. Jan Olaf Willums of the Volvo Energy Corporation said:

*....."The traditional outside view of the petroleum industry is that the major oil companies process and control the full scope of technologies required to explore for, develop and produce oil and gas, that this technology is very sophisticated, and that the selective application of this know-how has restrained the development of hydrocarbon resources in the Third World.*

*This in only part of the reality. Petroleum Exploration Technology is rather a combination of professional knowledge in petroleum related disciplines, tools and techniques needed to achieve specific ends and operational know-how on how to manipulate these techniques. In addition, and maybe most important, is the manage-*

*ment expertise to coordinate and guide the know-how and equipment in a way to produce actual results, that is finding and producing oil and gas. The strength and importance of the international oil company lies rather in its ability to provide the last service.*

*The complexity of managing all the individual tasks and services providing by a host of consultants, subcontractors, and in-house experts, arranging the financial and legal issues, all within an- overall economic efficiency requirement — all this requires an expertise which these companies have built up over many years of practical experience. Exploration technology is not a single expertise concentrated in a single business entity, the multinational oil company. It covers many disciplines and is spread over many sources. The management and coordination of these diverse sources has been the main strength of the oil company.*

*It is these expertises the developing countries need to get, acquire or borrow from the foreign companies. In addition the developing countries need to build up a petroleum sector infrastructure that allows them to deal successfully with foreign companies and accumulate the know-how they are exposed to".*

That was the strategy I was looking for. In simple words Dr. Willums explained the processes in the petroleum industry, the role of the major oil companies and the way they worked. It did not seem complicated to me. In fact it was just like the "Egg of Columbus".

Sitting in the conference room, I made up my mind. I would go back to Suriname as fast as possible, resign from my current position as Head of the Mining Service in order to dedicate myself fully to the building of Staatsolie and implementation of the new petroleum Policy.

When the responsible Minister heard my plan, he shook his head with disbelief, but my resignation convinced him that I was serious, and he would give his support. My decision to resign from the Government service and jump into the unknown had another meaning for me: there was no retreat anymore possible and I should not fail. Above all, I did not want to give people the opportunity to laugh at me for the "expected" failure.

### **c. Role of Leadership**

Good intentions and nice dreams will remain wishes if they are not followed by actions based on a plan. To get plans successfully done requires leadership. Since leadership takes an important role in my presentation, I want to make a few remarks on this subject here as well.

There is a tremendous amount of literature available on leadership and views differ from guru to guru. In my model leadership is not restricted to the management of an enterprise for more efficiency and higher profits. In my view, leadership is a spiritual happening, whereby one soul can touch the other, and set that in motion; provide orientation and motivation for growth and commitment. Confidence in own ability, self-awareness, knowledge of human nature, creativity, fantasy and perseverance are required.

In fact, leaders are like missionaries and priests. They must be incorruptible and open, trustworthy and consistent in norms and values. They must believe in what they do. Good leadership aims at realization of values within virtuous norms. A virtue is an acquired human attitude of excellence. I refer to "Inspiring Leadership". Inspiring leadership is a choice and one should be prepared to make sacrifices, without being secure of success and or personal benefits. To provide more insight, I am listing 9 qualities and norms for this kind of leadership, (obtained from the book Bhagawad Gita on Effective leadership by Pujan Roka).

- 1) Self-awareness enables leaders to identify their strengths and weaknesses and use their strengths to lead their organizations.*
- 2) Leaders should not delve too much into the past or the present. Instead, their main focus should be aimed toward the future and the strategies to attain an organization's goals.*
- 3) Leaders become immortal when their leadership touches people's hearts.*
- 4) Leaders should understand that change is the only permanent thing in this world and that they are responsible for bringing about positive changes and transformations.*
- 5) Leaders should be resilient in their actions and should not be weakened by pain and*

*pleasure.*

*6) The essence of leadership can be eternal and indestructible if leaders become the source of energy and vitality for the organization.*

*7) Leaders should know that conflicts and adversities provide opportunities to find a greater purpose for their organizations.*

*8) Malicious people and unconstructive factors must be ousted from an organization.*

*9) Leaders should focus on the leadership actions and responsibilities, not on potential rewards associated with the position.*

These issues are clear and straightforward. I recognize some of those from my own experience.

## **5. Part III. How to obtain necessary Technical, Operational, and Management Expertise, Investment Capital, and develop an Organization**

### **a. Acquisition of Specific Expertise - The Multinational**

In order to acquire specific petroleum expertise, a relation with the source, an international oil company, was needed. At the time of its foundation in 1980, Staatsolie had signed an exploration and production service contract with Gulf Oil for part of the offshore area. In that contract, provisions were made that obliged the oil company to provide training for personnel of the State and Staatsolie as well. Since we had now a clear objective for the expertise, we made intensive use of Gulf Oil's training facilities. It must be said that Gulf Oil was very cooperative and helpful.

Once, I got the following remark from Gulf Oil on this matter: – "Mr. Jharap, we want to congratulate you with the attitude of your people that you are sending to our trainings. They make a big difference from the students we get from other countries. While the latter wants to go to the shopping malls as soon as possible, your people are very motivated, stay late in the classes, want to visit all kind of petroleum facilities and have hundreds of questions for the instructors. Our people like to work with them, and are happy to go an extra mile."

## **b. The Need for Own Petroleum Infrastructure**

Training only, was not sufficient. Without a petroleum infrastructure of our own, to keep the acquired knowledge, the risk was that the trained people of the State, would be sucked by the operating petroleum companies. To overcome that, we started with an exploration and production project of our own.

During 1965-1970, various small petroleum finds were made of heavy crude on onshore Suriname, in the district of Saramacca. These finds were either too small for the foreign oil companies or they were considered to be uneconomical. With the young Staatsolie we decided to reevaluate those finds at our own risk and cost. In doing so, we would acquire hands-on experience, and with a little bit of luck we could install a small production plant, and gain operational and technical knowledge. As additional benefits we could sell the produced crude and pay our own operational costs from the proceeds, relieving the government from subsidizing the new company. In this way we could start building the national petroleum infrastructure.

## **c. Risk-Capital and Financing**

Every starting company requires working capital. Although the idea of beginning an exploration and production operation of our own was met with some doubt by the government, they provided us with loan of 500,000 guilders (about 275,000 US-dollars) as working capital. With that money we rented an old house to set up an office and could pay the salaries of the small staff for the first year.

Next, a work program for a feasibility study on one of the finds was designed with the help of Gulf Oil. The program included the drilling of three shallow wells and testing of production rates. The cost of the project was estimated at one million US-dollars, using drilling equipment and personnel of the local Water Supply Agency of the Government. For financing of the feasibility study the Government directed us to the Dutch Economic Aid Program for Suriname or the World Bank. Considering the bureaucracy and long waits involved with these institutions, we were not enthused to follow that path.

A solution presented itself. Gulf Oil had started with her exploration program in the contract area, offshore Suriname. Soon she concluded that an area adjacent to their contract area had better perspectives. That particular area, was in fact in

concession of Staatsolie. We were willing to cooperate, but in return, Gulf had to provide Staatsolie one million US-dollars and technical assistance for our onshore project.

The multinational was shocked at first, but they really wanted that area and we could convince them that our onshore project, was bordering with theirs, and would bring also benefits form them as well. They could have access to the data, and in future they would be better off to deal with trained people in oil field operations, instead of bureaucrats. After intensive negotiations, Gulf agreed. They would provide Staatsolie with one half million US-dollars in cash and technical assistance at cost. The money could only be used for the project.

With much efforts and improvisation, the field work was carried out in 1981 and the results were very promising. A small reserve of 16° API heavy crude of low sulphur and low metals content was found, and the production test yielded a promising 65 bopd without stimulation. It was recommended that the production tests should continue in a small production facility with a couple of wells, to better understand the behavior of the field, before making any major production investment.

Gulf was willing to continue with the technical assistance. A Multi-well program was designed with five new Wells and a complete production storage and treatment facility. The investment costs were estimated at two million US-dollars.

In search of finances, we invited the CEO's of the five commercial banks of Suriname for a field visit, showed them the petroleum flowing out of the test-well, and presented our plans. They became enthusiastic, and invited us to apply for a loan. We suggested that a consortium was formed, that included all the banks.

That consortium agreed within a couple of weeks to the loan, provided that Staatsolie secured a State guarantee, since at that time the company did not have bankable collateral yet. The Minister of Finance, Andre Telting, became a big promoter of the project and we got the State guarantee within a short time. In 1982 the next phase was carried out. We began to train our own field personnel; purchased through Gulf some oil field equipment, including a small used oil drilling rig and a little river motor tanker from Belgium, and successfully drilled and installed the facilities with Gulf's assistance.

On 25 November, the Independence Day of Suriname, the first production installation was inaugurated. The crude was locally sold as fuel oil, cash flow was generated, loans could be reimbursed and the field was expanded annually step by step. Staatsolie became a welcome customer of the commercial banks, and now without State guarantees.

I had never met a banker before for business. I thought he was somebody far from my reach. To overcome that fear, I listed the services of one of the most respected financial adviser of the country, Lesley Goede. I just happened to know Lesley, while he was Minister of Finance and I was heading the Oil Commission. We had together many discussions about the tax provisions of the Gulf contract. With his introduction, I overcame my virtual barrier and found the way to their offices. Staatsolie became a solid client and I developed fruitful relations with the bankers: Josef Brahim of the Surinaamsche Bank; Freddie Vos of the ABNAMRO Bank in Suriname, Joost Ooievaar in Amsterdam and Don Hanna in Houston.

At a very early phase in the development of Staatsolie we built a financial model on a PC using a spreadsheet program. This model was gradually expanded and became a very powerful tool to manage our cash flow and allowed us to simulate all kind of "what if's" so that we could act fast and be informed on changes in the industry and in Suriname. This model also facilitated us to answer the many questions from the banks in a timely manner. They were impressed and we earned their trust.

Over the years we have secured many loans from the commercial banks, but I like to mention one special case. In 1987, Staatsolie lost the main customer due to force majeure, and soon we had to shut down our production. The only way to restart the production was to export the crude, but we did not have storage and loading facilities suitable to make the exports. A call to the bankers provided Staatsolie a substantial amount of money within a couple of days to build such a facility as fast as possible.

Future entrepreneurs should know that mineral rights or rights to develop any other natural resource do represent a value. Together with a solid strategy, potential market for their products, and leadership, they can attract financing from various sources. My experience with commercial bankers has been very positive. Talk with them.

#### **d. Transfer of Knowledge**

Gulf Oil and its officers have provided their knowledge and experience in a generous manner to the young Staatsolie. Occasionally the local Gulf Oil manager complained of the so called "priority treatment" Staatsolie was getting from their headquarters in Houston. Some time ago, I asked one of the Gulf people, Mr. Carl Ed White Purchasing Manager, who had been working very close with me for many years, to tell me how the relation with Staatsolie and the technical assistance was perceived within Gulf Oil. He was very willing and wrote me a report from which I have selected some excerpts to show some light on that question.

*....."Place/Date: Gulf Oil Corporation, Houston TX USA, sometime Early 1981. Ring, Ring, Ring, "Purchasing, Ed White"; " Hi Ed- It's Pete Ralston, Would you be able to have dinner with a small group next Tuesday evening at the Petroleum Club to meet Drs. Eddy Jharap with State Oil Company Suriname N.V.?" [ M.L. "Pete" Ralston, President Geoman, formerly Executive Vice President-Gulf Oil Company U.S., and Managing Director – Kuwait Oil Company (before nationalization by Kuwait). He was a high ranking executive in Gulf Oil Corporation and when he called you did not say "no"! ] "Sure, Pete, I would be delighted and honored". " Ed, Mr. Jharap is very important to Gulf. As you know we are starting an offshore exploration and drilling program in Suriname with Nick Cengiz as our lead person for Gulf Oil Company Suriname and we need Corporate Purchasing and Export Traffic Department's cooperation in supplying goods and services to both the Gulf offshore operations and the Suriname government's onshore operations. Geoman has agreed to supply technical services to them under a Technical Assistance Agreement (TAA)". "Mr. Ralston, rest assured--my department will do everything possible for those two operations."*

*Just to gain a little perspective on the sign of the times, the rig count worldwide was over 4500 rigs running in Dec 1980. The highest drilling activity ever was 4530 in Dec 1981. This compares with 1256 running at this time. This high rig count meant that the entire worldwide industry was hugely understaffed with respect to availability of qualified and experienced people and access to high quality equipment in good working order was almost a myth.*

*The dinner party at the Houston Petroleum Club was the first time I remember meeting Eddy Jharap. I knew I would like him from the very beginning because he was no taller than me and he was not larger than me. The dinner party was a small group of only 5 or 6 high-ranking Gulf people. I was the lowest rank in attendance. I don't remember everyone there but I remember Lou Ramsey, President- Gulf Exploration and Production Company-Worldwide, R.W. "Bob" Crebbs, Vice President- Exploration Latin America, Pete Ralston, President- Geoman (Gulf Engineering Operations and Management Company- A Bermuda-based subsidiary of Gulf Oil Corp created for the purpose of providing technical services to Government-owned oil companies around the world, including Kuwait, Nigeria, Angola, Venezuela, and Suriname) and Joe Martinelli, Vice President- Geoman. Of course Dr. Jharap was there as the guest of honor. This small dinner party was the way Ralston worked. He would invite the highest-ranking people and also invite the people like me who were responsible for getting the work done. This was the Gulf style. If an employee knew the top executives were supporting a new venture, everyone did everything possible to make that venture a success.*

*Pete Ralston single-handedly made Staatsolie a top priority within Gulf and this gave Eddy Jharap access to all the resources (internal and external) of this multi-national original seven sister company. Ralston turned the daily operations over to Joe Martinelli, Vice President. During the very early days, Martinelli brought on board Jack Bradford, retired Gulf Production executive, to go to Suriname and live there and work with Eddy Jharap on a daily basis. When Pete Ralston retired, Joe Martinelli was made President and he continued the tradition started by Pete Ralston. Mr. Ralston was one of the most engaging persons I ever met and he could get anyone to do anything because of his warm and gracious personality. (Both Pete and his wife died in the fall of 2004). Eddy Jharap later told me his meetings with Gulf personnel were the beginning of his education on how a major oil company operated. Every time he met with Gulf people he observed not only the technical and office procedures, but also the informal social protocol and used his newly found knowledge to hone his own business skills for the creation and operation of Staatsolie."*

Ed White's report gives a good insight of our relation. I must confess that before I started with the Oil Commission and Staatsolie, my outlook of multinationals and their officers was very narrow. Most of it was obtained from books describing brutal exploitation of developing countries by the colonial and imperialist powers and their companies. It was the strategy of Willums described in this paper that pushed me initially to meet these people. Once I got to know them, I had to change drastically. The officers I met were hardworking and honest people, and very much willing to help a person that was trying to accomplish something special for his country. They loved that. One of them took me once for a ride in the country-side where his parents had lived. It looked just like the country where I grew up. He said: "look Eddy here is where I herded cows bare-footed, before going to school". That refreshed my own memories of childhood.

I will now describe one of my personal experiences with a special person with respect to transfer of personal knowledge. Jack Bradford, the project petroleum engineer provided by Gulf, had the kind of knowledge that was needed in Suriname, and he found in Staatsolie a fertile soil to release his assets. Jack has played a crucial role in providing Staatsolie the necessary petroleum operational technology. Ed White wrote the following introduction on Jack Bradford:

*..."Although recently retired from Gulf, Jack Bradford came to Suriname with all the enthusiasm of a young man. He was a pioneer for Gulf and headed up many very large production operations both domestically in the U.S. and abroad. In late 1970's he was hand picked by Gulf executive to spearhead Gulf's attempt to drill offshore the U.S. New England coast-an extremely politically sensitive area. He brought tremendous operational and technical knowledge to Suriname, but mostly he brought an insatiable desire to share his knowledge and teach anyone who would listen. He gave generously of his time, his personal and technical experiences and walked hand in hand in the hot sun and stayed in the field late into the night as long as someone would stay there and worked tirelessly to make the project a success. His biggest legacy was his constant reminder to each and every Staatsolie employee that they could accomplish the task at hand. He continuously encouraged everyone, complimented them and told them that they could succeed. Eddy Jharap says Jack Bradford is the godfather of Staatsolie."*

Before Jack came to Suriname he was sent by Gulf on an assignment to Venezuela. He returned somewhat disappointed from that mission. He felt that the local managers did not have much interest in his mission and the problem on hand. He was just one of the 'gringos' visiting Venezuela. After days of waiting in a hotel, he was finally assigned a young student as his counterpart. His report met with similar fate.

In Suriname however, he encountered very motivated people who were very eager to learn. Jack became my personal advisor and teacher. We spent a lot of time together, also after working hours and during free weekends. I drove Jack around and showed him Suriname and its people from East to West. He was impressed by the manner the various ethnic groups lived together. During these trips I asked him hundreds of questions: technical, operational, managerial even on issues of personal commitment and family. Jack understood that I had a big dream, but in fact I did not know much about the industry. He never made me feel bad about that and I did not have to pretend. He took the time and patiently gave answers to my many questions, often illustrated with an example from his own experiences. If he was not sure, he would call a friend and come back to me the next day.

Jack had the role of project-consultant and I was the project owner. Occasionally he would propose a solution with a couple of options from which I had to choose. In the beginning I would not know what the best choice was and said frankly: "Jack, I don't know what choice to make, what would you do, if you were in my position?" Then Jack remembered a similar case during his active career in Gulf and the solution he applied". We continued that ritual many times. I absorbed his knowledge like a sponge, studied several text-books and gained enough confidence for my own decisions. Jack and I became friends and my dream became also a little bit his dream.

Transfer of that kind of knowledge depends for a great deal on the personal bond between the receiver and the provider. It requires mutual interest, trust, respect and even friendship, to release the knowledge, without hesitation or restriction, that is accumulated and stored over the years of practical experience in the head of the provider.

An experience from the field.

On a very hot day at noon in the Month of October (dry and hot season in Suriname), I saw Jack working in the field alone under the fierce sun. Jack had undergone a heart surgery and I was a little worried about his health. Our young and inexperienced field crew was nowhere to be seen. I went to Jack and asked: "Jack why are you working under this scorching sun? And where is the field crew?" Jack answered calmly: "Eddy, your people have escaped the sun for refuge under the shadows of the trees, but we cannot postpone these measurements. They are very important for the success of the project. We can not risk the project. I have seen the amount of personal risks you have taken. Besides, I personally have now a fatherly interest in this project as well. I want to see that the project becomes a success. It is very important for the development of Suriname and it people. I also want to make a contribution to the development of this country as well at the end of my career."

Jack's remarks made me quiet and thinking: "It is people like Jack Bradford and this attitude that has made the multinationals big. If we in Suriname also want to produce petroleum and speed up our technological development, than we have to demonstrate at least the same attitude as Jack Bradford and work twice as hard as he does." This occurrence in the field has shaped my attitude for the future. Sometimes I was impatient, not everybody could follow, and sometimes I was called a "slave driver".

Jack left Staatsolie the day after the start of the production operation in 1982. I was a little nervous and said to him: "Jack, you are leaving so soon, what are we going to do if the operating problems start and you are not here?" Jack smiled and replied: "Eddy, you are educated and smart people, your people have worked on the installations and you will see how soon they will learn to solve problems as they come. And if you still need me, you can always call me." I believed Jack, and his encouragement did boost our confidence enormously.

The initial production days were not easy. We got more than a fair share of start-up problems. It was like a demonstration of Murphy's Law. The Saramacca crude was highly viscous and gave all sort of pumping problems. The down-hole pumps would freeze and become unseated, causing drop in daily production, below target. The installed transfer pumps also were not capable of moving the crude. As a cure, steam-

injection in the reservoir was recommended; expensive equipment was subsequently installed and tried, but did not work well and the steam-injection was abandoned. On top of that, international oil prices began to drop reaching a nadir in 1986. The political and economical situation in Suriname deteriorated, with internal unrest and insurgency. The country was cut off from foreign economic aid programs, depleted its foreign currency reserves and large groups of people were chasing many hours per day after the scarce foodstuffs and foreign currency on the black market. We were constantly facing cash flow problems. Against this background, it was a daily struggle to maintain the production and to stabilize the operation.

We survived and the slogan: "Confidence in our Own Abilities" was launched and painted on the beams of all pump jacks. Jack Bradford and Ed White were very supportive in those days and I still maintain personal contacts with them in Texas.

#### **e. Marketing of the Saramacca crude**

Early in the beginning of the evaluation study, we were trying to figure out how to make the project self supporting. Suriname had then no oil refinery and exporting of the small initial production seemed to be uneconomical and almost impossible. I did an intensive study of the crude and combustion engines and concluded that the Saramacca crude would make an excellent fuel oil for steam boilers and slow speed diesel engines. Potential clients in Suriname were not convinced of this "Third World" technology. Feeding crude oil as fuel was not heard off. With the help of some local companies we tested the crude oil as fuel oil for their boilers, and it burned nice and clean. Supported with more laboratory test, we obtained a supply agreement from the Suriname Aluminium Company (Suralco). This company imported huge amounts of bunker-C fuel oil for its alumina refinery. With its low sulphur and low metal contents, the Saramacca crude was a better substitute for the imported bunker-C No.6 fuel oil.

Even though the Suralco could take all of the crude production, we continued to look for other applications as well. By mixing the crude with small amounts of imported diesel oil, we made a variety of cocktails, which were sold to various industries at a very attractive price. We also set up a technical support team for the customers and occasionally we modified their installation to make those suitable for our fuel-mix at our cost. Our market grew, and production was gradually expanded, with generated cash

flow and more bank loans. In 1997 we built and inaugurated a 7,000 bpsd refinery to process the Saramacca crude in asphalt and various fuel oils. Crude production expansion continued and reached to 15,000 bpd in 2005, almost equal in volume as the total petroleum consumption of Suriname.

#### **f. Human Resources Management and Organization**

At the start of Staatsolie, its small crew functioned like a movement. Although there was a formal structure, everybody could put to work where hands were needed. I myself spent much time in the field working as pipe-fitter, geologist, drilling and reservoir engineer, and production operator. We would have weekly meetings of the total staff, every body from cleaning woman to the managing director. At these meetings we spoke about the substance of Staatsolie, the meaning of "Confidence in our Own Abilities", and in particular the immaterial objectives were emphasized. It was like a family meeting at the diner table. In retrospect, it was more like the political movement I came from.

Since oil field service contractors were almost non existent in Suriname, we had to hire a lot of people to do the variety of fieldwork ourselves. The organization of Staatsolie grew very fast, and the workplaces were spread over a big area and distances. We also had a year-round, round-the-clock operation. The weekly meetings could not be done at the "diner table" anymore. I continued to have meetings with the personnel on the various locations, but due to logistics and increasing pressure of operational and financial difficulties, the frequency dropped and some groups, from the shifts, felt neglected. The "linking pin" did not function well.

The field employees started with a labor union, and to rally for support, their leaders called me a "capitalist exploiter". As a socialist, I was shocked and felt deeply hurt. In a continuous struggle for survival, more misunderstandings followed and Staatsolie experienced a period of internal disturbances. With distrust lingering, the fast expanding company needed more qualified personnel for middle and higher management levels. The internal training alone could not meet the growth requirement. People from outside were hired which added more fuel for the internal unrest. Some senior management staff, from the early days, could not cope with the pressures and resigned. These growing pains were discussed in the parliament and the responsible

Minister and some members of the parliament put the blame on my person. Some even suggested that I may be involved in corruptive activities.

Around 1990 an investigative audit was carried out by the consulting firm Ernst and Young. The bookkeeping was sound and no irregularities were encountered. On the organization side the achievements so far, were complimented, but recommendations were made to change the management from the pioneering nature into a more structured and diversified operational practice. Other areas for improvement mentioned were: a transparent and modern human resource management system, integration of and automation of the various sub financial administrations; integration of the automation system company wide, a bottom-up company wide planning and control system, the quality management system, and the safety awareness and management system. The management welcomed these recommendations and with external help, improvements were implemented over a period 5-10 years.

Although started in a period of crisis, the organization audit and the subsequent program for implementation for improvement was welcome for learning and organization strengthening. The experience with Ernst & Young advisers and its team leader, Ing. Arnold van den Heijden, has been very positive.

After the first audit we continued to have periodical audits in areas we felt that improvements and more growth were needed. If we lacked specific expertise in-house, we contracted external experts to help us out. We built a network of trusted service providers from Suriname as well as from abroad. In doing so continuously, Staatsolie has built one of the strongest commercial organizations in Suriname. The development of the Staatsolie organization has not been smooth, but had turbulences and caused pain. The difficulties and pain were won by the willingness to learn, to change and to improve for the benefits of the company.

It must be mentioned that organization development and human resources management also should be treated at the same level as any other specific technology which are needed to build a business. It does not come natural, and should not be treated as the "tail part" of the business development. It is wise for the starting entrepreneur to consult a trusted and experienced expert on these issues as well periodically.

## 6. Closing Remarks

Coming to the end of this paper, I want to return to the cry mentioned earlier of our African friend. In order to get development and prosperity, we don't have to wait for hand-outs. We have to work for it ourselves. While technical expertise and capital are needed, they are not the determining factors. In the first place, we need to have a "inspiring drive" to make fundamental change in our lives; we must prepared to work hard and to make sacrifices, even if success is not assured. We must have 'confidence in our own abilities."

In my example for development of the petroleum industry in Suriname, I have shown what kind of technology is needed and where and how it can be acquired. For other sectors, the specific technologies may differ, but similar processes can be followed. The business of banks is to make loans. The potential clients must prepare a good business plan, showing strong cash flow. Mining licenses and reserves in the ground also have value and can be used as collateral. Partnerships, shares and bonds are also possible options for financing. In the beginning the starting entrepreneur may encounter some skepticism, but his belief in the project, commitment and perseverance will help him with supporters to make his dream a reality.

This model is designed after my experiences with the national oil company of Suriname, Staatsolie, but I am convinced that it can be done in other areas as well. If you have a clear dream and are reading my story, then say: "If that little cooli-boy could build such an industry in Suriname, then I also can make my dream real".  
YES, YOU CAN.

Eddy Jharap,  
Paramaribo - Suriname; 2010

