



Oil and Governance

**A Case Study of Chad, Angola, Gabon,
and Sao Tome é Principe**

Produced with the generous support of the Ford Foundation

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This research was based on research conducted in 2008

Published by Idasa, 357 Visagie Street, Pretoria 0002

ISBN 978-1-920409-13-5

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First published 2010

Copy-edited by Rob Gaylard, Words eKapa

Cover by Joan Baker, WaterBerry Designs cc

Layout by Joan Baker, WaterBerry Designs cc

Production by Idasa Publishing

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Bound and printed by Top Copy, Cape Town



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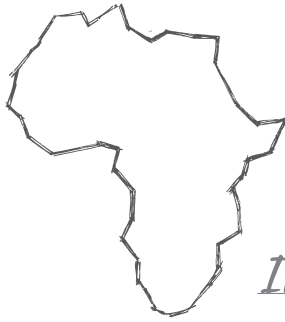
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Acronyms/abbreviations

ADI	Independent Democratic Alliance (STP)
BP	British Petroleum
Bpd	Barrels per day
CABGOG	Cabinda Gulf Co
CCSRP	College for the Control and Surveillance of Oil Resources
CPPL	Local Permanent Commission on Petrol (Chad)
CPPN	Permanent Commission on Petrol in Ndjamena (Chad)
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
EEZ	Exclusive Economic Zone (STP and Nigeria)
EITI	Extractive Industries Transparency Initiative
ERHC	Environmental Remedial Holding Corporation
FLEC	Liberation Front of the Enclave of Cabinda
FONG	Association of STP NGOs
FONGA	Association of Angolan NGOs
FNLA	National Front for the Liberation of Angola
GDP	Gross Domestic Product
IAG	International Advisory Group
IFI	International Financial Institution
INGO	International Non-Governmental Organisation
JDZ	Joint Development Zone (STP and Nigeria)
JV	Joint Venture
LDC	Least Developed Country
MFDM	Movement for the Democratic Force of Change (STP)
MIC	Middle-Income Country
MLSTP	Movement for Liberation of Sao Tome and Principe
MNC	Multinational Corporation
MPLA	Popular Movement for the Liberation of Angola
MPS	Patriotic Salvation Movement (Chad)
NGO	Non-Governmental Organisation
OPEC	Organisation of Petroleum Exporting Countries
OPSA	Observatory on Politics and Society (Angola)
PGD	Democratic Party of Gabon
PRSP	Poverty Reduction Strategy Paper
PSA	Production-Sharing Agreement
PWYP	Publish What You Pay
STP	Sao Tome é Principe
TI	Transparency International
UN	United Nations
UNITA	National Union for the Total Independence of Angola



Introduction

As demands for oil in Europe, North America and the East continue to rise, the discovery and exploitation of oil in Africa have become increasingly important. Natural resources in Africa have never been in short supply. Indeed, much of Africa's recent history is defined by the scramble for and exploitation of its resource wealth. That the presence of resources, such as diamonds, has contributed to the perpetuation of conflict and human atrocity is well documented.

Although oil has been a source of income for many decades, new discoveries and global economic and political dynamics have prompted much debate as to how this resource can be used for developmental purposes. The financial revenues gained from this resource could go a long way towards redressing developmental needs that continue to plague the continent. Thus far, however, the indicators are not encouraging: countries that depend primarily on oil revenues (a) are more likely to experience violent conflict (Le Billon, 2005); (b) tend to prioritise military over civilian expenditure (ibid); and (c) experience declining standards of health and education along with increasing levels of poverty (according to primary human development indicators).

Academic work on this subject has contributed to a better understanding of the relationship between oil and democracy, primarily in the area of economic governance. A literature review provides ample evidence of the dynamics that contribute to a decline, as measured by various economic and development indicators. However, these works tend to be constrained by the need to quantify variables in a way that leaves little room for addressing the socio-political processes that lie at the heart of the problem. The often random, personal and cultural nature of the political will cannot easily be measured or defined using traditional economic paradigms.

This study seeks to gain a greater understanding of the negative relationship between the presence of oil and development. It also seeks to identify mechanisms with which to change this dynamic. Rather than focusing on the economic and financial environment, the study provides an analysis of the political context within which decisions about resource revenue are made. By identifying the ways in which stakeholders such as civil society, citizens and external actors

engage with the state, the importance of the political arena will be highlighted; this is the avenue through which change might be effected. Rather than asking why certain political choices have been made, it seems more useful to ask how decisions are made, by whom and how they might be influenced. This analysis seeks to identify the kind of action that should be undertaken with regard to the processes, actors and institutions that are involved in political decision-making.

Political processes are often cumbersome and lengthy. It is often difficult for those who work in civil society, and see the way in which oil impacts on communities, to find the patience to work together with governments. It must also be said, however, that many within government face similar challenges when dealing with issues relating to oil extraction and revenue. Due to the highly centralised nature of decision-making in this area, parliamentarians, civil servants and other functionaries often lack the information or capacity – or sometimes even the inclination – to engage. Similarly, Multinational Corporations (MNCs) in the oil industry who show a willingness to provide information about their financial dealings with governments, risk losing lucrative contracts.

The presence of traditional democratic institutions and processes (such as regular elections) does not in itself mean that a country is democratic. In the absence of formal participatory mechanisms and a well developed culture of democracy, alternative means of engagement must be found. Finding or creating spaces in which constructive dialogue can take place often depends on the personal experiences of those who come into frequent contact with the people, institutions and processes concerned. This report seeks to address the practical problems of engagement and activism. Case studies based on in-country research will provide a snapshot of the situation on the ground as experienced by the primary stakeholders. These impressions, perceptions and experiences will help to identify opportunities for meaningful engagement, and will provide practical suggestions for future stakeholder action.

The aim of the report is to describe the context in which political power is exercised in the four countries that are the subject of the study. It will show how policies are shaped and how one might engage with – and perhaps change – the political processes at work. It is hoped that by isolating these socio-political forces, avenues for public participation, effective advocacy and positive engagement may be found. The focus is on what can be done to change the political process. The audience for this report is not limited to civil society actors. Civil society on its own will not be able to confront and resolve the challenges faced in oil-rich countries. The main actors in this arena are governments, MNCs, international funding agencies, donors, local and international NGOs, and, of course, the people. All face constraints and challenges that are unique to their domain. It is hoped that this report will resonate with all these stakeholders.

Oil-producing countries in Africa

There are currently 14 countries in Africa that can be considered upstream oil producers. Oil production on the continent is, however, dominated by just five countries – Algeria, Angola, Egypt, Libya and Nigeria. Nigeria is the largest and Angola the second-largest producers of oil in sub-Saharan Africa.

COUNTRY	ESTIMATED RESERVES
Upstream Producers	
Algeria	11.8 billion barrels
Angola	5.4 billion barrels
Cameroon	400 million barrels
Chad	1.5 billion barrels
Congo	1.5 billion barrels
Cote d'Ivoire	100 million barrels
DRC	1.5 billion barrels
Egypt	3.7 billion barrels
Equatorial Guinea	1.28 billion barrels
Gabon	2.5 billion barrels
Libya	39 billion barrels
Nigeria	36.2 billion barrels
Sudan	6.4 billion barrels
Tunisia	307 million barrels

There are at least six other countries in which oil is produced and/or exploration is being undertaken. This is based on seismic studies that suggest the presence of significant oil reserves.* These countries include Madagascar, Mauritania, Namibia, Sao Tome é Principe and South Africa (which at present produces a small quantity of oil).

*Mbendi Profile, can be accessed at
<http://www.mbendi.co.za/indy/oilg/af/p0005.htm#5>

Methodology

The working premise of this report is that the root cause of the negative relationship between oil, democracy and development is political in nature. An absence of political will continues to obstruct the use of oil revenues for development. As a result ordinary people do not benefit.

To help structure and manage the fieldwork component, four oil-rich countries were chosen as case studies, namely Chad, Angola, Gabon and Sao Tome é Principe (STP). These four countries find themselves at various stages of the oil-extraction process and serve as good examples of the ways in which oil can shape the political landscape. Chad, Angola and Gabon are currently generating revenue from oil extraction, while exploration off the shores of STP has yet to identify economically viable deposits.

Angola was chosen because of its status as Africa's second-largest sub-Saharan oil producer. Chad, a relative newcomer in this field, has introduced innovative laws and mechanisms to manage the disbursement and use of oil revenues. Gabon is an interesting case because, unless new oil reserves are discovered, the country will have to diversify its economy to generate alternate sources of revenue. Finally, STP was included on the basis of reports by experts that this country might have billions of barrels of oil off its shores. There is much to be learnt from the way in which national and international actors have engaged with these four countries, especially with regard to the World Bank's involvement in the development of frameworks for revenue management in Chad and STP.

The research for the report was conducted in two stages. Original desk-based research was supplemented by fieldwork involving stakeholder interviews in each of the four selected countries. The desk-based research had a three-pronged focus. Analysis of the extractive industries and the political economy of oil was combined with country-specific readings on historical context and current governance practices. The field research, using in-depth interviews, focused on civil society and government stakeholders and was complemented where possible by interviews with a wide range of stakeholders.

An interview guide was used to focus and standardise the information gathered.¹ The guide took interviewees through an analysis of the institutional and social context in which they operate, and combined this with targeted questions on interviewee understandings of the oil sector, on relationships between the stakeholders in the oil sector, and on the challenges and opportunities of engagement with the state (both in general terms and in relation to the oil sector). The guide was supplemented, where necessary, with questions which focused on particular aspects of the oil sector in each country, such as the College and the oil revenue management laws in Chad.

The report is structured to provide an overview of the issues related to the impact of oil on development, along with case studies from oil-producing countries. These case studies have informed a number of lessons gained about engagement by Civil Society Organisations (CSOs) with the state on oil-related issues. The first section will introduce the conceptual basis for the explanations put forward in the academic literature on oil and development. This is followed by the four case studies. Each case study is introduced by a section providing an historical background on politics and oil in the particular country. This is followed by a situation analysis of the current context and the modes of

engagement by civil society, based on the information gathered in interviews from a range of actors. The concluding chapters seek to extract lessons learnt from the interviews and to map opportunities for engagement. The report concludes with recommendations on the way forward. It is hoped that these recommendations will help to promote democratic practice and improve the quality of life of citizens in oil-producing nations.



Defining the General Context

"All people have the right to their country's natural resources. . . ."

(African Charter on Human and People's Rights, Article 21)

It would seem that this principle (enunciated in the *African Charter*) is far from being realised in oil-producing African states. Visits to the capital cities of Libreville or Luanda provide ample evidence of the chasm that exists between ideals and the reality on the ground. Most people do not benefit from the resources or the wealth generated by the state. Although foreign actors, such as multinational corporations (MNCs), international lending institutions and governments, may not dominate African states, they certainly have a great deal of influence. In dealing with these international actors, African states often behave as though they are the junior partner, accepting contracts that are skewed against them. Governments in oil-rich countries are responsible for promoting the welfare and development of their people. However, instead of using the wealth generated by oil to gain some form of economic independence, nations have indebted themselves even further. Civil society organisations have been sidelined or had their work obstructed, and there have been few opportunities for engagement with their governmental counterparts. All the while, the quality of life of the masses steadily declines.

1. The Political and Economic Context

Oil revenues generate a rapid increase in the size of state budgets; at the same time, there is a proportional increase in the potential for the abuse of power. The executive often lacks the capacity to effectively manage and distribute the vast sums generated by oil revenues, and this can open the door for creative pilfering. For the investors, generating revenue is the priority, regardless of whether or not state institutions are able to disperse the money efficiently.

In Chad the World Bank emphasised the need to develop the institutional capacity to ensure that revenues deriving from oil would be used to alleviate poverty. However, a report produced by the

International Advisory Group, warned that while the means for extracting and transporting oil were being constructed on schedule, “the social, environmental and capacity-building components of the project have hardly gotten off the ground” (Horta, 2002: 6). As Désilier points out, “While pipelines and offshore platforms can be built quickly, reforming governments, building institutional and human capacity, and fostering civil society and citizen oversight takes many, many years” (2004: 196). The example of Chad shows that the establishment of institutional oversight capacity, or the willingness to engage with civil society to enhance democratic decision-making, are not pursued with the same vigour as the acquisition of oil revenue.

Extractive Industries Transparency Initiative (EITI)

In October 2002, Tony Blair announced the launch of the Extractive Industries Transparency Initiative (EITI) at the World Summit for Sustainable Development in Johannesburg.

The EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

The EITI is a coalition of governments, companies, civil society groups, investors and international organisations. In 2005, the EITI conducted an extended and thorough consultation on how to take the initiative forward. This was led by the International Advisory Group (IAG). The IAG produced a report that set out the governance structure, the approved methodology and the future direction of the EITI.

The EITI has a robust yet flexible methodology that ensures a global standard is maintained throughout the different implementing countries. The EITI board and the international secretariat are the guardians of that methodology. Implementation, however, is the responsibility of individual countries. The EITI, in a nutshell, is a globally developed standard that promotes revenue transparency at the local level.

www.eitransparency.org

The scale of the income generated from oil production is staggering, when compared to pre-oil Gross National Product (GNP.) “African governments raise revenues from the oil sector through taxation, levies, royalties, signature bonuses, from their share of production-sharing agreements, and/or from joint ventures” (Gary and Karl, 2003: 11). Some of this money does go through normal channels, even if these are not open to public scrutiny, but there is evidence to suggest that substantial amounts are diverted into what are referred to as “parallel budgets”. These claims are, of course, difficult to

prove, as one would need the figures to confirm their existence. These figures, both in terms of what MNCs pay out and what governments receive, are often unobtainable as a result of confidentiality clauses in contracts.

This secrecy is compounded by weak or ineffective oversight institutions, and by complicity in corrupt practices. It is unlikely that, even with adequate training and skills acquisition, full disclosure of revenue figures would improve the situation. More importantly, perhaps, "Oil states can buy political consensus" (Karl, 2007: 21). These countries can be characterised as having one-party systems of government where the ruling party holds the keys to power and individual advancement, whether financial or political. Acting independently of the party, therefore, would often be politically suicidal.

a. The Paradox of Plenty

With few exceptions, the discovery of oil leads to a deterioration of governance and human development indicators in resource-rich states. This is sometimes referred to as the "paradox of plenty" or, alternatively, as the "resource curse". Resource curse arguments posit that "there exists a negative relationship between endowment with natural resources and social and economic development" (Duruigbo, 2005: 5). This leads to an unusually high rate of poverty, poor health care, increased child mortality and weak educational performance (Karl, 2007: 7). The discovery of oil and the increased revenue which oil generates should, logically, be welcomed by any developing nation. It has, however, become obvious that states without adequate democratic governance structures or sufficient institutional capacity, particularly in the area of revenue management, cannot or do not use this wealth to uplift their people or alleviate poverty.

In the absence of a healthy democratic environment, which would include institutional autonomy and participatory mechanisms, the benefits accrued from oil are largely restricted to the elite or those with political power. Even where democratic practice is more deeply rooted, the presence of oil leads to the marginalisation, disenfranchisement and disempowerment of the people. It is important to understand that oil cannot produce these effects by itself (Karl, 2007: 5). These are a result of factors that are distinctly human in nature or origin. Choices as to how revenues are to be used rest with individuals, though these individuals are often immersed in institutions, companies and organisations that have particular systemic and operational cultures.

The human factor is also evident in the pre-extraction period, when negotiations with MNCs often lead to contracts which are heavily skewed in favour of these companies. MNCs have considerable expertise in the field, and are able to come to the table with technical and legal experts, while governments often find themselves ill-prepared and uninformed. While this must be acknowledged, it can be argued that "these countries are not necessarily cursed by their resources. What they

have been beset with is a curse of leadership" (Duruigbo, 2005: 3). Hypotheses involving issues of leadership and individual weakness are, however, not easily tested. Organisations such as the World Bank tend to focus on more general institutional capacity rather than on individual capacity and will; in this way they avoid damage to diplomatic and personal relationships.

b. "Dutch Disease" and the "Rentier State"

Two economic paradigms explain many of the problems encountered by oil-rich countries. These address the impact of vast quantities of foreign capital on national economies, and the negative long-term habits and trends that this can engender within states. Preventative steps can be taken to ensure that economic equilibrium is maintained, but these require concerted action on the part of governments. For instance, special saving funds can be put in place to ensure that market volatility (such as the rise and fall in the price of oil) can be accommodated in the national budget formulation process.

The first phenomenon is known as the "Dutch disease". This is "named after the negative effects of the North Sea oil boom on industrial production in the Netherlands. This phenomenon occurs when resource booms cause real exchange rates to rise and labour and capital to migrate to the booming sector. This results in higher costs and reduced competitiveness for domestically produced goods and services, effectively 'crowding out' previously productive sectors" (Karl, 2007: 1). In short, once the petrol runs out, if there is no attempt to diversify the economy away from reliance on petrol revenue, the local population will no longer be able to purchase imported manufactured goods and the local market will be unable to provide affordable alternatives.

Oil-dependent African states may become "rentier states", where rents are paid by foreign actors and accrue directly to the state, and where only a few are engaged in the generation of this rent (or wealth); most are only involved in its distribution or utilisation (Ross, 2001: 329). In simpler terms, a rentier state is a "state that lives from externally generated rents rather than the surplus production of the population. In oil-exporting states, this is measured by the percentage of natural resource rents in total government revenues" (Karl, 2007: 2). Financially, the rentier state relies primarily on externally generated income. It becomes less dependent on internal tax revenue, and may therefore be less inclined to ensure that there are adequate macro- and micro-economic measures in place to encourage development. "Petrodollars simply permit more scope for cumulative policy errors" (Karl, 2007: 18).

2. The Social Contract: Government, People and Accountability

Ross claims that "governments that fund themselves through oil revenues and have larger budgets are more likely to be authoritarian; governments that fund themselves through taxes and are relatively

small are likely to become more democratic" (Ross, 2001: 335). That is, "Petrodollars actually sever the very link between people and their government that is the essence of popular control" (Gary & Karl, 2003: 23). Taxes are seen as being central to the social contract between the government and the people. Governments that do not need to rely on taxation are less likely to be accountable to those who pay taxes. Conversely, people are less inclined to "demand accountability from and representation in government" (Karl, 2007: 21). The absence of democratic mechanisms to voice discontent or to engage the government in any form of dialogue points to the lack of any common ground where mutual obligations can be acknowledged.

These arguments regarding the relationship between taxation and accountability seem to oversimplify the nature of the "social contract". This is a rather complex concept that relies on the existence of embedded values which are found in a healthy and functioning democratic society. In the majority of cases, the oil-rich African countries have never experienced what would be regarded in the West as fully functional democratic systems. One should contextualise the relationship between governments and the governed, in order to understand how each sees the other, and how they define their respective roles. If the citizens of a particular country do not demand accountability or representation, this does not necessarily mean that they do not expect the state to perform certain functions or deliver certain services. One should ask whether a particular population feels entitled to share in the benefits which accrue from the resources found within their country.

It was evident from interviews that people who live in areas where oil is extracted do feel that they should share in the profits (even if this only takes the form of compensation for lost land or environmental damage). The question of ownership with regard to natural resources may be blurred, but the idea that people have a right to benefit from what is found within the country's borders is a shared belief that permeates both public and governmental groups, even if the latter do not always acknowledge this in practice. This "reflects the nearly universal principle that oil . . . [is] the property of the state and [is] to be managed by the state for the benefit of its citizens" (Groves, 2005: 83). Governments in developing African countries may see the presence of oil "as an open path to economic liberalization and an opportunity to control the influence of Western governments and international financial institutions from whom they have constantly begged for assistance and/or high-priced loans" (Ndumbe, 2002: 74). This may not be an idea foremost in the minds of people who struggle to meet basic human needs on a day-to-day basis. Governments may also claim that exorbitant military expenditure is required to maintain security.

Ordinary people are unlikely to expect to have their quality of life decreased by the presence of oil. The idea that government has some obligation to the governed persists, regardless of the dominant political paradigm, and regardless of the form that government takes. A number of examples, from traditional African tribal structures to the ancient feudal states of Europe, demonstrate that, although there may have been no formal democratic concepts or processes, mutual obligation formed the core

of the relationship between the ruled and rulers. Indeed, many traditional African political entities showed a high degree of participation and engagement, even though these may not have accorded precisely with Western notions of democratic practice.

3. External Actors and Influences

The international community has been a major player in the oil extraction industries of African states since the beginning of the 20th century. Because they lack the technical expertise and finance required to access oil reserves, African states have had to turn to international financial institutions, donor states and MNCs. Financial institutions such as the World Bank have recently played an increasing role in ensuring that resource revenues are used to alleviate poverty. Chad, for instance, relied heavily on the World Bank to finance the construction of the pipeline that allows oil to be pumped through Cameroon and into the Gulf of Guinea. The finance for this project was contingent upon Chad's adoption and implementation of revenue oversight mechanisms.

That there is a need for lending institutions such as the World Bank is clear. Its symbiotic relationship with the business community must, however, be taken into account. World Bank involvement often serves as a seal of approval for other commercial banks (Gary & Karl, 2003: 16). While this may have benefits in terms of financing, it can also bring less scrupulous institutions into play. Although the World Bank is often described as a development agency, it is primarily a lending institution that needs to recoup its investments. "Despite recent discussion of the need for good governance and human rights in its development discourse, the World Bank claims that its mandate does not allow for consideration of human rights" (Horta, 2002: 2).

MNCs are also an important source of funding for states in need of assistance to translate black gold into hard cash. The combined impact of these international actors on the sovereignty of states should not be underestimated.

While African governments ultimately decide how revenues are allocated inside their borders, the policies, actions and development strategies of these international players are essential, if not decisive, elements for determining what revenues actually accrue to governments, how these revenues are managed, and how they are spent. (Gary & Karl, 2003: 17).

Reliance on the expertise and skills of MNCs to extract oil tends to create a dependence that is not in the interests of the state or its people. MNCs are often in a position to make unreasonable demands, and often have operational budgets that exceed the Gross Domestic Product (GDP) of the states with which they are negotiating. Contracts between states and MNCs are often cloaked in secrecy, with

confidentiality clauses that prevent the public from knowing precisely what revenues are accrued by the state, or, perhaps more importantly, what rights and privileges have been accorded to the company concerned. Concerns with regard to human rights, development and the environment are not the operational priorities of companies engaged in the extractive industries; as businesses, their primary motive is profit, not the promotion of democracy or the equitable distribution of revenue.

Some MNCs have left environmental and human devastation in their tracks. The presence of conflict in areas where oil is the main source of revenue is one indication of this. Duruigbo argues that while these companies “have been experiencing a steady growth in size, power, and influence, [their] phenomenal growth has come with immense social, environmental, and economic costs to humanity” (Duruigbo, 2005: 30). The increasingly tarnished image of MNCs has resulted in increased efforts on their part to improve relationships with communities and influence the perceptions of stockholders and the global public. Recent discussions have addressed the need for MNCs to play a more proactive role in the development of the states in which they work.

As a result of the failure of some states to deliver basic services, some communities have turned to MNCs to provide schools, roads, access to potable water, etc. The role that MNCs should play vis-à-vis communities and states needs to be addressed, and this formed a critical part of the discussions conducted during field research. A fundamental question is whether or not MNCs should take on a developmental role. Governments are keen to profit from the wealth of these corporations, but are reluctant to allow them to take on this role. As people and communities turn to MNCs to assist with basic necessities, these companies may find themselves acting almost like surrogate governments.

Corporate Social Responsibility (CSR) is the new terminology used by MNCs to describe their efforts to contribute to the countries in which they work. However, this depends on the goodwill of the MNCs concerned, and often has no basis in law or contract. Shell, one of the biggest actors in the oil industry, argues that external scrutiny has led them to conclude that “sound business investment in any emerging region must take into consideration achieving an enabling social and economic environment” (SPDC-Nigeria, 2004: 143). This may be laudable but one must ask whether these efforts will continue once an enabling environment has been established. Is CSR simply designed to appease national and international observers? Once the tarnished image has been repaired, will MNCs revert to “business as usual”?

While MNCs profit through the extraction of oil, they also generate considerable revenue for governments. Why these often massive revenues do not lead to an improvement of the quality of people’s lives is the subject of much debate. Many explanations for the financial, institutional, human and socio-political plight of oil-rich states have been advanced. These will be examined in the light of particular contexts, circumstances and events and from the perspectives of the main stakeholders.

4. Conclusion

There is abundant evidence that the extraction of oil does not lead to development. Indeed, more often than not the reverse is true. "While there is hardly any question that the resource curse is a reality, scholars in economics and political science have had a harder time explaining its causes both generally and as applied to specific countries" (Duruigbo, 2005: 12). In the political arena, awareness and understanding do not necessarily lead to appropriate action. Greater understanding of the economics of oil within parliamentary institutions does not necessarily lead to the more effective use of oil revenues. "Programmes to build capacity have had, at best, mixed results, fuelling oil-sector investments while only marginally increasing, at best, the abilities of governments" (Desilier, 2004: 191). Similarly, training civil society actors to follow and understand budgets will have little impact on governments if these governments are not willing to listen and take corrective measures. Training, capacity building and civic action "must be coupled with enlightened leadership and political will to change business as usual" (Desilier, 2004: 191).

How can the political will to use oil revenues be harnessed more effectively? If the governments of these states do not live up to their constitutional obligations, what action can be taken to ensure that they do? Given that the economic, environmental and developmental problems that plague oil-producing African states are of a political as well as an economic and budgetary nature, are there opportunities that can be utilised by stakeholders? If a government does not abide by its social contract with the governed, what steps can be taken to repair this bond? Are governments which fail to uphold their end of the social contract illegitimate?

It is important not to "assume that the loss of legitimacy by government bodies, due to inefficiency or self-enrichment, automatically confers legitimacy by default upon civil society" (Traub-Merz, 2004: 19). Although civil society is the public, political counterpart of government, it often resorts to stances and actions that do little to ameliorate the relationship between the state and its citizens. However, if democratic institutions do not safeguard the interests of the people, who then is left to carry the baton, if not civil society?

The creation of healthy democratic states is a challenge faced by many developing countries. In the modern world the importance of democratic practice may have been eclipsed by realities defined by a globalised market and the international community. The fundamental problem seems to be that the needs and interest of ordinary African people are at odds with the developed world's insatiable need for oil.

A firm legal basis does nevertheless exist for the claim that a people have the right to benefit from their country's riches. The constitutions and laws of African states, and the Charter of the African Union, provide a platform for action. More importantly perhaps, many people in both government and civil society recognise the need for more equitable and transparent management of oil revenues.

The political will is subject to a variety of forces and processes, and these can be harnessed to redirect and redefine priorities.

In the chapters that follow, the four case studies will be used to illustrate in practice what has been outlined here in theory. Recommendations and a way forward will be proposed. It is hoped that these will be taken up by stakeholders and assist in the promotion of a culture of democracy.

Background on the Republic of Angola



Located on the western coast of Southern Africa, the Republic of Angola experiences considerable social and political instability, primarily as a result of decades of civil war. Despite its volatile political situation, however, Angola remains the second largest sub-Saharan oil producer in Africa and has received billions of dollars in petroleum revenue. These profits have done little to enhance the lives of Angola's approximately 16 million inhabitants (four million of whom are internally displaced). Angola currently ranks 161 out of 177 countries in human development. In spite of its resource wealth, which is not limited to oil, Angola receives the largest portion of foreign direct investment provided to least-developed countries (LDCs).

1. The People and the Land

Up until about the sixth century AD Angola was home to the Boschimas, a pygmy group of hunters. It was then settled by Bantu peoples. It is now home to the Ovimbundu, Kimbundu and Bakongo, who make up most of the population. People of mixed-race or European descent are a small minority. The official language is Portuguese, but a number of African languages are also spoken. Most of the population identify themselves as Christian, while the remainder practice some form of indigenous religion.

In 1482 Portuguese explorers landed in northern Angola and slowly took control of the area through a number of treaties and wars. During the early colonial period, Portuguese involvement in Angola centred on the slave trade. This was abolished early in the 19th century; and Angola's

economy was increasingly based on exports, such as palm oil, peanut oil, rubber, glue, wood, ivory, coffee and cocoa. Most of the Angolan workforce (85%) is concentrated in the agricultural sector.

Decades of post-independence civil war have resulted in the deaths of between 500 000 and two million individuals; millions were displaced and several thousand refugees moved to neighbouring countries. This resulted in serious shortfalls in the provision of housing, education and health care.² These problems, together with concerns related to health (such as HIV/AIDS), have reduced life expectancy to about 37 years, while the literacy rate is approximately 67%.

2. Political Overview

In the mid-twentieth century, Angola began to move towards independence with the formation of several groups, such as the Popular Movement for the Liberation of Angola (MPLA), the National Front for the Liberation of Angola (FNLA), and the National Union for the Total Independence of Angola (UNITA). In 1961 a series of events marked the beginning of an anti-colonial uprising. A revolt within the cotton sector revealed the extent of discontent at falling prices and low wages. An armed attack on the main political prison in the capital of Luanda resulted in some Portuguese casualties. In response, the Portuguese authorities executed over 3 000 individuals. An armed revolt took place a month later in northern Angola, and several hundred Portuguese settlers were attacked and killed.

In spite of these resistance movements, when Angola achieved independence it was as a result of the 1974 coup in Portugal. The new Portuguese government called a ceasefire in Angola and transferred power to a coalition of the three main resistance movements, MPLA, UNITA and FNLA, in an agreement known as the Alvor Accord. Independence was formally declared by the MPLA on 11 November 1975, when the Portuguese officially abandoned the capital. The Republic of Angola was established, based on Marxist-Leninist principles, and Agostinho Neto became its first president.

Any semblance of order was, however, short-lived. Angola quickly descended into a civil war that would last almost three decades. From the mid-1970s until 1989, the MPLA (backed by Cuba), and UNITA (supported by the United States and South Africa), fought for control of the country. In 1989, the United States helped to negotiate an agreement which led to the removal of foreign troops. Two years later, in 1991, the warring parties signed the Bicesse Accord, which set up a UN-supervised process that would lead to the establishment of a democratic Angola. In 1992, Angola held its first presidential and legislative elections. When UNITA failed to win the presidential election and its leader Jonas Savimbi alleged fraud, Angola reverted to civil war. In 1994, the Lusaka Protocol sought to bring an end to the conflict. This attempt failed, however, and renewed conflict led the United Nations (UN) to impose sanctions on UNITA in 1997. In 1999, the Angolan military launched a massive assault on UNITA, effectively destroying their capacity and recapturing all major cities.

Peace was finally established in 2002, when the Angolan government and UNITA signed the Luena Memorandum of Understanding. UNITA pledged to abide by the peace framework originally established by the Lusaka Protocol in 1994. This included the return of all territory to the government, and the surrender of arms. The UN lifted its sanctions and sponsored a joint commission to resolve all remaining issues. In 2003, the MPLA and UNITA held their first post-war congressional session. Angola has not held new presidential or legislative elections since 1992. Although new elections were scheduled they have been repeatedly postponed. At the time of writing they were supposed to take place in 2008.

Despite its political instability, Angola is officially a constitutional republic with three branches of government. In reality, political power is concentrated in the executive, headed by the president (Jose Eduardo dos Santos). The president serves as head of state, presides over the cabinet and may be elected for up to two terms. The president appoints a prime minister (Fernando de Piedade Dias dos Santos). The legislative branch of government consists of a national assembly with 223 seats. 130 of the seats are elected by proportional vote every four years; 90 members are elected to represent each of the 18 provinces (five from each); three members represent citizens abroad (although these positions have not been filled). Even though 111 political parties enjoy legal status, the national assembly is firmly dominated by the MPLA. UNITA is the main opposition party, but has little ability to challenge the MPLA's power.

As a result of the concentration of power in the executive and the domination of parliament by one party, there are few checks and balances within the Angolan government. This has led to "a political culture of conflict, administrative secrecy and confidentiality, clientelism, favouritism, and cooptation, which has weakened the political basis for a democratic Angola (Isaksen: 2007)." Media freedom is also limited. In the past few years, restrictions on the media have been relaxed, but journalists are still subject to intimidation and legal sanction. As a result there is significant self-censorship. A "Press Law" was enacted in 2006, and is intended to end the state's monopoly on television broadcasting and provide for an improved flow of information to the public.³

3. Oil in Angola: The History, Contracts and Legislation

In spite of nearly 27 years of civil war, Angola has a long history of involvement in the oil industry. In 1955 oil was discovered by Petrofina in the Kwanza Valley, and a refinery was constructed in Luanda to process the oil. The petroleum industry expanded in the 1960s when the Cabinda Gulf Co. (CABGOC) discovered oil in an offshore coastal enclave. This led to increased production and after 1973 oil was Angola's principal export. The offshore location of oil helped the industry to avoid disruption by the ongoing civil war. Oil played a major role in the Angolan economy, and the government enacted legislation to establish and regulate a National Oil Company, Sonangol (Global Witness: 1999).

To attract more foreign interest in its oil fields, the Angolan government divided the coast into 13 exploration blocks and began to lease these to foreign companies through Production Sharing Agreements (PSAs). In 1978, the government further authorised Sonangol to acquire a 51% interest in all oil companies operating in Angola. Foreign companies would, however, continue to manage these operations. In 1990, Angola witnessed another oil boom. In the next 10 years, the government established over 29 offshore and onshore blocks; these were operated by 14 companies, while more than 30 companies held licenses.⁴

Revenue from these blocks is divided between the government and contractors, based on a series of regulations and contracts. Government revenue sources include bonuses, royalties, profit shares, production income and taxes. Contractor revenue is deal-dependent and is probably based on the bargaining power of the oil company (Isaksen: 2007). Several pieces of petroleum legislation govern the allocation of revenue, as well as exploration and the licenses granted to oil companies in Angola. First, and perhaps most important, is the Petroleum Law of 1978 (Law No. 13/78) (Petroleum Law). The Petroleum Law defines all oil resources as the property of the Angolan people. The Petroleum Law also created Sonangol as the state oil company and authorises Sonangol to enter into various investment strategies, contracts and agreements. As a result of its position as the national oil company, Sonangol controls the Angolan oil industry. Sonangol makes recommendations to the government regarding the industry, conducts the bidding process and handles negotiations. Because of its monopoly of the Angolan market, Sonangol is vulnerable to charges that it lacks transparency.

In addition to Sonangol, the law established a framework for the government's oversight of the oil industry. A Ministry of Petroleum was created to manage oil affairs. The Ministry's duties include approval of oil exploration and development activities, regulation of production and tax levels, and the general supervision of Sonangol. In 2004, some aspects of the Petroleum Law were updated and revised in Law No. 10/04. These revisions dealt mainly with technical access to oil and oil extraction in Angolan territories, specifically within the context of commercial production. The law also mentions the importance of business development within Angola, in order to promote socio-economic development.

Several additional laws and agreements are in place to regulate the oil industry. For example, a 1979 PSA serves as the basis for all oil licences awarded by Sonangol (with the exception of the Cabinda Concession). It allows for significant variation of contractual terms, but sets guidelines for the awarding of permits, costs and fees. A separate Joint Operations Agreement allows Sonangol to do business with foreign companies and participate as a partner in oil management. Although the government approves such contracts on a case-by-case basis, Sonangol serves as an associate or equity partner in order to maximise profit. Additional legislation, such as the Petroleum Customs Law (Law No. 11/2004), the Law on Taxation of Petroleum Activities (Law No. 13/2004) and the Law on Foreign Investments (Law No. 10/79) regulate the economics of the oil industry. Interestingly, the

Production Sharing Agreements (PSAs) v. Joint Ventures (JVs)

Production Sharing Agreements (PSAs) are a popular means of contracting in the Angolan oil industry. A typical PSA is entered into by a contractor and Sonangol. By entering into a PSA, a contractor assumes all risk and pays for the entire investment. Additionally, PSA terms establish concession boundaries, accounting mechanisms, and financial and corporate guarantees. When oil production begins, oil revenue is allocated among three entities. Firstly, the government receives oil royalties. Secondly, the contractor is allocated most of the profit in the form of “cost oil” in order to pay for its initial investment. Finally, the leftover oil is marked as “profit oil” and paid out to oil companies, to Sonangol and to the government, based on tax laws.

In contrast, a Joint Venture (JV) is a contract entered into by multiple oil companies. In the case of a JV, however, a company will make a percentage investment and will then be responsible for that percentage of cost. For example, if Company A holds a 20% stake in a JV, then Company A is accountable for 20% of the JV’s cost. After a percentage of taxes and government royalties have been subtracted, the remainder of oil profit is shared between the parties to the JV (Global Witness: 1999).

Law of Foreign Investments includes a provision stating that Angolan workers must be employed in certain sectors of the petroleum industry.

As the national oil company, Sonangol has the central role in the oil industry, and performs multiple tasks. Its activities include the exploration and production of oil, the development of oil support services, the exportation of oil, and oversight of hydrocarbon and gas policy. In addition to Sonangol, four major foreign companies have significant interests in the Angolan oil market. These are Exxon Mobil, Shell, BP and Total. Chevron, Devon Energy, Maersk, Occidental and Roc Oil play a smaller role, along with a number of other companies (Cilliers & Dietrich, 2000).

Angola now produces approximately 1.7 million barrels of petroleum per day, making it the second-largest sub-Saharan oil producer in Africa (after Nigeria). Most production is located offshore; blocks 15 and zero are the most profitable. In 2007, Angola had a proven oil reserve of eight billion barrels. Current estimates indicate that oil production will increase over the next five years, peaking in 2011 (assuming that no additional petroleum is discovered).

The result of these high production levels is an ever-increasing dependence on oil. Although Angola also exports gold, diamonds, wood and fish, oil accounts for 95% of its exports, and provides 50% of Gross National Product (GNP). Angola has also recently expanded its international connections. The Angolan government has developed a relationship with China. In 2005 the government began

Cabinda

Although rich in oil and technically part of Angola, the enclave of Cabinda is surrounded by controversy. For over forty years the area has been subject to guerrilla warfare. Factions of the separatist movement, Frente de Libertacao do Enclave de Cabinda (FLEC) which first fought the Portuguese for independence, have fought with the MPLA since 1975. Cabinda nevertheless accounts for at least 60% of Angola's oil production.

Located on Angola's border with the Democratic Republic of Congo, Cabinda is internationally recognized as part of Angola. Negotiations between the Angolan government and the then leader of the FLEC began in July 2006. In September the two parties signed a Memorandum of Understanding that ended fighting and provided for demilitarization of the region. In exchange, the separatists were given amnesty and Cabinda was awarded special status. Rival factions of FLEC have, however, rejected the agreement and refuse to abide by it. Thus, there is still uncertainty regarding the prospects for peace in the Cabinda region.

to utilise a two billion dollar line of credit extended by the Chinese government to rebuild Angola's infrastructure. Angola is now the 12th member of the Organisation of Petroleum Exporting Countries (OPEC). This will result in the payment of annual membership fees of approximately \$2 million, and restrictive quotas may be placed on Angola's oil production.⁵



Case Study: Angola

Angola exhibits symptoms of both the paradox of plenty and of the lack of diversification which typifies the "Dutch disease". While its per capita Gross Domestic Product (GDP) sits at approximately US\$4.40 and the economy benefits from an annual growth rate of 15.3%, some 70% of the population lives on less than a dollar a day. The nation has, in effect, become a natural resources market where everyone is trading and benefiting except the Angolan people. In the absence of significant government efforts to use oil revenues to improve the living conditions of its citizens, this research has focused on identifying civil society efforts to hold the state to account for its management of the oil sector.

1. The Political Context

Angola's transition to what can nominally be termed a multiparty democracy (the last free elections were held in 1992 under United Nations [UN] supervision) must be understood against the background of nearly 30 years of civil war. The Popular Movement for the Liberation of Angola (MPLA) won the war and with the death of Jonas Savimbi of the National Union for the Total Independence of Angola (UNITA) in 2002 effectively took control of the country. Although opposition parties hold some 41% of the seats in the national assembly, the concentration of power in the executive, the relative youth of most parties (established in about 1992) and the lack of strong opposition have crippled the effectiveness of the legislative arm of government. Presidential appointments and party allegiance have also compromised the independence of the judiciary, leaving in place a system that one interviewee described as a "Presidential Democracy" where individual office bearers have little freedom of action.

This centralisation of power and decision-making is made possible by oil revenues, which provide a large pot of wealth that can be used to purchase allegiance or acquiescence and obtain the expertise needed to ensure that the wealth continues to flow. Oil rents allow the state to buy the political support of MPs and other office-bearers. One interviewee noted that there was a time when parliament was quite vocal but efforts by elected representatives to hold government to account subsided somewhat after the subsidy for their parliamentary votes was increased from US\$5 to

US\$10. The financial benefits that result from an “acceptable” vote in the Angolan national assembly erode opposition voices and strengthen the allegiance of ruling-party MPs. This has led to a closing of democratic space in parliament and restricted the ability of civil society to engage the government. Oil rents have placed the MPLA in a position where it can contain internal dissent, play a significant role on the continent, and at the same time restrict the influence of international institutions who might try to promote good governance and more transparent management of resources in the interests of national development.

The government does appear to have made some concessions to international pressure in relation to issues of transparency and oil revenue management. When oil and Angola are mentioned together, the case of British Petroleum (BP) is invariably cited. In 2001, BP expressed its intention to publish what they paid to the Angolan government. They were rapidly put in their place by Sonangol, and in order not to risk BP’s investment the decision was reversed. Although information on budgets and revenues is closely guarded terrain in many resource-rich African countries, Angola’s Ministry of Finance does have a website on which budgets, KPMG audits of Sonangol accounts and other relevant information are published and updated. The Angolan government has also recently put proposals for an integrated finance management and planning system before parliament.

This does not, however, tell the whole story. There is no clarity on where and how direct and indirect revenue enters the national budget. It is also widely believed that a parallel budget exists in Angola. This is said to be controlled by either the presidency or Sonangol, which may in effect be one and the same, since the president appoints the head of Sonangol. This budget operates outside of the Ministry of Finance and undermines the national budget and the credibility of information about the use of oil revenues by the state. Three MPs were consulted, all from opposition groups. One was a member of the Fifth Parliamentary Commission (Finance and Economics), but not one had received training on issues relating to the oil sector, or to their oversight function in relation to the budget. This lack of information and training reduces the ability of civil society or opposition parties to engage with government on oil-related issues.

2. Civil Society

Angola’s legacy of war has had a lasting impact on the development of civil society. Initially, Non-Governmental Organisations (NGOs) in the country developed in response to the humanitarian crisis caused by the war, and they have struggled to shift their focus to developmental issues. At the same time, International NGOs (INGOs) and governments have complicated the operating environment. They have vacillated with regard to funding, and struggled to balance the competing interests of home country oil needs and the provision of development assistance.

In the midst of this complex operating environment, in which civil society organisations are trying to build their capacity, they encounter resistance from the government. They have had to enter into complex negotiations with government while at the same time trying to retain their autonomy. The capacity to build strong civic organisations is limited. In a situation where some individuals treat the civic arena as a site for personal gain and/or a way to make a living, civil society remains small, and is concentrated in Luanda.

This lack of capacity, together with competition for scarce funds, retards the development of Angolan civil society as small groups try to be generalists. Strategies with clear objectives and outcomes have yet to be developed. This is due in part to the monolithic state establishment and to the scale of problems within the country. As new organisations emerge, often in response to particular donor objectives, older and more established groups run short of funds and are left to flounder. As a result, networks, research and experience are not shared or built upon.

In response to an increase in independent civic activity in the closing stages of the war and a proliferation of transparency-based critiques from civil society, the government has developed a largely antagonistic stance towards Civil Society Organisations (CSOs). It has cultivated its own civic groups, which are seen as adjuncts to the state and as a source of political support. Where the state does allow civic activity, independent CSOs are often treated as an opposition and restrictions are placed on activity which the government considers too "political".

a. The Media

In functioning democracies, the media can be both a reliable source of information and an important mechanism for sharing information and building popular support to bring about change. In Angola, both the independence and hence the reliability and effectiveness of the media are in question. The key questions are, "Who owns the media groups?" and "What can be published without provoking a strong government reaction?" The arrest of journalists is not uncommon. The privately owned press does express different points of view in six or seven publications with limited circulation, but this is only in Luanda. There are six private radio stations, one in each province, but four of these are linked to the ruling party; only the church radio station can be said to be truly independent.

3. The People

Angola's capital city, Luanda, was built to accommodate 500 000 people. It is now home to close on 4.5 million people who live in sprawling informal settlements that stretch for kilometres. This urban population does not necessarily benefit from the oil-backed strength of the currency, the Kwanza. They pay high rents for their small dwellings and, though petrol is cheap, imported food is

extremely expensive. The real beneficiaries are government functionaries. It is tempting to speculate how the lives of ordinary Angolians might change for the better if the estimated US\$1 billion that “disappears” off the top of the oil wealth every year were to be invested in development (Karl, 2007: 19).⁶

In a country like Angola, with its history of civil war, the need to consolidate political power and create stability often results in draconian measures to restrict the flow of information. The church radio stations, which are ready to be rolled out in every province, have been denied authorisation. Censorship is not limited to the oil sector. It would seem the government does not want active and informed citizens in the provinces. It was suggested in an interview that they were “afraid of a population that [could] think for themselves”.

4. External Actors

Angola’s interaction with external actors (other states, INGOs or oil companies) is determined both by the nation’s history and its oil wealth. President dos Santos wants Angola to become an important player on the continent. Through his control of Sonangol, he keeps a firm hold on the actions of International Financial Institutions (IFIs) and, in particular, the Multinational Corporations (MNCs), which are well aware of the geopolitical importance of Angola’s oil reserves. As a result, Angola is able to control the external actors who engage in business or invest or lend money within the country.

There was a general consensus among interviewees that the World Bank and the International Monetary Fund (IMF) are no longer very relevant in Angola because of the rise in oil prices and the line of credit extended by China in 2001. Although the IMF played a crucial role in the civil war (with its capacity to embargo the UNITA forces), relations with it have been suspended. Some people felt that relations with the World Bank were improving (partly as a result of the strengthening of their internal capacity in Angola). The future role of IFIs (who seek to attach conditions to loans) may be limited by the fact that Angola is fast approaching Middle-Income Country (MIC) status. Once it is a MIC, loans will be easier to get and will have with fewer conditions attached. Because IFIs function like banks, loans are readily granted, provided there is no likelihood of default.

A number of the larger MNCs have been operating in Angola for a some time. Chevron, for example, has been in Angola for 75 years. Oil companies responded to the call from the state for them to take an active role in reconstruction, particularly in their areas of operation. While this sounds like good news, and while it has resulted in interesting developmental projects (through specified Corporate Social Responsibility [CSR] programmes), all is not quite as it seems. The projects may be laudable in themselves, but they are undercut by the fact that, through an agreement with Sonangol, the CSR spend can be counted as a cost and is therefore recouped. This means that the projects require no

real spending by MNCs. If one adds to this the fact that most Angolan oil is offshore, then one has a situation that favours the oil companies.

Corporate Social Responsibility

Of the four countries included in this study, Angola was the only one where Corporate Social Responsibility (CSR) was a national buzzword. The government has insisted that Multi-National Corporations (MNCs) devote 15% of their annual budget to development-related objectives. This 15% is considered a cost, so is recovered by the MNCs in production. As a result, all CSR work must be done with the approval of Sonangol.

In most situations, CSR work is initiated in service of what is called “the social licence to operate”, that is, the spending of money to ensure community buy-in. In Angola the government has taken a more pro-active line on this, given that a large proportion of oil exploration is now off-shore and thus has less impact on specific communities or areas. CSR is seen in terms of development and reconstruction and MNCs look to shore-up Angolan priorities in specific areas.

One of the pillars of BP’s CSR is education. At present, this includes support for the establishment of a Masters in Law focusing on oil. Chevron, with its team of 23 development experts, has chosen to focus on capacity-building. One of their projects has been the creation of the micro-finance institution, Novo Banco, which has thus far given out over \$US27 million in loans.

5. Modes of Engagement

Despite the restrictive nature of the operating environment, interviewees noted that the past five years have seen a growth in engagement between the state and CSOs and groups. This opening of space is a result of the demands of civil society to be heard, and of their calls for action on the part of government. While the government has allowed input from civil society in certain areas, and is careful to be seen to take the concerns of church groups (in particular) into account, there is no certainty that this will generate a sustainable space for dialogue.

Two examples are illustrative. In 2005, the government published its Poverty Reduction Strategy Paper (PRSP). The Association of Angolan NGOs (FONGA) reacted to this by approaching the Ministry of Planning to call its attention to the lack of public consultation in the drafting of the PRSP. The government then allowed FONGA to hold public consultations on the document in five provinces. These consultations were used by FONGA to develop a set of recommendations that the government agreed to consider before launching a revised PRSP. However, this revised PRSP has yet to see the light of day.

A similar process was observed with the adoption of the UN Convention against Corruption, a document that several MPs spearheaded in the Angolan parliament, with the backing of the African Parliamentary Network. As a result of their pressure, the convention was adopted in 2006. However, it has not yet been applied in Angola, and while the government may have acted against corrupt individuals, it has not taken steps to create an authority tasked with fighting corruption.

There are always opportunities for civil society to knock on the doors of power. Sometimes the door remains shut. For example, a campaign to name and shame corrupt politicians generated antipathy towards certain CSOs. There is very little evidence of willingness on the part of government to open the door, and there is little incentive for it to find the political will to do this. Although there have been moments when civil society has been allowed some space, there was a consensus among interviewees that the increase in oil revenues was having a negative effect.

The government appears to have adopted a strategy that relies in part on cooption and on symbolic acts. It has initiated processes for the generation of policy, and has produced some notable documents, but it is not necessarily committed to the implementation of these progressive policies or laws. The government will engage with NGOs in the process of formulating policy, and as a result most CSOs direct their energies towards this end. This allows the government to claim that they have produced a PRSP or have signed international conventions. However, interviewees repeatedly noted that implementation is slow or non-existent, and the government was reluctant to answer questions on this issue. Like other resource-rich countries, Angola has a legislative environment that provides mechanisms for and even seems to encourage accountable governance, but what actually happens does not reflect the values and aspirations enshrined within the laws.

When it comes to the political will to engage on issues of development or open up democratic space, the decisive factor is the state's control of oil rent. The system gives the MPLA elite access to and management of oil revenues. This reduces the opportunities for dialogue both with and within the state. The central actor in this closed system is Sonangol, the national oil company. However, if civil society lacks access to information, so too does the Ministry of Finance. The relationship between Sonangol and the Ministry is far from congenial, and in practice access to Sonangol is controlled by the executive. The lack of internal lines of communication and accountability within government makes it difficult for civil society to make government accountable for its management of the oil sector.

An increasing number of Angolan civil society groups have attended Publish What You Pay (PWYP) or World Bank training sessions, which focus on revenue management and transparency. A broader range of organisations have also attended budget management training courses. However, most CSOs felt that at this stage in their development they still lacked adequate information about the processes and procedures involved in the extraction, marketing and sale of oil. The government has

reacted strongly to local calls for increased transparency. NGOs that have joined the recently formed the PWYP Coalition (2006) and supported calls for the government to join the Extractive Industries Transparency Initiative (EITI) have been accused of getting involved in “politics” or becoming “Western puppets”.

Many interviewees said that pressure for Angola to join the EITI had made the government less willing to engage with civil society. The Angolan government has publicly endorsed the idea of the EITI but wants to claim “observer” status (a status which does not in fact exist). It feels that it has already met most of the requirements of EITI status. Most interviewees noted that while the Angolan government has improved its record with regard to revenue transparency, details of expenditure and procurement remain a murky area, the Ministry of Finance’s new website notwithstanding. It was felt that one offered criticism at one’s peril. While NGOs were able to hold public consultations on the PRSP and while they were extensively consulted in the formulation of legislation pertaining to decentralisation, the government has not tolerated any discussion of the Oil Revenue Management Law that was passed in 2006.

The ability of civil society to engage with government, whether on issues of broad accountability, budget management or national social development policies, is conditioned by a matrix of determinants. These include access to information, capacity (both within civil society and within the different arms of the state), and the willingness of government to engage in genuine dialogue. Angolan civil society faces obstacles at every level in its attempts to engage with the state, and the difficulty is most acute when the engagement relates to oil rents.

“You can’t monitor something if you don’t have information.”⁷

“We do not have access to that information” was a recurring refrain in interviews. This refers to a lack of information regarding the plans and actions of all branches of government, but it applies particularly to information about the oil sector. There is, of course, a steady stream of conjecture on this subject. It is clear that with Sonangol controlling access to the oil companies and the president controlling access to Sonangol, civil society has very few avenues through which to obtain the kind of information that could provide a basis for their campaigns.

This explains why access to information is an area over which the government exerts careful control. It makes use of bribery to co-opt those individuals or organisations who might uncover factual information; it also uses intimidation and violence, and restricts access by the independent media to areas outside Luanda. The advantage of extra-budgetary finance is that it can be used to make alternative employment or opinions attractive. As one interviewee put it, “If strong people or voices appear, they are offered money or a position in government. If you are a good journalist working for private radio, the government ‘invites’ you to join public radio. If you are too critical, they ‘invite’ you

to visit jail.” The government’s reach also extends beyond Angola. It succeeded in getting the IMF to print an apology for information contained in a report it had published. The IMF was obliged to remove the information (which had been posted on the web) even though it was accurate.

Capacity and Strategic Choices

Civil society’s capacity to obtain information and promote accountable governance and democratic change depends on an understanding of the target areas and of the strategies that might open doors rather than close them. Most interviewees (within both civil society and government) considered themselves “autodidacts” – they lacked formal training on how the oil sector operates. As the issue of oil revenue and its management in relation to national development looms ever larger, individuals have had to educate themselves, drawing where possible on their initial training in economics.

One route for the opening of doors is through the elected representatives in the national assembly. These representatives need to understand the information put before them if they are to use it within the legislative and constitutional framework of the state. An obvious example of the current lack of capacity in both civil society and the national assembly is the issue of external debt. Interviewees acknowledged a lack of information, and there was a general lack of interest or understanding about the impact of external debt on the oil industry and on the socio-economic development of the country. Interviewees lacked the capacity to understand the way in which oil-backed loans limited the amount of money available for socio-economic development. This clearly limits their ability to engage with government.

6. Conclusion

Oil has been a feature of the Angolan political landscape since 1955 and its principle export since 1973. Sonangol has controlled oil since 1976. Democracy can only be said to date from the 1992 elections, and has existed more in theory rather than in practice. Sonangol predates the transition to democracy by some 20 years, and the nation is still recovering from the ravages of civil war. In the more than 50 years that Angola has generated revenue from oil, the rent has been used primarily in ways that do not promote democracy. It has been used to perpetuate the civil war (both sides made use of resource revenue), and it has been used for personal enrichment.

Civil society’s struggle to hold government to account for the use or abuse of oil revenue dates from 2005 – some 30 years after the introduction of a state oil monopoly. Local NGOs have yet to properly understand the sector, and have yet to develop an organised front to promote democratic and sustainable development. In a nation where important relationships are individualised and not institutionalised, civil society has struggled to find the best way to approach the state. In spite of

these constraints, all the interviewees thought that opportunities did exist for civil society to engage in dialogue with the state. NGOs are beginning to understand the importance of strategic advocacy on oil-related issues, and have identified the need to find and support individuals who are interested in promoting reform.

One can talk in general terms about the economic effects of the “resource curse” on oil-rich countries. However, the “curse” takes a particular form in a country that has hardly known peace and which is only just beginning to put in place the building blocks of democracy. The Angolan people have a small window of opportunity to advance the fight for democratic governance. The second democratic election, at the time of writing scheduled for 2008, may provide an opportunity to finally put the issue of development on the table for discussion.

Background on Chad



Chad, a former French colony and until 1959 part of French Equatorial Africa, became independent in 1960. The country covers an area of 1 284 000 square kilometres, with tropical conditions in the south and desert in the centre and the north. Libya, its neighbour to the north, has on occasion invaded Chad to press its claim to the Aouzou strip in the north. Sudan is to the east, and the continuing conflict in that country, has had a significant impact on Chad. The Central African Republic and Cameroon, Chad's oil pipeline partner, lie to the south.

1. The Land and its Institutions

Chad is socially, economically and culturally divided into a Muslim north and an African south. The south has generally been considered the wealthier part of the country, and this was reinforced by the discovery of oil in the southern regions. Apart from oil, Chad is primarily an agricultural country. The capital is N'Djamena. The country has a proportional democracy with a highly centralised executive.

Only 56% of Chad's population can read and write, and less than a third of this number are women. The average life expectancy is 44. Contributing factors include food insecurity, HIV/AIDS, social conflict and a rising incidence of criminality in many areas closest to the oil fields. Poverty is concentrated in specific sectors of Chadian society. Women are the worst affected, but approximately 80% of Chad's population lives on less than \$1 a day and engages in subsistence farming. Cattle, goats and cotton are the mainstay of the agrarian sector.

Oil was discovered in 1967, but revenue was only generated from 2004. This may have alleviated some of the harsher consequences of poverty. Chad has a per capita Gross Domestic Product (GDP) of US\$1,500, but most of this income (\$15 billion) is concentrated in the top quintile.

2. Historical Introduction and Post-Independence Politics

Prior to the arrival of the Europeans, Chad enjoyed a mixed social pedigree and history. The northern parts, which include the central and eastern regions, were influenced by Arabic culture, which arrived via the trade routes that once passed through the north of the country. Central Chad saw the rise and fall of a number of empires. This rich cultural history still influences contemporary politics.

France annexed the Chadian region in 1887 but did not consider Chad "settled" until 1924 – this was due mainly to internecine strife between tribes in the north. The French established cotton plantations in the southern region, dividing Chad into a settled south and an unsettled north. This political, economic and social divide left the north relatively untouched. The country as a whole was largely undeveloped during the colonial period.

Contemporary politics shows some continuity with earlier north-south interactions, and divides based on ethnicity remain an issue. Arabic Chadians retain a primary loyalty to particular clans and ethnic groups. The most important of these are the Zaghawa, Hadjerai, Massa and Gorane. Presidents Hissene and Deby (the incumbent) are from the Zaghawa tribe, which controls the armed forces. Tribal infighting and inter-tribal conflict historically takes the form of aggression towards southerners, who are mainly Christian, and whose more settled lifestyle brings them into conflict with the northerners. The nomadic lifestyles of the northerners are more suited to animal husbandry. This distrustful co-existence has been aggravated by the relatively recent discovery of oil.

3. The Politics of Chad

Chad has alternated between one-party states, military dictatorships and limited forms of democratic practice. From 1960 to 1975 Chad was a de facto one-party state ruled by Francois Tombalbaye. From 1975 to 1979, the military took control. Weddeye was president of a transitional government from 1979 to 1982. Hissene Habre seized power in 1982 through a military coup and prevented the transformation to multiparty democracy. He remained in power until 1989, when the military attempted to reassert control. In 1990, Idriss Deby overthrew the Habre junta in a coup, and his one-party rule lasted until 1993. From 1993 to 1996 Deby presided over a transition to democracy.

Today, Chad is formally a constitutional democracy with a system of proportional electoral representation. Two elections have been held at five-year intervals. There are 155 seats in the

unicameral parliament. The ruling party, the Patriotic Salvation Movement (MPS), captured 110 seats in the 2002 elections. In the 2006 presidential election Deby won nearly 65% of the vote, amidst widespread allegations of ballot stuffing and voter intimidation (amongst other irregularities). Although political parties contest elections, there have been allegations of abuse of power, torture and intimidation. Intimidation, low levels of tertiary education, a low literacy rate (56%) and inadequate information in the public domain (only 0.6% of the population have internet access) help to ensure that executive authority and control are not challenged.

One of the key features of the Chadian polity is its highly centralised power structure. The presidency may appoint ministers and judges, dissolve the national assembly, which is able to avoid many of the sanctions attached to any breach of laws relating to governance and treaty obligations. The power of appointment enables the president to exercise control over communications and the revenue disbursement mechanisms which the World Bank helped to establish after the discovery of oil. In addition, the president can amend the constitution at his discretion. In June 2005, Deby won a referendum which enabled him to remove the constitutional limit to the number of presidential terms of office.

4. Oil in Chad: The History, Contracts and Legislation

Oil exploration in Chad began in the early 1970s but was initially plagued by political instability and logistical problems: Chad is a landlocked country, without a port. Efforts to discover oil north of Lake Chad were initially less successful than those in the southern Doba Basin. However, in 1996 seismic exploration by the Exxon Mobil consortium revealed reserves of close to 1 billion barrels in the seven key southern basins (Gary & Reisch, 2005: 23). The consortium constructed a pipeline from the Doba Basin to the Gulf of Guinea, off the coast of Cameroon.

The pipeline project involved treaties between the governments of Chad and Cameroon and led to increased international interest in Chad's affairs. The World Bank, aware that the development that could result from oil revenues, provided financial assistance to both Cameroon and Chad. In 1998, the Chad Oil Transportation Company (TOTCO) and Cameroon Oil Transportation Company (COTCO) were created "to build, own and operate the pipeline" (Gary & Reisch, 2005: 23). World Bank loans enabled Chad and Cameroon to acquire minority shareholdings in the two companies. In 2000, Chevron returned to Chad (it had left in the 1990s due to political unrest) and joined the consortium, together with Petronas (the Malaysian state oil company). In late 2003 oil began to flow through the pipeline.

The World Bank provided additional loans to Chad to develop capacity to manage the exploration and production. In response to calls from local and international civil society groups, the World Bank

attached revenue management conditions to the loans. To comply with these conditions, Chad's parliament passed the Petroleum Revenue Management Law (PRML) in 1999. The PRML (or Law 001) established the framework for the management of direct revenue from the three original fields, with an obligation to use this revenue for development and poverty alleviation.

Law 001 also established terms for the repayment of loans owed to the World Bank and other loan agencies, and set out a specific structure for the use of the balance. This was to be deposited in an international bank account, held at the time with Citibank. 10% would be earmarked for a Future Generations Account to fund post-oil-production poverty-relief programmes. The remainder would pass through a Special Petroleum Revenue Account dedicated to monitoring oil revenue. 5% of the balance was earmarked for social development and poverty-relief programmes in the oil-producing regions. 80% was allocated to a group of priority sectors (education, health and transportation). The remaining 15% was allocated to finance recurring government expenses until the end of 2007. After this date, the amount would be added to the budget for priority spending.

Law 001 was amended in 2000 to set the framework for the creation of a state-owned oil company, the *Societes Hydrocarbures du Chad* (SHT). This made it possible for the government to enter into production-sharing agreements (PSAs) with the consortium exploiting the oil resources. One of these amendments, decree 240/PR/MEF/03, established the conditions for the operation and functioning of the *College de Control et de Surveillance des Ressources Petrolieres* (CCSRP or "The College"), the statutory body established to monitor oil revenue expenditure in the priority sectors. The College was to manage and control the use of revenue deriving from the Doba Basin; it would also prioritise development and measures to reduce poverty.

The College began work in 2003 and exercised its oversight function by monitoring the budget and expenditure on the priority sectors. It sought to ensure that money was appropriately allocated and that ministries had a plan for expenditure. Ministries require authorisation from the College for any expenditure derived from oil revenue. The College has been known to refuse to authorise payments. It relies on technical staff whose function is to assess projects and recommend changes where necessary. Finally, the College reports on its activities and provides an annual report on the management of oil revenues.

Chad's oil revenue management framework and legislation was originally viewed as a potential blueprint for the effective use of extractive revenues to promote development. This model for revenue management had (at the time of writing) been in operation for three years. While there have been successes, the road has not been smooth, and there have been changes to the relevant laws and institutions. As revenue started to flow, there were signs that the government might be reluctant to adhere to the developmental management model it had agreed to when it needed loans and support from the World Bank.

Law 001 was revised in 2006 with the promulgation of Law 002. The new law was to Chad's advantage in that it expanded the mandate of the College to include all direct oil revenue (not just that from the Doba Basin fields). More importantly, however, the proportion of the direct revenue that accrued to state coffers was increased. In October 2005, the government expressed an interest in scrapping the fund for future generations, and in December of that year the fund was scrapped. The central government's share of the revenue increased to 30% and defence was added to the list of priority sectors. In response to these moves, the World Bank suspended US\$124 million in loans and froze US\$125 million of Chad's assets in the Escrow account for breaching the revenue management terms. President Deby threatened to halt oil production unless the assets were unfrozen and the loans reinstated, causing a hiatus in relations with the World Bank. In terms of a subsequent agreement, Chad guarantees that 70% of oil revenue will be spent on poverty relief programmes. The Escrow future generation account funds were released in three tranches over three months, and the loans were reinstated. This renegotiated arrangement was regarded as a set-back for revenue management and poverty alleviation.

The Chad government derives most of its revenue from indirect payments related to exploitation, and these are not regulated by the management institutions. Chad produces low-grade oil which is costly to transport and as a result fetches poor prices on the world market. The government's attempts to increase the revenue it derives from oil have often brought it into conflict with the Multinational Corporation (MNCs). In 2006, President Deby accused Chevron and Petronas of tax fraud and expelled them from the country. Deby defended the expulsion, saying, "We are engaged in a battle for the economic sovereignty of Chad." He added that the negotiators who had formulated the tax amnesty had not been granted the authority to do so by the national assembly. Any agreement that may have been reached was illegal and non-binding on the government. The difficulty with the expulsion was that, a lack of capacity in the ministry of petroleum and state revenue collection structures led to doubts about the government's ability to determine what was owed to the state treasury, and by whom. Although they only agreed to pay 80% of the tax they had allegedly not paid, Chevron and Petronas were allowed to return to the country.

The estimated revenue that will accrue to the Chadian government from the Doba basin is US\$5-8 billion over the next 25 years. This means that approximately US\$100 million in annual revenue will come from the original three fields in Doba. Present production of low-grade heavy crude averages 160 000 barrels per day, while estimated petroleum reserves are said to be around 1.5 to 2 billion barrels. Exploration in the Lake Chad district is likely to increase these estimates. However, changes to the revenue management laws and government attempts to garner the maximum possible revenue from oil may compromise the developmental focus of the legislation that was supposed to minimise the "resource curse".

The Strengths and Weaknesses of Revenue Management Law 001

Chad's original oil revenue management law was criticised for its limitations and praised for its innovative attempt to ensure that development would result from the presence of oil in the country.

On the positive side:

- The Chadian state voluntarily submitted to an agreement that reduced its control over its revenue.
- The Chad-World Bank partnership was considered one of a kind, and a step in the right direction.
- There was hope that the blueprint established here would be effective in curbing the mismanagement, corruption and rent-seeking that usually accompanies resource exploitation in conflict-ridden societies.

However, on closer inspection, there were negative aspects to this law:

- The original agreement took place in an uncertain environment and there was no way of predicting whether additional oil would be discovered or whether political stability would endure. As such, the law did not apply to direct revenue from future oil discoveries outside of the original three fields.
- The focus on the direct income stream diverted attention from the fact that two-thirds of revenue does not originate from the major extractive activities. This indirect revenue is drawn from oil-related income sources such as the pipeline, taxes on oil-related services and products or corporate taxes relating to the oil industry.
- The allocation of 5% of oil revenue to the communities in the oil-producing regions was intended to address any potential negative environmental impact deriving from oil extraction, such as from 'flaring' (the burning off of gases sometimes present in oil deposits), or from oil spills. However, there was no consultation with the affected communities, there is no provision to cover the distribution of these earmarked funds and the allocation may be insufficient to counter the negative impact of oil exploitation on the communities. (In addition, the allocation can only be changed by presidential decree.)
- While the law sets out the sectors for priority spending, it offers little guidance as to how decisions around allocation should be made.

The impact of Law 002 (2006) has been mostly negative. There is speculation whether a further Law 003 is in the pipeline, and whether it may fail to address the weaknesses inherent in Law 001.



Case Study: *Chad*

Chad's entrance into the world of states grappling with the potential effects of the "resource curse" was comparatively recent. Although oil was discovered in the south as early as 1967, Chad only began to receive oil revenues in 2004. This delay gave Chad a unique opportunity in terms of international involvement in the development of its oil industry. The government's stated aim was to ensure that oil revenue was used for development.

Even before the World Bank entered onto the scene, civil society in Chad began to ask questions about oil revenue management and the construction and operation of the pipeline through Cameroon. The World Bank's arrival strengthened these calls and resulted in the financing of the pipeline and in the creation of a legislative framework for the oil sector. The provision of this framework and the creation of the College to oversee the use of the revenue reserved for the priority sectors have provided civil society with institutionalised channels to further its involvement in the oil sector.

1. The Political Context

President Deby initiated a process of democratisation in Chad in the 1990s, and this has led to the development of a constitutional democracy based on proportional representation. However, this supposedly democratic system of governance has been undermined by a number of factors. Perhaps the most salient of these is the inclusion of clauses that allow for effective presidential control of the processes which make for centralised decision making. The ruling MPS party has 80% of the seats in parliament, and the president also has wide-ranging powers of appointment. This ensures that key positions at both national and local level are held by hand-picked individuals. Votes cast do not always result in a place in parliament, and as a result of vote-fixing, national faith in the power of the ballot has been eroded.

Chad is still struggling with a legacy of ethnicity and with a political system that has been dominated by the military. While there are efforts to strengthen democracy, decision-making is still influenced by the military and the state's energies are frequently directed towards controlling insurrection and

insecurity on the borders. The executive and the military have been known to interfere with the judicial system if the interests of the state seem to be threatened. Voting in parliament is conducted by a show of hands, inhibiting the freedom of MPs to express “unpopular” opinions. As a result the legislative arm of the state is little more than a rubber-stamp.

There is likely to be a state of emergency in one or more provinces at any given time. This, together with the weakness of state institutions, has eroded the state’s commitment to developmental objectives. The argument is that development must wait until the nation is more stable. As a result state resources (including some oil revenues) are diverted from development to the military. As oil revenue increases, these undemocratic tendencies are strengthened.

Chad’s Minister of Petrol has been the sole interlocutor in dealings with the Multinational Corporations (MNCs) operating in the country, and confidentiality clauses in contracts exclude them from public scrutiny. While there are systems in place to monitor the direct revenue set aside for the priority sectors, access to accurate information on signature bonuses, or the remaining 88% of direct revenue, or on indirect revenue is hard to come by. This has obvious implications for the ability of civil society to monitor the state’s use of oil revenue. It also compounds the difficulties faced by members of the national assembly who also lack the skills or the information to ask relevant questions about the budget or the contracts that are put before them for approval.

The national assembly is thus unable to modify contracts or alter the budget or hold the executive to account. It did take the initiative in creating a committee to re-examine the state’s contracts with the MNCs, but it is unlikely that the government would act on any of their recommendations. In any event, members of the assembly are unable to undertake more than a cursory analysis of the contracts put before them. All the MPs interviewed acknowledged that civil society and the national assembly have common goals and that there was a non-conflictual relationship between them. However, the usefulness of their interaction depends on the kind of information that is available to either party.

*a. College de Controle et de Surveillance des
Ressources Petrolieres (The College)*

When oil revenue became a reality, civil society expressed reservations about the government’s ability to manage this revenue. When the World Bank initiated discussions with the state about the establishment of the College, civil society campaigned to have the number of civil society representatives on the College increased from the proposed two to four. These four representatives are from the inter-faith community, human rights associations, the trade unions and the Non-Governmental Organisations (NGOs). They are nominated by their constituent communities, as are the state’s representatives. The religious representative is either a Christian or a Muslim (this alternates annually).

Although the College has a rather daunting mandate, it has the potential to ensure that funds reserved for the priority sectors are used effectively. However, the commissions created to monitor the 5% reserved for communities in the oil-producing zones have been less effective and key decisions on the use of this revenue are taken by central government, rather than at the local level. As an example, it is difficult to understand how parliament's approval of the building of a stadium could further the fight against poverty.

The existence of the College has enhanced Chad's credibility as a nation. However, the framework within which it interacts with government as well as recent changes to the legislation which regulates its operations have reduced its effectiveness as an oversight mechanism. It has nevertheless helped to create the legal and institutional space within which civil society can engage the state and participate in the oversight of oil revenue management.

2. Civil Society

The World Bank's attempt to use Chad as a model for the management of oil revenue (and for developing mechanisms to avert the "resource curse") has meant that, in comparison with the other countries in this study, there are a large number of NGOs working on oil-related issues in Chad, and there is more involvement by civil society in attempts to monitor and manage oil revenue.

CSOs began to work on oil-related issues in 1995. They consolidated their efforts through the establishment of a Monitoring Commission in 1999. This became a Permanent Commission on Petrol in Ndjama (CPPN) in 2001. An example of this involvement is the way in which the CPPN and its sister network, the Local Permanent Commission on Petrol (CPPL), which operates in the south, monitors the industry and does advocacy work. These networks are governed by a consultative council; the CPPN represents the member organisations in the capital. Information is channelled through the networks from the capital to the regions and vice versa. The focus of the CPPL is on creating networks of citizens in the villages who have received training and been provided with information relating to social justice, the fight against poverty and the impact of oil extraction on the environment and on communities.

A Publish What You Pay (PWYP) coalition was established in Chad in 2004 to address the environmental impact of the oil sector, the fight against poverty and issues of transparency. The coalition is represented both in the capital and in the Doba Basin region. Part of its plan of action is the establishment of an Extractive Industries Transparency Initiative (EITI) commission in the country. Despite government claims that the existence of the College negates the need for an EITI, they declared their support for the initiative. The PWYP coalition exerts pressure on the

government, and is awaiting the establishment of an EITI committee and a plan of action (both of which were supposed to be in place by the end of 2007).

GRAMP/TC

GRAMP/TC (Groupe de Recherches Alternatives et de Monitoring du Projet Petrole Chad-Cameroun) was created in December 2001 by a multidisciplinary group of researchers working on development issues in Chad. With the prospect of oil revenues, Chadian Civil Society Organisation (CSO), including GRAMP/TC, were concerned about the government's political will or ability to use petroleum revenues for poverty alleviation and community development. GRAMP/TC started to monitor oil revenue and transparency. Along with other CSOs it initiated the Oil Revenues Management Watch (OGRP) to promote awareness of issues related to the management of national resources.

GRAMP/TC's activities focus on contributions to economic growth and social development, and more particularly on improving the management of oil revenues by undertaking alternative research. GRAMP/TC collects, analyses and disseminates information on public expenditure in general and the management of oil revenues in particular. It provides information on the quantity of crude oil produced and sold; on transfers made to Chad's Citibank account; on the allocation and use of funds in the priority sectors; and on contributions to setting up the oil-related Poverty Reduction Strategy Paper (PRSP). It monitors the legal, socio-economic and environmental aspects of oil projects in Chad; and informs national and international stakeholders about transparency and good governance issues in Chad.

(Etienne Yemek, unpublished Idasa document)

a. The Media

Civil society in Chad benefits from the existence and support of a relatively independent press. There are censors but the papers no longer need to check stories with the government prior to printing. An increase in the number of community radio stations has played an important role in informing citizens.

3. The People

One hears and sees little of the people of Chad, the ordinary citizens who may have hoped that revenue from oil would have an positive impact on their lives. The presence of significant oil reserves in the south has raised the prospect of uneven development and state investment. Of the CSOs

interviewed, none had worked with the people in the north. In the absence of the political will to ensure that development is prioritised, the efforts of CSOs are unlikely to have much effect on people's lives in the oil producing zones of the south.

The advent of democracy in Chad has meant that people do have rights and there is some freedom of expression. Prior to the 1990s, there was repression on the part of the state, and assassinations and revolts were not uncommon. At the time of writing, although there is a state of emergency in the south, the population is more willing to act. However, it continues to fear reprisals. The CPPL works with four regional community networks in the south, channelling information provided by citizens on human rights violations or oil company actions to the capital. The freedom of movement of people in the south has been adversely affected by the activities of oil companies and the security firms which are hired to guard property and erect fences. In general, the people are able to speak out but the government does not listen to them.

4. External Actors

Oil arrived at the same time as democracy in Chad, and the World Bank arrived with oil. As an institution capable of lending the Chadian government the finance to extract and transport oil, the World Bank has played a central role in the development of the systems to manage oil revenue. Initially it provided a conduit for and support to civil society voices and worked, albeit with little success, to ensure that civil society participated in discussions around oil revenue management. However, once oil began to flow through the pipeline and generate revenue for the treasury, the government had less need to rely on the World Bank and paid little attention to its attempts to intervene or mediate. This breakdown in the relationship has been exacerbated by the provision of a line of credit from the Chinese.

Initially civil society groups (including International Non-governmental Organisations [INGOs]) respected the lines of communication with the World Bank, and through the World Bank to the state; they also benefited from the support and capacity-building provided for CSOs. This changed in 2005 when the government amended Law 001 – in contravention of its 2001 accord with the World Bank. The World Bank protested at this change, but eventually capitulated to the government. The CSOs interviewed described the World Bank and the International Monetary Fund (IMF) as being all bark and no bite, and today their representatives in Chad are little more than functionaries. The perception on the ground is that both institutions know that the reports they receive are not accurate, but they are powerless to insist on adherence to the early agreements. While CSOs acknowledge that institutions like the World Bank have to respect the sovereignty of national states, they feel that the inaction of International Financial Institutions (IFIs) makes them complicit in the failure to utilise oil revenues for development purposes.

The MNCs working in Chad have an equally difficult role. There has been some interaction between them and CSOs, particularly in the oil-producing zones. Civil society networks like the CPPN have engaged MNCs and created spaces for discussion. There has also been an exchange of information with MNC representatives in the capital in response to reports from CSOs in the field. However, there is a perception that MNCs only undertake community-related activity when it assists their core function of extracting oil; it is felt that there is little real commitment on their part to mitigate their impact on communities. Some companies have built schools in their areas of operation but the workmanship is poor and there are not enough classrooms. The provision of resources for teaching seems to be beyond the scope of the projects initiated by MNCs.

The contracts that have been negotiated with the state mean that MNCs operate almost as states within a state. Even when the government disagrees with the MNCs, the threat of losing oil revenue, together with a lack of state capacity to understand the industry, leaves the state in a weak negotiating position. The power afforded the MNCs in terms of their contracts means that, even where they do engage civil society, they are under little real obligation to demonstrate social responsibility. There is an oft-repeated story of an MNC that, on completion of its activities in one of the basins, dug a hole and buried the computers, cars and other equipment they had used for the project. This equipment could easily have been donated to the surrounding communities, and this disregard for the obvious needs of the people has left a sour taste in the mouth. CSOs readily acknowledge that MNCs are not development agencies, but expect them to do something to minimise the negative impact of oil extraction on communities.

5. Modes of Engagement

The transition to democracy and the constitutional framework this has produced has led to a situation where civil society had more freedom to operate than in other oil-rich nations included in this study. Prior to 1998, imprisonment was a common state response to NGO activity. Civil society has evolved beyond the point where all it can do is express opposition: it tries to engage the state through objective critique and by putting forward proposals for action. Significant levels of support and advice from INGOs have contributed to this shift and helped to increase CSO capacity on the ground. This has led to more openness on the part of government, and civil society is able, at times, to assist this process.

Interviewees talked about how, in present-day Chad, both government officials and individual MPs will ask NGOs for information which will assist their understanding of the oil industry. The executive is in a strong position but does show some willingness to engage and consult. The state has never actually shut down an NGO, although it has, at times, placed restrictions on the activities of NGOs. Government authorisation is required before an NGO can run training programmes on the

oil sector, and movement is often restricted in zones where a state of emergency has been declared. A government commission has been tasked with tracking activists. However, most interviewees felt that levels of threat from the state had decreased. One interviewee proudly asserted, "We are more free, in fact, than Gabon" – a perception which is not reflected in most published governance indicators.

Civil society work on the oil sector both predates and runs concurrently with the World Bank's intervention in Chad. NGOs sounded alarm bells about possible fraud in the awarding of contracts to build the pipeline. Civil society also proposed that appropriate institutional structures be set up to manage the anticipated oil revenue and CSOs helped to define the ways in which commissions would manage the 5% of revenue that was allocated to communities in zones where oil was extracted. At the outset CSOs had recommended that oil production should only begin when government had the capacity to regulate and monitor the use of oil revenues. As these initiatives gained momentum, civil society reached out to INGOs for information and advice, and began to develop strategic partnerships.

The CPPN has created space for engagement with the government and also attempted to engage the MNCs. As a result, oil company Esso ran a "public information" day for civil society; the CPPN has also provided feedback to Esso on the impact of their activities at local level. Similarly, as a result of weekly interactions with Encana, CPPN was able to demand that functioning water taps be installed on its supply routes. CPPN asked that the taps be installed every few kilometres to allow greater access to water by local communities. As a result, although Encana has since left the country, these taps continue to provide water to the surrounding areas.

A framework for legislation on revenue management, as well as the focussing of international attention on the actions of the Chadian government, have not been sufficient to ensure the effectiveness and sustainability of this "model" revenue management system. In reality national, governmental and economic determinants shape the ways in which the framework is used. A very real obstacle to effective engagement on oil-related issues is the lack of skill and capacity on the part of those in government who are tasked with oversight. The discussion and planning that took place prior to the advent of revenue from oil does not seem to have extended beyond the members of the College. This means the national assembly is not in a position to ask awkward questions or exercise oversight, especially given the complexity of the agreements and legislation in question. As a result legislation passed by the assembly is more likely to favour the interests of the ruling elite.

The power of the College was also limited from the outset by its reliance on the government to take action and follow up on its recommendations. As one interviewee put it, "The College has no power if it sees problems." Apart from its limited mandate, the College also relies on the state for information and for funding. All it can do is make recommendations. It does not have the power to sanction the

state and its reports must first be approved by the state; it is then the state's responsibility to make them public.

The College relates to the government on two levels. At an executive level, it can communicate directly with the president, and the College feels that this relationship is respected: it has not come under pressure from the state and the president does call it for consultations. The second level is with the ministries and it has taken time for this to be formalised. Ministries initiate projects and do not monitor how the contractors carry out the work. The College is still waiting for a completed list of projects. The most problematic relationship is with the Ministry of Finance. The College is supposed to view the budget 10 days prior to its presentation in parliament, in order to give its input. In the first year that it was to exercise this role, it was given 24 hours to review the budget and its observations were not shared with parliament. In 2007 the College took it upon itself to circulate its observations to the national assembly.

The independence of the College is safeguarded in the constitution but there are fears that if the government begins to see the College as a threat, it may not respect this. The amended Petrol Revenue Management Law 002 did increase the College's mandate by including direct revenue related to the priority sectors from all current and future oil fields. However, at the same time it changed the length of member tenures in the College. This has created confusion and a concern about institutional memory within the College. There are also rumours that the current NGO representative in the College may be removed by government. This has led the human rights associations to call on civil society to abstain from participation in the College, although the groups represented in the College are not in agreement. This has weakened civil society and bred disunity, and the intervention of the state has raised serious concerns about the independence of the College.

The environment in which the College operates could easily be improved, for example by formalising the ways in which it engages with government (and, in particular, with the ministries) Both local and international CSOs noted a lack of capacity on the part of civil society and a need for continued assistance in generating strategic approaches to particular issues. There is a need for increased professionalism in the sector and for it to relocate from the capital. There are examples of professional organisations and networks operating in the provinces, and these could provide a base on which to build.

6. Conclusion

This case study seems to indicate that the World Bank model for revenue management can be effective. There is an abundance of civil society activity, there are institutional channels of oversight and the government is more open to engagement than most. However, what the example of Chad

perhaps illustrates is the importance of political will. When oil revenue became a reality, Chad was not in a position to gain maximum benefit from the industry. With funding from the World Bank, it was able to build the pipeline to transport its oil. Given the political will, it should not have been difficult to create appropriate laws and revenue management mechanisms.

The fragile stability of the state in Chad, the insecurity generated by the constant declaration of states of emergency in some parts of the country, together with the instability of many of its neighbours, reduces the likelihood that spaces for genuine dialogue will open up. The government's willingness to engage on particular issues is intermittent and unpredictable. This has often led to the establishment of individualised and informal spaces for dialogue, and most interviewees expressed the need to formalise or institutionalise channels of communication. Increased efforts to support, capacitate and work through the national assembly would assist this process.

Interviewees expressed some scepticism about the government's openness to engagement and its willingness to be held accountable for its management of oil revenues. The centralisation of power in the executive is an obstacle to genuine transparency. Although civil society has often been able to engage the state, there has been a significant reduction in this interaction in recent years. This coincides with the rise in oil prices and the opening of a line of Chinese credit. As a result the influence of the World Bank has been considerably reduced. Chad's ability to avoid the "resource curse" depends largely on its political will to adhere to the laws and agreements that pertain to the oil industry and to the management of oil revenues

Background on Gabon



1. The People and the Land

Gabon, a former French colony, covers an area of 267, 667 square miles. Its neighbour to the south and east is the Democratic Republic of Congo; to the north lies Equatorial Guinea and Cameroon, with the Gulf of Guinea providing access to the Atlantic Ocean.

The people are mainly Bantu in origin with the Fang, Boupanou, Myene and Bateke comprising the dominant groupings in a nation of over 40 different cultures and ethnic groups. The population is mostly Christian (75%) with some Animist (less than 24%) and Muslim citizens (more than 1%) and most speak French. The country is organised into nine departments. Social and economic development is concentrated in the coastal regions, which are close to the oil fields and provide transit points for foreign oil workers and the export of minerals. The oil industry is based at the coastal city of Port Gentil, while Libreville is the capital.

Most government revenue derives from the oil extraction industries (about 43%), and oil makes up 81% of export revenue. Oil extraction is governed by the Mining Code of 1962. This was reformulated in 1999 to attract increased investment in the oil industry and to offset the depletion of existing fields by encouraging exploration. It is estimated that oil production will decrease by 5% annually and that additional reserves of oil will prove difficult to find.

2. History

Prior to the arrival of the Europeans in 1885, Pygmy tribes predominated in the area now known as Gabon. Many were displaced or assimilated into the Bantu tribes that migrated into the area and whose political systems were based on chieftaincy. Gabon was part of French Equatorial Africa until 1959, at which time French Equatorial Africa was divided into Chad, Congo (Brazzaville), the Central African Republic and Gabon. In the 1962 independence election, Leon M'ba became president with Albert Bongo Ondimba as his vice-president. In 1964, an attempted coup led by the Gabonese military was thwarted with the aid of the French. When M'ba died in 1967, Bongo succeeded him as president, a position he has held ever since. Shortly after becoming president, Bongo converted to Islam and changed his name to El Hajj Omar Bongo.

Since its independence, Gabon has had a highly centralised political culture. Bongo was the longest-serving head of state in the world, having at the time of writing been in power for over 40 years.⁸ After the death of his predecessor, Leon M'ba, he initiated a one-party state but came under increasing pressure over the last two decades to allow a more democratic dispensation to develop. However, after so many years of one-party rule, the power of the ruling party is firmly entrenched in Gabonese society. The current political system is based on a first-past-the-post multiparty system that relies for stability on the ruling Democratic Party of Gabon (PGD).

The rule of the PGD has not been universally popular. In 1990, there were two abortive coup attempts and widespread anti-government protests following the transition to multi-party democracy. A new constitution was created in 1991 and included a bill of rights, to be protected by a National Council of Democracy. A governmental advisory board was also created to oversee economic and social issues. Although political parties were still banned, and so technically illegal, multi-party elections were held in 1990-1991. After the 1993 presidential elections, in which Bongo was victorious, civil disturbances broke out in protest against what was seen in some quarters as a "rigged" election.

Bongo returned to power in the 1998 election with 66% of the vote and the election took place peacefully. In 2001, opposition parties boycotted elections to the legislature because of what they saw as the unfair distribution of funds to political parties. The result was a PGD-dominated legislature with smaller alliance parties comprising the balance of the representation. In 2003, Bongo amended the constitution to remove the limit to the number of times a president could run for office. In 2005, he was again re-elected to office with 79% of the votes cast. In 2006, the PGD won the election for the national assembly, taking 99 out of 120 seats (together with its alliance partners).

3. The state of the Economy

Gabon's economy is resource-driven. Most non-oil income derives from sales of timber, manganese, cocoa, coffee, rubber, sugar and pineapples. These sectors account for 5.9% of Gross Domestic Product (GDP). Income from petroleum and timber processing accounts for 59.7% of the GDP, while 43% of government revenue derives from the sale of oil. In 2006, Gabon had a GDP of US\$7.2 billion with the dominant trade partners being America (53%), China (8.5%) and France (7.4%) with the balance split between the European Union (EU) and Asia. Despite the impressive current per capita income of US\$7 200, about one third of the Gabonese population lives on less than \$1 per day.

One of the developmental challenges facing the Gabonese government is the massive wealth gap between the top quintile and the lowest quintile. The top quintile earns 90% of all income. Oil revenues have in fact led to a worsening of poverty. This is a result of fluctuations in international oil prices, declining rates of production and the inability of the Gabonese government to adjust to or plan for contingencies. The government has failed to promote economic diversity. Inconsistency in adhering to policy and to spending priorities has undermined the effect of social-development and poverty-reduction programmes.

Corruption and mismanagement are important contributors to the increasing income gap. Transparency International (TI) rates Gabon as a state struggling to control corruption and mismanagement. Although corruption is a problem, foreign oil firms find the Gabonese business environment less risky than the TI index rating suggests. Labour laws (the 1978 Labour Code and the 1982 General Convention of labour) are lenient and not consistently enforced. Tax incentives in the oil sector encourage additional exploration and make extraction more affordable. In addition, a high degree of networking and interconnectivity between economic and political players ensures the operational survival of most foreign firms in Gabon.

4. The History, Legislation and the Major Players Governing Oil Extraction

Oil was discovered in the 1950s, and most exploration for oil took place in the 1960s. In January 2006 Gabon had proven oil reserves of 2.5 billion barrels of light crude. This is much higher than previous estimates (in the 1990s reserves were estimated at just 1 billion barrels). This rapid increase is a result of offshore exploration, particularly in the Rabi-Kouanga offshore field that contains most of these reserves. Current production is estimated at 237 000 barrels per day (bpd).

The only major refinery, Sogara (in Port Gentil), opened in 1967 with a refining capacity of 17 000 bpd. The government owns a quarter share in the Sogara refinery with Total Gabon (44%) and Shell (17%) being the other main shareholders. Domestic oil consumption has remained low, seldom

breaching the 10 000 bpd mark. The government is the major player in the oil industry – a result of its part-ownership of refining capacity and its production-sharing agreements (PSAs) with the larger oil companies. These PSAs are made possible by the way in which ownership of mineral rights is legislated. According to the Mining Code of 1962, all minerals belong to the state. The government may allocate rights to explore territories but the payment of royalties remains a form of mineral purchase.

The major oil companies operating in Gabon, excluding the state-owned Société Nationale Petrolière Gabonaise, are Tullow PLC (a UK-based company), Addax (a Canadian-based firm that holds most shares in the Maghena and Ramboue fields), Total (France), Vaalco Energy (USA-based) and Shell (a United Kingdom and Netherlands joint venture). A number of minor companies operate in partnership with the larger companies, but their percentages are usually less than 5% of total holdings.

a. Legislative Amendments and New Fields

The legislation governing the exploration for and extraction of raw materials has been amended. The 1962 code was reviewed in 1999 with the aim of stimulating further exploration and more effective exploitation of existing resources. The 1962 code vested the state with the sole ownership of and sole title to mining rights. Decree No 981/PR 1970 and Ordinance 45/73 (1973) modified the initial code; these measures regulate oil exploration and production licences through exploration and PSAs. As in the case of Chad, the Gabonese government has created a state-owned oil firm capable of entering into partnerships in upstream and downstream oil-processing activities.

Law 14/82 that provides for PSAs was passed in January 1983, replacing the concession agreement. The law states that exploration agreements may last for two periods of five years or be divided into three periods consisting of one five-year period followed by two two-year exploratory periods. There must be at least 10% participation by the state and a royalty of at least 5% is payable on production volumes. Taxation and payments are capped at 55% of the cost of oil. If development costs have not been recouped after five years, the oil firm may apply to the government to have the cost-of-oil component increased to 75%. In other words, the company is only taxed on 25% of production. Any signing bonuses are recoverable after 10 years.

The new offshore fields at Rabi-Kouange have been estimated to hold over half a billion barrels of light oil. These new fields have attracted a cluster of fiscal incentives and tax breaks that did not apply to any of the onshore fields. Most of this offshore field is operated by Shell. The licensing for the exploration of offshore fields allows drilling to occur to a depth of 2 000 meters. This adds considerably to the costs of exploration and extraction. The rock structures off Gabon's mainland are not volcanic (basalt and granite), unlike those of Sao Tome, and the cost of drilling is not as high. The

costs of extracting, storing and transporting the oil are largely met by the oil companies; Gabon itself has limited capacity to refine oil.

5. Economic Consequences of Oil

It has been difficult for the Gabonese government to diversify the economy and provide for the time when oil no longer provides significant revenue. The heavy reliance on the primary and extractive sectors means that the government's budget is subject to volatile commodity price fluctuations. This has reduced the state's capacity to plan for social expenditure. Commodity boom periods encourage unsustainable spending. Currency volatility and financial uncertainty are causing further problems. In 1994, France, the guarantor of the value of the CFA franc, the currency of many west and central African countries, devalued the CFA franc by 50% overnight. This caused massive inflation of 34% which stabilised in 2001 at 1.5%.

Although spending on economic diversification is one way of hedging against fluctuations in oil prices, the presence of oil is in itself a disincentive to diversification, and appropriate diversification and hedging policies have yet to be formulated. This lack of political will to diversify can also be attributed to the presence of other minerals such as manganese (Gabon was once considered to hold the world's richest deposits). Gabon also has significant quantities of tin, phosphates, diamonds, potash, uranium, niobium, iron ore (estimated reserves of 1 billion tonnes), zinc and marble. There is, however, little processing capacity within Gabon itself, and as a result of logistical and capacity constraints income derived from these minerals is unlikely to replace that from the oil.

Oil has dominated the economy of Gabon for decades, to the detriment of economic development in other areas. The increased revenue from the high oil prices is unlikely to guarantee the country's long-term stability. It is not certain that the attempt to replace oil revenue with revenue from environmental tourism will succeed. However, the act reserving approximately 12% of Gabon's land for national parks was recognition of the need to diversify away from oil. Laudable as this effort may be, (and the laws governing these parks are remarkably progressive), it will not have much impact on the high levels of unemployment. The next elections are due to be held in 2012, and may prove to be a turning point in Gabon's political history.



Case Study: *Gabon*

Since its independence in 1960, and Omar Bongo's rise to power in 1967, Gabon has experienced political stability that is unrivalled on the African continent. Although never a major producer of oil – its reserves are small compared to those of its neighbour Nigeria – the revenue generated by this resource has helped sustain the political regime for over four decades. As Gabon begins to run out of oil, the political and economic map may be rewritten. France has played an important role in Gabon; the French Multinational Corporation (MNC), Elf, was until recently the major player in the oil industry. As a result of a scandal involving the executives of Elf, and as a result of political changes in France itself, Gabon has begun attracting international investors from other countries. Although some say the Gabonese are more French than the French themselves, and although they still retain close political, social and economic links with France, the Chinese seem to be emerging as the new dominant partner.

1. The Political Context

All the interviewees agreed that during his reign, nothing happened in government without Bongo's approval. There are claims that Bongo's hand could be seen behind most major events in Africa, and it is no secret that he played a leading role in the creation of the Central African Bank and the CFA currency. In Gabon, Bongo achieved a status of almost mythic proportions. With a wife from the Cameroonian aristocracy and personal ties with the French presidents dating back to Charles de Gaulle, Bongo had unrivalled political "savvy" and connectivity. French paratroopers formed the core of his personal bodyguard, and the French are so much in evidence in Gabon that they are said to "sleep four to a bed." Bongo rose to prominence with French support, and his long tenure as president was due in no small part measure to their continued support.

As a member of a minority ethnic group, Bongo's long reign was all the more remarkable. It cost him millions, if not billions, of dollars to stay in power. Although he may have been fabulously wealthy in comparison to the living standards of the majority of the population, a large portion of Bongo's "income" (for want of a better term) went towards keeping his hands on the reins of power. He

once said: "I redistribute nearly all the money that the Gabonese state confers on me" (Shaxson, 2007: 97). That Gabon has not suffered from the ethnic tensions that plague many African states was no doubt due mainly to Bongo's patronage. Gabon was led by a one-party state with virtually no opposition within government. Opposition parties are weak and have not gained the trust of the people. No institution of government appears to have any autonomy or independence. As one MP explained, although loans from international lending institutions need the approval of parliament, they are often agreed upon while parliament is in recess – thus parliament is effectively bypassed.

The steady decline in recent years in the amount of oil that is extracted is compensated for by the rising price of crude. In 2007, for instance, although less oil was pumped than in the previous year, oil revenues increased. However, money goes out as fast as it comes in. Estimates indicate that around 50% of the official budget is used to pay off the country's external debt. As a result of its status as a Middle Income Country (MIC) rather than a Less Developed Country (LDC), Gabon finds it easier to raise foreign loans, and this has led to excessive borrowing. Approximately two-thirds of all food is imported, much of it from France, hence the high cost of living in Libreville. Accurate figures regarding Gabon's budget are hard to come by, and the numbers that are provided are unreliable. It is not clear whether all of the oil revenue is reflected in the official budget, and it is not clear what happens to it thereafter. There seems to be little doubt that there is a parallel budget which can be manipulated as circumstances dictate. As in most oil-producing states, corruption is endemic in Gabon and is unlikely to disappear in the near future. All areas of the economy are open to graft. If a businessman wants to open a store or obtain a monopoly, "suitcases of cash" are known to pass hands.

An important part of Bongo's mystique and success was that he was very personable. His approachability endeared him to the people. Furthermore, many Gabonese (as well as foreign students) have been given generous bursaries or stipends to enable them to attend universities, both locally and abroad, and people regard these as coming from Bongo – not from the government! Most importantly, Bongo was politically astute. Commissions have been set up to engage civil society, and a broadly inclusive Extractive Industries Transparency Initiative (EITI) Committee was convened. If these lack the resources, information and capacity to be effective, this has to be proved by their detractors. These moves on Bongo's part placated the international community, and provided evidence to the Gabonese that their interests were being addressed.

When the world community expressed concerns about what would happen if Gabon did not diversify its economy, Bongo initiated legislation that turned approximately 12% of the country into a national park. All at once Gabon became a world leader in environmental conservation. The law creating the parks was drawn up with the help of world experts on environmental preservation, and international and national Non-governmental Organisations (NGOs) were included in the process. Eco-tourism was to replace oil as the major engine for generating foreign currency. As a result, pristine primary forest still covers much of Gabon.

The Chinese have, however, been awarded a contract that gives them *carte blanche* to find and extract minerals or oil anywhere within Gabon's land and maritime borders. One of their projects was the construction of a hydro-electric dam, which was to be built in the middle of one of the national parks. This would have destroyed vast tracts of land that were protected from development by the very act that created them. Civil society opposition has been able to delay this project, and at the time of writing the road leading to the site, also being built by the Chinese, stopped just short of the national park. Although this has been hailed as a victory for civil society in Gabon, this may be premature: the government is still committed to the project and claims that civil society organisations are trying to halt progress. However, even this exchange is cause for optimism in Gabon, as it seems to show that dialogue is possible

In recent years government officials have been more accessible, and have shown some awareness of the issues that confront the country. MPs and ministers are willing to meet with members of civil society and with the public, but what is said in private conversation does not necessarily translate into public action. If the issue under discussion is sensitive, then words will be carefully measured. Petrol in Gabon is not just a resource, it is power, and those who control it and the revenue it generates can determine whether or not you have food on the table in the evening. According to one government official, "Government employees are scared. They only work to stay in power." More ominously, he added, "Petrol can make me disappear. What I know I cannot discuss."

Another long-standing government official described oil as the biggest contributor to corruption; he felt that oil was a curse rather than a blessing. The cabinet contains no fewer than 50 ministers, all appointed by Bongo. One of Bongo's sons, always regarded as the heir apparent and elected president in 2009, was the Minister of Defence under Bongo as well as the spiritual head of the Muslim clergy in Gabon. One of his daughters is on the boards of Shell Gabon and Total Gabon. According to one participant, the executive is top-heavy, and without petrodollars, some of these posts would have to be shed. Although ministers are appointed from parliament, they retain their seats. As a result, there are as many acting MPs (referred to as deputies or substitutes) as there are elected MPs. These substitutes act on the ministers' behalf, and are unable to vote independently. Gabon's parliament is seen as little more than a rubber stamp institution, and its ineffectiveness as an oversight body is compounded by a lack of knowledge and training. The World Bank has identified as one of its priority training areas the capacity to exercise budget oversight.

Finally, the future of Gabon is cause for some concern. The only time infrastructure receives any attention, according to one interviewee, is when there is a national celebration and the roads to the venue need to be improved. There is a lack of vision within government with regard to the future, and planning for the eventual depletion of its oil deposits is little more than a scramble for the remaining benefits. The context is one of desperate opportunism, as is illustrated by the decision to

allow the Chinese to plunder Gabon's natural resources – at the expense of the rule of law and to the detriment of its future well-being. It must, however, be said that this opportunism also pervades civil society.

2. Civil Society

Civil society in Gabon has only developed in recent years. Although the fear of reprisals still exists, there is a sense that things are changing. There is an air of optimism that it will be possible to overcome any challenges that may emanate from government.

The visitor to Libreville does not immediately encounter many international NGOs and United Nations (UN) agencies. There are few NGOs that focus specifically on issues related to democracy and none that work on human rights issues. On the other hand, there is a proliferation of environmental NGOs. The absence of a large international NGO contingent is significant. The UN limits its engagement to working with refugees from neighbouring zones of conflict. Organisations and individuals have found it difficult to work in Gabon: they encounter resistance from government and they face exorbitant costs and a society that can be characterised as “closed” – all of which tends to discourage local projects by international NGOs. Evidence of this is the fact that the US Peace Corps closed shop some years ago. However, Gabon's rise to prominence in the field of nature conservation has led to the arrival of environmental groups. The World Wildlife Fund (WWF) operates out of Libreville, supports local environmental efforts, and provides a crucial link to the international community. It comes as no surprise to find that the majority of local NGOs and Civil Society Organisations (CSOs) work mainly on environmental issues or eco-tourism. This is in part as a result of their ability to access funding.

The government has also facilitated this process. The law creating and protecting the national parks provides a firm legal basis for engaging with government, particularly where local communities are affected by violations of this law. On the other hand, oil and issues relating to the budget remain off-limits. Groups or individuals that target these issues risk arrest and imprisonment. The national parks law does at least set out the requirements for the exploitation of minerals and natural resources. In the case of the hydro-electric dam that was to be built by the Chinese, for instance, civil society used the fact that environmental studies had not been done to challenge the government. However, when a civil society alliance called a press conference and put forward a statement detailing specific grievances, the frustration and anger of the participants was apparent.

A dialogue of sorts has begun to emerge between civil society and the government of Gabon, in spite of the persistence of old perceptions and fears. In certain cases NGO members are suspected of criticising for the purpose of getting someone's post in government, and these suspicions may not be entirely unfounded. The lack of trust between NGOs and the government is not unusual. The absence of any credible opposition has bred an attitude within governmental ranks that consultation

or dialogue is unnecessary. For its part, civil society has yet to define a clear role for itself. The lack of adequate training and support from external organisations may explain why CSOs sometimes deliver their message in an over-emotional way. This may be an indication of their frustration, but a lack of professionalism may also play a part.

A Socio-Economic Council was created by Bongo in the early 90s, and was meant to serve as a civil society forum. Significantly, the chair of the Council has always been a member of the government, hand-picked by Bongo. Although this Council may have been intended to placate local and/or international observers, most interviewees felt that it had little credibility. The perception is that if criticism of government becomes too vocal, one will be offered bribes, or a government post, and if these fail then the government will employ intimidation. For example, one interviewee reported that the family's pets had been killed, and this seems to be not uncommon. Formal channels of communication are more constrained than informal channels, which are relatively open. A new arena has been created for interaction between CSOs and the government, following the intervention to halt the dam project.

Recently opportunities for dialogue have emerged with the EITI. The government of Gabon signed up to this initiative in 2004 and provided funding, while the World Bank managed a multi-donor basket to support EITI activities. A Publish What You Pay (PWYP) coalition has emerged alongside EITI, but, as is the case elsewhere, it does not appear to carry much weight or have much cohesion. The EITI Committee is fairly well established and has already published two reports, with a third in the pipeline at the time of writing. There have, however, been complaints from civil society members regarding the capacity and role of the EITI Committee. One of the issues raised is the "mailbox" nature of the Committee: reports from MNCs and the government are received, and the EITI Committee produces a report, but no discussion between the government and CSO members seems to take place. More importantly, there is no way for the Committee to check the accuracy of the financial figures that are provided to it. There is no indication of the number of barrels of oil that are pumped, as only the money paid to the government is reported. If discrepancies between payments to MNCs and the revenue reported by the government do emerge, these are dismissed amidst claims that the numbers are insignificant. Finally, while the larger MNCs submit reports, the many smaller organisations do not.

a. The Media

There is little evidence that the media in Gabon is objective or impartial. The media is seen as biased and as often functioning as the mouthpiece of government. The press is often used by government members as an arena for dealing with personal grievances. The print media are largely owned by Bongo's family or by government ministers. Clientelism seems to define this sector, and what is

published is closely monitored by the executive. The absence of professionalism leads to reporting that is often based on rumour and/or misinformation. As in much of Africa, rural communities only have access to radio (and perhaps television), and these only report what is sanctioned by the government.

3. The People

During the many conversations held with civil society and government officials, one issue clearly stood out. Contrary to official indicators, the people of Gabon are not as well off as the international community wants or has been led to believe. The contrast between the glitzy and active hub of Libreville and the rural areas is stark. Gabon is a fertile and arable country, but most agricultural activity remains at subsistence level. As one informant who tries to promote communal agricultural development remarked, "If you throw a sausage on the ground, tomorrow you will have a pig." An initiative by a Gabonese NGO to create a collective banana farm has been described as a daily battle against lethargy. Without constant prompting, the people would not tend the fields, and the bananas would rot where they fell.

The people of Gabon are disempowered and lack access to finance. They are described as being discouraged or unmotivated and lacking in inspiration. At the time this research was completed there was a general sense of despondency with regards to the potential for change or reform within government. As a result of Bongo's long rule, the government appears to many to be "invincible". As in other oil-producing African states, the electoral process is a largely symbolic act designed to legitimate the ruling elite, rather than a genuine democratic process. When election monitors from African countries and the African Union proclaim the elections to be "free and fair", the people and civil society organisations can have little hope that things may change. Some look to the international community for help. A cynical observer might, however, conclude that the main priority for the international community is the continued stability of Gabon and the uninterrupted flow of oil.

4. External Actors

Although the World Bank states that the engagement and training of civil society is one of its priorities, no money is provided directly to CSOs; instead, this is channelled through the government. This is not uncommon, as the World Bank generally works with governments rather than with particular CSOs. The government of Gabon has selected about 10 NGOs as recipients of this funding, which "sometimes arrives, and sometimes not." In the view of one observer, the World Bank and International Monetary Fund (IMF) behave like commercial banks whose priority is to receive their payments on time. Civil

society questions the motives of these institutions, and some would favour their departure, which would leave the Gabonese to solve their own problems. As is the case elsewhere, the World Bank understates its influence with government, claiming to play only a marginal role. CSOs would like to see the World Bank being more actively involved in promoting good governance and fighting corruption.

An area of concern for both western MNCs and civil society is the emergence on the continent and in Gabon of the Chinese. Many MNCs have taken steps to improve their image, but these concerns do not seem to be shared by the Chinese. In Gabon, as elsewhere, the Chinese do not engage in debate and tend to keep a very low profile. Civil society has not engaged with the Chinese. What defies understanding, according to one interviewee, is why the government negotiates with the Chinese from a position of weakness, rather than from one of equality. One government official commented, revealingly, that the "Gabonese [were] now slaves of the Chinese, like they used to be with the French."

5. Modes of Engagement

The advent of a globalised community has had a marked impact on Gabon. There is an emerging group of people who have been educated abroad, and have returned to Gabon with a greater understanding of global politics. This influence is evident in the developing civil society, which has a dynamic and innovative approach to the issues at hand. This new generation seems eager to engage with government to obtain a more democratic and equitable dispensation in Gabon. However, the terms and the terrain of this engagement are of crucial importance. Although the Socio-Economic Council and the EITI are established and dominated by the state, they do provide a space in which civil society can engage with government.

The Socio-Economic Council is a well-established institution, but not much happens within it without the approval of government (the government nominates the chair). By virtue of its longevity (it was established in the early 90s) it can serve as a platform on which to build personal and institutional relationships. It is still unclear whether the EITI will be able to have a significant impact on the use and management of oil. Although they are quick to list its faults, participants do see it as a step in the right direction. Each report from the EITI Committee sets a precedent against which progress (or lack thereof) can be measured. Attempts have been made to improve the quality of the information provided by the government and MNCs to the committee, and this may eventually yield some benefit. However, the EITI and the Socio-Economic Council are the only formal means of engagement, and there appears to be little incentive for the government to mend its ways. One member of the EITI Committee, a pastor from an evangelical church, stated that the government was more willing to engage with his church (as a result of its growing membership and popularity).

Issue-based Gabonese civil society organisations lack a natural support base and remain fairly isolated. They may need to work on constituency building, and on strengthening links with local communities, if they want to increase their legitimacy and political leverage. Whatever their limitations, forums such as EITIs bring government and civil society together, even if the area of engagement is rather narrowly defined. The PWYP campaign exists almost as a parallel, non-governmental structure alongside the EITI, and faces more serious potential problems. Because it taps into the government's most sensitive area, it is more likely to be viewed as a threat, and cooperation on the part of government is unlikely.

The environmental campaign around the conservation of the national parks has proved a popular rallying point for civil society. This is the result of several factors. Firstly, the creation of the national parks attracted the attention (and funding) of several large international organisations. Their support, both financial and in terms of capacity-building, is as important as the leverage these links generate with international role-players. (This raises issues that go beyond the particular case of Gabon.) Secondly, the government's attempts to diversify the economy provide civil society with an argument which is based on the government's own stated position. The legislation setting up the national parks provides a firm legal basis from which to argue. Furthermore, this legislation sets out processes that allow for engagement on the part of civil society.

Change may come to Gabon, but the people need to emerge as actors in bringing this about. Interviewees were quick to warn that there is a heightened level of popular frustration simmering beneath a non-belligerent veneer; the situation could easily explode. It goes without saying that most people in Gabon live in abject poverty and want a better life for themselves. In a political environment where their voice "is not respected" and where "they don't know what to do", there is an urgent need for participatory democratic mechanisms. What is most needed, as one commentator so succinctly put it, is "independence of the stomach".

6. Conclusion

With oil running out, and with new opportunities for engagement by civil society, Gabon appears to be at a turning point. Will the old guard continue in Bongo's footsteps, or will a younger generation take up the baton? An active civil society is poised to take advantage of greater opportunities for engagement – if it can sustain momentum and develop a clear agenda. As there are no CSOs that deal specifically with oil and oil revenue, EITIs may provide a platform for linking with international NGOs that can support local initiatives. During his tenure Bongo kept a lid on ethnic tensions, but a new, more divisive regime might release forces that could threaten stability and democracy.

Background on the Democratic Republic of Sao Tome é Principe



The Democratic Republic of Sao Tome é Principe (STP) consists of two small islands situated in the Gulf of Guinea, off the coast of Western Africa. Despite its status as Africa's second smallest country, STP has recently emerged as a potential player in the international oil industry. Preliminary seismic studies indicate that land beneath STP's territorial waters may hold up to eleven billion barrels of petroleum. In a country that has traditionally relied on foreign assistance and has a per capita debt ratio of over 600%, the presence of oil may transform the lives of its approximately 200 000 citizens.

1. The People and the Land

Located on less than 400 square miles of land, STP was settled by Portuguese explorers in the late 15th century. Over the years, six identifiable ethnic groups emerged on the islands, mainly as a result of migration from neighbouring countries. These groups include several mixed African races, such as Mestico (mixed blood descendents of African slaves), Angolares (descendents of Angolan slaves), Forros (descendents of freed slaves), Servicais (contract labourers from Angola, Mozambique and Cape Verde), Tongas (children of Servicais) and Europeans (primarily of Portuguese descent). Over 80% of the population identify themselves as Christian.

Colonial society was dominated by a plantation system, based on slave labour and the labour of indentured and migrant workers. By the 16th century, Sao Tome had become the world's largest sugar producer. This status was, however, short lived, as sugar production rose in South America.

The focus of Sao Tome's economy soon shifted to the cultivation and exportation of coffee and cocoa (Frynas et al, 2003).

2. Political Overview

After more than 400 years of colonial rule, a movement towards independence developed in the 1950s, which saw the formation of the Movement for Liberation of Sao Tome and Principe (MLSTP). In 1974, the coup in Portugal led to an agreement between the MLSTP and the new Portuguese regime to transfer sovereignty. On July 12 1975 STP achieved independence, adopted a constitution, and chose its first president, Manuel Pinto de Casa. Although it was initially governed by a socialist regime, STP made a transition to a democratic form of government in 1990. Its constitution was revised to provide for a multi-party system and the first democratic elections were held in 1991.

The STP government currently consists of executive, legislative and judicial branches, and includes seven municipal districts. The executive branch is headed by a president (currently Fradique de Menezes, backed by the Independent Democratic Alliance [ADI]). The president is elected by universal adult suffrage for a maximum of two five-year terms. The president appoints a prime minister (currently Tome Vera Cruz) who must also be ratified by the majority ruling party. The legislative branch consists of a national assembly of 55 members elected by proportional representation for a four-year term. In the March 2006 elections, three political parties held seats in the national assembly. They were the Movement for the Democratic Force of Change (MFDM), the MLSTP, and the Independent Democratic Action (ADI), with 23, 29 and 12 seats respectively. The judicial branch consists of the supreme court.

The citizens of STP are free to form political parties, as freedom of assembly and association are constitutionally recognised and respected. All political parties have access to the media and freedom of expression is a respected constitutional right. Although the government owns the press, radio and television, opposition parties are given free airtime.⁹

Although the most recent elections were declared to be free and fair, the political arena is not without its share of controversy. The July 2006 presidential election was fraught with accusations of corruption and vote-buying. STP has had over 11 different governments since the democratic transition in 1991, and has been affected by political instability. In the 10-year period between 1995 and 2005, the government had to deal with a number of disruptions.

In August 1995 a military coup occurred when insurgents shot a guard and captured the president. The insurgents claimed that they did not actually want power, but were protesting at alleged government corruption and poor living conditions for the armed forces. An Angolan delegation helped to bring about a peaceful resolution and order was restored within a week.

A series of disruptions occurred in 2002 and 2003. In 2002, the national assembly passed a constitutional amendment to curb executive power and increase legislative power. In retaliation, President Menezes attempted to dissolve the national assembly and hold early elections. The dispute was resolved through mediation and it was decided that the new constitutional provisions limiting executive power would only apply at the end of the president's term of office in 2006.

In April 2003 a number of citizens posted an open letter to the government listing a series of complaints. These included sub-standard living conditions and a lack of transparency regarding the oil industry and oil revenue. A few months later, in July 2003, members of the military and the Christian Democratic Front seized several government sites and key political leaders. They also took control of a number of ministries, as well as television and radio stations, banks and airports. Those orchestrating this military coup accused the government of corruption and of failing to provide proper conditions for the military, as well as of contributing to social and economic problems. The international community condemned the coup and many nations and organisations halted financial assistance to STP. With the help of international mediators a memorandum of understanding was negotiated. This contained four sections providing for the restoration of the president, a return to constitutional order, the establishment of a monitoring commission (to oversee the enforcement of the memorandum), and addressing the current national problems (Siebert, 2003).

In June 2005 the public again expressed its discontent with the government's involvement in the oil industry, and specifically with the granting of oil exploration licences in the Joint Development Zone (JDZ) with Nigeria. Members of the MLSTP (which had the largest number of national assembly seats), threatened to resign and force early elections. The president and MLSTP were able to negotiate an agreement to form a new government and thus avoid early elections.¹⁰

3. Oil in STP: The History, Contracts and Legislation

STP is facing the challenges posed by the presence of significant deposits of oil. Oil exploration began in 1970 when an exploration licence was granted to Hidrocarbo (a subsidiary of the British company, Ball & Collins, and the US company, Texas Pacific Oil). Seismic studies indicated the presence of hydrocarbons, and two wells were drilled in 1973. The presence of volcanic rock in the area impeded drilling, and the high costs involved as well as the concurrent decolonisation process resulted in the abandonment of the project. Another attempt at exploration and drilling in 1980 by the Island Co. (a Bahamas company) was also called off because of technological problems caused by hard basalt layers of rock (Frynas, et al, 2003).

The mid-1990s saw increased international interest in STP deposits. This was in part a result of technological advances in the detection of oil and drilling for oil. In the 90s a series of contracts

and agreements were signed between the government of STP and several small companies. At the forefront was the US-based Environmental Remedial Holding Corporation (ERHC). In what has been described by experts as an extremely lopsided process (in favour of ERHC), ERHC and STP entered into a US\$5 million contract which gave this small company exploration rights for 25 years.¹¹ A second agreement in 1997 gave the ERHC (in partnership with South Africa's Procura Financial Consultants [PFC]), the exclusive right to negotiate with oil companies on behalf of the STP government.

An additional contract was signed in 1998, creating another joint venture between ERHC and the government. This established the Sociedade Nacional de Petroleos de STP e Principe (STPetro). The government held 51% of the company's shares, and the ERHC received the right to obtain four oil blocks of its choice in the Exclusive Economic Zone (EEZ) (Seibert, 2004). The agreement was re-evaluated in 2001 to provide ERHC with more oil interests and a signature bonus, as well as with the rights to future petroleum tax and payments. The terms of this agreement have been described as "unprecedented" in the history of the petroleum industry (Frynas, et al, 2003). The contract was renegotiated once again in 2003, after the ERHC was taken over by the Nigerian company, Chrome Energy Co. Under the new contract, ERHC/Chrome would receive rights to a working interest in the JDZ without the payment of signature bonuses. In addition, the company lost its right to receive royalties and financial incentives as set forth in the 2001 agreement.

A number of suspect contracts were negotiated in 2001 between Petroleum Geo-Services (PGS), a Norwegian seismic services company, and STP. The first 2001 agreement gave PGS a 10-year monopoly to map the sea floor offshore as well as the right to collect and sell data to oil companies. PGS was to receive 85% of profits from the sale of data and 10% of the government's signature bonuses until its expenses were reimbursed threefold. A second agreement in 2001 gave PGS the right to operate three oil blocks. This allowed PGS to circumvent the entire bidding process, and is unique, given that PGS is a seismic services company and not an oil extraction company. The terms of these contracts were renegotiated in 2003 in order to provide STP with greater profits, and to reduce some of the risk for PGS. For example, PGS could now operate two blocks (rather than three in the earlier agreement), and the company's signature bonus payments were reduced by \$3 million. While many experts still regard these contracts as disadvantageous to STP, others concede that PGS has provided expertise in marketing and training.¹²

In the midst of these agreements, STP entered into a Joint Development Agreement with Nigeria in 2001. United Nations Charter on Laws of the Sea (UNCLOS), authorises coastal states to claim up to 200 nautical miles of an EEZ. STP had officially declared its own EEZ in 1998. Unfortunately, a portion of this EEZ overlapped with the boundary established by Nigeria. The countries entered into extensive negotiations to resolve this conflict, resulting in the establishment of a Joint Development Treaty (Groves, 2005). The treaty, which is valid for 45 years, establishes the coordinates of a specific zone and provides for joint control of both exploration and the exploitation of resources by STP and

Key Players

Chris Hellinger is a South African businessman with many financial interests in STP and significant political connections within STP and other African countries, such as Gabon, Angola and South Africa. His non-oil interests in STP include a charter-air service, several hotels and resorts, a fleet of boats and a construction company. As a player in the STP oil industry, Mr Hellinger's company, Island Oil Exploration, helped pave the way for oil exploration in the 1980s. In 1999, he entered into a contract with the STP government which gave Island Oil the right to oversee the financing and development of an offshore logistics centre. This contract was entered into without a bidding process, causing many to question its benefit to STP. Mr Hellinger still owns shares in ERHC/Chrome (Frynas et. al, 48-49).

Wade Cherwayko is another individual with significant oil interests in STP as well as other areas in the Gulf of Guinea. Mr. Cherwayko is alleged to be in contact with high-level officials in the STP government, including the president's son. His involvement in the STP oil industry includes his acting as a "witness" (or intermediary) for several STP agreements. He is suspected of having negotiated contracts on behalf of PGS and his own company, Equator Exploration, which now maintains a partnership with PGS and also enjoys the first rights to oil blocks in STP (Hagen, 2006:15).

Nigeria. Nigeria is in a dominant position, holding 60% control (STP has the remaining 40%). Nigeria also has managerial dominance: most of the offices are located in Nigeria and most major decisions are taken in Nigeria. The treaty does, however, establish two authorities to manage the zone. The Joint Ministerial Council (JMC) contains between two and four ministers from each country and has overall responsibility for the zone (this includes its operation and the resolution of disputes). An additional Joint Development Authority (JDA) consists of four directors (two from each country) who are responsible for managing the activities of the JDZ. The treaty sets out very general conditions that must be met by bidders, and leaves the JDA with considerable discretion.

In 2004 STP took a major step and implemented an Oil Revenue Law (Law No. 8/2004). Because of a lack of experience and human resources, STP had to rely on external actors to formulate its petroleum policy. The oil revenue policy was developed by a team of experts at the Columbia University Earth Institute and attorneys at Hogan & Hartson, and was heralded by some as a "model" law. It strives to establish a new standard for transparency and control of oil revenue through the management of funds and through auditing and oversight mechanisms. Importantly, the law stipulates that its provisions are applicable not only to STP's EEZ, but also to all oil revenue derived from the JDZ as well as to all employees of the JMC and the JDA.

Financial profits derived from oil are to be placed in a National Oil Account and at least 7% are to be allocated to public expenditure in the Autonomous Region of Principe; a further 10% goes towards the state's contribution to local budgets to be distributed in accordance with local financial laws. The law also establishes a permanent fund, which receives the remaining balance after the transfer of annual funding and service fees. Oversight committees are established, such as the Management and Investment Committee and the Petroleum Oversight Commission. The law further stresses the importance of transparency with regard to payments and the management of oil revenue. For example, it specifies that all confidentiality clauses will be null and void.

The Oil Revenue Law also contains provisions relating to public debate and access to information. The Petroleum Oversight Commission is instructed to discuss hydrocarbon policy and audit reports with civil society on an annual basis. This information should also be debated in the national assembly. The law states that the public should have free, truthful and complete access to information relating to oil (in Portuguese). Finally, the oil law establishes a Public Registration and Information Office for documents relating to oil resources and their management, all of which must be freely available to the public.

With this "model" oil law in place, STP was in the position to begin oil production. Exploratory drilling by Chevron in 2006 resulted in the discovery of hydrocarbons that were deemed to be commercially non-viable at that time. Nevertheless the JDZ awarded one block to Exxon Mobil in 2003, and five additional blocks to a number of other oil companies in 2004. ERHC exercised its option for all five blocks, confirming its status as a major player in the STP oil industry. JDZ shareholders include Equity Energy, Devon/Pioneer, Anadarko, Conoil, International Commerce/Oil Exploration Operations and FilithimHuzod/DNO/EER, along with ERHC and Exxon Mobil. The STP Office of the Attorney General (AG) initiated an investigation in response to claims of procedural irregularities in the second round of JDZ bidding. In his report the AG concluded that "the Second Round lacked transparency and regularity and was subject to serious procedural deficiencies and political manipulation, including the award of interests to many unqualified firms or firms with inferior qualifications, technically and financially."¹³ The report recommended the use of "best practice" procedures to prevent such problems recurring.

As of July 2007, oil had yet to be produced in STP. There are plans to begin commercial production in 2012. It remains to be seen how the STP oil industry will develop once oil is being extracted.

A Closer Look at Two "Model" Laws

In the past decade, both Chad and STP have enacted oil revenue laws which were regarded as "models" for the oil industry. As a result of pressure from the World Bank, Chad enacted Law Number 001/PR/99 Relating to the Management of Oil Revenues in 1999. Approximately five years later, Sao Tome enacted its Oil Revenue Law No. 8/2004, with the assistance of international scholars and legal practitioners. Although their provisions differ in many respects, both laws aimed to increase oversight and transparency within government and the oil industry. Both laws specify how funds are to be allocated to ensure that development takes place and that society benefits. They both seek to ensure that future generations will be provided for by the establishment of permanent funds and also establish "Petroleum Oversight Committees" to oversee the management of oil revenue and monitor government.

However the laws differ in both scope and detail. Chad's initial law only applied to revenue derived from three specific oil fields. In contrast, the STP law encompassed all revenue from both its EEZ and its JDZ with Nigeria. The STP law is more comprehensive and more specific. It contains several provisions absent from Chad's law. These include clauses providing for additional oversight with regard to policy, and clauses stipulating appropriate terms for oil contracts. There is also a section on public debate and access to information, with particular recommendations regarding transparency. While Chad's law may lack this kind of detail, it does provide more explicit guidance regarding the percentage allocations of both direct and indirect resources, and the amount that must be deposited annually into the permanent fund.

Both laws have received positive feedback, particularly with respect to the provisions for increased transparency, but both have yet to realize their full potential. Chad's original law contained several loopholes that detracted from its ability to effectively monitor oil revenue. These included its limited application to the three specified oil fields (although this was revised in Law 002). It allowed indirect revenue to flow directly into general government accounts, and its provisions with regard to regional spending were vague. It also allowed for changes to be made to the law by presidential decree after five years. As a result, several key oil contracts remain shrouded in secrecy, and transparency remains a problem.

The STP law has also failed to live up to its potential in practice. After the most recent round of bidding in the JDZ, the Office of the AG issued a report attacking the overall lack of transparency and oversight in the bidding process. The AG cited several departures from the procedures that should have been followed. It is important to note, however, Nigeria was centrally involved in the JDZ process, adding a unique third party dynamic.



Case Study: *Sao Tomé é Príncipe*

Ten years ago, not many people would have heard of the island republic of Sao Tome é Príncipe (STP), let alone been able to place it on a map. Its emergence on the global stage is primarily due to reports that there may be deposits that would yield more than 10 billion barrels of oil off its coast. This could have a vast impact on a country that, in 2006, had total export earnings of US\$1.4 million and a population of less than 200 000. Although the nation is currently mired in poverty, this differs from poverty found in other African countries. The volcanic island has fertile soil that provides nourishment for the banana and cocoa trees that grow wild. Fishing is a primary source of food. There are basic social services, such as schools and hospitals, but the people lack access to water and sanitation. One pot-holed tarred road circles the main island of STP and there is little evidence of development. Oil revenue, if used wisely, could change everything.

Every flight arriving from abroad brings at least one contingent of people who are there to “help” STP. For a country that used to have about 20 tourists a week (approximately 1000 visitors per year), this is a dramatic change. Relative to the population, there is a fairly large foreign presence, consisting mainly of members of international Civil Society Organisations (CSOs), including Portuguese, Nigerians, Lebanese and some South Africans. People express mixed feelings towards foreigners. There is a perception that the upsurge in crime is related to the influx of the Nigerians and Lebanese. Santomeans seem to welcome this more cosmopolitan flavour to the island, but it has had a negative impact on the local economy. Nigerians and other foreign nationals have brought with them a flood of cheap manufactured products. This has done nothing to stimulate the local economy, as no import or customs duties are charged on imported goods.

The defining factors for STP are its geographical isolation and small population size. This magnifies the impact of external actors, and this impact can be both positive and negative. Traditional links with Angola, as well as a shared language, have led many Santomeans to seek work there. (Many have ancestral roots there.) There are obvious tensions between “outsiders” and locals, and if conditions deteriorate conflict could result. Although primary education is free, only the lucky few reach secondary school or university. With no export market to speak of, this cash-strapped island

republic can hardly compete with Angola or Nigeria, two of Africa's powerhouses, whose presence and influence has steadily increased.

1. The Political Context

In a country with an unusually high number of current or former Members of Parliament (MPs), politics is very much a family affair. Although there are only 55 MPs in total, that number is too large for a country of only 190 000 people. One might think that STP's isolation from the international community has left the islanders in blissful ignorance. In a country without serious ethnic divisions, with virtually no crime (until recently), and with a very small population (not much can happen in secret), there is arguably little need for the development of formal democratic practices. Politicians are, to an extent that is perhaps unique, a part of the people, and it might seem that there is little need to create space for dialogue. However the increased circulation of money in anticipation of an oil boom, has already led to speculation that some politicians are starting to isolate themselves and engage in secretive deals with foreigners.

There have been turbulent moments in STP's recent political history. Coups have taken place, resulting in some gun-related casualties, and this has shocked the local population. Political disputes here tend to resemble a family quarrel. There are, however, external forces which could disrupt this closely knit society. If the government of STP can be seen as a family, then Fradique de Menezes is the patriarch. "Fradiqi", as he is called by the locals, has the difficult task of engaging with global actors such as the World Bank, Multinational Corporations (MNCs), as well as other states and international actors. Not least among these are African countries such as Nigeria, Gabon and Angola. Without a navy or air force, the president often relies for transport on the private jets of other presidents. During the coup of 2003, for instance, de Menezes was visiting Nigeria and would not have been able to return to STP had one of his fellow African presidents not loaned him an aeroplane. It should be self-evident that STP cannot negotiate with Nigeria as an equal.

These circumstances also make it difficult to distinguish between the executive and legislature in STP. Many of the MPs also hold jobs within government ministries, or find additional employment in order to survive. Oversight of the executive branch can easily lead to a conflict of interests, or can be self-reflexive. Most people in government know each other on a personal as well as a professional level. Debates over policy issues are as likely to happen at a local cafe as in parliament. Parliament is accessible to all who have an issue to raise, and MPs say they receive and respond to petitions on a daily basis. As one MP put it, "It is difficult to make decisions when everybody knows each other." Many MPs lack a university education, and may find it difficult to grasp the complex issues surrounding oil. However, in this familial context the institutions of government are seen as being relatively independent. Both the judiciary and parliament are said to be autonomous, even if neither is particularly effective.

The departure of the Portuguese saw the end of a system of forced labour that differed from slavery in name only. Until 1974 a system of indentured labour persisted on the plantations on the island. The lack of any transfer of skills has meant that, post independence, agriculture has stagnated, and the once flourishing plantations are now indistinguishable from the thick jungle that covers most of the island. Regal plantation homes and villages can be found on the mountain slopes like the fabled lost cities of a bygone era. MPs and civil society warn that the dream of oil has had a negative impact on cocoa and banana cultivation. Communities should be reminded that revenue from oil may not arrive any time soon, especially given the logistical difficulties and high cost of deep-sea drilling.

Although laws are in place to manage that revenue (if or when it arrives) there is no guarantee that they will work; thus far, they are only pieces of paper. That there is a huge potential for economic growth *without* oil revenue is clear, and it is to this that many CSOs direct their attention.

2. Civil society

In contrast to other African countries, civil society in STP is in its infancy. International Non-governmental Organisations (NGOs) and Intergovernmental Organisations (IGOs) have played a crucial role in forming local CSOs. FONG, the umbrella body for local CSOs, was only formed in 2001, and there are at present approximately 20 "functioning" civil society organisations among its 80 members. None of these, however, has focused specifically on oil or issues directly related to democracy. Most CSOs in STP are what could be termed "briefcase NGOs", working on meagre budgets. They often consist of no more than one individual, and focus mainly in the areas of health, education, poverty alleviation and agriculture. There is reportedly a close link between these CSOs and the government.

Much of the funding for these local NGOs comes from international NGOs or United Nations (UN) agencies, such as the United Nations Development Programme (UNDP). These actors bring with them the jargon that pervades the international CSO sector. As is the case in most developing African countries, learning the language of the donors is essential if requests for funding are to be granted. The issue of "transparency", for instance, only arrived with the international community, and has only been raised in relation to oil. There is a need for training in proposal writing, project management and budget implementation and reporting (to name only some of the elements of NGO management). Most STP CSOs work without an office or infrastructure of any sort.

Recent Extractive Industry Transparency Initiative (EITI) activity in STP has helped to galvanise civil society. In October 2007 a large EITI conference was organised with participants from African and international NGOs. This provided an opportunity for local NGOs to engage with their counterparts in neighbouring countries. Although EITI is not specific to oil revenue management, but relates

to transparency in the extractive industries in general, it can play an important role in prompting civil society oversight over the next round of bidding. STP signed up to participate in the EITI but the government's efforts to establish the committee were procedurally flawed, as there was no consultation with civil society. This may have been due to ignorance on the part of government, rather than any desire to be exclusionary. Efforts by FONG are directed at ensuring that a proper consultative process takes place.

a. The Media

Although there are newspapers in STP, "there is no culture of reading." Of the two radio stations, one is Catholic and the other is run by the government. The only TV station is also run by the government. In short, there is little independence of the media in STP, and to criticise the government would be to bite the hand that feeds you. The pressure to conform is implicit, rather than overt. All parliamentary sessions are broadcast live, and this enables people to see and hear for themselves what takes place in government circles. During the day, when these are broadcast, people gather round to watch television, much as people in other countries might watch soap operas.

3. The People

Most Santomeans say that they are all cousins. After the Portuguese left in 1974, outsiders were few and far between. With such a small population, there is little likelihood that people will steal from each other, but with the influx of foreigners the situation has changed dramatically. Petty crime, theft, prostitution and trafficking in drugs (STP serves as a major transportation point for drugs going to Europe), have all increased in response to the prospect of oil wealth. However, exposure to the outside world has also raised awareness regarding spousal or domestic abuse, which is still not prohibited by law.

The people of STP live frugally. They may appear healthier than their counterparts in other African countries and subsistence agriculture may provide for basic nutritional necessities. However, many people, particularly those that live outside of the capital, are so poor that they cannot afford clothes and other material goods. In the rural areas, people wear old, ragged T-shirts, which may be all they have. One wonders why, with banana and cocoa trees growing wild all over the island, these are not used to generate income. Some claim that when the plantation owners left, they took their skills with them. With increased interaction with foreigners a greater awareness of the low standard of living is sure to follow (if this has not already happened). Opinions differ as to what people expect from oil. Some believe that oil is already being pumped, and they are not being told about it. They ask why Nigeria would be so interested in the Joint Development Zone (JDZ) if there was no oil.

4. External Actors

The situation in STP changed dramatically when seismic studies were undertaken off their coast. This focused international attention on the island. The first to arrive were businessmen with contracts and promises of riches. It later turned out that these original contracts were heavily skewed in favour of the companies, on a scale not previously known within the industry. This came to the attention of other players, such as legal experts and the World Bank, who set about helping the Santomeans to develop legislation to control the way in which the anticipated oil revenues were to be managed.

a. Nigeria

Nigeria has played a leading role in STP. Nigeria has, allegedly, strong-armed the Santomeans into signing a deal setting up a JDZ to prevent or resolve maritime border disputes. In terms of this agreement the maritime border was demarcated so as to ensure that Nigeria receives 60% of the oil revenue (generated in waters that would rightly belong to STP, had the line been drawn according to the norms of international maritime law). Nigeria has in effect been able to dictate its own terms. But whoever the international actor, it is clear that STP was not adequately prepared for the attention that prospective oil revenue would bring.

One interviewee speculated that the coup attempt that took place while Fradique de Menezes was visiting Nigeria was in fact orchestrated by Nigeria. This, it was argued, would enable Nigeria to gain an influence in STP. President Obasanjo was quick to offer military assistance, sparking fears

Columbia University in STP

The University of Columbia has played an important role in the formulation of the two laws pertaining to the management of oil revenue. Initially, the government of STP asked the international legal community to help it assess the contracts that were signed with the Environmental Remedial Holding Corporation (ERHC). Jeffrey Sachs, a professor at Columbia University, responded to the call and began working with STP *pro bono*. He put together a legal team, and with financial help from the World Bank, began to work to create measures to protect STP from the “resource curse”.

A project was subsequently set up in STP to continue the work begun by Sachs. Law students from Columbia University make regular visits to STP to talk to members of government and assist with training to ensure that the relevant parliamentary committees in parliament can monitor events as they unfold.

among Santomeans of a permanent Nigerian military presence on the island. Obasanjo also made a show of escorting President de Menezes upon his arrival back in STP, and took the lion's share of the accolades for resolving the conflict.

It is clear that Nigeria has the upper hand in its dealings with regard to the JDZ. The bidding process has revealed some disturbing irregularities as many Nigerian oil companies (most of whom lack any operational capacity) are accepted as serious contenders.

b. The World Bank

The World Bank played an important role in providing the funding for the expertise needed to formulate the laws that will govern and manage oil revenue. It has been active in supporting EITI in Sao Tome. Although it has assisted with training and development, many believe that it is too rigid and comes with too many conditions. However, given the desperate need for funding, most people are willing to accept its presence while remaining sceptical of its motives.

5. Modes of Engagement

First on the list of priorities for civil society in STP is the acquisition of skills needed to engage effectively on budgetary and revenue issues. This needs to be accompanied by general legal and advocacy skills. One foreign observer stated that until recently CSOs were hesitant to engage with the government on these issues as they did not see this as their role. Clearly, the strategic development of CSOs in STP is of greatest importance. FONG has expressed great interest in learning how other NGO umbrella bodies operate, how they raise funds and how they are governed. In comparison with other African countries, or with the international community, civil society in STP is in its infancy. There is also a problem with conflicting roles, as the president of FONG also works full-time for the Department of Finance.

So far it has not been difficult to engage the government, but this may change if it develops a resistance to information-sharing. Work undertaken in other areas, such as health, agriculture and fishing, should be included in an overall CSO strategy. Here the relationships that have been fostered with government departments should provide a good basis for future cooperation. Contrary to the experience in many other countries, it should not be difficult to build the personal relationships and networks needed for effective collaboration. However, this engagement needs to be formalised, and the CSO sector needs to become more professional. International NGOs and IGOs, such as UN organisations, can continue to play an important role in providing the international exposure that the local CSOs desperately need.

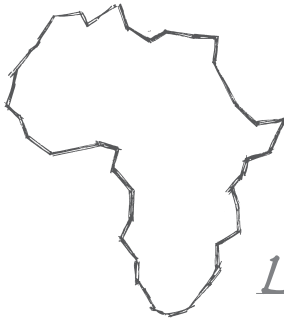
Finally, the way in which the parliament operates, with unrestricted public access to information, provides an ideal opportunity for continued engagement. The collaborative relationships that exist at present should be sustained and nurtured to prepare for a future which could include oil. At present the lack of a defined role for CSOs helps to explain their amicable relationship with government. If the sector is to reach a point where it is able to offer solutions (rather than just pointing to problems), then greater professionalism is needed.

6. Conclusion

Initial observations suggest that STP is beginning to suffer from the effects of the "resource curse" even before any oil has been extracted! Million dollar signature bonuses from oil contracts have yet to reach STP. Many of the participants in this study indicated that this was a major source of concern: no one knows how (or whether) this money has been spent. Meanwhile, production of other potential export crops, like cocoa, fruit and coffee, is on the decline. At the same time, there has been a sharp increase in crime. In November 2007 STP had its first bank robbery (there are now approximately six banks in Sao Tome, as opposed to one prior to the discovery of oil). Petty theft is on the increase. Prostitution, which was previously unknown, has become a reality. HIV/AIDS is on the rise. Yet in the ten or more years that oil has been an issue, not one barrel of oil has reached the market. The vast reserves that are believed to be hidden underneath the ocean floor have so far provided no revenue.

The government and people of STP are starting to tire of the stream of visitors seeking to mitigate the adverse consequences of a possible oil boom. The "resource curse" has afflicted most African states that have oil; the people who should be the beneficiaries see little or no benefit (and may even become poorer). Governance indicators in the other countries that were part of the study (Chad, Gabon and Angola) demonstrate what could befall the citizens of STP should adequate control mechanisms not be in place when oil revenue transforms the economy. These mechanisms may already be in place but they have yet to be tested. Bidding rounds for blocks may reveal how willing (or perhaps unwilling) the government of STP is to open itself to public scrutiny.

All the signs suggest that, even in the absence of oil revenue, the people of STP are beginning to suffer some of the negative effects of the "resource curse".



Lessons Learned

Oil has peculiar effects on both the economics and the politics of the nations in which it is abundant. The most salient of these, for the purposes of this study, is the creation of what has been termed the “Rentier state”. This refers to the development of “ineffective and inefficient governance” as a consequence of the monopolising effect of oil on an economy and the impact of the flow of rent on the political culture of the state (Karl, 2007: 16). The case studies reveal the paralysing impact of oil rents on states where the discovery of oil coincides with the advent of democracy (as in Chad) or in states which are emerging from civil war, where the only effective institution is that which controls oil (as in Angola). If “booms in resources have a tendency to weaken state institutions”, what options exist when the state and its institutions are being constructed as oil revenue begins to flow (Duruigbo, 2005: 15)?

This report paints a bleak picture of the impact of oil on politics in the four countries that were the subjects of this study. Much of what is outlined in this chapter is not new. Other studies have discussed the “resource curse” and the deterioration of governance in resource-abundant states. The objective of this study was to describe some of the lessons learnt from discussions with civil society actors in each nation, and to provide an insight into the lived experience of individuals and groups engaged in efforts to ensure that resource wealth benefits their nations.

1. Governance

The creation of *Rentier states* reveals, in the words of one interviewee, that “petrol is the best vector of corruption”. Corruption needs to be understood in the broadest terms, but it takes its most pernicious form in the erosion of governance. The “easy money” derived from oil rent both enriches and corrupts political leaders. It creates a ruling elite whose members can be compared to scarecrows – exclusionary, singular of purpose and impossible to engage in debate.

Some farmers decorate their scarecrows, but while this may alter their outward appearance, it does not alter their purpose or function. In oil-rich states, the farmer is sometimes the World Bank. It

dressed the Chad government in revenue management attire, using clothing that was top-of-the-range and durable. However, this attire does not mean that the state is willing to be held accountable for revenue management. There is in fact a yawning gap between theory and reality. These problems are all related to political will, and to the form that this takes.

In all of the countries studied, there are laws in place and, in some, constitutions that provide a framework for the use of oil to encourage growth and development. Gabon has created (and sanctified) national parks. Angola has a Minister for Decentralisation. There is, however, a stark disjuncture between the existence of laws or a constitution and its effective implementation. Gabon has signed a contract that allows a Chinese company to construct a dam on one of its most beautiful waterfalls. Angola will not begin to decentralise until the Popular Movement for the Liberation of Angola (MPLA) has secured its next electoral victory (and perhaps not even then). The central point is that, while the effective functioning of institutions of government is important, what really matters is the political will. If the state, or an elite within the state, does not want its institutions to function effectively, oil rents enable them to disregard or incapacitate these institutions (the very institutions that could be used to bring about change).

2. Civil society

Democratic institutions are relatively new in Africa, and many African states are in various stages of development and democratisation. At the same time, civil society is, on the whole, in a developmental phase. Given that the nature of civil society's engagement with the state will in large measure determine the outcome of that engagement, Civil Society Organisations (CSOs) need to strike a careful balance. They need to navigate between their traditional role as a watchdog (outside of the state), and the pressing need for constructive engagement with the state. These and other factors have contributed to a reactionary evolution of civil society, spurred on by the response of the international community to civil wars, famine and poverty. Proactive, strategic and capable CSOs have emerged, but they are the exception rather than the norm. The absence of a strong democratic culture and the lack of a strong civil society can make engagement with governments highly problematic.

The importance of finding a balance between criticism and constructive engagement applies in particular to the question of the use of oil revenues for development. Many of the CSOs encountered had taken adversarial stances, denouncing the inadequacies or wrong-doings of governments. While their criticisms may be warranted, this stance encourages the perception that CSOs are necessarily oppositional; as a result, they are likely to be viewed as a threat. If they wish to open up space for dialogue (a prerequisite for effective and collaborative engagement), then civil society groups need to think strategically and package their messages carefully.

Angolan NGOs are learning this the hard way. Efforts to establish an Extractive Industries Transparency Initiative (EITI) committee have been undermined by links to the Publish What You Pay (PWYP) campaign. Taking its cue from international advocacy organisations, the PWYP campaign launched itself through a whistle-blowing report that named and shamed key government officials, accusing them of corruption. The government's response was to close ranks and take only token steps towards greater transparency (by, for example, launching a website for the Ministry of Finance). In this way they were able to deflect the criticisms of civil society. Chadian civil society took a different approach, one which affirmed the importance of oil revenue for the nation and offered to help use it effectively. In addition, the Chadian civil society groups interviewed had strong links to local communities, resulting in greater political legitimacy for these groups.

This need for a balanced approach points to another important factor, namely access to the information on which strategic decisions are based. A government's capacity to access relevant information will determine the extent to which it can profit from oil revenues. Its capacity to maximise this profit is linked to its ability to withhold information – in particular information about contracts with Multinational Corporations (MNCs) and the indirect revenues from these contracts. CSOs need to decide how best to access the information they need, and where to focus their efforts. Is budgetary training, for example, more useful for Non-governmental Organisations (NGOs) that have access to and can engage with elected representatives who may be able to influence decisions? Is a focus on oil revenue management the best strategy, given governmental reluctance to engage on the issue? Would it be more productive to establish networks of NGOs that approach the issue from different angles? The comment from an Angolan interviewee bears repeating: "You can't monitor something if you don't have information".

The case of Gabon illustrates an alternative approach to the issue of revenue management. NGOs in Gabon work predominantly in the environmental sector, and this has a strong resonance with local populations. Furthermore, the CSOs interviewed base their strategies on the existing legislation. Although the exploitation of natural resources for the benefit of the people is the overarching objective, the focus of their campaign is on procedural failures with regard to the legal obligations of contractors (such as the Chinese). This is not a direct assault on the core issue, which is generation of revenue from the exploitation of resources, and the use to which this revenue is put. The strategy engages with the primary issue, but does so via peripheral action. This calls for a distinction to be made between primary and secondary objectives: the primary objectives are what one is aiming at, while the secondary objectives are means to achieve this. For instance, if the aim is to instil a sense of accountability in Members of Parliament (MPs), it is not very useful to simply provide them with a definition of accountability. It would be more productive to promote public hearings in which they engage the people who elected them directly. They may, as a result, arrive at a much better understanding of what accountability is and means.

The coalition of NGOs in Gabon faced stiff resistance from government, but there is room for hope. They have succeeded in raising awareness on a specific issue (in this case the need for environmental impact studies, and, by implication, the laws that govern the national parks), and they have solicited a reaction from the government. However, the recent suspension of the operating licences of 20 NGOs may be indicative of the aggressive stance they have taken recently. Coalitions are notoriously difficult to manage, particularly in an environment where they are competing for funding, and where those who shout loudest often attract the most attention. Instead of uniting behind a clear message that has broad appeal, the coalition has chosen to address a range of issues, some of which do not relate directly to the core issues which the coalition was formed to address.

Balanced engagement depends on the capacity of civil society to diagnose the root cause of a nation's developmental difficulties. The mismanagement of oil revenue and the shocking developmental record of oil-rich countries are symptomatic of a crisis of governance and leadership. This underlines the value of an effective PWYP campaign, and organisations which provide alternative research on oil revenue management should be strengthened. However such organisations are unlikely to have much impact if they are not part of a broader civil society movement (which can include opposition parties and social movements) which targets the core issues of accountability and good governance. The effectiveness of campaigns such as PWYP and EITI can be questioned. PWYP advocates mandatory disclosure, while EITI supports voluntary disclosure. PWYP argues that governments must be provided with incentives to disclose, and these should out-weigh the benefits of non-disclosure.

These two initiatives also illustrate one of the dilemmas that confront CSOs – whether to work from within or from without. EITI is in essence a government-led initiative, while PWYP comes at governments from the outside. Even though it is an international movement, EITI has a greater chance of being seen as a locally owned initiative. Its collaborative approach is in stark contrast to the often highly emotive language and tactics used by members of PWYP. These can easily lead to an adversarial relationship with government. Although acts of corruption and misuse of public funds may be rampant, the public exposure of individuals within government may lead to a closing of the ranks and may prove to be counter-productive.

Where states have agreed on mechanisms to ensure that revenue management is directed towards development, it is crucial that civil society defends these spaces and maintains a unified front in the face of state interference. An example of this is the College in Chad (and similar mechanisms are being developed in Sao Tome é Principe [STP]). While these structures may be subject to state interference, they do provide important formal channels for communication and engagement. This is highlighted by the way in which government interference with civil society representatives on the College led to a split in civil society between those who favoured continued participation and those who wished to withdraw (unless their demands were met). This plays into the government's hands and undermines the credibility of CSOs.

While withdrawal from the College might have been an appropriate response, this should have been the united response of participating CSO members. Similarly, if continued participation is the preferred option, this should be by common consent. The unity of purpose between unions, NGOs, human rights associations and religious groups in Chad has assisted their attempts to ensure that oil revenues are managed responsibly. A fractured civil society would only threaten the gains that have been made.

The establishment of state institutions, whether or not these are related to oil, represents a further opportunity for civil society to engage in dialogue. In Angola an international NGO (INGO) saw the potential for engagement with the Angolan Observatory on Politics and Society (OPSA), a think-tank of politicians, NGOs and academics which is supposed to investigate political issues. Although there is some state hostility towards the EITI initiative, the Angolan vice-president, speaking at the official launch of the EITI secretariat in Oslo in September 2007, expressed his government's intention to join the initiative once it had put its house in order.

These examples support the view that CSOs need to take advantage of any opportunities for engagement with the state. If this is not possible (as is often the case with oil), then alternative modes of engagement should be sought. Ultimately, politics comes down to building relationships and trust, and this is a slow process and needs to be sustained through dialogue. CSOs could benefit by taking an indirect approach. By engaging the government on matters which may be peripheral to the main objective, dialogue can develop and trust can be built. It may then be easier to engage government on the more critical issues. Gabon and Chad both illustrate the importance of cultivating personal relationships with members of government. Although politicians may be reluctant to speak out in public, a more personal approach can help to initiate a dialogue that can, in time, be expanded. If nothing else is achieved, these discussions are also a way of sounding out feelings within the opposing camps.

The case studies illustrate a final, important lesson for civil society. Several interviewees remarked on the concentration of civil society in capital cities and stressed the importance of developing a more democratic culture within civil society groups and networks – particularly if they want to become credible proponents of democracy in their countries. The focus on oil has had an unfortunate effect: the interests and voices of people in rural areas may be neglected. In some cases, this may be a result of centralised state control of the provinces. In others cases, it may reflect the processes involved in democratisation in a post-conflict environment. In the case of Chad, travel to the provinces is restricted as a result of on-going conflict. In Gabon and Angola, poor infrastructure makes travel difficult. Rural NGOs and CSOs often lack reliable access to basic services, such as the use of fax machines or access to the internet. As a result, communication and information-sharing is difficult.

Where there is decentralised, constituency-based change, this opens up further opportunities for civil society groups to make an impact. State-directed decentralisation processes were planned in at

least two of the countries studied. In Angola, this will result in the creation of 60 new municipalities and provide a more direct route for developmental initiatives. This also presents civil society with the opportunity to relocate their projects to the provinces. The Chadian constitution also provides for decentralisation and a Minister of Decentralisation has in fact been appointed. These governments have so far made little effort to implement decentralisation, but several interviewees suggested that this could increase the available channels of communication and assist civil society in its efforts to disseminate information on oil-related issues. However, although NGOs were consulted on the legislation which provides for decentralisation, there seems to be no ongoing dialogue with the government on this issue.

Members of one opposition Angolan political party noted that NGOs could benefit by directing their attention to grassroots change rather seeking to influence state power. If local civil society groups succeed in raising the popular consciousness, they will have the support of a powerful constituency. The potential inherent in an empowered citizenry would be most evident in future elections. At the time of writing there were hopes that these elections might lead to an opening of democratic space. Early warning signs, however, include increased control of the media and restrictions of access to the provinces.

The potential of a grassroots-based civil society is perhaps strongest in STP, where an umbrella body (FONG) has emerged. Creating this network, and promoting links between the rural CSOs and government, increases the credibility and legitimacy of CSOs, and this makes it more difficult for the government to restrict their activity. In Gabon, the environmental issues that dominate the civil society movement have created strong links with those local communities who are most vulnerable to environmental degradation. If civil society focuses its energy and time on engaging the government in the capital, much of its momentum will be lost. Government officials are also able to recognise the need to respond to a broadly-based public campaign.

One must acknowledge the ways in which the international community has assisted and strengthened local NGOs. Cultivating links and creating partnerships with INGOs brings many potential benefits (as well as some pitfalls). Perhaps most importantly, in countries where arbitrary arrest and punishment take place, INGOs have access to international media and governments, who can in turn apply pressure on the offending governments. International organisations can also provide resources and expertise which might otherwise be unavailable to local NGOs (this is amply demonstrated in both Chad and Gabon). These relationships must, however, be clearly defined, as local NGOs risk having their legitimacy undermined by claims that they have been co-opted and represent international rather than local interests.

Civil society is, by definition, composed of groups of like-minded citizens who come together to act for the common good. The development of democracy can result in the creation of civil society groups

that are not well connected to a particular constituency. It may also take time for ordinary citizens to understand the importance of their role in building democracy. There was a need, in all the countries studied, for CSOs to focus on civic education and the nurturing of politically conscious citizens within the nation. Democracy needs to become a lived reality, and civil society has a crucial role to play in holding governments to account.

3. External Actors

Oil revenues decrease state reliance on external funding and support, while at the same time limiting the ability of international institutions to attach conditions regarding governance and accountability to their aid. This is nowhere better illustrated than in the limited success of the Chad revenue management model. Oil revenues also disguise the real needs of the populations in oil-rich nations, and governments tend to resist efforts to hold them to account. This helps to explain the decrease in international support for development in resource-rich nations. The interests of the people take second place to the interests of both the state and of the international community of states. As a result, citizens are less empowered and less able to hold their governments to account.

This is not intended to suggest that international support or involvement is a panacea for civic empowerment and development. Rather, it is intended as a note of caution. Questions should be asked when a nation like Gabon, a middle-income country (MIC), still seeks infrastructural investments from organisations like the World Bank. As a World Bank representative pointed out in interview, MICs generally seek assistance in the form of knowledge, while infrastructural assistance is usually sought by poorer countries. What, one may ask, has Gabon spent its oil wealth on, if not on infrastructure? And how likely is it (even if the loan is regarded as 'safe' from a World Bank perspective) that any additional money given will actually lead to sustainable infrastructural development? Even if a government is committed to developmental spending, if a significant proportion of its budget vanishes into the black hole of debt servicing, this seriously compromises its ability to make policy changes.

It has often been stated that international support or assistance must be carefully thought through and carefully timed. If a state has created national oversight bodies for revenue management, how useful is it for international organisations to press for the creation of EITI committees? Even the STP government is questioning whether, with four national institutions for revenue management already planned and under construction, there is need for a fifth. On the other hand, Chad would most definitely have benefited from the implementation of the World Bank's offer to provide institutional training and capacity building to the government.

The priority given to national sovereignty, particularly in Africa, presents an international body seeking to engage with a challenging and complex operating environment, and the presence of natural

resources only increases this complexity. Once oil revenues begin to flow, governments may develop a “resource nationalism” that subverts the leverage attained by International Financial Institutions (IFIs) in the early stages of their involvement. This places INGOs in a compromised situation where they have to balance national oil needs with the need to promote the development of democracy (Shaxson, 2007: 104). The problem, for the World Bank and other organisations, is how to re-establish leverage where their influence has been negated by the flow of oil revenues.

4. Conclusion

A *Rentier state*, that relies on oil for its revenue, has little need to devote itself to the task of nation-building. This disconnect or rupture in the social contract entails the loss of “the vital link between taxation and representation” (Karl, 2007: 21). State institutions become increasingly ineffective because they no longer compile the statistics needed to collect or distribute revenue. If you aren’t collecting statistics, you cannot plan for or anticipate development challenges.

Oil creates a political class with little love for the country and little need to love it. Strong or weak, the state has no real interest in developing institutions other than those that allow for the generation of oil wealth. As one interviewee put it, “The power of petrol has nullified the power of politics”. Whether a nation is a democracy or a dictatorship, the crucial factor is the political will. If there is no real commitment to improve the living conditions of the citizenry, then this disjuncture becomes the focus for local efforts to promote change.



Way Forward and Recommendations

Many African oil-producing countries lack the political will to bring about sustainable change and development. As a concept, political will is neutral: what matters is the use to which it is put. Political will expresses the interests and priorities of those with political power, and it can be a force for either good or bad. It can keep people in power, regardless of legitimacy, or it can seek to promote democracy. The discontinuity between the will of the people and political will, is the point to which action should be directed. To ensure that oil revenue is used for the benefit of society as a whole (rather than of certain individuals), the gap between the interests of the people and the actions of the government must be bridged. Political will can prevent transparency in revenue generation and implementation, or it can ensure that this income is used equitably and efficiently.

In targeting political will one gets to the heart of a sensitive issue. Political will relates to the personal interests of those in power, and one can clearly identify instances where personal gain is placed before the public good. Ideally, if the government is legitimate, the will of the people and political will are one and the same. However, this is often not the case. The political will is subject to a variety of pressures. Campaigns to increase public participation on a particular issue can promote broader political accountability, and this, in turn, can have a positive impact on political will. In short, political will must be the overarching focus of multiple strategies, objectives and activities.

Several important factors must be taken into account when looking for a way forward. The first of these is the state of democracy in the country in question. With the exception of Sao Tome é Principe (STP), the countries in this study can be regarded as only nominally democratic. Fear is a powerful deterrent which limits freedom of expression and participation, both within and outside of government. For the stakeholders concerned, incurring the displeasure of the government can have drastic consequences. These may include exclusion from power, removal of the means of survival (such as earning a livelihood), imprisonment, or other forms of mental and physical harassment. The unspoken yet implicit presence of a line that may not be crossed has to be taken into account when formulating strategies for sustainable dialogue. Where crossing the line is not an option, extending or developing areas that are open to debate may yield results in the long term. The short-term objective

should therefore be to promote a culture of engagement, where dialogue and collaboration can take place without fear.

Secondly, coherent strategies need to be formulated based on accurate research and information. Often the capacity to engage effectively depends on the ability to access, generate and analyse information. This is usually the case when it comes to oil-related issues. Because these issues are often highly emotive, maintaining credibility and professionalism requires a strong information base. The manner in which the message is packaged and delivered can determine how it is received, and this in turn will determine the extent and quality of engagement.

Any strategy to address governance in the oil sector should have an inclusive, collaborative dimension. If civil society works in isolation from government, or vice versa, this will produce confrontation rather than cooperation. Furthermore, strategic partnerships between the various stakeholders can enhance their capacity and influence. The most powerful limiting factor is the secrecy that surrounds issues pertaining to oil. Unlocking this sector for public debate requires a broad-based combination of role-players. This should include international actors, local civil society organisations, members of the legislature and government officials. Cultivating networks amongst these actors is essential if this issue is to be brought out into the open – rather than remaining within the closed confines of the executive.

1. The Government

Strategic Imperatives

- Most African-oil producing states need to instil a culture of democracy within the ruling party. These “one-party states” are subject to the whim and favour of the party elite or leader. Members of Parliament (MPs) and government officials should enjoy legitimacy that derives from popular support.
- Independent electoral bodies should be created and supported to ensure that elections are free and fair. Undermining the will of the people through fraudulent elections breaks the contract between the leaders and people, and promotes a culture of lawlessness.
- An independent judiciary, where judges and magistrates are not subject to political forces, needs to be enshrined and protected within appropriate legislative frameworks.
- Adherence to international and national laws, where natural resources are recognised as belonging to the people, should serve as the basis for all government action.
- Governments should, when negotiating contracts, ensure that the best interests of the people form the core of their mandate. External expertise, if required, should recognise and be guided by this objective.

- Initiatives to decentralise government need to be formulated and implemented. Areas affected by the extractive industry should be prioritised.

Engagement Imperatives

- Clearer and more sustained collaborative engagement between the executive and legislative bodies needs to be fostered and nurtured.
- The independence of the legislative branch must be guaranteed, and a culture of legislative oversight promoted within the executive branch. Both bodies must promote constructive engagement with the aim of improving service delivery.
- Information-sharing between the executive and legislature should to be promoted. As the representative body of the people, the legislature must have access to the information needed to make informed decisions and exercise effective oversight.
- Participatory mechanisms should be created and implemented. Meaningful public participation will enhance the legitimacy of governmental bodies and promote collaborative dialogue. Where this does not happen, confrontation is made more likely, and this emphasises problems rather than solutions.
- Civil society should be part of the political process. If civil society is excluded, this alienates government from the people. Forums for constructive dialogue must be created and formalised within the executive and legislative branches.
- Freedom of the press must be respected and independent and well-informed media must be supported.
- Capacity-building in both the executive and the legislature needs to be developed by means of strategic plans. Resources must be allocated to ensure that new MPs receive adequate training and can engage effectively within the relevant committees.
- The creation of a professional core of employees within ministries and departments should be prioritised.
- Employment and procurement procedures should be clearly defined and adhered to.

2. Civil Society

Strategic Imperatives

- To ensure legitimacy strong links should be created with the people and with communities. Civil Society Organisations (CSOs) should not focus their attention and activities on the state capital.

- Civic education with regard to oil and governance should be promoted.
- Capacity-building and training should be utilised to ensure greater professionalism.
- Clearly formulated strategic objectives should be developed. Attention should be given to:
 - Message content
 - Message delivery (information dissemination)
 - Specific targets for message delivery
 - Internal assessment of the strengths and weaknesses of organisation
 - Assessment of the external political actors (stakeholders, government actors and processes, CSOs, international actors); this will help to define opportunities and obstacles.
- Alternative possibilities for engagement should be sought, while ensuring that focus on the primary objectives is not lost.
- Clear positions and strategy regarding the role of Multinational Corporations (MNCs) should be formulated.

Engagement Imperatives

- Engagement should be inclusive. Potentially supportive partners within government should be identified.
- CSOs should engage in joint capacity-building exercises with committees within parliament and with ministries/departments.
- CSOs should cooperate to ensure that both issues and actors are included in a larger strategic framework.
- Networks and information-sharing should be encouraged within civil society, with academic institutions and with international Non-governmental Organisations (NGOs).
- The independence of CSOs should be preserved while also promoting a culture of cooperation with other stakeholders. Confrontational approaches should be employed selectively and strategically, rather than reactively.
- CSOs should form strategic alliances with MPs in both ruling and opposition parties. However, organisational independence should not be compromised. This is essential if CSOs are to retain their credibility.
- CSOs should seek strategic alliances with international actors, in order to strengthen capacity. These alliances should also be used to generate international support (including support from donor organisations).

- International initiatives such as Extractive Industries Transparency Initiatives (EITIs) and Publish What You Pay (PWYP) should be encouraged. These can serve as vital entry points and assist in realising longer-term strategic objectives. At the same time CSOs should be aware of the limitations and pitfalls of engaging with international campaigns.
- CSOs should identify and cultivate networks and contacts in both local and national media.
- Press statements should be issued whenever necessary.
- Articles should be submitted for publication in local and international media.
- CSOs should promote networks of mutual support within the country to encourage solidarity within civil society.

3. International Actors

Strategic Imperatives

- National strategies should be based on a bottom-up approach.
- Local interests should be prioritised.
- Local CSOs should play a decisive role in developing strategy and planning activities.
- The role of the organisation should be assessed to see how value might be added.
- International actors should act as conduits for international pressure and influence.
- The role of local stakeholders should be enhanced with a view to strengthening capacity and ensuring local ownership.

Engagement Imperatives

- There should be clear communication with local CSOs regarding the role and strategy of international organisations. This will help to prevent false perceptions and unrealistic expectations.
- There should be a clearly articulated strategy of principled engagement; supportive action should be taken if or when necessary.
- The formation of networks and information-sharing between local and international interest groups and stakeholders should be encouraged.
- Communication and information-sharing between international media and local stakeholders should be encouraged.

4. Multinational Corporations

Strategic Imperatives

- The role of the company within the national political and economic context should be clearly communicated.
- MNCs should adhere to international standards of financial disclosure and transparency, as recommended by the EITI and PWYP.
- MNCs should formulate and promote ethical guidelines for their operations.
- Local interests and needs should be included in development strategies within areas of operation.

Engagement Imperatives

- There should be transparent and principled engagement with all stakeholders on a broadly inclusive basis.
- Local government, civil society, the media and traditional leaders (if applicable) should be fully informed of plans or actions in their areas.

Questionnaire for Stakeholders

Perceptions of Stakeholders on the Oil Extraction Industry

Gender	Male		Female	
Category of respondent (tick all that apply)	NGO	CBO	Academic	Church or Faith Based Organisation
	Parliament	Executive Branch	International NGO	Government Donor Org
How long have you worked for this particular organisation?				



*Appendix:
Interview Guide*

I. NGOs, International NGOs, Government Donor Orgs

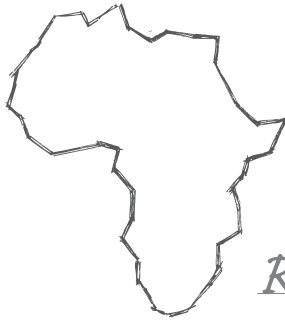
1	Have you received any training on the oil sector? (explain)	Yes	No	Yes, want more	Yes, don't need more	No, would like some	No, don't need
2	Would you say there has been an increase or decrease in your access to and engagement with government over the last few years? (explain)			Increase	Decrease	About the same	Do not know
3	Would you say the relationship between your organisation and the government has improved or deteriorated over the last few years? (explain)			Improved	Deteriorated	About the same	Do not know
4	How much information do you have with regard to the external debt of the country? (explain)	Far too little	Too little	About right	Too much	Far too much	Do not know
5	Do you see any spaces of opportunity for engagement with government? (explain)			Yes		No	Do not know
6	Have you or your organisation had any engagement with the oil MNCs? (explain)			Yes	No	A little	Do not know
7	What role do you think MNCs should have, if any, in the development of your country and communities? (explain)			No role	Active role	Collaborative role	Do not know

8	How would you rate the relationship between the government and external organisations, like the World Bank/International Monetary Fund and other donor organisations? (explain)	Good	Bad	Average	Do not know
9	Would you say that the judicial branch of government is independent of the executive and parliament? (explain)	Yes	No	Average	Do not know
10	Relationship with the executive? (explain)	Good	Bad	Average	Do not know
11	Relationship with parliament? (explain)	Good	Bad	Average	Do not know
12	Relationship with the judicial branch? (explain)	Good	Bad	Average	Do not know
13	Do you have any relationships with NGOs/IGOs/donors outside of the country? (explain)				No
14	Do you have regular access to internet/email? (explain)				No

I. Government (Parliament, Executive, Commissions)

15	Have you received any training on the oil sector? (explain)	Yes	No	Yes, want more	Yes, don't need more	No, would like some	No, don't need
16	Would you say there has been an increase or decrease in your access to and engagement with civil society over the last few years? (explain)			Increase	Decrease	About the same	Do not know
17	Would you say the relationship between your body/institution/department and civil society has improved or deteriorated over the last few years? (explain)			Improved	Deteriorated	About the same	Do not know
18	Have you or your organisation had any engagement with the oil MNCs? (explain)			Yes	No	A little	Do not know
19	What role do you think MNCs should, if any, have in the development of your country and communities? (explain)			No role	Active role	Collaborative role	Do not know
20	How much information do you have with regard to the external debt of the country? (explain)	Far too little	Too little	About right	Too much	Far too much	Do not know

21	Do you see any spaces of opportunity for engagement with civil society? (explain)	Yes	No	Do not know
22	Would more engagement with civil society be good or bad? (explain)	Good	Bad	No difference
23	How would you rate the relationship between the government and external organisations, like the WB/IMF and other donor organisations? (explain)	Good	Bad	Do not know
24	Do you have regular access to internet/email?	Yes		No



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Endnotes

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