At Issue ezine

A natural gas flare in Equatorial Guinea
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Vol. 3 (January-May 2006)

OIL IN AFRICA:
Heaven or Hell?

No. 5 - May
ANGOLA: WHERE PETRODOLLARS PERPETUATE POVERTY

By the Ezine Editors Even though Angola is the most effective of Africa's oil producers at retaining a high percentage of its oil wealth, its people get the least benefit from it. Much of that wealth has been mortgaged to pay for a long and destructive civil war. The lack of transparency of Angola's Government and its oil corporation, Sonangol, with the complicity of big oil companies, causes the rest to disappear without leaving much trace among Angola's poor.

No. 4 - April
OIL GRAB IN THE GULF OF GUINEA

By Hugh McCullum The Gulf of Guinea is the large open arm of the Atlantic Ocean formed by the great bend of the coast of West Africa. It harbours one of the largest conventional oil reserves in the world and multi-national giants are now jostling for exploration and production rights in as many as 11 nations. However, there is not a single example in Africa of oil wealth leading to long-term positive outcomes — and many fear that in the oil-rich countries of the Gulf, with their dire poverty and undemocratic regimes, the results could again be disastrous.

No. 3 - March
TWO YEARS ON: THE CHAD-CAMEROON PIPELINE AND THE ISSUE OF SOVEREIGNTY

By Akong Charles Ndika The Chad-Cameroon pipeline began as the World Bank's model of what an oil extraction project could do for a country's people if proper legislative safeguards were put in place. Two years on, as this article indicates, safeguards guaranteeing money for poverty alleviation now and in the future are in jeopardy as Chad asserts its sovereignty to spend the proceeds of its oil when and where it wishes. Such a concept of sovereignty raises many questions...

No. 2 - February
OIL AND THE NATURAL RESOURCES CURSE IN NIGERIA

By Dauda Garuba Mention the oil boom in sub-Saharan Africa, and Nigeria will immediately come to mind. It was the first, produces the most, and is a member of OPEC. This article traces the early history of oil in Nigeria and takes us through the boom/bust years from the early 1970s to today. The billions of petrodollars have given Nigeria a new capital, skyscrapers in major cities, good roads and new provincial universities. However, its people are no better off than elsewhere in Africa, and those who live in the Delta region in the shadow of the oil derricks seem on the edge of a full-scale guerilla war.

No. 1 - January
THE CURSE OF OIL TO AFRICAN PEOPLES: PARADOX OF PLENTY

(Editorial) As the world's attention turns to Africa's oil wealth, there is a need for Africans and all concerned about Africa, to become aware of the dangers of such a bonanza. Nigeria, Angola and Sudan stand as examples where oil wealth has led to people's poverty and displacement. Can the 'curse of oil' be halted there and, with vigilance, be prevented in newly developing producers like Chad and São Tomé and Príncipe? As the US and China focus on Africa to feed their energy needs, such questions need answers.

ANGOLA: WHERE PETRODOLLARS PERPETUATE POVERTY

by the Ezine Editors

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(Note: because the article we expected from Angola didn't arrive, we put together this article based on research done by the editor responsible for this series on oil. We felt it was not possible to omit one of Africa's largest producers.)

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ChevronTexaco's Angolan headquarters: big profits alongside one of the most vicious civil wars in Africa.
Paul Geoffrey / ACT

Angola is currently the second largest African oil producer, at about 1.5 million bpd. It is said the have deepwater reserves of about nine billion barrels of extremely high quality crude and hopes to increase production to two million bpd by 2008 with the same big names as other African countries — ExxonMobil, ChevronTexaco, BP and Total — involved. Yet 70 percent of Angola's more than 12 million people live in abject poverty in one of Africa's potentially wealthiest countries.

For three decades, these huge corporate oil companies operated profitably and successfully in Angola alongside one of the most vicious and long-running civil wars in Africa. Between 1975, when Angola achieved independence from Portugal, and 2002, when the civil war between the MPLA government (Popular Movement for the Liberation of Angola, led by Jose Eduardo dos Santos) and UNITA (National Union for the Total Independence of Angola, led by Jonas Savimbi) ended with Savimbi's death, as many as two million lives were lost and much of the population was displaced and impoverished. During this time, the big oil companies and diamond merchants creamed off profits from the country's rich natural resources. At various times the protagonists included the Soviet Union, the United States, Zaire (now the Democratic Republic of the Congo), Cuba and South Africa (both of the latter actually sent fighting brigades into the southwestern African country).

Little of Angola's civil war-ravaged infrastructure has been rebuilt and most of the population live in disease-ridden slums and bombed-out villages without potable water, reliable power or adequate food, healthcare and education. But stretching out along the beautiful beaches of Luanda lies a strip of luxury that would rival anything found in North America with its palatial dwellings, high end foreign boutique shops and expensive cars, and with private medical care and schools for the families of the government and oil elites who live in one of the most the conspicuously wealthy and heavily secured parts of any capital in Africa. And worse, some 25 years of oil production has been mortgaged by the single-party state's government to support this corrupt elite, led by the presidential family.

"Some 25 years of oil production has been mortgaged by the single-party state's government to support this corrupt elite."

Conspicuous luxury: a strip of oil-backed wealth along Luanda's beautiful beaches.
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Angola has been one of the most successful non-OPEC countries in the world for conventional oil exploration. The growing experience of the opaque parasitical corporation, Sonangol, Angola's state oil company, and the need for increased revenues to fight the civil war, which began with Portugal's abrupt withdrawal from its overseas territories, contributed to Angola driving harder bargains with the multinational oil companies. Now it captures between 40 and 75 percent of revenues raised from its underwater petroleum resources.

The country, potentially one of the richest in Africa, from all sorts of resources – extremely good agricultural land, minerals, diamonds, fisheries, forests and, of course, oil – is also a humanitarian disaster.

With more than 40 percent of its oil exported to the US, its budgetary oil dependence, like Nigeria's, is legendary. According to Tony Hodges (Angola: From Afro-Stalinism to Petro-Diamond Capitalism, Oxford 2001), oil tax revenues comprised 70 to 90 percent of state revenues and over 60 percent of GDP. More than 97 percent of Angola's oil is drilled offshore, so there is little interaction between companies and local communities.

In stark contrast, Angola ranks close to the bottom in the UN Human Development Index, an abysmal 161st of 173. Life expectancy is only 36 and 70 percent of Angola's 12.2 million people live below the poverty line. But what makes it stand out even more than other oil producers like Nigeria or Gabon is the massive displacement of more than a third of its population (4.3 million people) from the oil-stoked civil war and who require almost total humanitarian assistance of more than US$400 million a year. (UNDP).

The fact is, however, that Angola is awash with oil revenues and could probably raise that amount in a month except that very little is known about the true amount of Angola's revenue from oil, how it is spent or even where it is located.

The end of the civil war, with the death of UNITA's long-time leader, Savimbi, was predicted as an enormous opportunity for channelling oil revenues to relief, rehabilitation and reconstruction initiatives. But corruption and lack of transparency, according to many observers, makes this a near impossible job. In 2002, Carlos Leite, IMF representative in Luanda, Angola's capital, reported that "at least US$1billion in oil revenues had gone missing in each of the previous six years." He added: "That's not a leak. That's a dike that has burst."

Two women walk past a remnant of the oil-stoked civil war in Uige Province.

Paul Geoffrey / ACT

The country ranks consistently among the worst of Transparency International's list of the world's most corrupt countries. "The country's wealth is concentrated in the hands of a small elite who use government positions for massive personal enrichment and corruption is practiced at all levels…an estimated 50 percent of state expenditures are not reflected in the official budget." (Angola Country Report 2003)

"The end of the civil war ... was predicted as an enormous opportunity for channelling oil revenues to relief, rehabilitation and reconstruction initiatives. But corruption and lack of transparency, according to many observers, makes this a near impossible job."

Unofficial estimates of the government's true amount of revenue from oil range between US$3 and US$5 billion-a-year and press reports claim at least US$4 billion is unaccounted for. This money could be used to increase desperately needed social spending, something long-time President dos Santos promises each year, but never does.

Furthermore Angola's future is mortgaged to the hilt. With the civil war ended, there should have been a future for all. However, another long-running, but seldom mentioned, conflict between the government and rebels in the oil-rich Cabinda Enclave, home to ChevronTexaco operations, also drains oil dollars.

At the centre of this web of intrigue and deceit is Sonangol, whose experience in technical and organizational capacity during the long war years has placed it at the centre of the oil industry in much of West Africa. In addition to regulating the oil industry in Angola, it also is involved in product distribution, industry support services, banks, businesses, the Luanda refinery and a host of other activities such as mobile phone networks, airlines, shipping and insurance and now is beginning to offer consultancies which include training newer oil-rich countries in how to control oil for elites. Sonangol has been termed a "state within a state" by the IMF and has spread its tentacles to São Tomé, Equatorial Guinea, Congo-Brazzaville and even Gabon in restructuring their national oil sectors in its image.

It is a monopoly which, according to the IMF, has never been audited. Sonangol receives a percentage of all oil produced and the government receives petrodollars through a petroleum income tax. Together they receive on average about 40 percent of total oil revenues. But, says the Economist Intelligence Unit, there is no adequate way to track these revenues. "State finances are fragmented between secret offshore accounts and shadowy oil funds under a system of parallel state finances which bypass the treasury and the budget and is controlled by the Presidential Office, Sonangol and the

Most of Angola's oil is drilled offshore ... and a lot of revenue goes into secret offshore accounts.
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National Bank of Angola."

Endless descriptions of corruption have been exacerbated by reports that the government of Angola has taken out hundreds of millions of dollars worth of "oil-backed loans" since the civil war ended, much against the wishes of the IMF. To guarantee the loans are repaid, foreign banks have arranged offshore accounts as trust systems into which oil receipts can be paid directly. The IMF estimates this oil-backed debt is about a third of total external debt, now thought to be more than US$20 billion. With much of the oil output pledged to pay back loans, new loans are regularly sought, which is why we say Angola's future and the future of its people, decimated by war and corruption, both prolonged and paid for by petrodollars, is mortgaged to the hilt.

Human rights organizations and independent journalists are asking why, when Angola estimated budget revenues from offshore oil would be about US$24 a barrel, that by 2006, when oil is almost three times that amount, there is no major development in the basics: water and rehabilitation of wrecked towns, villages, education, health and farmland. The windfall from escalating prices, claims Human Rights Watch, is being used to repay oil-backed loans faster.

Angolans are desperate to rebuild infrastructure: the country's health and education systems are shattered but almost nothing has been done. Clean running water is reserved for the rich in Luanda; poor people have to buy it on the street. Tensions are increasing and crime rates rising says the UN Office for the Co-ordination of Humanitarian Affairs.

A displaced boy in a slum of Luanda: desperate poverty and lack of basics despite a windfall from high oil prices.
Paul Geoffrey / ACT

It is a dismal scene of oil wealth fostering corruption rather than development in perhaps more stark terms than any other part of Africa. Poor and corrupt governance, along with northern oil demands especially from the US and international financing institutions maintaining their business-as-usual stance, means that Angola will continue to lack accountability with oil revenues remaining state secrets. The cordial relationships maintained by oil companies with the presidency, Sonangol and the Angolan state bank allows them a free hand to pursue their commercial and competitive objectives unhindered by regulations which would benefit the citizens of Angola.

Civil society remains extremely weak in Angola and lacks the information and resources to hold the government to account while international financial agencies continue their commerce without sufficient attention to transparency, human rights and democracy.

"The responsibility for ensuring that Angolans themselves benefit is a collective one of government, oil companies, international agencies, financial institutions and Angolan civil society."

The Catholic Relief Services report on African oil, "Bottom of the Barrel" (2003), argues that a "big push" for transparent oil revenue management is urgently required if future disasters such as that of the poor population of Angola are to be avoided. The responsibility for ensuring that Angolans themselves benefit is a collective one of government, oil companies, international agencies, financial institutions and Angolan civil society.

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OIL GRAB IN THE GULF OF GUINEA

by Hugh McCullum

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The Gulf of Guinea is the large open arm of the Atlantic Ocean formed by the great bend of the coast of West Africa. It is considered the geographic centre of the earth because it is zero degrees longitude and latitude, where the equator and prime meridian meet. The gulf, with its islands and coastline, extends from the western coast of Côte d'Ivoire to the Gabon estuary. The bights of Benin and Biafra belong to the gulf.

The exploitation of major offshore oil deposits began in the late 1990s and very conservative estimates claim reserves are in excess of 35 billion barrels of recoverable oil, one of the largest conventional reserves in the world, after the Middle East. Multi-national oil giants are jostling for position with widespread production and exploration in as many as 11 nations.

The Gulf also harbours one of the largest reserves of natural gas in the world and is one of the planet's richest and most diverse ecosystems and biodiversities. It is also potentially one of the most explosive regions in Africa with cocktails of poverty and underdevelopment, organized crime and unstable, undemocratic regimes.

To date there is not a single example of oil wealth leading to long-term positive outcomes for these developing countries. The following article by Hugh McCullum tells of the past, present and future of oil-producing countries in and around the Gulf of Guinea.

Oil in the Gulf of Guinea: major offshore deposits in excess of 35 billion barrels.
© Robert Grossman / Africaphotos.com

São Tomé is a classic example of what could happen in Africa's new oil boom. Coupled with its even smaller island of Principe, it straddles the equator, comprising an area about the size of the Isle of Wight with 190,000 dirt-poor subsistence farmers as a population. As slaves, they first discovered oil 200 years ago in bubbling pools that were unexploitable until recently. The Portuguese colonized the two islands in the 15th century. Today those bubbling pools contain at least four, perhaps 10, billion barrels of oil and the first $100 million down payment from ExxonMobil, the world's largest oil company, has been paid to one of the most impoverished nations in the world. It could become the Qatar or Kuwait of Africa.

The people who ignored the black gold for centuries could theoretically, in less than a generation, be worth millions of dollars each. The interest alone on São Tomé's expected oil finds in a few years would wipe out its $300 million debt, wipe out its rampant malaria, repair its almost impassable sunken roads and rebuild its decrepit schools and hospitals. There could be so much money that no São Toméan would ever have to work again.

In theory.

Most leading economists know that, when a poor country finds oil, it's more often a curse than a blessing. All the neighbouring countries have been swamped by petro-wealth: cultures ripped apart, people divided, governments destabilized, massive corruption and human rights abuses perpetrated, environments wrecked and coups and militarization common.

"All the neighbouring countries have been swamped by petro-wealth: cultures ripped apart, people divided, governments destabilized, massive corruption and human rights abuses perpetrated, environments wrecked and coups and militarization common."

São Tomé is a typical palm-fringed tropical island which has become another test case for oil companies and the world: will it be plundered and overwhelmed by the changes about to happen? Or, could it, as many of the world's human rights, anti-poverty, pro-development advisers hope, avoid the paradox of plenty, become the only small underdeveloped country ever to have found oil in large quantities, shared the benefits equitably and guaranteed future generations sustainable development?

Its dozy, delightful capital of a few thousand, São Tomé city, has the feel of a neglected, ramshakle town on the verge of explosion. There used to be 50 cars on the whole island and one flight a week from Europe to the capital. The budget was US$25 million-a-year, 80 percent of which was foreign aid. Now there are many more cars, a daily flight to Europe and a lot of smart lawyers, businessmen and soldiers in town, an advance guard of Americans preparing the palm-fringed isles for the changes that oil and the US demand.

Equitorial Guinea: a precedent?

To see what can happen when oil comes to a small nation, it might be illustrative to visit Malabo, the capital of the only slightly larger Equatorial Guinea, which lies about 480 kms northeast of São Tomé, close to Nigeria. Ten years ago ExxonMobil found vast quantities of oil and natural gas in its waters. Tiny Equatorial Guinea, split between the island of Santa Isabella – the former Spanish colony of Fernando Po – and a strip of mainland West Africa, produces 440,000 barrels of oil a day, and within five years could be the third or fourth largest oil and gas producer in Africa and one of America's important providers.

Gas plant near Malabo, Equatorial Guinea: a target for every kind of investor, entrepreneur, political opportunist and freebooter.
© Robert Grossman / Africaphotos.com

Oil has been good for Equatorial Guinea in some ways. ExxonMobil, US giant Marathon and others have invested US$3 billion in a country of about 500,000 people. The average income is said to have grown to US$5,000 a head from less than $500, the economy is growing by 65 percent a year – faster than anywhere in the world -- and the country has paid off its crippling US$200 million debt. According to the International Monetary Fund, the income from oil and gas is currently it earning about US$4 billion a year.

This kind of wealth makes a little-known, globally insignificant nation a target for every kind of investor, entrepreneur, political opportunist and freebooter. Oil has brought attempted coups, massive corruption, xenophobia and paranoia. Just a year or so ago – although the major media ignored it -- 25 mercenaries including South Africans and Germans were arrested in Malabo for trying to overthrow the president. The next day, a further 70 men were arrested in a plane in the Harare, Zimbabwe airport, en route, it was claimed, to Equatorial Guinea from South Africa. Apparently the attempted coup was funded by Sir Mark Thatcher, the alleged arms-dealing son of the former prime minister of Britain who lives in South Africa and was convicted of the coup attempt and got a four-year suspended sentence.

According to the Equatorial Guinea Government's theory, pieced together from prisoner statements, the two groups were going to meet in Malabo, kill the president and secure the city to allow an exiled Equatorial Guinean living in Spain to be installed as president. To add to the intrigue, Spanish government officials and the US were said to have known about the plot in advance.

Equatorial Guinea was a colony of Spain until 1968. A Marxist government ruled until 1979, when the current president, Teodora Obiang Nguema, overthrew his uncle in a coup and still retains absolute power presiding over his country's spectacular access to wealth. Obiang has a reputation for a brutal way with opponents, and visitors say he has done nothing to share the country's wealth equitably. The head of the UN development programme, Baca Abdouroihamane warns: "Beware, this place, it's dangerous. It is very extreme, a place of nightmares and miracles. Two years ago, there were only a few hundred cars and no airport. Now there are some very full bank accounts. They have 50 ministers and 25 presidential advisors. The people have been kept in deep poverty for 200 years. Now oil comes. They see a light at the end of the tunnel. But the oil companies do not care what happens. Equatorial Guinea has the worst malarial mosquitoes in the world, there is appalling poverty and many shadowy places that no one wants to go."

The president and his family own the whole country, everything. They earn many millions of dollars from renting land to the oil companies, paid in dollars straight into bank accounts outside the country. There are rows of million dollar houses built for oil executives bristling with security and satellite and radio masts. The main street of this oil suburb is called Chester E. Norris Avenue named after a US ambassador who was pulled out for corruption in 1988.

"There are rows of million dollar houses built for oil executives bristling with security and satellite and radio masts... The rest of the country lives in an ocean of wooden shacks where there are six-foot high mounds of garbage..."

The rest of the country lives in an ocean of wooden shacks where there are six-foot high mounds of garbage, ponds of mosquito-laden waters, broken sewage drains and no water or electricity. It is said that one of the worst slums in Africa is next door to the Chester Norris suburb.

The president says oil is a political resource. "When we had none, nobody cared about us. Now everyone comes to take advantage of us. The people have money to build houses and look for work. There are no secret accounts."

In practical terms Obiang keeps a tight rein on the oil sector and personally supervises all financial transactions related to it, including taxation and royalties to oil companies. His son, Gabriel Nguema Lima is the major go-between with the private sector. Entry costs involve a modest signature bonus of US$750,000 (Angola and Nigeria require hundreds of millions). There is no fiscal oversight of payments to the state and compounding it all is a complete lack of state administrative structures and no national oil company.

Even the US State Department, usually the handmaiden of the oil companies, said in its 2004 human rights report that "there was little evidence that the country's oil wealth is being devoted to the public good." In such a short time oil dependence has reached 61 percent of government revenues and 86 percent of GDP. Life expectancy remains at 51 years and a third of the country will not live until 40. These figures and others from the World Bank assert that while oil money pours in, 57 percent of the population has no clean water and educational expenditures have remained at 1.7 percent of government expenditures, a figure which has not changed since 1985, long before the oil boom.

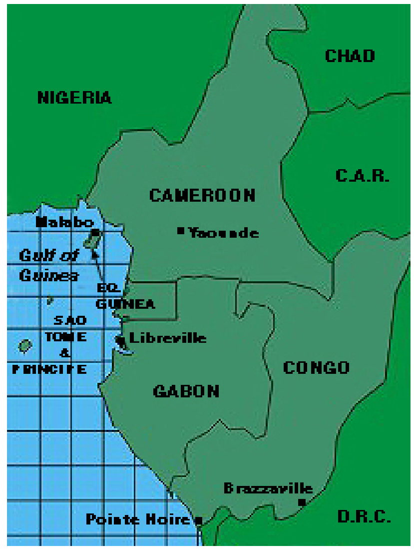
Catholic Relief Services (CRS) says that without rapid and fundamental changes by international actors in Equatorial Guinea "the current mix of oil dependence, neglect of agriculture, corruption, poor administration and authoritarian rule are the recipe for a bleak future."

São Tomé: a better future?

Colonel Eugene Mensch is president of Consulting Africa Ltd. and a recently retired US marine sent out by the Pentagon to teach seminars on military/civilian relations with the government. São Tomé is ideal, Mensch says. It has a pro-western president, a large Voice of America radio transmitter and the US is paying for a new airport able to take the biggest military aircraft, as well as a deep sea port large enough for its warships. The US has a treaty making São Tomé a strategic regional base which is expected, within 10 years, to provide large amounts of oil to the US.

"The US is paying for a new airport able to take the biggest military aircraft, as well as a deep sea port large enough for its warships. The US has a treaty making São Tomé a strategic regional base which is expected, within 10 years, to provide large amounts of oil to the US."

The international community was not there in 1997 when São Tomé made a critical decision. An unknown Houston-based Nigerian company called ERHC, which had never produced a barrel of oil in its history, offered just US$5 million for exclusive exploration rights to all of São Tomé's waters. It was described as one of the best – or worst – deals in history and even the World Bank declared it unfair. But no money arrived and the deal was about to fall apart when Sir Emeka Offor, a Nigerian businessman closely associated with the late Nigerian dictator, Sani Abacha, bought ERHC, renamed it Chrome, brought in ExxonMobil, involved the Nigerian government and proposed a new agreement in return for lucrative concession rights. When Exxon struck oil, Chrome/ERHC became worth US$600 million overnight. Nigeria then disputed São Tomé's territorial limits. Fearing it would lose everything and desperate for cash, the then president agreed to a 60-40 split in Nigeria's favour.



Meanwhile Chrome/ERHC and Exxon also negotiated preferential rights. By the time the first licences were bid for in November 2004, São Tomé had effectively given away, or been swindled out of, most of its oil-rich territory, handed a barely existent Nigerian company almost 20 percent of what was left and given up most of its rights to down payments. However, November 23, 2003, was still the greatest day in São Tomé's history. Twenty companies bid US$506 million for seven exploration blocks, leading the government to expect more than US$200 million in signature payments.

São Toméans now realize that they will see no money for many years. The first boreholes were drilled in 2005 but the companies say oil will not flow until 2011. In another controversial deal, the companies negotiated the right to recoup their investments first, receiving 80 percent of all the oil money for the first five years of production. In other words, São Tomé stands to make only 20 percent of a 40 percent share (eight percent) between 2011 and 2017.

No one, least of all Fradique de Menezes, a former Portuguese-São Toméan cocoa trader, who was elected president in 2001, doubts some day São Tomé will become rich. He says: "São Tomé will get at least US$500 million-a-year from oil, more than 10 times its current annual income." But he is accused of being part of the bad deals and shortly after meeting President George W. Bush at the White House in 2004, a small army group ousted him in a bloodless coup during a state visit to Nigeria. Eventually Nigeria negotiated a better deal for the São Tomé army in return for Fradique's reinstatement. No one doubts that oil was in the background. And no one doubts that Nigeria now controls most of the islands' oil.

According to a UNDP report, the Republic of São Tomé & Principe has all the markers needed to be designated a "resource curse". This feature of all poor countries that depend largely on one resource – be it diamonds, gold, timber, gas or oil - indicates that seven bad things happen when oil is found in a poor country:

- prices rise,
- the government loses interest in everything else but oil,
- officials become corrupt,
- multinational corporations reward individuals via secret accounts,
- there is increased military spending,
- democracy is undermined, and
- big, prestige white elephant projects get built.

After all the chicanery, São Tomé will still have a good deal of money. How it spends it will be the big test. But there might be some hope. Last year, São Tomé hired experts from Alaska to advise on how to deal with the windfall oil money and a special UN advisor has been working with young economists at Columbia University to draw up a model oil law which, if passed, will ensure that neither the government nor the president can squander or steal the oil money. According to people who have seen the draft law, it states that the government can increase annual spending by only 20 percent a year, with the amount it takes from the oil fund dropping two percent a year until, after 10 years, São Tomé must live on the interest alone – expected to be at least $50 million a year.

"After all the chicanery, São Tomé will still have a good deal of money. How it spends it will be the big test."

The fear is that the president will not sign on, nor will the law get passed. He dismissed parliament last year when it tried to change the constitution to limit presidential powers.

UNDP notes that about $35-$40 million a year in aid money came to São Tomé in 2004 and seemed to mostly disappear.

Meanwhile, the vast majority of rural São Toméans barely believe there is life beyond the plantations. The island was a Portuguese colony until 1975 and its prime source of income has always been cocoa. They have very little money and live off bananas and cocoa. Few have enough food, the few schools are in disrepair, housing is crumbling, there is terrible malaria and no drugs. They have a saying in São Tomé: "The president drinks from a cup, the rich eat with a spoon and the poor with their fingers."

Oil will make São Tomé heaven or hell.

Older Gulf producers: any indication?

Do the older oil producers in the Gulf of Guinea provide any answers or indications to the question of heaven or hell for São Tomé? The history is not reassuring.

Gabon

Gabon provides a worrisome example. While it has a per capita GDP of US$3,200 (very unevenly distributed to just over a million people) and is one of the richest countries in Africa, it is in deep trouble because it is running out of oil (see data box in the Editorial). Gabon has been awash in petrodollars since the late 1960s and immediately embarked on a programme of lavish spending, a big state bureaucracy and construction of a cosmopolitan capital, Libreville. President Omar Bongo, now 70, has led the country since 1968. Gabon has no state oil company like Nigeria but, according to the *Economist Intelligence Unit*, oil revenues "grease Bongo's oil-financed system of political patronage."

Libreville, Gabon: a programme of lavish spending and an urban culture of imports.
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Only one percent of Gabon's rich land is under cultivation while the people eat tomatoes from South Africa and potatoes from France. Forestry resources are second after oil, but the country's wealth is all concentrated in Libreville.

The decline of oil production has been compensated for in the short term by increased world prices so that revenues remain pegged to one resource (although Gabon has large reserves of manganese and timber). Bongo's family controls government infrastructure spending, which is lavish and based on the urban culture of imports supported by heavy borrowing. It was briefly known as the champagne capital of the world for its imports for an OAU conference in the 1977 that almost bankrupted the petroleum-rich country.

According to *Le Monde* (Dec. 16-22, 2005), the extended Bongo family has such a grip on power "that its control of the country's fabric is more glaringly obvious than anywhere else in Africa. This power radiates out from the president to every aspect of government, military, courts, mass media and of course oil." Bongo's present wife, Edith Lucie, occupies a special position in Gabon, since she is a daughter of Denis Sassou-Nguesso, president of the Republic of Congo (Brazzaville) another of the long-time Gulf oil producers.

Congo Brazzaville

Much of this Central African country's lucrative production of 283,000 bpd is produced offshore and is considered to have "significant potential" by *Africa Today*'s 2005 oil review. Less than 25 percent of its potential oil acreage is covered by agreements with oil companies. Transnational oil companies are jostling to get a solid foothold with the wily Sassou-Nguesso, a one-time hardline Marxist who came back to power in a coup and converted to a form of state capitalism and a government of national unity. Congo relies on oil for more than 60 percent of its annual budget. But as in other oil-producing countries in Africa, its oil supports a highly capital intensive enclave of the small country, providing little in the way of local employment for its 3.5 million people and few linkages with the rest of the country.

Control of oil was the cause of the country's civil war in 1997 which brought Sassou-Nguesso back to power, but the country is still unstable and despite a ceasefire in 2003 remains wracked by ethnic tensions. More than 300,000 people are still internal refugees from the violence. The French oil company, Elf-Aquitaine, assured itself of future access to all oil in the country by backing Sassou-Nguesso with money to buy arms and militia support, according to CRS.

The civil war in Congo-Brazaville exacerbated the already terrible poverty and destroyed much of the country's infrastructure. Despite being the Gulf's fourth largest producer, the oil enclave around Pointe Noire is cut off from the rest of the economy. Traditional crops like cocoa, coffee and sugar have atrophied and sent rural dwellers scrambling to decaying cities such as the capital, Brazzaville. More than 70 percent of the population earns less than US$1-a-day and half do not have access to clean water. While the country's oil exports are valued at more than US$3.5 billion, its per capita income keeps going down and with foreign debts of US$5.5 billion it has one of the highest debt-to-GDP ratios in the world.

"The civil war in Congo-Brazaville exacerbated the already terrible poverty and destroyed much of the country's infrastructure. Despite being the Gulf's fourth largest producer, the oil enclave around Pointe Noire is cut off from the rest of the economy."

Cameroon

Cameroon is also an oil producing country, although its reserves and exports are in steep decline and it is notoriously corrupt, according to Transparency International, which ranks it 126, just below Angola and just ahead of Nigeria. Today it produces about 110,000 bpd, placing it sixth in Africa among the older oil producers.

The 16 million people of Cameroon are also supposed to benefit from the new Chad-Cameroon Petroleum Development and Pipeline Project (CCPDPP) to the tune of about US$500 million for transit fees across the 1,000km-pipeline in Cameroonian territory. This pipeline carries the heavy Chadian crude to the offshore loading terminal near Kribi on the Bight of Biafra.

At least 13 mandatory violations of safety and environmental standards emerged in 2003 and 2004 studies, which included faulty or non-existent main pipeline valves along river crossings, allowing oil to flow into the Nyong River whenever it ruptured. The non-installation of these valve stations saved the consortium almost $500 million, not far short of Cameroon's total revenues over the next 25 years. As well, ExxonMobil is accused of undertaking other illegal, cost-saving and unsafe practices in the pipeline trench, including pollution of Lake Chad's international fishing, drinking water and farming industries.

Building the Chad-Cameroon oil pipeline: violating safety and environmental standards and the rights of Cameroon's indigenous Pygmies.
Jens Küsters / Greenpeace

In addition, the rights of the indigenous Pygmies of Cameroon have been violated because the pipeline route runs directly through their traditional and widely-used land. ExxonMobil promised the World Bank to protect these lands. There was a plan drawn up to avoid the land of the Bakola and Bagyeli but ExxonMobil ran their right of way directly through the Pygmy lands creating major environmental damage.

Floating storage "farms", modeled on Saudi Arabia's modern shipping terminals, anchored close to navigable deep water are the terminus of the pipeline and are used to store and transfer the crude for shipment abroad by tankers. In Cameroon this facility is a 30-year-old obsolete, single-hulled tanker converted to stationary duty with a capacity of two million barrels. It violates almost all international maritime regulations and would cause enormous environmental damage should it rupture or explode and spill thousands of barrels of crude oil.

Conclusion

Serious questions must be asked about the US administration's decision to define all African oil as a "matter of strategic national interest in which the United States might choose to use military force" (2001 National Energy Policy, produced by US Vice-President Richard Cheney). This might well explain why the World Bank, considered by many to be the financial arm of US foreign policy, and ExxonMobil, the world's largest oil company, can ride roughshod over a host of international laws, regulations, standards and conventions in the Gulf of Guinea.

Oil has been a curse to most African countries and the relatively new developments in the islands of the Gulf of Guinea could have learned from the long-term negative impacts of the mainland oil-producing nations of Nigeria, Gabon, Congo-Brazzaville and Cameroon. Instead, with oil being *the* strategic resource defined by the George W. Bush administration, the get-rich-quick, boom and bust mentality that has plagued West African oil for decades may overwhelm the small island states with perhaps even more disastrous results.

>> Feature Supplement:

Sudan: where oil keeps the wars going

Sudan is, perhaps, a special case in Africa. It is one of the newest oil producers and the only one in the eastern part of the continent, although exploration work is being done along the eastern and southern coasts and in the eastern part of the Democratic Republic of Congo. During the 1990s, Sudan attracted Canadian, Norwegian, Indian, Chinese and other oil companies (US companies are barred exploring and producing in Sudan by American sanctions) to its fields which are located in southern Sudan, although revenues accrue to the Khartoum government in the north.

Sudan has been ravaged by civil war between north and south for more than 20 years in which more than two million people have been killed and millions more displaced. Since ceasefire accords signed in Kenya in 2004 between Khartoum and the Sudan Peoples Liberation Movement/Army (SPLM/A), a fragile peace has been in place (apart from the Darfur genocide) but the oil fields in the south and their revenues are a major stumbling block to a long-term settlement or autonomy for the south.

In its present configuration, Sudan is the largest country in Africa. It pumps about 345,000 bpd and has proven reserves of 1.6 billion barrels, worth as much as US$50 billion at current values. China is now the largest investor in Sudan’s oil — and Sudan is China’s largest investment in Africa — and India is also keen to expand. Critics charge that oil revenues of more than US$400 million-a-year since the oil began to flow through a 1,500 km pipeline to the Red Sea in 1999 allowed the Sudan government to more than double its military spending and to use oil company landing strips to launch helicopter gunship attacks on southern rebels and civilians.

The genocide in Darfur complicates things for the country’s oil patch. China has been blocking the UN Sanctions Committee which prevents Khartoum from using new military supplies in Darfur. But observers allege that they have found Chinese ammunition casings and other military matériel in Darfur, and Khartoum’s Islamist regime NIF/NC (National Islamic Front now the National Congress) has ordered Chinese fighter jets using oil revenues to pay for them, presumably for use in keeping the South quiet and perhaps encouraging the *Janjaweed* rebels in Darfur to keep up their genocidal attacks.

Whatever China’s and Khartoum’s plans may be, the oil reserves in South Sudan promised to southerners after a decision is made during a 2011 referendum on splitting off the rebel south is bringing little income to the proper owners while Khartoum is building its war machine ever larger.

— Hugh McCullum

TWO YEARS ON: THE CHAD-CAMEROON PIPELINE AND THE ISSUE OF SOVEREIGNTY

by Akong Charles Ndika

In just over two years since oil started pumping from the southern savannah of

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landlocked Chad to the Atlantic coast of Cameroon, the World Bank's experiment in oil for poverty alleviation has received a severe blow. On December 7, 2005, in an exercise of state sovereignty, the Chadian Government dismantled the framework agreement governing the management of oil revenue that will accrue over the remaining 25 year life span of the US$3.7 million Chad-Cameroon pipeline project. By tinkering with the World Bank's touted one-formula-for-all future petroleum projects in Africa, the government has cleared away the obstacles of transparency and accountability in order to raid Chad's petrodollars. Claiming that it faces both burgeoning fiscal and security crises, the government modified law 001 to increase its access to revenues for discretionary spending. The amendment seeks to:

- increase from 15 percent to 30 percent the amount of revenues deposited into general government coffers, bypassing the joint government-civil society Revenue Oversight Committee (ROC);
- eliminate the Future Generations Fund (FGF) and use the money accumulated for immediate expenditures;
- redefine "priority sector" expenditures to include spending on security.

"... the government has cleared away the obstacles of transparency and accountability in order to raid Chad's petrodollars."

The wrangles that have entangled the Bank and Chadian Government as a result of the amendment provide an opportunity to assess the extent to which the conception of "good governance" could buck the curse of oil in emerging petrostates in Africa. As Chad tries to talk up the Bank to rethink its decision to put a hold on its escrow account, this article examines the wisdom of the Bank's gamble and some salient issues that have emerged with the flow of petrodollars.

Counting on oil: will this boy get an education from the Chadian Government's agreement to spend 80% of its oil wealth on priority sectors?
Jens Küsters / Greenpeace

Tracking petrodollars

The opacity in revenue management is unarguably employed to explain the grim development outcomes that are consistent in oil producing countries. In a bid to defy the "paradox of plenty" evident in countries like Nigeria and Angola, the World Bank conditioned its involvement on shining the light of transparency and participation in the management of Chad's petrodollars. The joint government-civil society Revenue Oversight Committee was set up to monitor the contractual obligation to spend 80 percent of Chad's oil wealth on the priority sectors of education, health, infrastructure, agriculture and environment. Certainly, the reactions of the Chadian Government are evidence of the effectiveness of the constraints which the revenue management committee is imposing on the government's predilection for discretionary spending. In fact, it shows that institutionalized transparency, participation and targeted expenditure on poverty alleviation can moderate, prevent or reverse the curse of oil. Despite some of their shortcomings, civil society organizations have been able to take advantage of a structured format for engaging the government in order to hold it accountable for how oil money is spent.

Sovereignty on moral high ground

The argument employed by the Chadian Government for modifying the law is based on the nominal notion of sovereignty. According to the government, "the oil is in its entirety for Chadian people and the World Bank reaction to freeze revenues generated from its own natural resources was unacceptable. It will take appropriate actions to recover the

Forum Discussion:

Re: "Chad asserts its sovereignty to spend the proceeds of its oil when and where it wishes" (from the introduction).

So far so good. But instead of spending the money on alleviating poverty, give a boost to education and improve the health system and agriculture. The first thing that President Déby of Chad did with the first proceeds of oil was to purchase weapons and a new presidential jet; so much for developing one of the poorest countries in the world.

— Soodhakur Ramlallah, Asst. Editor, Mauritius Times, Island of Mauritius

legitimate rights of the Chadian people."[1] The reaction of both parties reveals the contradictions of sovereignty underlying the oil Revenue Management Law. Although the Westphalian foundations of national sovereignty allow for states to absolutely control their destinies, it assumes that states are effective in responding to the welfare needs of their people. Hence, sovereignty is not absolute as claimed by the Chadian Government; it is contingent on the domestic effectiveness of the state. The concept of sovereignty is becoming understood more in terms of conferring responsibilities on governments to assist and protect persons residing in their territories, so much so that if governments fail to meet their obligations they risk undermining their legitimacy.[2]

"The World Bank's involvement was explicitly conditioned on the use of Chad's petroleum resources to respond to poverty alleviation."

The World Bank's involvement was explicitly conditioned on the use of Chad's petroleum resources to respond to poverty alleviation. Nonetheless, the same due process that gave the seal of legitimacy to the Revenue Management Law itself was also followed in adopting its modifications. This, therefore, raises the issue of input legitimacy: the democratic political order in Chad. Is parliament reflecting the will of the Chadian people? If so, then is the World Bank disregarding the will of the Chadian people or is it standing by the contractual obligation to curb the discretionary penchant of President Idriss Deby's regime to spend oil money? The fact is that the norm of sovereignty is increasingly being "trumped" by International Financial Institutions' commitment to achievement of good political and social arrangements, and economic development within aid-dependent countries.[3] In other words, IFIs have assumed a central role in the attempt to fulfill the purposes of state sovereignty in developing countries. This is evident in the trend towards policy convergence on socially responsible spending to meet the Millennium Development Goals as exemplified in the Poverty Reduction Strategy Papers (PRSPs) in which Chad has committed to increase expenditure on priority sectors such as education, health, agriculture and social welfare. In adopting the oil revenue law, the Chadian government has therefore agreed to share sovereignty over the management of its oil resources.

Crafting technical solutions to political problems


Construction of the oil pipeline: relying on the good intentions of the Chadian Government.
Jens Küsters / Greenpeace

At the dawn of the project, civil society groups cautioned the World Bank to delay financing of the project until the emergence of a responsive political order that would ensure the sustainable management of Chad's oil wealth. Instead, the Bank proceeded with the understanding that altering policy rather than reforming the political order is what was needed to translate oil into concrete welfare benefits for the Chadian people both in the present and the future. The move to raid petroleum revenue, consequential on democratic decay, exposes a fundamental flaw of the oil Revenue Management Law: its reliance on the good intentions of the Chadian Government. The Bank's assumption is based on a functional logic that technical solutions to revenue management can solve political problems embedded in a culture of exclusionism and discretionary misuse of power.

The political order in Chad is on a collision course with democracy; Chad ranks 138 out 150 in the world democracy audit of political rights, human rights, free speech and the rule of law.[4] The system of collective decision-making has consistently been flawed; the conduct of elections has defied accountability between the Chadian Government and the people. Even though Chad has held elections and enjoys some degree of political space, and a relatively independent media, the Deby regime is clearly a predatory autocracy. The parliament is more of a rubberstamp organization lacking the minimum effectiveness to bring accountability to the conduct of the executive. Deby has ruled for over 15 years and is unthreatened in the political arena. The referendum in 2005 to decide the limits on presidential mandate was boycotted by a majority of opposition supporters. Without an appropriate democratic political order in Chad, the World Bank's exercise in mixing oil and poverty will remain a flawed experiment. In fact, good-governance involves larger issues of state-society relations and not merely the technocratic transparency-accountability mode of public policy touted by the World Bank.

Accountability hanging by a thread

The survival of the Revenue Management Law depends on the adherence of the government to the rule of law. As is evident, this is very tenuous because the rule of law in Chad is characterized by impunity. Although the constitution provides for an independent judiciary, power remains concentrated in the hands of the president who can easily manipulate the political order dominated by members of his ethnic group to violate the rule of law. The US State Department's human rights report for 2003 concludes that the judiciary is ineffective, overburdened, under-funded and subject to executive interference.

"Corruption is rife in Chad, and the arrival of windfall revenues from oil has only made matters worse. The recent Transparency International ranking classifies Chad as the most corrupt country in the world."

Corruption is rife in Chad, and the arrival of windfall revenues from oil has only made matters worse. The recent Transparency International ranking classifies Chad as the most corrupt country in the world. The power of the Revenue Oversight Committee is limited only to monitor spending needs and project execution in the priority sectors. Without the capacity to bring corrupt officials to justice, the ability of the ROC to ensure adherence to the rule of law hangs by a thread. This will be made worse in 2007 with the arrival of indirect revenues accounting for the bulk of the total revenue generated which will go directly to the state coffers. In addition, the ROC depends on the state for financial sustainability. This financial dependence can be used by the state to obstruct the effectiveness of the ROC to pursue the goals of transparency and accountability of oil revenues. The operational capacity of ROC has been consistently criticized by NGOs and even the World Bank's own International Advisory Group monitoring the project.[5] For example, ROC has only limited staff and vehicles to monitor the completion of oil-revenue-funded projects.

Cashing in on crude economics

Alleviating poverty or maximizing profits? Land cleared for the oil pipeline, not for this farmer.
Jens Küsters / Greenpeace

The economics of "quality discount" have been a watershed in the honeymoon relationship between the oil consortium and the Chadian Government, in the light of the recent hikes in oil prices. Comparatively, Chad sells its oil at a lower price than other African countries. The government complains that it is not receiving enough revenues for its oil. At the core of the problem lies an information asymmetry in the quality discount. While the consortium contends that Doba-crude is of a lower quality, and therefore makes adjustments in the actual revenues that go to Chad, the adjustment parameters are based on ExxonMobil's view, something the Chadian Government has likened to swindling, murkiness and fraud. The unevenness of access to information on quality is symptomatic of the weak negotiating capacity of the Chadian Government vis-à-vis the consortium. In fact, asymmetry in the capacity of the project and the supporting infrastructure to translate oil wealth into real development outcomes is the consensus critique levied by the Bank's own monitoring bodies. Little has been done to integrate the capacity building components into the overall project economics. The incentive structure to tighten the project with poverty alleviation pales hugely in comparison with the incentive to maximize profits.

Living off the future

The arrival of petrodollars was supposed to be a tremendous boost to state coffers. Certainly, there is room for embarrassment in the face of the present cash squeeze; however, it is difficult to conceive how the government could be so broke, when it just received almost US$38 million of direct revenues from the escrow account. Nonetheless, some simple arithmetic of the decision to ease the fiscal crisis by retracting the Future Generation Fund and doubling direct revenues that go to the state coffers flies in the face of sustainability. While the total FGF from 2003 to September 2005 approximates 20 billion CFA (US$40million), the amount spent on civil servant salaries in 2004 was 70 billion CFA (US$140 million).[6] Of this amount, close to 35 percent was consumed by the military alone. This therefore leaves a shortfall of about US$100 million even with the raid of the FGF.

The problems of the government are embedded in the growing culture of fiscal indiscipline. The recent Transparency International ranking of Chad in the lead position of corrupt countries speaks volumes. Nevertheless, the Darfur crisis and the growing number of military deserters have added even more to the cost of security. However, a look at the history of the Deby regime's use of force raises questions over the broadening of priority sectors to include security. The military has been used consistently to silence opponents of the regime.

"A look at the history of the Deby regime's use of force raises questions over the broadening of priority sectors to include security."

Playing hard

What one can draw from the World Bank-Chad Government gridlock is captured in two questions. How far can the World Bank's touted model leverage "good governance" in fledging oil producing countries in Africa? What is the boundary of selection of priority sectors for spending petrodollars?

On the one hand, while it would be an oversight to discount the strength of the Revenue Oversight Committee in constraining the raid on oil revenues for selfish pursuits, as the present impasse illustrates, there is a risk that a hard push by the Bank might lead Chad to join Sudan in the axis of failed states. Indeed, such a push might prompt newly emerging petrostates contemplating the Bank's model to look east to the waiting arms of China, with its voracious appetite for energy and disregard for human rights. This will mean the loss of an unparalleled political opportunity for civil society organizations to scrutinize the conduct of governments in managing oil wealth.

On the other hand, empirical evidence rejects this line of argument. A country's standing with Multilateral Development Banks simply does not play an important role in the calculations of African colonels.[7] Besides, it is difficult to see how far the Bank is going to sustain the momentum to press for a reverse of the government's decision, considering the selfish influence of key bilateral partners like France on Chad's politics and the US' strategic energy interest in Africa.

As for the second question, in a country like Chad, hamstrung by an acute penury of infrastructure, everything seems to be a priority. Nevertheless, the issue is not what is a priority sector, but how is it selected. There is a need for a broad-based national consultation between the government, private sector actors and civil society organizations in Chad to redefine the boundaries and criteria for selecting priority sectors. The World Bank can assist in assuring the participatory quality of the process while staying clear of influencing the outcomes.

At work on the oil pipeline: an acute penury of infrastructure in priority sectors, but not here.
Jens Küsters / Greenpeace

Conclusion and the way forward

There is a case to be made for the World Bank's involvement in the oil and gas sector; however, as illustrated, bucking the curse of oil extends beyond transparency and oversight. It includes, most importantly, the rules that create a legitimate, effective framework for the conduct of public policy. In fact, it demands an effective democratic political order. In this light, the World Bank should expand the reason, reach, and range of issues addressed by "good governance" in the oil sector, to include human rights and democracy.

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OIL AND THE NATURAL RESOURCES CURSE IN NIGERIA

by Dauda Garuba

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Introduction

The question of how natural resources have made or marred the fortunes of countries has acquired new relevance in contemporary political economy discourse. Perhaps nowhere has this new perspective stimulated our understanding of the issue more than in Nigeria, where the story of crude oil has remained a paradox of plenty and an incubus that the country has had to carry since 1958, when the first commercial export of the commodity was made. From modest earnings of less than £25,000 then, Nigeria today earns about £4 billion (US$7.09 billion) annually from crude oil.

Ecological degradation: farm land destroyed by an oil spill in the Niger Delta of Nigeria.
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Beyond early assumptions that oil equals an abundance of wealth, the Nigerian situation has not only proved otherwise, it has also remained largely a case of frustration, lamentation, and macabre irony. The discovery of the mineral resource has been blamed for the ecological degradation of the Niger Delta region, as much as for the reckless quest for its business, and the resulting corruption scandals, military coups, prolonged dictatorships, privatisation of public resources, electoral fraud, militarism and prebendal behaviour among political leaders – military and civilian alike. Perhaps the most tragic manifestation of the curse of oil in Nigeria is the growing underdevelopment. In spite of occasional windfalls resulting from soaring prices in the international oil market, Nigeria's economic performance has been anything but outstanding. Presently ranked as one of the poorest countries in the world, Nigeria is the only member state of the Organisation of Petroleum Exporting Countries (OPEC) whose citizens have not had their lives transformed by the over $350 billion earned from crude oil since 1958.[1]

"Perhaps the most tragic manifestation of the curse of oil in Nigeria is the growing underdevelopment... (Nigeria is) presently ranked as one of the poorest countries in the world."

It is against this backdrop that this article will seek to examine oil and the natural resources curse in Nigeria, specifically how Nigeria slid into its present mess despite huge revenue earnings from oil and gas.

Oil in Nigeria: A Historical Overview

Oil exploration in Nigeria dates back to 1903 when the British colonial government initiated the Mineral Survey Corporation to pioneer mineralogical studies of the country. There was no success until 1907, when oil seepages were discovered in the Araromi area of Okitipupa (in present-day Ondo State), some 300 kms east of Lagos (David West 2002:27; Elamah 1998:21; NNPC 186:1). This attracted the Nigerian Bitumen Corporation, a German company, to obtain a license from the colonial government in 1908 to exploit the deposit.

The German company drilled 15 dry wells before terminating operations at the outbreak of World War I. No further exploration occurred until 1937 when Shell D'Arcy (the precursor of the Shell Petroleum Development Company of Nigeria – SPDC) secured sole concessionary rights to undertake oil exploration throughout the entire country. Its operations were aborted at the outbreak of World War II, after drilling seven dry wells. In 1946, it resumed exploration in partnership with British Petroleum as Shell-BP. The new company again met with disappointment until its decision "to limit its operations to the tertiary areas of the Niger Delta" (David-West 2002:27) yielded the discovery of oil in commercial quantity in Oloibiri (present-day Bayelsa State). This was after an estimated US$80 million had been spent.[2] The Oloibiri discovery, which was followed by others in Afam in 1957, in Ebubu and Bomo in 1958 and in Ogoni land in 1959, vindicated earlier claims that Nigeria had large oil deposits, and stimulated the interest of other foreign and local oil firms in the country. The result was the abolition of the sole concessionary rights granted Shell-BP in 1959, a situation that eventually accelerated the pace of oil exploration in the country.

One notable consequence of the accelerated pace of oil exploration during this period was the corresponding increase in the quantity of crude oil exported by the country to the international oil market. From 5,100 barrels per day (bpd) in 1958, Nigeria's exports had already doubled by 1959. By 1979 they had reached an all time high of 2.4 million bpd (Omojuyigbe and Okoroafor 1994:2). During this time, the Nigerian state's economic role progressed from that of a mere regulator to fuller involvement in the upstream and downstream operations of the oil industry, including its decision to join OPEC in 1971 as the 11th member state. The result is seen in the country's 55% equity share in the Shell Petroleum Development Company (SPDC), 50% in Mobil Producing Nigeria and 60% each in Chevron Nigeria, Nigeria Agip Oil, Elf Petroleum and Texaco Overseas (Nigeria) Petroleum. These, put together, account for 93.9% of Nigeria's oil production. The OPEC quota regime explains the 1.4 million bpd the country produced in 1984; the 2 million bpd in 2002; and, since 2005, the current quota of 2.45 million bpd.[3]

"The Nigerian state's economic role progressed from that of a mere regulator to fuller involvement in the upstream and downstream operations of the oil industry, including its decision to join OPEC in 1971 as the 11th member state."

Beyond production, Nigeria's proven oil reserves have witnessed astronomic progression over the years. They were known to be 10 billion barrels in 1972 and rose to 27 billion in 2000 (David-West 2002:27). The projection of the present government of President Olusegun Obasanjo is that oil production will grow to 4 million bpd (due to increasing offshore prospecting) and that known reserves will likely increase from the current 30 billion barrels to 40 billion by 2010. All this, when added to new ground being broken in the area of natural gas production, where Nigeria reputedly has the third largest reserve in the world, with $900 million realised in the first experimental year (Chukwu 2002:24),[4] would ordinarily suggest that the sky is the limit for what Nigeria can attain with its enormous oil wealth.

But is this really the case?

A Country so Blessed ...

Oil has added to what Nigeria can achieve as a country. Regardless of the rapid decline of infrastructure and the building of facilities that fail to serve the country and its citizenry in optimum ways, oil money has facilitated the launching of four national development plans, which have enabled the building of a network of roads (among them superhighways) and bridges by both federal and state governments in the country. Nigeria has also witnessed the construction of estates and skyscrapers, especially in Lagos and Abuja, producing a skyline that gives the image of a rich country.

But for oil wealth, it would have been difficult for Nigeria to build brand new cities, especially the federal capital, Abuja, within such a short time. The proceeds from crude oil have also translated into an increased number of government-owned universities, polytechnics, colleges of education and other institutions of higher learning (Chukwu 2002:24), now found throughout the country. Nigeria's hosting of large international events such as the Festival of Arts and Culture (FESTAC), the World Youth Soccer Championship (WYSC), the Organisation of African Unity (now African Union), and the Commonwealth Heads of Government Meeting (CHOGM) has been largely due to the huge profits from oil.

... and yet, so Cursed

One emerging issue in contemporary political economy and development studies is the correlation between natural resources and poor economic performance in resource-rich countries. Indeed, "the paradox of plenty" or "the resource curse", both concepts that have been adopted to capture the phenomenon, remain one of the very few issues on which scholars across the social science disciplines are in general agreement when it comes to explaining the underdevelopment and the socio-economic problems (including corruption and conflicts) ravaging resource-rich countries.[5] Nigeria is no exception. Indeed, the country best illustrates how a petro-state is made.

"One emerging issue ... is the correlation between natural resources and poor economic performance in resource-rich countries."

A Culture of Waste and Corruption

The central role of the Nigerian state in the political economy of oil is reflected in the dialectics of its rentier linkage with oil receipts, which account for 40% of Gross Domestic Product (GDP), 85% of national budgetary revenue and 95% of foreign exchange earnings. Collected through various means such as taxes, levies, royalties, joint ventures and profit-sharing agreements, the leading place of oil in Nigeria's political economy is seen not only in the manner that state frameworks for decision-making are fashioned along fiscal dependence on oil-led development, but also in how the exploitation of the resource has changed the state to make the stability of successive regimes in Nigeria susceptible to the vagaries and fluctuations of world oil prices. This vulnerability of the country to the boom-and-bust cycles of oil prices is further impacted by the unprecedented advantages it has accorded those in government to perpetrate favouritism, corruption and mismanagement.

It is in this fragile context that oil could be said to have caused a mixed-grill of developments in Nigeria, with the pendulum swinging more to the negative side of the balance. Beyond inducing a culture of waste, manifested in ambitious state-funded projects, the oil industry remains an enclave "with severely constrained links to the local economy" (Anya 2002:16; Utomi 2001:14), especially to the agricultural and manufacturing sectors which constitute the stimulants of any country's meaningful efforts at development.

A Shell Oil worker in southeastern Nigeria: oil accounts for 40% of Nigeria's GDP and 95% of its foreign exchange earnings.
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There have been four spikes in the cycle of oil revenues due to high prices in the international market. These were the Arab-Israeli War of 1973; the 1979-1980 period precipitated by various factors, including the Iranian Revolution; the Gulf War in 1991; and the period from 1999 to the present (Anya 2002:16; Utomi 2002:14), when increasing globalisation began to set prices at all time high records. Available information reveals that during each of these occasions Nigeria not only frittered away the opportunities offered to turn around the economy, but in fact induced further distress. For instance, rather than work to secure the country's future by investing in non-oil economic development in 1973, with its potential for non-oil sources of revenue, Nigeria's excess oil revenue went into massive state-funded expenditures, outflows of capital on public account, large scale awards (e.g. the Udoji Award) and massive importation of all sorts of consumables, which, because they were cheap, undermined local production.[6] The proportion of agricultural labour dropped from 71% in 1960 to 54% in 1980. Worse still was that agriculture, which had accounted for 63.3% of Nigeria's Gross Domestic Product (GDP) in 1962, declined to a mere 5% in 2002, affecting mostly cash crops such as cocoa, oil palm and rubber (Obiagwu 2002:8).

"During each of these (oil booms) Nigeria not only frittered away the opportunities offered to turn around the economy, but in fact induced further distress."

The reprieve of the 1979-1980 boom did not last long because new oil exporters such as Mexico, Norway and Great Britain entered the international market, while at the same time an extended recession in industrial countries forced down the demand for oil (Karl 1997:31). The result was a "glut" that set the country up for the "Dutch Disease" (reminiscent of Holland's economic hardship associated with the discovery of gas in the 1950s and 1960s) and an accompanying debt crisis.

The $12.2 billion windfall that accrued from the 1991 Gulf War became the subject of a probe by the 1994 "Okigbo Panel", resulting in a damning report that is yet to be officially released by the government.[7] The relatively long period of revenue prosperity Nigeria has enjoyed since 1999 and the often touted positive impact of the on-going economic reforms makes the present civilian government a larger earner of money from oil than any of its predecessors.

Poverty, Environmental Damage and Conflict

In spite of the huge revenues the present administration has earned from oil, the reality of the material condition of the Nigerian masses has eroded any confidence that life is not business as usual in Nigeria. Per capita income plunged from $1,000 in 1981 to $300 in 2002 (Anya 2002:16). The *Human Development Report 2004*, published by the United Nations Development Programme (UNDP), ranked Nigeria 151st out of 177 countries in terms of poverty. Confirming earlier statistics that the country is home to 50-80 million people living below the poverty line – i.e. less than $1 a day (Garuba 2006:18) - further details of the poverty profile reveal that Nigeria is classified in the Low Human Development category, along with Togo, Lesotho and Kenya, while less resource-endowed countries like Cameroon, Ghana, Guinea, Equatorial Guinea, Swaziland, and even war-ravaged Sudan, are placed in the Medium Human Development category. The report also puts Nigeria's life expectancy at 51.6 years, compared to Pakistan's 60.8 years and Cape Verde's 70 years. The combined gross ratio enrolment in primary, secondary and tertiary schools is 45%, while less resource-rich countries such as Uganda, Togo and Botswana read 71%, 67% and 70%, respectively. Furthermore, a paltry 0.8% of the country's GDP goes into health, compared with South Africa's 3.6%, Cape Verda's 3.85% and Botswana's 4.4%.

This the grim picture of poverty and misplaced priorities in Nigeria begins to make sense when one discovers that the richest 10% of the population controls 40.8% of the country's wealth while the poorest 20% controls a mere 4.4% (Akinyemi 2004: 8). Human behaviour being a significant factor in the dynamics of wealth, Nigeria has had the misfortune of being led by short-sighted leaders and policy-makers who have failed to share the proceeds of oil with the masses or to convert the resource into real wealth in measures that are commensurate with its abundance. Instead, the murky business of oil has precipitated military coups, prebendal behaviours and prolonged military dictatorships, while its proceeds have provided bad governments with the means to maintain power and support conflicts in the Niger Delta (Myers 2005:5).

"The murky business of oil has precipitated military coups, prebendal behaviours and prolonged military dictatorships."

It is not surprising, therefore, that the Human Rights Violations Investigation Commission (popularly known as 'Oputa Panel')[8] reports that:

> Oil, one of the greatest blessings God has showered on our country, has turned out to be a curse. Instead of providing the basis for the national economic, political, scientific/technological and social growth and development, cushioning its citizens from the scourge of abject poverty, squalor and want, oil became, in the hands of the ruling elite and the political class, an instrument sounding the death-knell of such key principles of good governance as democracy, federalism, transparency, accountability and national growth. (Civil Society Forum 2005:36)

Lack of access to safe drinking water: people in this area of Rivers State had to migrate because of oil spill contamination.
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The frustration arising from the maelstrom of expectations raised by oil and then disappointed is manifest in the growing instability and number of conflicts in the country. This frustration has proved more severe in the oil-bearing communities of the Niger Delta where the devastating impact of oil exploitation and production has precipitated popular struggle and resistance.[9] The ecological and environmental destruction from the activities of oil multinationals operating in the region has deepened the poverty and the inequality that presently characterise the lives of the people, who remain politically marginal and socio-economically underdeveloped. Official statistics on the material condition of the Niger Delta put 72% of the households in the region within the poverty bracket (Garuba 2002), while the United Nations Development Programme and the World Bank observed that, in 1994, only 27% and 30% of the region's households had access to safe-drinking water and electricity, respectively. Both these indicators were below the national average of 32% and 34%, respectively (Garuba, forthcoming).

It is little wonder, therefore, that "resource control" is the latest of numerous concepts to emerge from the region, agitating for political "restructuring, fiscal federalism and drastic decentralisation of the polity" (Garuba 2003). From very peaceful domestic demonstrations, and later, isolated cases of lawlessness, the multi-faceted conflicts[10] in the Niger Delta have escalated into a full blown rebellion in which youth militias now make a pastime of attacking oil platforms, kidnapping and/or killing expatriates, as well as threatening to kill more and to obstruct Nigeria's oil production, if specific demands are not met. Attaining a perverse status on the heels of the judicial murder of the environmental activist, Ken Saro-Wiwa, and his eight other colleagues in the Movement for the Survival of Ogoni People (MOSOP) in November 1995, the deepening rebellion/militancy in the Niger Delta has also created space for militias, who now find big business in illegal oil bunkering (a euphemism for oil theft) – perhaps their own "resource control". This has blurred the line between popular protest and criminality in the troubled region. Between 1999 and 2003, conflicts and the accompanying oil theft of between 150,000-250,000 bpd have gulped US$30 billion (Garuba 2004), while the combined losses of Shell, ChevronTexaco and Elf Petroleum to conflict in the Niger Delta in 2004 alone was calculated at US$44.5 million (*Niger Delta News*, Vol. 1, Issue 4, July-September, p.11).

"The deepening rebellion/militancy in the Niger Delta has also created space for militias, who now find big business in illegal oil bunkering... This has blurred the line between popular protest and criminality in the troubled region."

The atmosphere of fear and discontent generated in "three lethal attacks" by militants on oil installations in the Niger Delta and the holding of four expatriates (a Briton, an American, a Bulgarian and a Honduran) as hostages in one week in January 2006, coupled with a threat to wreak more havoc in February,[11] is reminiscent of similar attacks in April 2004 in the Bibi and Olero Creek fields of Delta State, where seven ChveronTexaco workers (including U.S. nationals) were killed, and in several other areas, including those associated with the Asari-Dokubor-led Niger Delta Peoples Volunteer Force. The Olero incident forced a closure of the flowstation in the area, as well as others in adjoining Makaraba, Opuekeba and Otunana, all amounting to a daily reduction of 38% of Nigeria's oil production. The same uproar generated by the January 2006 attacks and hostage taking in Benisede, in the Ekeremor Local Government Area of Bayelsa State, by the hitherto unknown Movement for the Emancipation of Niger Delta, caused Shell and ChevronTexaco to suspend oil production. Further threats by the Petroleum and Natural Gas Senior Staff Association (PENGASSAN) and the National Union of Petroleum and Gas Workers (NUPENG) to withdraw their members from the troubled area, if appropriate measures are not taken by the government to guarantee security in the region, also heightened the atmosphere of chaos. Some reprieve, however, came with the release on Monday, January 30, 2006, of the four foreigners held hostage.

Beyond the sad fact that oil wealth is a continual source of trouble, the present onslaught by militants in the Niger Delta is a price the country is paying for the failure of successive governments to address the issues begging for attention in the region. These issues are poverty, inequality and underdevelopment, compounded by devastating ecological and environmental impacts from oil exploration and production. That the militias have refused to be deterred, in spite of the bulldog arrogance of the Nigerian state and the increasing, suffocating presence of the military personnel, even in the remotest villages of the region, is a clear indication that there is a fault-line between how the problem is perceived by the Nigerian state and the reality on the ground. This brings one to the question: how do we tame the curse of oil in Nigeria?

"The country is paying for the failure of successive governments to address the issues begging for attention in the region. These issues are poverty, inequality and underdevelopment, compounded by devastating ecological and environmental impacts from oil exploration and production."

Conclusion: Taming the Curse

There is no denying the fact that oil in Nigeria generates a host of expectations among the citizenry. It is reminiscent of Kapucinsk's analysis of the paradox of oil in Iran under the Shah. According to him:

> Oil creates the illusion of a completely changed life, life without work, life for free…. The concept of oil expresses perfectly the external human dream of wealth achieved through lucky accident…. In this sense oil is a fairy tale and like every fairy tale a bit of a lie. (Quoted in Watts 2006).

To tame the curse of oil, Nigeria must begin to make better developmental use of the huge revenue accruing from oil. This requires embracing best practices that are capable of ensuring transparency and accountability in governance through strengthened public institutions. This is where the ideas behind the Nigeria Extractive Industries Transparency Initiative (NEITI) and the Publish What You Pay (PWYP) Campaign Nigeria may be said to be headed in the right direction. One would only like to add that both organisations should see beyond their present focus on *what* the oil companies pay into the federation account, and include *how* the Nigerian government spends the oil money.

There is the urgent need for a strategic re-direction of the role of oil in the economy. Nigeria can no longer rely solely on oil for its foreign exchange earnings. The best way to tackle this is to evolve policies that are capable of building organic links between the oil economy and the agricultural and manufacturing sectors, so that oil will yield dividends that will benefit the citizens.

In addition, the Nigerian state must be ready to shelve its present posture and enter discussions and negotiations with the Niger Delta people who bear the brunt of the impacts of oil activities without a corresponding provisioning for their present and future needs.

Civil society must be alive to its responsibility: women at a market in Nigeria mobilize support for women's participation in local government.
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Lastly, civil society must be alive to its responsibility for ensuring proper governance of Nigeria's oil resource, not only by monitoring the activities of multinational oil companies, but also by ensuring that governments at all levels (i.e. federal, state and local) fulfil their part of the social contract with the people of Nigeria to whom oil should be bringing enduring benefits. To achieve this, they must work to weld the severed links between the citizens and the government, so that the former can expect fiscal transparency and accountability, while the latter develops a deep sense of morality in public service.

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Endnotes

1. For sources on the $350 billion so far earned by Nigeria from crude oil since 1958, see *The Guardian* (Lagos), January 25, 2006, pp.1-2; Mathiason 2006.

2. It may be recalled that the Nigerian Naira, from its inception in 1973 to the early 1980s, had more value than the United States dollar.

3. For sources of information on Nigeria's 2.45 million bpd production quota since 2005, see *Africa Confidential*, Vol. 47, No. 2, 20 January, 2006; *The Punch*, Tuesday, August 2, 2005, p.1.

4. Nigeria's reserve is estimated at 187 trillion cubic feet (tcf), although about 65% of what comes up is currently being flared.

5. Amongst numerous works on this are: Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-states*, Berkeley: University of California, 1997; Ian Gary & Terry Lynn Karl, Bottom of the Barrel: Africa's Oil and the Poor, Pointe Noire: Catholic Relief Services, 2003; Jeffery D. Sachs & Andrew M. Warner, "The Curse of Natural Resources," 45 *European Economic Review* 827, 2001; Xavier Sala-i-Martin & Arvind Subramanian, *Addressing the Natural Resource Curse: An Illustration from Nigeria*, Cambridge, MA: National Bureau of Economic Research, 2003; Open Society Justice Initiative, *Legal Remedies for the Resource Curse: A Digest of Experience in Using Law to Combat Natural Resource Corruption*, New York: Open Society Institute, 2005.

6. In response to the situation that made the oil sector turn out to be the basis of Nigeria's currency value, the Naira became overvalued to the point that cheap imports undermined local manufacturing. The result was congestion in ports. The Cement Armanda was the most visible among the several issues that attracted national attention in this regard in 1976.

7. "Okigbo Panel" is the popular name of "The Panel on the Reorganization and Reform of the Central Bank of Nigeria". Chaired by a famous economist, the late Dr. Pius Okigbo, the Commission was inaugurated by the Abacha regime in January 19, 1994, to insulate the apex bank "from the fluctuations in the political ecology, and to equip it not merely for the immediate and present needs of the economy, but also for its expanding future responsibilities". The report was "unofficially" released with its Executive Summary published as the cover story in *The News* (Lagos), 23 May, 2005.

8. The Commission , fashioned along South Africa's Truth and Reconciliation Commission, was one of the 'transitional justice' measures initiated by President Olusegun Obasanjo's administration (upon the return of Nigeria to civil rule on May 29, 1999) to undertake an inquest into the country's past human rights violations, with a view to forging national reconciliation. The mandate period of the Commission was from January 15, 1966, when Nigeria had its first military intervention in politics, up to May 28, 1999, the eve of handing over power to his civilian administration. The Commission, which was established in June 1999, held public hearings across the country and submitted its report to President Obasanjo on May 28, 2002. The final report of the Commission was not made public, until it was "unofficially" released by the Nigerian Civil Society Forum on January 1, 2005.

9. The most pronounced of the environmental and ecological impacts of oil exploration and production in the Niger Delta are gas flaring/emission, acid rain, oil spillage, as well as other cases of air, water and land pollution.

10. Several studies have attempted to classify the multi-level conflicts in the Niger Delta. T. A. Imobighe (2005:103-110) identified three (i.e. "local communities versus oil companies", "local communities versus the Nigerian State" (as represented by the three-tiers of government) and "local communities against one another"); Cyril I. Obi (2003), four (i.e. "the state oil multinational alliance versus the oil producing Communities", "the inter-community struggle", "the intra-community struggles", and those involving social

movements); while Amnesty International (2004:15) classified them into six (i.e. "Federal Government versus Niger Delta States", the "Transnational Companies versus Communities", the "Transnationals versus the Niger Delta Development Commission", "Communities versus Communities", "Communities versus Chiefs" and "Youth Groups versus Youth Groups").

11. They threatened to wreak more havoc in February if the government failed to meet their demands, which are: the release of Ijaw leaders (the impeached governor of Bayelsa State, Dieprieye Alamieseigha and the leader of Niger Delta Peoples Volunteer Force, Alhaji Mujahid Asari-Dokubor) who are currently being held for various offences, and the payment of $1.5 billion as compensation for Shell's contribution to environmental pollution in the Niger Delta.

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THE CURSE OF OIL TO AFRICAN PEOPLES: PARADOX OF PLENTY

by Hugh McCullum

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"Our oil should be for the life and not for the death, debt, violence and civil war of our people." (The Catholic Bishops Conference of Congo-Brazzaville, 2002)

Attracting serious attention: Mobil Oil operation in the Gulf of Guinea.
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Africa is in the midst of another oil boom and continues to attract serious attention from the world's major oil players, especially the United States which already relies on the continent for 15 percent of its daily consumption. As world petroleum prices rise and fall – but seldom fall as much as they rise – conservative estimates are that sub-Saharan Africa will receive more than US$200 billion in oil revenues in the next decade, the largest and most concentrated influx of revenue in the continent's history. (*Africa Today,* September 2005, Vol. 11 No. 9.)

This oil boom — followed in many cases by an increase in natural gas output — is a time of great opportunity and great peril, especially for the poor of Africa. In most countries, petrodollars have not been a cure, have not alleviated poverty, let alone eradicated it, but have instead generated massive corruption, political instability, civil war and enormous environmental damage. An example is Nigeria, the most populous country in Africa: it has earned more than US$300 billion over the last three decades yet its per capita income average is less than US$1-a-day; and its social indicators are no better than the rest of sub-Saharan Africa and the developing world.

"Petrodollars have not been a cure, have not alleviated poverty ... but have instead generated massive corruption, political instability, civil war and enormous environmental damage."

This "paradox of plenty", according to Catholic Relief Services, is consistent with Africa's trade with the rest of the world which is 50 percent based on extractive resources, including oil and natural gas, and attracts almost 70 percent of all foreign direct investment. The early 21st century boom in resource investment and a decline in foreign aid means that it is vital for Africa to make the best use of its oil and natural gas revenues.

Oil's African Legacy

The history of oil in Africa is not one to cause optimism; indeed oil is often seen as a curse on those countries which have it and which are exploited by the largest transnationals in the world. Long-time oil producers like Nigeria, Angola, Congo-Brazzaville, Cameroon and Gabon have been unable or unwilling to convert their oil wealth into any serious forms of poverty reduction. Instead, oil has become a magnet for corruption and conflict. New oil producers, such as Sudan, Equatorial Guinea and Chad, appear to be repeating the same pattern, and with the same players.

As indicated in *At Issue Ezine*'s earlier series on corruption, while African governments have the primary responsibility for managing Africa's oil boom in a transparent, accountable and fair way for all their peoples, there are other interests, equally opaque, such as the foreign oil companies, international financial institutions, export credit agencies and Northern governments, especially the heavily energy-consuming US. Indeed the US energy policy, drafted in 2001 by former oil magnate Vice-President Dick Cheney and recently passed by the Senate and Congress, has identified African oil as a "national security" issue, meaning that virtually any means should be used to garner African producers regardless of their record on transparency, human rights and democracy.

"US energy policy ... has identified African oil as a 'national security' issue, meaning that virtually any means should be used to garner African producers regardless of their record on transparency, human rights and democracy."

The oil figures themselves are staggering (see table below). The Gulf of Guinea is currently estimated to hold about 60 billion barrels of exploitable crude oil, and new discoveries are being made steadily as large-scale exploration is undertaken. ChevronTexaco alone is investing US$20 billion in seeking new sources. Shell Petroleum, which operates much of Nigeria's production, is pumping more than a million barrels a day and its newly developed deepwater reserves are said to hold 1.2 billion barrels in reserves. ExxonMobil and Total, together with the rest of those involved in so-called joint ventures with Nigerian National Petroleum Corporation (NNPC), predict production will rise from a current 2.7 million bpd to four million by 2010. With current prices hovering around the US$60-a-barrel mark, the West Africa region should be rolling in petrodollars.

COUNTRY	PRODUCTION (bpd)	EST. RESERVES (barrels)
Algeria	1,500,000	12,000,000,000
Angola	1,070,000	9,000,000,000
Cameroon	70,000	400,000,000
Chad	200,000	1,000,000,000
Congo Brazzaville	245,000	1,500,000,000
Equatorial Guinea	440,000	1,200,000,000
Gabon	250,000	2,020,000,000
Libya		12,000,000,000
Nigeria	2,700,000	40,000,000,000
Sao Tome & Principe	n/a	4,000,000,000
Sudan	345,000	1,600,000,000

AFRICAN OIL: PRODUCTION AND KNOWN RESERVES

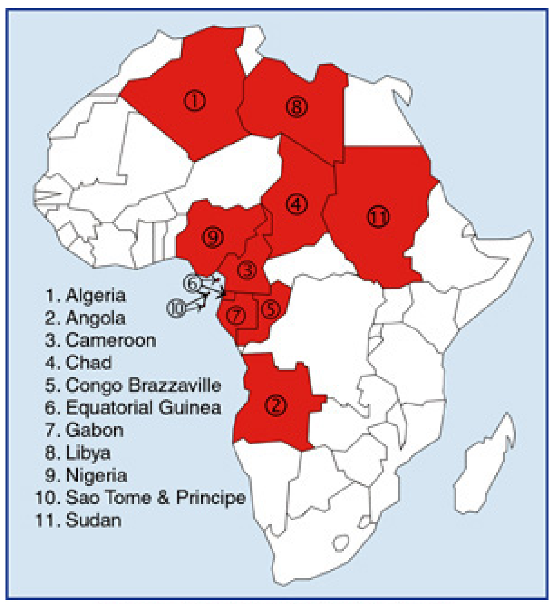
Angola, currently the second largest African producer, at about 1.5 million bpd, is said the have deepwater reserves of about nine billion barrels of extremely high quality crude and hopes to increase production to two million bpd by 2008 with the same big names — ExxonMobil, ChevronTexaco, BP and Total — involved. Yet 70 percent of Angola's more than 11 million people live in abject poverty in one of Africa's potentially wealthiest countries. Little of its war-ravaged infrastructure has been rebuilt outside the palatial areas of the government and oil elites in luxury parts of Luanda, the capital. And worse, some 25 years of oil production has been mortgaged by the single-party government to support a corrupt elite.

The story is similar in other producing countries around the Gulf of Guinea and other parts of West Africa where more exploration has raised the hopes of even such tiny nations as Togo and the Gambia. In North Africa, traditional oil and gas producers such as Libya and Algeria have become more attractive to foreign investment after long absences due to political uncertainty. Algeria has attracted investment from the US, Ireland, China and Norway and is thought to produce 1.3 million bpd. Libya, after 20 years of economic isolation, is increasing production from 1.6 to 2 million bpd and is hoping for US$30 billion in foreign investment. Predictably, US companies that left Libya in the 1980s following American sanctions, are first in line to reclaim former properties.

"Angola (is) currently the second largest African producer... Yet 70 percent of Angola's more than 11 million people live in abject poverty... Little of its war-ravaged infrastructure has been rebuilt."

Sudan is, perhaps, a special case in Africa. It is one of the newest producers and the only one in the eastern part of the continent, although exploration work is being done along the eastern and southern coasts and in the eastern part of the Democratic Republic of Congo. During the 1990s, Sudan attracted Canadian, Indian, Chinese and other oil companies (US companies are barred from Sudan by American sanctions) to its fields which are located in southern Sudan, although the revenues accrue to the Khartoum government in the north. Sudan has been ravaged by civil war between north and south for more than 20 years with more than two million people killed. Since the peace accords of 2004, a fragile peace has been in place (apart from the Darfur genocide) but the oil fields in the south and their revenues are a major stumbling block to a long-term settlement or autonomy for the south. Sudan, the largest country in Africa in its present configuration, pumps about 345,000 bpd and has proven reserves of 1.6 billion barrels worth as much as US$50 billion at current values. Critics charge that oil revenues of more than US$400 million-a-year since the oil began to flow through a 1,500 km pipeline to the Red Sea in 1999 allowed the Sudan government to more than double its military spending and to use oil company landing strips to launch helicopter gunship attacks on southern rebels and civilians.

Oil Revenues and African Governments



MAJOR OIL-RICH COUNTRIES IN AFRICA

Oil-rich African governments raise their revenues through taxation, levies, royalties, signing bonuses, production-sharing agreements and joint ventures. Governments alone decide which transnationals may operate within their borders, on what terms and conditions, what percentage of revenues come to the state, and how those revenues are spent. While all governments claim to be operating in the best interests of the entire nation, the reality is much different.

Government institutions are generally weak in Africa, even in long-time producing countries like Nigeria. When oil becomes the dominant economic and export activity, governments become dependent on oil for revenue, foreign exchange and economic clout. It is an addiction complete with all the corruption surrounding unhealthy dependencies. Oil-rich countries across all of Africa and the developing world have seen real per capita incomes plunge to the levels of the 1970s and 1980s.

A review by Jeremy Keenan in the *Review of African Political Economy* (Nos 104/5 , 2005) offers a cogent analysis of what happens in old and new oil discoveries -- ie Nigeria, Gabon, Equatorial Guinea, Angola, Congo-Brazzaville and Chad/Cameroon. Keenan calls it the "rentier" or "Dutch Disease" (a term refering to the Netherlands' economic crash of the late 1950s and 60s following the discovery of offshore gas) nature of the projects:

"As a form of rent, petrodollars decrease the government's reliance on non-oil revenues, including taxes, and actually weaken one of the links between people and their governments, which is essential if there is to be any popular control over major decisions affecting a country and its resources. In such a context, governments tend to rely increasingly on repression through the use of security forces (rather than consent of the governed) to remain in power. Indeed countries that rely on oil exports are among the most economically troubled, the most authoritarian, and the most conflict-ridden states in the world today."

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The Geopolitics of Africa's Oil Boom

Since the instability of the oil-drenched Middle East reached massive proportions with the invasion of Iraq in 2003, France, Britain and, especially, the US have begun a new race to curry the favour of undemocratic regimes in the oil-rich north and west of Africa. France has spent billions of dollars in weapons and technology transfer, training and intelligence-sharing along with a US$2.5 billion aid package on its former colony, Algeria, with which it fought a bloody war of independence. In return France's major oil corporations, Total and Elf, are getting favourable access to Algeria's oil and gas reserves and beating off efforts by US oil companies. Similarly, the US is currently engaged in a military buildup in São Tomé and Príncipe, establishing bases from which they can impose security control of the entire oil-rich Gulf of Guinea.

A communiqué from the recent conference on "Oil, Resource Conflicts and Livelihoods in Africa", held in Lagos in March 2005, condemned "the reckless activities" of both European and American transnational oil and gas companies for:

- massive degradation of the natural environment;
- the negative affect on communities in sub-Saharan Africa who have these resources, including the exacerbation of poverty;
- the conspiracy between elites, governing classes and corporations as promoted by the World Bank and other financial institutions in African countries;
- the fuelling of conflicts among local people and oil and gas companies resulting in brutal repression by coercive state machinery;
- increased external debt obligations of African countries; and
- continued plunder leading to the destruction of forests and biodiversity and to climate change. These become an ecological debt owed by Northern industrialized countries to African people.

The meeting demanded a halt to the US and European military buildup, their unconditional pullout from the region and an end to support for any military governments. It also called for a moratorium on exploration and development of new oil and gas fields on the continent as a short-term measure, for a long-term ban on fossil fuel exploitation and for the development of alternative energy sources.

From the perspective of the oil companies, the US government and the oil-controlling elites, the future of African oilfields is bright. From almost every other perspective there are deep concerns, especially about the heavy toll of oil exports to the West and the security strategy of the US whereby the same mistakes are being made today as were made in the past during the Cold War. The only difference is that now the ideology is being advanced as a war on terrorism and a strategy to achieve energy security. For Africa, the consequences remain the same.

"The same mistakes are being made today as were made in the past during the Cold War. The only difference is that now the ideology is being advanced as a war on terrorism and a strategy to achieve energy security."

As Sonia Shah says in the book *Crude: The Story of Oil* (Seven Stories Press, New York, 2004), "the business of oil extraction in countries as diverse as Angola, Congo (Brazzaville), Gabon, Libya and Nigeria have coincided not with an increase in prosperity, but with a sharp downward slide in living standards and increasing corruption and conflict."

The US has a strong, almost overpowering, relationship with the continent's leading oil producers. The Bush administration is heavily involved in the Chad-Cameroon project and it is underwriting projects from the US Export-Import Bank, especially in Nigeria. It has also reopened its embassy in Equatorial Guinea because of oil discoveries and has authorized a firm run by former Pentagon officials to train Equatorial Guinea's coast guard. In São Tomé and Príncipe the US has a deal with President Fradique Menezes to let the US build a naval base there, presumably to watch over the estimated four billion barrels of newly discovered oil as well as be a security watchdog over all the

Oil complex near Malabo: key asset for protection by Equatorial Guinea's US-trained Coast Guard.
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unstable region in order to keep the flow of oil moving easily to oil-hungry America. (*SouthScan,* Sept 9, 2005.)

There is also the involvement of China. Given what some experts call the "Chinese way of doing business", China's interest in Africa's oil will only increase the corruption and the failure to deliver benefits to the poor. Trade between China and Africa has increased 50 percent since 2004. A country analysis report on China by the Energy Information Administration of the US Department of Energy in 2004 noted that China was the world's second largest consumer of petroleum with total demand reaching six million bpd, expected to jump to 14 million by 2025. Angola is a strong trading partner of China, as is Sudan, and recently Nigeria signed a long-term crude oil purchase deal worth US$800 million with China, which will ship 30,000 bpd and which is subject to renewal after five years.

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This means that the people of Africa's oil rich nations should expect no dramatic improvement in their fortunes. Using the Gulf of Guinea as an example, Nigeria's vice-president, Atiku Abubakar, noted recently in *Africa Today* (September 2005) that "the region harbours one of the biggest reserves of oil and gas and one of the richest ecosystems and biodiversity but also one of the most potent cocktails of poverty and underdevelopment, organized crime and unstable regimes."

The ball is in Africa's court

How to go beyond the paradox of plenty? The dramatic development failures that have characterized oil-rich countries in Africa warn us again and again that petrodollars have not helped those countries to reduce poverty. In the older oil-exporting countries they have exacerbated it, while newer exporters like Equatorial Guinea, Chad and São Tomé and Príncipe seem to have embarked on the same course. It is business as usual: a combination of corrupt African governments, manipulative foreign governments, greedy oil companies and sycophantic international financial institutions. Business as usual means:

- African governments continue to lack accountability and treat key information about oil revenues as state secrets;
- oil companies pursue their high price, high profit commercial objectives and seek only to keep close and intimate relations with host governments;
- the US and, to a lesser extent, other governments prioritize commercial interests over transparency, human rights and democracy in their relations with African oil states;
- the World Bank and IMF pursue continued engagements with African petrostates without much emphasis on the transparency, human rights and democracy that should be their focus; and
- civil society remains weak and lacks the information and resources to hold governments to account.

All this results in peoples' anger and frustration over the mismanagement of oil wealth, the destruction of their environment and the lack of visible improvements in the quality of life. The anger boils over into rebellion, sabotage and conflict costing many thousands of lives in growing civil strife while the American-supported security apparatus protects the daily flow of oil to the US.

The Big Push: an alternative?

Some human rights activists, environmentalists and anti-poverty agencies promote an alternative scenario, a sustained, coordinated and coherent effort among all players to minimize harm from oil development. It sounds utopian and would require an end to the culture of greed, corruption, violence and opacity. As articulated by Catholic Relief Services, the "big push" approach emphasizes the following:

- oil companies work to address their terrible reputation and, ultimately, their business future, using "corporate best practice" in the publication of revenues payments and other policies;
- Western governments promote a common policy of transparency, governance and human rights rather than using back door diplomatic resources when oil markets expand in Africa. These governments would require their companies and export credit agencies to adopt common policies that promote transparency and accountability;
- the World Bank and the IMF work with the common purpose of using their influence to promote transparency and accountability in the management of oil wealth; and
- civil society groups in Africa and elsewhere work together, strengthened by better information, to improve the management of oil wealth for poverty reduction.


Focus of 'rebellion, sabotage and conflict': Shell Oil operations in the Niger River Delta, southeastern Nigeria.
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"Some human rights activists, environmentalists and anti-poverty agencies promote an alternative scenario ... the 'big push'."

The "big push" for transparent oil revenue management in Africa is urgently required if future disasters are to be avoided. The responsibility for ensuring that Africans themselves benefit is a collective one. The successful management of the wealth created by Africa's oil boom is one of the major challenges facing the international community in its relations with Africa. The other "business as usual" alternative will be much more than an opportunity lost; it will be a disaster for hundreds of millions of Africans.

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