



# **OIL AND GOVERNANCE REPORT**

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

*Produced with the generous support of the Ford Foundation*

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## ACRONYMS/ABBREVIATIONS

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

## Introduction

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

Although oil has been a source of income for many decades, new discoveries and global economic and political dynamics have prompted much debate as to how this resource can be used for development purposes. For many of the African States in which oil is present, the financial revenues gained from this resource could go a long way towards redressing development needs that continue to plague the continent. Thus far, however, the indicators are not encouraging: countries that are highly dependent on oil revenues (a) are more likely to experience violent conflict (Le Billon, 2005); (b) tend to prioritise military over civilian expenditures (Ibid); and (c) primary human development indicators, such as health, education, and poverty worsen over time.

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

This study seeks to gain a greater understanding of the negative relationship between the presence of oil and development. Furthermore, this report seeks to identify mechanisms through which to change this dynamic. Rather than focus on the economic and financial environment, the study approaches the problem through an analysis of the political context within which decisions are made about resource revenue. In identifying the processes by which stakeholders, such as civil society, citizens and external actors engage with the State, the political arena will be highlighted as the avenue through which change may be possible. In other words, rather than explain why certain political choices are made, the central questions are how are these decisions made, by whom, and how might they be influenced? The analysis seeks to identify what forms of action should be undertaken with regard to the processes, actors and institutions that are subject to and play a determining role with regard to political will.

Political processes are often cumbersome and lengthy. For those working in civil society, who have access to and see first hand the impact of oil on communities, finding the patience to continue to try and work with governments in collaborative partnerships can be problematic. It must also be said, however, that many within government face equally challenging obstacles when attempting to engage on the subject of oil extraction and revenue. Due to the highly centralised nature of decision making in this area, Parliamentarians, Ministry personnel, and various other functionaries often do not have the information or capacity to engage even if they were inclined to do so. Similarly, Multinational Corporations (MNCs) in the oil industry who show willingness to provide information that could shed light on their financial dealings with governments, risk losing lucrative contracts.

The presence of traditional democratic institutions and processes, such as regular elections, does not in and of itself mean that a country is democratic. In the absence of formal participatory mechanisms, and a nascent if not non-existent culture of democracy, alternative means of engagement must be found. Thus, finding and creating spaces in which constructive dialogue can take place relies heavily on the personal experiences of those that come into frequent contact with the people, institutions and processes concerned. The route chosen in this report is to address the practical dimension of engagement and activism on a day to day basis. Case studies based on in-country research will provide a snap shot of the situation on the ground as provided by primary stakeholders. These impressions, perceptions, and experiences will be used to draw out, lessons learnt, engagement

## **PUBLISH WHAT YOU PAY**

The Publish What You Pay campaign was launched in June 2002 by George Soros, Chairman of the Open Society Institute. The small founding coalition of NGOs was soon joined by others such as Catholic Relief Services, Human Rights Watch, Partnership Africa Canada, Pax Christi Netherlands and Secours Catholique/CARTAS France, along with an increasing number of groups from developing countries. The coalition has grown extensively since the campaign's launch and continues to expand worldwide.

The Publish What You Pay campaign aims to help citizens of resource-rich developing countries hold their governments accountable for the management of revenues from the oil, gas and mining industries. Natural resource revenues are an important source of income for governments of over 50 developing countries, including Angola, Indonesia, Kazakhstan, Nigeria and Venezuela. When properly managed these revenues should serve as a basis for poverty reduction, economic growth and development rather than exacerbating corruption, conflict and social divisiveness.

The Publish What You Pay coalition of over 300 NGOs worldwide calls for the mandatory disclosure of the payments made by oil, gas and mining companies to all governments for the extraction of natural resources. The coalition also calls on resource-rich developing country governments to publish full details on revenues. This is a necessary first step towards a more accountable system for the management of natural resource revenues.

The campaign was founded by Global Witness, CAFOD, Oxfam, Save the Children UK, Transparency International UK and George Soros, Chairman of the Open Society Institute. Publish What You Pay members are actively working towards greater resource revenue transparency around the world, including in Australia, Azerbaijan, Cameroon, Chad, Congo Brazzaville, Côte d'Ivoire, Democratic Republic of Congo, France, Gabon, Georgia, Germany, Ghana, Guinea, Indonesia, Kazakhstan, The Kyrgyz Republic, Liberia, Mali, Mauritania, Mongolia, The Netherlands, Niger, Nigeria, Norway, Peru, Sierra Leone, Timor-Leste, the United States and the United Kingdom.

[www.publishwhatyoupay.org](http://www.publishwhatyoupay.org)

opportunities, and practical suggestions for any future stakeholder action.

The aim of the report is to provide descriptions of the contexts in which political power is exercised in the four countries, how these are shaped and engaged with, and how – if possible – they can be changed. In isolating these socio-political forces, it is hoped that avenues for public participation, effective advocacy, and methods of positive engagement can be found. In other words, the focus is not on what causes an absence of political will, but rather, what can be done about it. The audience for this report is not, however, limited to civil society actors. Indeed, civil society on its own will not be able to confront and resolve the challenges faced in oil rich countries. The main actors in this arena are governments, MNCs, international funding agencies, donors, local and international NGOs, and, of course, the people. Furthermore, all actors face constraints and challenges that are unique to their domain. It is hoped that this report will resonate with all these stakeholders.

#### OIL PRODUCING COUNTRIES IN AFRICA

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

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

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

\*Mbendi Profile accessible at <http://www.mbendi.co.za/indy/oilg/af/p0005.htm#5>

#### *Methodology*

The working premise that guided the research for this report is that the root cause of the negative relationship between oil, democracy, and development, is political in nature. That is, an absence of political will continues to obstruct the use of oil revenues for the purpose of development and improving the lives of people.

In order to make the fieldwork component of the research structured and manageable, four oil-rich countries were chosen as case studies: Chad, Angola, Gabon, and Sao Tome é Principe (STP). These four countries find themselves at various stages of the oil extraction process and serve as good examples of how oil can shape the political landscape. Chad, Angola and Gabon are currently generating revenue from oil extraction, while exploration activities off the shores of STP have

yet to identify economically viable deposits.

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

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

An interview guide was used in order to focus and standardise the information gathered.<sup>1</sup> The guide took interviewees through an analysis of the institutional and social context in which they operate, combined with targeted questions on: information available on and interviewee understandings of the oil sector; relationships between the stakeholders in the oil sector and; the challenges and opportunities of engagement with the State both in broad terms and in relation to the oil sector. The guide was supplemented, where relevant, with questions focused on particular aspects of the oil sector in each country, for example, the College and the oil revenue management laws in Chad.

The report is structured to provide an overview of the issues related to the impact of oil on development coupled with case studies from oil producing countries that have informed a series of lessons learned about engagement by CSOs with the State in relation to oil. The first section will introduce the conceptual basis for the economic and political explanations put forward in the academic literature on oil and development. This is followed by the four case studies. Each case study is introduced by a section providing an historical background on politics and oil in the relevant country. This is followed by a situation analysis of the current context and the modes of engagement undertaken by civil society in each country based on the interviews and information gathered from a range of actors. The concluding chapters seek to draw lessons learnt from the experiences shared by interviewees and map opportunities for engagement. The report concludes with recommendations on the way forward. It is hoped that these recommendations can be employed by practitioners and politicians alike in order to promote democratic practise and improve the quality of lives of citizens in oil-producing nations.

## **Defining the General Context**

*“All people have the right to their country’s natural resources...”*

*- African Charter on Human and Peoples’ Rights, Article 21*

It would seem that the exact opposite of the above Article from the African Charter on Human and Peoples’ Rights would fairly accurately describe the current situation within oil producing African States. Visits to the capital cities of Libreville or Luanda, provide ample evidence of the chasm that exists between ideals and the reality on the ground. That is, the majority of the people do not benefit from the resources or the wealth generated by State. Although foreign actors, like multinational corporations, international lending institutions, and governments may not dominate African States, they certainly have a great deal of influence. In dealing with these international actors, African States often behave as the lesser partner, accepting contracts that are skewed against them. Governments in oil rich countries bear the responsibility for promoting the welfare and development of their people. However, instead of gaining some form of economic independence, nations have indebted themselves even further. Civil society organisations have been sidelined and had their work obstructed, with few opportunities for engagement with their governmental counterparts. All the while, the quality of life for the masses steadily declines.

### ***1. The Political and Economic Context***

Oil revenues generate a rapid increase in State budgets, and there is a proportional increase in the potential for the abuse of power. Executive branch institutions, for example, often do not have the capacity to effectively manage and distribute the vast sums generated by oil revenues. This can open the door for creative pilfering. It is clear, however, that for the investors generating revenue comes first, regardless of whether or not State institutions are capable of efficiently dispersing the money.

In Chad, for instance, the World Bank emphasised the need to have adequate institutional capacity to ensure that revenues would help alleviate poverty. A report produced by the International Advisory Group, however, which was set up within the broader context of the World Bank project in Chad, warned that while the means for extracting and transporting oil was being constructed on schedule, “the social, environmental and capacity building components of the project have hardly gotten off the ground” (Horta, 2002: 6). As Margaret Desilier points out, “while pipelines and offshore platforms can be built quickly, reforming governments, building institutional and human capacity, and fostering civil society and citizen oversight takes many, many years” (Désilier, 2004: 196). The example of Chad illustrates how the establishment of institutional capacity to exercise oversight or the willingness to engage with civil society to improve democratic decision making, are not pursued with the same vigour as the acquisition of oil revenue.

The scale of the income generated from oil production is, when compared to pre-oil GNP, staggering. “African governments raise revenues from the oil sector through taxation, levies, royalties, signature bonuses, their share of production-sharing agreements, and/or joint ventures” (Gary & Karl, 2003: 11). While some of this money goes through normal channels, even if these aren’t open for public scrutiny, there is evidence to suggest that substantial amounts are diverted into what are referred to as parallel budgets. Of course, these claims are difficult to prove, as the exact figures that would be needed to confirm their existence, both in terms of what MNCs pay out and what governments receive are often unattainable due to confidentiality clauses included in contracts.

This secrecy is compounded by weak or ineffective oversight institutions, where complicity in corrupt practices is as much a problem as capacity. It is unlikely that, even with adequate training and skills within these institutions, full disclosure of revenue figures would automatically improve the situation. More importantly, perhaps, is that “oil states can buy political consensus” (Karl, 2007: 21). These

countries can be characterised as having dominant one party States, where the ruling party holds the keys to power and individual advancement, whether that be financial or political. Acting independently of the party therefore, is often political suicide.

### **a. The Paradox of Plenty**

With few exceptions, the discovery of oil leads to a deterioration of governance and human development indicators in resource-rich states. This is alternately referred to as the “paradox of plenty” or the “resource curse”. Resource curse arguments posit that “there exists a negative relationship between endowment with natural resources and social and economic development” (Duruigbo, 2005: 5), which consequently leads to an unusually high rate of poverty, poor health care, child mortality, and poor educational performance (Karl, 2007: 7). The discovery of oil and the increased revenue oil generates should, logically, be seen as a welcome event for any developing nation. Yet, it has come to be understood that States without adequate democratic governance structures and institutional capacity, particularly in the area of

#### **EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)**

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

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

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

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

[www.eitransparency.org](http://www.eitransparency.org)

revenue management, cannot or do not use this wealth as a means to uplift their people or alleviate poverty.

In the absence of a healthy democratic environment, which would include institutional autonomy and participatory mechanisms, the benefits accrued from oil are mainly restricted to the elite or those with political power. Even where democratic practice may have had deeper roots, the presence of oil leads to the marginalisation, disenfranchisement and disempowerment of the people. It is important to clarify that oil in and of itself cannot produce these effects on countries (Karl, 2007: 5). Rather, it is a combination of factors that are distinctly human in nature. Choices as to how revenues are to be used rest with individuals, though these are often immersed within institutions, companies, and organisations that have a normative, systemic and operational culture.

The role of human capacity within governments is also evident in the pre-extraction period, where negotiations with MNCs often lead to contracts heavily skewed in favour of the companies. These companies have extensive expertise in the field, and can come to the table with both technical and legal experts, while governments can often find themselves ill-prepared and uninformed. While the handicaps faced by African governments in negotiations must be acknowledged, it can be argued that "... these countries are not necessarily cursed by their resources. What they have been beset with is a curse of leadership" (Duruigbo, 2005: 3). Hypotheses involving issues of leadership and individual weaknesses, however, are not easily tested. Hence, the focus of organisations such as the World Bank tends to be on more general institutional capacity rather than on pinpointing individuals which can lead to problematic diplomatic and personal relationships.

#### **b. Dutch Disease and the Rentier State**

There are two economic paradigms that define many of the situations and consequences encountered by oil rich countries. These address the impact that the influx of vast quantities of foreign capital can have on national economies, and the negative long-term habits and trends that this can engender within States. Preventative steps can be taken to ensure that an economic equilibrium is maintained, but these require concerted action on the part of the government concerned. For instance, special saving funds can be put in place to ensure that market volatility (i.e. the rise and fall of the price of oil) can be accommodated in the national budget formulation process, the planning of which can fall victim to serious fluctuations in prices, particularly if the price of oil goes down.

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

Oil dependent African States can also become what is termed a “rentier state”, where rents are being paid by foreign actors and accrue directly to the State, and where only a few are engaged in the generation of this rent (wealth), the majority being only involved in the distribution or utilization of it (Ross, 2001: 329). Or, in simpler terms, a rentier State is a “State that lives from externally generated rents rather than the surplus production of the population. In oil-exporting states, this is measured by the percentage of natural resource rents in total government revenues” (Karl, 2007: 2). Financially, the Rentier State thus relies primarily on externally generated income, and becomes less dependent upon internal tax revenue, and may therefore be less inclined to ensure that adequate macro- and micro-economic provisions are implemented in service of development. “Petrodollars simply permit more scope for cumulative policy errors” (Karl, 2007: 18).

## ***2. The Social Contract: Government, People, and Accountability***

Michael Ross makes the claim that “governments that fund themselves through oil revenues and have larger budgets are more likely to be authoritarian; governments that fund themselves through taxes and are relatively small are likely to become more democratic” (Ross, 2001: 335). Put another way, “petrodollars actually sever the very link between people and their government that is the essence of popular control” (Gary & Karl, 2003: 23). Taxes, using this argument, are interpreted as being at the centre of the social contract between the government and the people. Governments that don’t need to rely on tax from the people, don’t, subsequently, feel much of an obligation to be accountable to them. Conversely, this makes people less inclined to “demand accountability from and representation in government” (Karl, 2007: 21). The absence of democratic mechanisms to voice discontent, or, for that matter, engage the government in any form of dialogue, further supports the supposition that the these two sectors do not share any common ground whereby mutual obligations can be realised.

These assertions regarding the relationship between taxation and accountability seem to oversimplify the nature of the social contract. It is a rather complex concept that relies on the existence of embedded values inherent in a healthy and functioning democratic society. In the majority of cases, the oil rich African countries have never experienced what would, in western terms, qualify as a fully functional democratic system. Consequently, it is necessary to look at the relationship between the government and the governed in local contexts, based on how each of these two perceive one another, and what they see as their respective roles. If the citizens of a particular country do not demand accountability or representation, this may not necessarily apply to the issue of expectations. Nor does it necessarily lead to the conclusion that they do not expect the state to perform certain functions or deliver certain services. To put it more succinctly, does a particular population feel entitled to share in the benefits accrued from resources found within their country?

In interviews, it was evident that people who live in areas where oil is extracted feel they deserve a share in the profits (even if this only takes the form of compensation for lost land or environmental damage). The question of ownership with regard to natural resources may be blurred, but that the people have a right to benefit from what is found within the country’s borders is a shared undercurrent of belief that permeates

both public and government groups, even if the latter does not acknowledge this in its actions. This “reflects the nearly universal principle that oil... [is] the property of the State and [is] to be managed by the State for the benefit of its citizens” (Groves, 2005: 83). Perceptual divergence may stem from how groups define “the benefit of its citizens.” For instance, governments in developing Africa countries may see the presence of oil “as an open path to economic liberalization and an opportunity to control the influence of Western governments and international financial institutions from whom they have constantly begged for assistance and/or high-priced loans.” (Ndumbe, 2002: 74). This may not be an idea foremost on the mind of people who grapple with primary and basic human needs on a day to day basis. Similarly, governments may claim that exorbitant military expenditures are required to maintain security.

Ordinary people are unlikely to expect to have their quality of life *decreased* by the presence of oil. The idea that government employees and representatives have some obligations to their people, regardless of the dominant and de facto political paradigm does persist within the socio-political consciousness of all peoples, regardless of the form government takes. A variety of examples, from traditional African tribal structures to ancient feudal States in Europe, demonstrate that, although no formal democratic concepts or processes were employed, mutual obligations formed the core of the relationship between the ruled and rulers. Indeed, many traditional African political structures employed a high degree of participation and engagement, even though these do not fit precisely into the western notion of democratic practice.

### ***3. External Actors and Influences***

The international community has been a major player in the oil extraction industries of African States since the beginning of the 20<sup>th</sup> century. Often lacking the technical expertise and financing required to access oil reserves, African States have had to turn to international finance institutions, donor States, and MNCs. Finance institutions, such as the World Bank, have recently played an increasing role in trying to ensure that resource revenues are used to alleviate poverty. Chad, for instance, relied heavily upon the World Bank to finance the construction of the pipeline that allowed for oil to be pumped through Cameroon and into the Gulf of Guinea. The finance for this project was contingent upon Chad’s adoption and implementation of revenue oversight mechanisms.

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

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

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

Reliance on the expertise and skills of MNCs to extract oil creates a dependence that tends to be skewed against the interests of the State and its people. MNCs are often in a position to make exorbitant demands upon States, and can have operational budgets that exceed the GDP of the States with which they are negotiating. Contracts between States and MNCs are often cloaked in secrecy, with confidentiality clauses that prevent the public from knowing precisely what revenues are accrued by the State, but perhaps more importantly, what rights and privileges have been accorded to the company concerned. Human rights, development, and environmental concerns are not the operational priorities of companies engaged in the extractive industries. Simply put, as businesses, the primary motive rests with profit, *not* the promotion of democracy or the equitable distribution of revenue.

There has been an unfortunate history of MNCs leaving environmental and human devastation in their tracks. The incidence of conflict in areas where oil is the main source of revenue is a telling testament. Emeka Duruigbo argues that while these companies “have been experiencing a steady growth in size, power, and influence, [there] phenomenal growth has come with immense social, environmental, and economic costs to humanity” (Duruigbo, 2005: 30). The increasingly tarnished image of MNCs has resulted in increased efforts by these actors to improve community relationships, not to mention global public and stockholder perceptions. Recent discussions have sought to address the need for MNCs to take a more proactive role in the development of the States in which they work.

Due to the failure of some States to deliver basic services, communities have turned to MNCs to provide schools, roads, access to potable water, etc. Thus, the role that MNCs have vis-à-vis communities and States needs to be addressed, and forms a critical part of the discussions that were held during the course of the field research. One of the fundamental questions, for instance, is whether or not MNCs should take on the role of a development actor. Governments, although keen to profit from the wealth of these corporations, are wary of this type of role for MNCs. As people and communities turn to MNCs for help with basic necessities, there is the potential that these companies will find themselves in the position of acting as surrogate governments.

Corporate Social Responsibility (CSR) is the new terminology used by MNCs to describe their efforts to contribute to the countries in which they work. This, however, depends primarily on the good will of the MNCs concerned, and often has no basis in law or contracts. Shell, one of the biggest actors in the oil industry, argues that external scrutiny and reactions has led them to conclude that “sound business

investment in any emerging region, must take into consideration achieving an enabling social and economic environment” (SPDC-Nigeria, 2004: 143). This may be a laudable approach but the question remains, once an enabling environment is established, will investment be continued in order to sustain this environment in the long-term? In other words, is CSR a phase designed to appease national and international observers, and once the tarnished image is remedied, will MNCs go back to “business as usual”?

While MNCs themselves profit through the extraction of oil, they also generate considerable revenue for governments. Efforts to understand why or how these often massive revenues do not lead to the improvement of the quality of lives of people is the subject of much debate. Many causes for the financial, institutional, human, and socio-political deterioration of States that are rich in resources have been put forward, and will in the text below be examined in the light of the current contexts, circumstances, and events through the eyes of the main stakeholders.

#### **4. Conclusion**

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

How can the political will to use oil revenues more effectively be generated? If the governments of these States do not live up to the obligations to which, in most cases, they are constitutionally bound, what actions can be taken to ensure that they do? In recognising that the economic, environmental, and human development problems that plague oil producing African States are of a political as well as economic and budgetary nature, do opportunities emerge that can be utilised by stakeholders? If members of government are not abiding by the social contract they have with the governed, what steps can be taken to repair that bond? Have these governments, in not upholding their end of the social contract, been rendered illegitimate?

It is important, however, not to “assume that the loss of legitimacy by government bodies, due to inefficiency or self-enrichment, automatically confers legitimacy by default upon civil society” (Traub-Merz, 2004: 19). Civil society, although the public political counterpart of government, often resorts to stances and actions that do little to ameliorate the relationship between the State and its citizens. That said, if the democratic institutions that are meant to safeguard the interest of the people are ineffective, then who is left to carry the baton?

Creating healthy democratic states is a challenge faced by many developing countries. In the modern world the importance and relevance of democratic practice has perhaps been eclipsed by realities and priorities as defined by a globalised market and international community that are its main proponents and participants. Herein rests a fundamental problem as the needs of normal African people come up against the developed worlds' insatiable need for oil.

Nevertheless, there exists on the African continent a firm legal basis upon which a claim by the people to benefit from its riches can be formulated. Constitutions and legislation within these African States, and African Union Charters, can all be used as a platform for action. More relevant and useful perhaps, is the presence of many people, in both government and civil society, who recognise the need for more equitable and democratic management of oil revenues. Political will is not, by any means, a static component of government and governance. It is subject to a variety of forces and processes that can be harnessed to redirect and redefine priorities.

In the chapters that follow, the four case studies will illustrate in practice what has here been presented as argument. Out of these illustrations and examples, recommendations and a way forward will be proposed. It is hoped that these lessons can be taken up by stakeholders and serve as means by which they can aid in the development of a culture of democracy.

## **Background on the Republic of Angola**

Located on the Western coast of Southern Africa, the Republic of Angola suffers from significant social and political instability, primarily as a result of decades of civil war. Despite its volatile political situation, Angola remains the second largest sub-Saharan oil producer in Africa and has received billions of dollars in petroleum revenue. These considerable profits have done little to enhance the lives of Angola's approximately 16 million inhabitants (4 million of who are internally displaced or refugees). Instead, Angola currently ranks 161 out of 177 countries in human development. Despite its resource wealth, which is not limited to oil, Angola also receives the largest amount of Foreign Direct Investment globally provided to least developed countries (LDCs).

### ***1. The People and the Land***

Angola was home to the Boschimas, a pigmy group of hunters, until around the 6th century A.D. when it was settled by the Bantu people. Angola is now home to the Ovimbundu, Kimbunu, and Bakongo peoples, who account for the majority of the population (with individuals of mixed race or European decent serving as a small minority). While the official language is Portuguese, Bantu and a variety of African languages are spoken. A large percentage of the population identify themselves as Christian, with the remainder practicing indigenous beliefs.

In 1482, Portuguese explorers landed in Northern Angola and slowly claimed control of the area through a number of Treaties and wars. During the early colonial days, Portuguese involvement in Angola centred on the slave trade. Near the beginning of the 19th century, however, the slave trade was abolished, and Angola became increasingly focused on exporting goods, such as palm, peanut oil, rubber, glue, wood, ivory, coffee and cocoa. As a result, a majority (85%) of the Angolan workforce was concentrated within the agricultural sector.

Decades of post-independence civil war in Angola resulted in the death of 500,000 to 2 million individuals, displacing millions and sending several thousand refugees to neighbouring countries. The high number of refugees and displaced individuals has resulted in severe deficiencies in social service areas such as housing, education and health care.<sup>2</sup> These social issues, paired with health concerns such as HIV/AIDS, have produced low socio-economic statistics, such as a literacy rate of approximately 67% and a life expectancy of approximately 37 years.

### ***2. Political Overview***

In the mid 20th Century, Angola began a move towards independence with the formation of several groups, such as the Popular Movement for the Liberation of Angola (MPLA), the National Front for the Liberation of Angola (FNLA), and the National Union for the Total Independence of Angola (UNITA). Within this atmosphere, a series of actions by these groups in 1961 marked the beginning of an anti-colonial uprising. First, a revolt within the cotton sector revealed the public's discontent with falling prices and a lack of wage payments. A second armed attack on

the main political prison in the capital city of Luanda resulted in a few Portuguese casualties. In response, the Portuguese authorities executed over 3,000 individuals. A third revolt occurred only a month later in Northern Angola when several hundred Portuguese settlers were attacked and killed.

Despite these conflicts, Angola achieved independence only as a result of the 1974 coup in Portugal. The new Portuguese government ceased all violence in Angola and transferred power to a coalition of the MPLA, UNITA and FNLA, in an agreement known as the Alvor Accord. Independence was formally declared by the MPLA on November 11, 1975 when the Portuguese officially abandoned the capital. The Republic of Angola was established as a Marxist-Leninist system and chose Agostinho Neto as its first leader.

Any semblance of order that may have existed at the time of transition, was however, short lived. Angola quickly descended into a civil war that would last almost three decades. Initially, from the mid 1970's until 1989, MPLA (backed by Cuba), and UNITA (supported by the United States and South Africa), fought for control. In 1989, the United States helped to negotiate an agreement, which led to the removal of foreign troops. Two years later, in 1991, the warring parties signed the Bicesse Accord, which under UN supervision was to establish a democratic Angola. In 1992, Angola held its first (and only) Presidential and Legislative elections. When Savimbi of UNITA failed to win the Presidential election and alleged fraud, Angola collapsed back into civil war. In 1994, peace was attempted through the establishment of the Lusaka Protocol Peace Accord. Once again, however, the government and UNITA relapsed into conflict, leading the UN to impose sanctions on UNITA in 1997. In 1999, the Angolan military began a massive assault on UNITA, effectively destroying their capacity and recapturing all major cities.

Peace was finally established in 2002, when the Angolan government and UNITA signed the Luena Memorandum of Understanding. Under the Memorandum's terms, UNITA pledged to abide by the peace framework originally established by the Lusaka Protocol in 1994, which included the return of all territory to the Government, and to relinquish all arms. The UN subsequently lifted its sanctions and sponsored a Joint Commission to resolve all remaining issues. In 2003, MPLA and UNITA held their first post-war Congressional sessions. Angola has not, however, held new Presidential or Legislative elections since 1992. Although scheduled for 2006, the elections have been repeatedly postponed and are anticipated in 2008.

Despite its unstable political status, Angola is officially a Constitutional Republic with three branches of government. In reality, political power is concentrated in the Executive branch, which is headed by the President (currently Jose Eduardo dos Santos). The President serves as Head of State, presides over the cabinet and may be elected for up to two terms. The President must also appoint a Prime Minister (currently Fernando de Piedade Dias dos Santos). The Legislative branch of government consists of a National Assembly that contains 223 seats. While 130 of the seats are elected by proportional vote to four year terms, 90 are elected to represent each of the eighteen provinces (five from each), and three are chosen to represent citizens abroad (although these positions are not filled at the present time). Even though there are 111 political parties that enjoy a legal status, the National

Assembly is firmly dominated by the MPLA. UNITA stands as the opposition party; however, few opportunities exist to challenge MPLA's power.

Due to the concentration of power in the Executive and the history of single party dominance within Parliament, many observers note that there are few checks and balances within the Angolan government. This reality continues to support "a political culture of conflict, administrative secrecy and confidentiality, clientelism, favouritism, and co-optation, which has weakened the political basis for a democratic...Angola."<sup>3</sup> Additionally, media freedom is also a problem. In the past few years, media restrictions have lessened, but journalists are still subject to several forms of intimidation and legal sanction, resulting in significant self censorship. A "Press Law" was enacted in 2006, which is said to end the State monopoly on television broadcasting and strives to better inform the public.<sup>4</sup>

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

In spite of nearly 27 years of civil war, Angola has been involved in the oil industry since its colonial days. In 1955, oil was first discovered onshore by Petrofina in the Kwanza Valley. A refinery was soon constructed in Luanda in order to process the oil. The Petroleum industry in Angola expanded in the 1960s when the Cabinda Gulf Co. (CABGOC) first discovered oil in an offshore coastal enclave. The presence of offshore oil led to increased production and as of 1973, oil became Angola's principle export. Additionally, the offshore location of oil aided the industry's ability to remain separate from the ongoing internal conflict. With oil now playing a major role in the Angolan economy, the Government enacted major oil legislation and established a National Oil Company, Sonangol.<sup>5</sup>

In order to attract greater foreign interests in Angola's oil fields, the government also divided the coast into thirteen exploration blocks and began to lease these areas to foreign companies via Production Sharing Agreements (PSAs). In 1978, the government further authorized Sonangol to acquire a 51% interest in all companies with oil operations in Angola (although the management of such operations was to remain in foreign control). In 1990, Angola witnessed another oil boom. Within the next ten years, the government had established over 29 offshore and onshore blocks which were operated by fourteen companies with more than 30 companies holding licenses.<sup>6</sup>

Revenue from these blocks is accrued and then divided between the government and contractors, based on a series of regulations and contracts. Government revenue sources include bonuses, royalties, profit shares, production income and taxes. Contractor revenue is deal dependent and likely based on the bargaining power of the oil company.<sup>7</sup> Several pieces of petroleum legislation govern the allocation of revenue, as well as exploration and licenses granted to oil companies in Angola. First, and perhaps most important is the Petroleum Law of 1978 (Law No. 13/78) (Petroleum Law). The Petroleum Law defines all oil resources as property of the Angolan people. The Petroleum Law also created Sonangol as the State oil company and provides authorization for Sonangol to enter into various investment strategies, contracts, and agreements. As a result of its status as the National Oil Company, Sonangol maintains control over the Angolan oil industry. Within this role, Sonangol makes recommendations to the government regarding the industry, conducts the

bidding process, and handles negotiations. Because of its essential monopoly on the Angolan market, Sonangol is especially vulnerable to issues regarding transparency.

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

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

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

In contrast, a Joint Venture (JV) is a contract entered into by multiple oil companies. Within a JV, however, a company will make a percentage investment and then be responsible for that percentage of cost. For example, if Company A holds a 20% stake in a JV, then Company A is accountable for 20% of the JV's cost. After a percentage of taxes and government royalties are subtracted, the remainder of oil profits is allocated between the JV parties (Global Witness).

Several additional laws and agreements are in place to add structure to the oil industry. For example, a 1979 model PSA serves as the basis for all oil licenses awarded by Sonangol (with the exception of the Cabinda Concession). It allows for significant variation of contractual terms, but sets guidelines for the awarding of permits, costs and fees. A separate Joint Operations Agreement allows Sonangol to do business with foreign companies and participate as a partner in oil management. Although the government approves of such contracts on a case by case basis, Sonangol is authorized to serve as an associate or equity partner in order to maximize profit. Additional legislation, such as the Petroleum Customs Law (Law No. 11/2004), the Law on Taxation of Petroleum Activities (Law No. 13/2004) and the Law on Foreign Investments (Law No. 10/79) regulate the economics of the oil industry. Interestingly, the Law of Foreign Investments contains a provision stating that Angolan workers must be employed in certain aspects of the petroleum industry.

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

### Cabinda

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

Geographically located on Angola's border with the Democratic Republic of Congo, Cabinda is internationally recognized as part of Angola. Beginning in July of 2006, negotiations began between the Angolan government and the former leader of the FLEC. By September, the two parties signed a Memorandum of Understanding that essentially ended fighting and provided for demilitarization of the region. In exchange, the separatists were provided general amnesty and Cabinda was given special status. Despite this agreement, rival parties of the FLEC have rejected the agreement and refuse to follow it.<sup>1</sup> Thus, the verdict is still out regarding the status of peace in the Cabinda region.

With the presence of all of these oil companies, Angola now produces approximately 1.7 million barrels of petroleum per day, making it the second largest sub-Saharan oil producer in Africa (after Nigeria). The majority of production is located offshore, with blocks 15 and zero serving as the most profitable. As of 2007, Angola maintains a proven oil reserve of 8 billion barrels. Current estimates indicate that oil production will increase in Angola over the next five years with a peak likely to occur in 2011 (provided no additional petroleum is discovered).

With its high production levels, Angola is significantly dependent on its resources, and its dependence is growing. Although Angola exports gold, diamonds, wood, and fish, oil accounts for 95% of its exports, and serves as 50% of GNP. Angola has also recently increased its international connections. The Angolan government maintains an association with China. In 2005, the government began to utilize a two billion dollar line of credit given to them by

the Chinese government in order to rebuild Angola's infrastructure. Additionally, earlier this year, Angola became the 12th member of OPEC. This development will result in the payment of yearly membership fees (of approximately two million dollars), and may place restrictive quotas on Angola's oil production.<sup>8</sup>

## CASE STUDY: ANGOLA

Angola exhibits symptoms of both the paradox of plenty and a lack of diversification symptomatic of ‘Dutch Disease’. While its GDP per capita sits at approximately USD4,400 and the economy benefits from an annual growth rate of 15,3%, some 70% of the population lives on less than a dollar a day. The nation has, in effect, become like a natural resources market where everyone is trading and benefiting except the Angolan people. In the absence of significant government efforts to use oil revenues to improve the living conditions of the citizens, this research focused on identifying civil society efforts to engender State accountability in relation to the oil sector.

### *1. The Political Context*

Angola’s transition to what can be nominally termed multi-party democracy (the last and only open elections being held in 1992 under UN supervision) must be understood against the background of nearly 30 years of civil war. The MPLA won the war and, with the death of Jonas Savimbi in 2002, took power in the nation with a significant majority. Although opposition parties hold some 41% of the seats in the National Assembly, the centralisation of power in the Executive, the relative youth of most parties (established in and around 1992) and a lack of strong leadership from a still unifying UNITA have crippled the effectiveness of the legislative arm of government. Presidential appointments and party allegiance have similarly compromised the independence of the Judiciary, leaving in place a system that one interviewee described as a ‘Presidential Democracy’ within which individual office bearers lack the liberty to decide how they act.

This centralisation of power and decision making is supported by oil revenues that facilitate a system within which there is a large pot of wealth that can be used to purchase allegiance, acquiescence and the expertise to ensure the wealth continues to flow. Oil rents allow the State to buy political support from MPs and other office bearers. One interviewee noted that there was a time when Parliament was quite vocal, however their efforts to hold government to account died down somewhat after the subsidy for their Parliamentary votes was increased from USD5 to USD10. The financial benefit of an ‘acceptable’ vote in the Angolan National Assembly can erode opposition voices and strengthen allegiance among those from the majority Party. These two factors combined have led to a closing of available democratic space within Parliament and a restriction of the possibilities for civil society to make inroads in terms of engaging the government. In effect, oil rents have placed the MPLA in a position where they can contain internal dissent, seek to play a significant role on the continent, and also maintain a sense of independence from the influence of international institutions and their advocacy, through conditionalities, for good governance and transparent management of resources in the interests of national development.

The government does appear to have yielded to international pressure in relation to issues of transparency and oil revenue management. When oil and Angola are mentioned together one of the first stories that is often related is that of British Petroleum (BP). In 2001, BP expressed its intention to publish what they paid to the

Angolan government. They were rapidly put in their place by Sonangol and in order not to risk their investment, did not publish details of their payments. However, less often do you hear that Sonangol now discloses the payments made by oil companies to Sonangol *and*, in turn, what Sonangol gives to the government. Similarly, where information on budgets and revenues is closely guarded terrain in many resource-rich African countries, Angola's Ministry of Finance has a website on which (other than a lack of activity in 2006) budgets, KPMG audits of Sonangol accounts and other resource relevant information is published and quite regularly updated. The Angolan government has also recently put the adoption of an integrated finance management and planning system before Parliament.

The ins and outs of the Angolan government's commitment to transparency in relation to oil revenue and budget issues do not, however, tell the whole story. For a start, there is no clarity on where and how direct and indirect revenue enters the national budget. It is also widely held that a parallel budget exists in Angola. This parallel budget is said to be controlled by either the Presidency or Sonangol, which may be one and the same as the President appoints the head of Sonangol. Thus, this budget operates outside of the Ministry of Finance and renders the national budget non-functional and any information contained within it questionable as to its relation to the way in which oil revenue is accrued and used by the State. Of the three MPs consulted, all from opposition groups and one a member of the 5<sup>th</sup> Parliamentary Commission (Finance and Economics), none had received training on issues relating to the oil sector, or more pertinently, to their oversight function in relation to budget management and analysis. The absence of both information on and training in the relevant areas of oil sector management has had and will continue to have a significant impact on the ability of civil society or opposition Parties to engage with government on these issues, and the disposition of the Executive branch to be engaged on these issues.

## **2. Civil Society**

Angola's legacy of war has had a lingering impact on the development of civil society. Initially, NGOs in the country developed in response to emergency humanitarian crises caused by the war and have since struggled to make the shift to more sustainable and developmentally orientated organisational structures and strategies. At the same time, international NGOs and governments have complicated the operating environment. They have both vacillated with regard to broad funding for Angola, and struggled to handle the competing interests of home country oil needs and the provision of development assistance.

In the midst of this complex operating environment and as civil society organisations seek to build their capacity, they have come up against both governmental resistance and the complex negotiations involved in seeking funding whilst retaining autonomy of purpose. The local capacity for civic development is weak and, in a situation where some individuals treat the civic arena as a site for personal gain and/or a way to make a living, civil society remains small and predominantly situated in the capital Luanda.

This lack of capacity combined with competition for scarce funds further prejudices the development of Angolan civil society as small groups endeavour to be generalists in all things and specialists in none. Targeted strategies with clear objectives and

outcomes have not yet been developed. This is partly due to the monolithic state establishment and the scale of the problems faced within the country. As new organisations pop up to feed certain donor objectives, older more established groups that run out of funding are left to flounder and their networks, research and lessons learned are not shared or built upon.

In response to both increased independent civic activity in the closing stages of the war and the proliferation of transparency-based critiques from independent civil society, the government has developed a largely antagonistic stance towards CSOs. On the one hand, it has developed its own civic groups with which to engage. These groups are seen in a more ‘traditional’ light, as adjuncts to the state and a source of political party support. On the other hand, while the State may allow certain types of civic activity, independent CSOs are more often than not treated as a sort of opposition group and restrictions are placed on activity the government considers too ‘political’.

#### **a. The Media**

In functioning democracies, the media can be both a reliable source of information and an important mechanism through which to share information and establish popular support for a campaign for change. However, in Angola, both the independence and thence reliability of media as a source, and the efficacy and impact of using media to share information are relative. The key questions are “who owns the media groups?” and what can be published without a strong government reaction. The arrest of journalists is not uncommon. The private press, leaving aside the question of independence, does express different points of view through six or seven publications with limited circulation, but this discourse is limited to Luanda. There are six private radio stations, one in each province, but four of them are linked to the ruling party and only the Church Radio station could be said to be truly independent.

#### **The Episcopal Conference Commission for Justice and Peace**

The Commission, with a staff of four, works to further transparency in relation to oil and diamond revenues in Angola. Since 2005, they have analysed the revenues received and followed the national budget process. They produce reports for the Bishops Conference to present to the government. One outcome of this work was the 2006 Pastoral Letter: *Towards Economic Justice*. More recently, the Bishops Conference has begun to argue for a budgetary focus on education and health given that defence spending ought to be reduced in peace time.

The Commission supports the Angolan PWYP coalition and is an advocate for Angola to join EITI. In an effort to increase their impact, the Commission supports and engages with the newly formed Catholic Parliamentarians group.

While the Church has not always had a spotless record in relation to corruption - some Bishops accepted gifts of motor vehicles during campaigning for the last elections - interviewees confirmed that the Bishops Conference has access to government channels and represents a significant proportion of the nation’s voting population. In seeking to promote social and economic justice and, the common good, they have used these channels to admirable advantage.

### **3. The People**

Angola’s capital city, Luanda, was built to accommodate 500,000 people but is now home to close on 4.5 million people who are living in sprawling informal settlements that stretch kilometres into the city’s outskirts. This population does not necessarily benefit from the oil-backed strength of the currency, the Kwanza. They pay high

rents on their small dwellings and, though petrol costs them just 50 US cents a litre, they pay incredibly high prices for the imported food that lines the pockets of those who know someone in government. It is easy to speculate on how improved their lives might be if even the estimated 1 billion US dollars a year that ‘disappears’ off the top of the oil wealth was invested in development (Karl, 2007: 19).<sup>9</sup>

In a country the size of Angola and with human development statistics as low as those in Angola, political power and stability in a post-conflict environment often involve control of information to the extent that it becomes draconian. The Church Radio stations, ready to be rolled out in every province, have been denied that authorisation from the government. This censorship is not simply a function of or related to the oil sector. There is a sense in which, particularly until after the next election, the government does not want to look towards creating active and informed citizens in the provinces. They are perhaps, as was suggested in interview, “afraid of a population that can think for themselves”.

#### ***4. External Actors***

Angola’s interaction with external actors whether States, INGOs or oil companies, is determined by both the nation’s history and the wealth that has come from oil. President dos Santos is known to be seeking for Angola to become an important player on the continent, and through his control of Sonangol, keeps a firm hold on the actions of IFIs and, in particular, the MNCs that he knows are aware that Angolan oil reserves are of key geopolitical importance. As a result, Angola has and exercises strict control over external actors engaging in business or lending within the country.

There was a general consensus among interviewees that the World Bank and IMF are no longer very relevant in Angola because of the rising price of oil and the line of credit that was extended by China in 2001. In fact, despite its crucial role in the civil war (with its capacity to embargo the UNITA forces), relations with the IMF are currently suspended. This has eased the climate, to a degree, and some people feel that relations with the World Bank are improving (not least, from the World Bank’s perspective, on account of their internal capacity strengthening on the ground in Angola). In terms of either IFI being able to play a significant role through attaching conditions to loans, a principle reason for Angola seeking to move away from them, the difficulty will be that Angola is approaching middle income country (MIC) status. Once it is a MIC, loans will both be easier for Angola to get and will come with less conditions because, as both IFIs are essentially banks, provided there is no fear of default, a loan is easy to grant.

Oil is not a new feature of the Angolan landscape and, as a result, a number of the larger MNCs have had operations in Angola for an extended period of time. Chevron, for example, has had a presence in Angola for 75 years. What this has meant is that the oil companies responded to a call from the State for them to take an active role in reconstruction, particularly in their areas of operation. While this sounds good, and has brought interesting developmental projects through specified Corporate Social Responsibility (CSR) programmes, it is not quite what it seems. The projects in and of themselves are laudable. However they are undercut by the fact that, through an agreement with Sonangol, the CSR spend can be counted as a cost and is therefore recouped. That is, the projects require no real spending by the MNCs. Add to this the

fact that the majority of Angolan oil is offshore, and you have a situation that favours the oil companies.

#### Corporate Social Responsibility

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

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

One of the pillars of BP’s CSR is education. At present, this includes support for the establishment of a Masters in Law focusing on oil. Chevron, with its team of 23 development experts, has chosen to focus on capacity building. One of their projects has been the creation of the micro-finance institution, Novo Banco, which has thus far given out over USD27 million in loans.

### ***5. Modes of Engagement***

Despite the restrictive nature of the operating environment, interviewees noted that the past five years have seen a growth in engagement between the State and civil society organisations and groups. This opening of space has been a function of civil society demands to be heard and their concurrent calls for and pressure for action on the part of government. However, while the government has allowed for input from civil society in certain areas and, for example, is careful to be seen to take the concerns of Church groups (in particular) into account, there is no certainty that this small increase in engagement will generate a sustainable space for dialogue.

Two examples are illustrative. In 2005, the government published its Poverty Reduction Strategy Paper (PRSP). The Association of Angolan NGOs (FONGA) reacted to the publication by approaching the Ministry of Planning to call their attention to the lack of public consultation involved in the process of drafting the PRSP. The government then allowed FONGA to hold public consultations on the document in five provinces. These consultations were used by FONGA to develop a set of recommendations with regard to implementation that the government agreed to consider before launching a revised PRSP. Yet, to date, there has been no further progress on the review of the PRSP.

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

There are always opportunities for civil society to knock on the doors of power. At times, these approaches can ensure that the door remains shut (for example, a campaign to name and shame corrupt politicians generated antipathy towards certain CSOs) and at other times, they allow for a small opening that paves the way for dialogue to begin. However, government does have to be ready to occasionally open the door and in Angola, there is very little evidence that government is willing to open the door and very little incentive for them to find the political will to open the door. While there have evidently been moments in which civil society has been granted some form of space, there was a consensus among interviewees that the increase in oil revenues is leading to a decrease in the political will to open up democratic space in the country.

The government appears to have adopted a strategy that borders on cooptation and symbolic acts. Government has initiated processes for the generation of policy and laws, and has produced some notable documents, but they are not necessarily committed to the implementation of these progressive policies or laws. Civil society organisations seek to be involved and the cited examples demonstrate that the government will engage with them in the formulation stages, to which most CSOs are thereby forced to direct their energy. This allows the government to say that they have produced a PRSP or are signed on to international conventions. However, interviewees repeatedly noted that implementation was slow or non-evident and government became less open when asked questions about progress on the issue. Angola, like other resource rich countries, is left with a legislative environment that provides mechanisms for and even encourages accountable governance, but the reality does not reflect the values and aspirations enshrined within the laws.

Far more significant, in terms of the erosion of political will for democratic change and engagement around issues of development, is the nature of the State's control of oil rent. That is; the nature of the system of elite MPLA access to and management of oil revenues impacts the functioning of the State and the opportunities for dialogue with and within the State. The central feature of this closed arena takes the form of Sonangol, Angola's national oil company. If civil society lacks access to information, so too does the Ministry of Finance. The relationship between these two key institutions is far from congenial and access to Sonangol is controlled by the Executive. The structured absence of these internal lines of government communication and accountability guarantees that, under the current administration, civil society will find few avenues via which to directly engage for increased accountability in the oil sector.

There was a proliferation of Angolan civil society groups that had attended PWYP or World Bank training related to revenue management and transparency. In addition, a broader range of organisations had attended or sought to attend budget management training courses. Yet these CSOs generally felt, at this stage in their development and with the recent surge in oil revenue, that they still lacked adequate information about the processes and procedures involved in the extraction, marketing and sale of oil. On the issue of revenue management, the government has had a strong reaction to local calls for increased transparency. NGOs that have joined the recently formed PWYP Coalition (2006) and echoed calls for the government to join on to EITI have been accused of getting involved in 'political' matters or becoming 'Western puppets'.

In fact, many of the interviewees talked of a reduction in engagement between the government and civil society in response to the pressure for Angola to sign on to EITI. The Angolan government has publicly endorsed the idea of EITI but wants to claim ‘observer’ status (a status which does not exist), not least because it feels it has met most of the requirements of EITI status of its own accord. In addition, and despite the new Ministry of Finance website, the majority of interviewees noted that while the Angolan government has improved its record with regard to revenue transparency, the details of expenditure and procurement procedures remain a murky area, criticism of which is done at ones own peril. Similarly, while NGOs were welcome to hold public consultations on the PRSP and have been extensively involved in the formulation of legislation pertaining to decentralisation, the government brooked no discussion of the Oil Revenue Management Law that was passed in 2006.

The ability of any civil society to engage its government, whether on issues of broad accountability, budget management or national social development policies, is conditioned by a matrix of determinants. These include, but are not limited to: access to information, capacity (both within civil society and within the separate arms of the State), and the openness of government to genuine dialogue (political will). Angolan civil society faces obstacles to its engagement with the State at each level, and each set of obstacles carries added difficulties when the engagement relates to oil rents.

**“You can’t monitor something if you don’t have information”<sup>10</sup>**

‘We do not have access to that information’ was a recurring refrain in interviews. In general, this refers to a lack of information on what government (all branches) are doing and planning, but more specifically it relates to any and all information on the oil sector. There is, of course, a steady stream of conjecture to draw on but, with Sonangol controlling access to the oil companies and the President controlling access to Sonangol, civil society has very few avenues through which to obtain accurate information that can be used to campaign for changes in policies or practices.

Access to information is thus an area over which the government exerts careful control, through the use of bribery, to co-opt those individuals or organisations who seem prepared to uncover factual information, intimidation and violence, and through limiting any independent media to the capital city. The advantage of extra-budgetary finance is that it can be used to make alternative employment or opinions attractive. As was described in interview, “if strong people or voices appear, they are offered money or a position in government”. Put another way, “If you are a good journalist working for private radio, the government ‘invites’ you to join public radio. If you are too critical, they ‘invite’ you to visit jail”. Their reach also extends beyond Angolan media. The government successfully got the IMF to print an apology for information contained in a report they had published and to remove the information from the report posted on the web, even though this information was factual.

**Capacity and Strategic Choices**

Civil society’s capacity to find information and analyse it in service of accountable governance and democratic change is a function of both the capacity to understand the target areas and the capacity to convert that understanding into engagement strategies that open doors rather than close them. When asked whether or not they had had

training on the oil sector, the most common response from Angolans (within civil society or government) was that they considered themselves 'autodidacts'. As the issue of oil revenue and its management in relation to national development achieved a larger significance, individuals had taken it upon themselves to either gain knowledge or seek to apply their initial training or studying in Economics to the issues raised by oil 'rent'.

By the same token, one route for the opening of doors is through the elected representatives within the National Assembly. They also need the capacity to both understand information put before them and what they are able to do with that information as it relates to the legislative and constitutional framework of the State. One obvious example of the current lack of capacity, both within civil society and the National Assembly, is the issue of external debt. The Angolan stakeholders who were interviewed generally expressed a lack of information on the question of the Nation's external debt. In most cases, too, there was a general sense of a lack of interest and a lack of understanding as to why there was a need to discuss external debt in an interview on the impact of oil on the democratic and socio-economic development of the country. The interviewees lacked both the relevant information and the strategic capacity to understand the impact of oil-backed loans on the amount of money available in the budget and thence, available for socio-economic development. As a result, rather than being able to approach revenue management from the perspective of service delivery or another less sensitive angle, one less avenue for engagement is available to them.

## ***6. Conclusion***

Oil has been a feature of the Angolan landscape since 1955 and its principle export since 1973. Sonangol has controlled oil since 1976. Democracy has only been a feature of the Angolan landscape since 1992 and it has been a principle rather than a reality. At this stage in its democratic transition and consolidation, the democratic State is some twenty years younger than the most dominant economic institution of the country, Sonangol, and the nation is still recovering from the ravages of civil war. In the more than fifty years that Angola has generated revenue from oil, the rent has predominantly been harnessed for endeavours that do not necessarily promote democracy. These have included the perpetuation of civil conflict, as both sides used resource revenue to aid their cause; and personal enrichment.

Civil society's struggle to hold their government to account on the use or abuse of oil revenue only began in and around 2005, some thirty years after the State began to monopolise their control of oil. Local NGOs have yet to fully understand the sector, and they have yet to fully develop as an organised front for democratic and sustainable development. In a nation where important relationships are individualised and not institutionalised, civil society has struggled to identify the best avenue of approach in engaging the State. In spite of the current political operating environment, all the interviewees thought that there were avenues through which it might be possible for civil society to create the space for dialogue. Local NGOs, having started to understand the importance of strategic advocacy and dialogue (the need to seek dialogue on issues related to oil that are less contentious), talked of seeking meeting places within which to identify and nurture people interested in reform.

It is one thing to talk about the economic effects of the resource curse in oil rich countries. However, the curse takes on many different forms in a country that has barely known peace and is only just starting to learn about, let alone set down, the building blocks of democracy. For the Angolan people, the lessons will come hard and fast. They have a small window of opportunity to fight for democratic governance. Perhaps, the second democratic election, scheduled for 2008, will be a chance to establish a dispensation in which development is finally put on the table for discussion.

## **BACKGROUND ON CHAD**

Chad, a former French colony and part of French Equatorial Africa until 1959, gained its independence in 1960. The country covers an area of 1, 284 000 square kilometres, tropical in the south and desert in the centre and the north. Libya, its neighbour to the north, has invaded Chad on a few occasions to press its claims on the Aouzou strip in the north. Sudan, whose continuing conflict has a large impact on Chad, is to the east. The Central African Republic and Cameroon, Chad's oil pipeline partner, lie to the south.

### ***1. The Land and its Institutions***

Chad is socially, economically and culturally divided into a Muslim north and an African south. The south has generally been considered the wealthier part of the country, a fact that was reinforced by the discovery of oil in the southern regions. The primary economic activities in Chad, excluding oil, are agricultural. N'Djamena is the capital in which government is formally expressed as a proportional democracy with highly centralised presidential and executive powers of policy formulation and appointments.

Only 56% of Chad's population can read and write, less than a third of this aggregate number being women. The average life expectancy is 44, with contributing factors such as food insecurity, HIV/AIDS, open social conflict and rising incidences of criminality in many of the areas closest to the oil fields. Poverty is concentrated in specific sectors of Chadian society. Women are the worst hit in terms of relative social poverty but approximately 80% of Chad's population live on less than \$1 a day and engage in subsistence farming, with cattle, goats and cotton being the mainstay of the agrarian sector.

The discovery of oil in 1967, from which revenue only started being generated in 2004, may alleviate some of the harsher aspects of poverty in a nation that has a GDP per capital of \$1, 500 with most of GDP income, \$15 billion, presently concentrated in the top quintile.

### ***2. Historical Introduction and Post Independence Politics***

Prior to the arrival of the Europeans, Chad enjoyed a mixed social pedigree and history. The northern parts, which characteristically include the central and eastern regions, were influenced by Arabic culture that arrived via the trade routes that once passed through the north. Central Chad saw a number of empires and complex societies rise and fall, the most dominant cultural period being the Sao period whose central Chadian traditions influence contemporary politics.

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

Current politics appears to exhibit a historical continuity with prior north-south interaction. Historical ethnic fractures remain an issue. Arabic Chadians retain their primary loyalty to clans and ethnic tribes, the most dominant of which are the Zaghawa, Hadjerai, Massa and Gorane. Hissene and Deby (the previous and incumbent Presidents, respectively) are from the Zaghawa tribe, which has dominated the command and manning of the armed forces. Tribal infighting and inter-tribal conflict is also historically characterised by an external aggression towards the southerners, whose major religion, Christianity, and social preoccupations, such as trades suited to fixed dwelling, bring them into additional social and political conflict with the northerners. Northerner nomadic lifestyles are more suited to animal husbandry. This difference in economic activity has been a major source of contention between north and south. It is a distrustful coexistence that the relatively recent discovery of oil has aggravated.

### ***3. The Politics of Chad***

Chad has alternated between one-party states, military dictatorships and 'restricted' democratic practise. From 1960 to 1975, Chad was a de facto one party State under the rule of Francois Tombalbaye. From 1975 to 1979, the military dominated the affairs of Chad. Weddeye became president of a transitional Chad from 1979 to 1982. Hissene Habre seized power in 1982 through a military coup and prevented the transformation to multiparty democracy. He remained in power until 1989. In 1989, the military government attempted to control the direction of political change. In 1990, Idriss Deby overthrew the Habre junta in a coup. The one-party State Habre initiated lasted until 1993. Deby charged himself with the transition to democracy which lasted from 1993 to 1996.

Today, Chad is formally a constitutional democracy in which proportional electoral representation determines the government. Two elections are held every five years. The unicameral Parliament is composed of 155 seats, of which the ruling party, the Patriotic Salvation Movement (MPS), captured 110 in the 2002 elections. There is a presidential election every 5 years and in 2006, Deby took nearly 65% of the vote, amidst widespread allegations of ballot stuffing and of voter intimidation, amongst other irregularities. Although competitive parties contest elections, there have been allegations of abuses of power, torture and intimidation. Intimidation, low levels of tertiary education, a population with a 56% literacy rate and poor information transmission infrastructure (with only 0.6% of the population with internet access) ensures that society poses little challenge to the executive.

One of the key features of the Chadian polity is its highly centralised power structure. The presidency has widespread powers of fiat in that it may appoint ministers and judges, dissolve the National Assembly and has sufficient power to avoid many of the sanctions attached to the breach of laws relating to governance and treaty obligations. The power of appointment gives Deby, and any subsequent president, a fairly high degree of control over the transparency communications and revenue disbursement mechanisms the World Bank helped to establish once major oil exploitation was underway. This presidential control is further deepened by a presidential power that enables clauses of the constitution to be amended and added at presidential discretion.

In June of 2005, Deby successfully used a referendum to remove the constitutional limit on the number of terms a president may serve.

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

Oil exploration in Chad began in the early 1970s but was initially plagued by the twin challenges of political instability and the necessity to transport the oil from the landlocked country to an accessible port. Efforts to discover oil north of Lake Chad were less successful than those in the southern Doba Basin. However, 1996 seismic exploration by the ExxonMobil consortium revealed proven reserves of close to 1 billion barrels in the seven key southern basins (Gary & Reisch, 2005: 23). In order to transport the crude the consortium initiated the construction of a pipeline from the Doba Basin to the Gulf of Guinea off the coast of Cameroon.

The pipeline project involved treaties between the government's of Chad and Cameroon and led to increased interest in Chad's oil from external actors. The World Bank, acting with an eye to the developmental potential embodied in the oil revenue that would accrue to the Chadian government, provided finance to both Cameroon and Chad to cover their end of the investment. In 1998, the Chad Oil Transportation Company (TOTCO) and Cameroon Oil Transportation Company (COTCO) were "created to build, own and operate the pipeline" (Gary & Reisch, 2005: 23). The World Bank loans enabled Chad and Cameroon to acquire minority shareholdings in the two companies. In 2000, Chevron returned to Chad (having left in the 1990s due to political unrest) and together with Petronas (the Malaysian state oil company) entered the consortium. By late 2003, oil had begun to flow through the pipeline.

The World Bank provided additional loans to Chad to aid in the development of government capacity to manage the exploration and production. In response to calls from local and international civil society groups, the World Bank further attached revenue management conditions to the loans. In keeping with these conditions, Chad's Parliament passed the Petroleum Revenue Management Law (PRML) in 1999. The PRML or Law 001 established the framework for the management of direct revenue from the three original fields with an emphasis on the use of this revenue for development and poverty alleviation.

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

Law 001 was amended in 2000, to set the framework for the creation of a State-owned oil company, the *Societes Hydrocarbures du Chad* (SHT), and made it possible for the

government to enter into production sharing agreements (PSA's) with the consortium exploiting the oil resources. Included in the amendments, decree 240/PR/MEF/03 established the conditions for the operation and functioning of the *College de Control et de Surveillance des Ressources Petrolieres* (CCSRP or The College), the statutory body established to monitor oil revenue expenditure on the priority sectors. The College was established to manage and control the utilisation of direct revenue from oil exploration in the three oil fields of the Doba Basin set aside for priority sectors that relate to development and the fight against poverty.

The College began work in 2003 and exercises its oversight function through monitoring of the budget and expenditure undertaken in relation to the priority sectors. They check that the money is appropriately allocated and that Ministries have a reasonable plan for how to spend it. The Ministries require authorisation from the College for any expenditure undertaken with the direct revenue. They have been known to refuse to authorise payments and rely on a technical staff whose function is to assess project plans and make changes in order to ensure that the activities are appropriate. Finally, the College produces reports on its activities and an annual report on the management of the revenue.

Chad's oil revenue management framework and legislation was originally viewed as a potential blueprint for the effective use of extractive revenue in service of development. This 'model' for revenue management has now been operational for three years. While elements have been successful, the road has been neither smooth nor without legislative changes to the relevant laws and, more recently, institutions. As the revenue started to flow, there have been signs that the government may be less willing to adhere to the developmental model of management it signed on to when it needed loans and support from the World Bank.

Law 001 was formally revised in 2006 with the promulgation of Law 002. The new law, to Chad's advantage, increased the mandate of the College to include all direct oil revenue not just that from the Doba Basin fields. However, the essence of the change revolved around increasing the proportion of the direct revenue that accrued to state coffers. In October 2005, the government had expressed an interest in scrapping the fund for future generations. In December of that year, the future generations fund was scrapped, the central government's share of the revenue increased to 30% and Defence was added to the list of priority sectors. In response, the World Bank suspended \$124 million in loans and froze \$125 million of Chad's assets in the escrow account for breaching the revenue management terms. President Deby threatened to halt oil production unless the assets were unfrozen and the loans reinstated causing a hiatus in relations with the World Bank. Under a new agreement, Chad undertakes to guarantee that 70% of revenue is spent on poverty relief programmes. The escrow future generation account funds were released in three tranches over three months and the loans were reinstated. This renegotiated arrangement was regarded as a set-back for revenue management and poverty alleviation.

Additionally, the Chad government derives the majority of its revenue from indirect payments related to exploitation, payments that are outside the control of the management institutions. As a result of the poor price fetched by Chadian crude on the world market, due to its low grade quality and the costs of transportation through

the pipeline, the government has often come into conflict with the MNCs in the pursuit of more significant revenues. Again, in 2006, President Deby accused Chevron and Petronas of tax fraud and subsequently expelled them from the country. Deby defended the expulsion saying “we are engaged in a battle for the economic sovereignty of Chad” and said that the negotiators who had formulated the tax amnesty had not been granted the authority to do so by the National Assembly. Any agreement that may have been reached was declared illegal and non-binding on the government. The difficulty with the expulsion was that, owing to a lack of capacity in the Ministry of Petroleum and State revenue collection structures, there is reason to doubt whether the Chadian government can realistically determine who owes what to the State treasury. Further, despite only acceding to payment of 80% of the tax they had allegedly not paid, Chevron and Petronas were allowed to return to the country.

### **The Strengths and Weaknesses of Revenue Management Law 001**

Chad’s original oil revenue management law was both criticised for its limitations and praised for its innovative attempts to ensure development resulted from the presence of oil in the country.

On the positive side:

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

However, on closer inspection, the potentially negative gaps were significant:

- The original agreement took place in an uncertain environment and there was no way of knowing at the time whether additional oil would be discovered or if political stability would endure. As such, the law did not cover direct revenue from future oil discoveries outside of the original three fields.
- It has also been suggested that the focus on the direct income stream neglects the fact that two-thirds of revenue would originate outside the major extractive activities. This indirect revenue is drawn from oil-related income sources from the pipeline, taxes on oil-related services and products or corporate taxes relating to the oil industry
- The allocation of 5% of oil revenue to the communities in the oil producing regions was established to address any potential negative impact derived from oil extraction, such as environmental impacts, as in the case of burning off gases sometimes present in oil deposits (flaring) or oil spills. However, there was no consultation with the affected communities, there is no provision made to cover the distribution of the spending of these earmarked funds and there is speculation that the allocation will be insufficient to counter the negative impact of oil exploitation on the communities. (The allocation can, further, be changed by Presidential Decree)
- While the law sets out the sectors for priority spending, it offers little guidance as to the appropriate policy framework within which to make decisions around allocation.

While Law 002 (2006) carried both positive and negative amendments, its impact has largely been negative. And, though there is speculation as to a proposed Law 003, there are doubts that it will be designed to address the weaknesses inherent in the original formulation of Law 001.

The estimated revenue the Chadian government can expect from the Doba basin is \$5-8 billion, over the next 25 years. That is, approximately \$100 million in annual revenue from the original three fields in Doba. Present production of low grade heavy crude averages at 160 000 barrels per day and estimated proven petroleum reserves are said to be around 1.5 to 2 billion barrels. Recent additional exploration in the Lake Chad district looks to boost these proven reserve estimates. Yet, changes to the revenue management laws and government actions designed to garner the maximum possible revenue point to problems that will compromise the developmental focus of the legislative framework that was designed to minimise the 'resource curse'.

## **CASE STUDY: CHAD**

Chad's entrance into the world of states grappling with the potential effects of the resource curse was comparatively late. Despite the discovery of oil's existence in the South as early as 1967, Chad only began to receive oil revenues in 2004. The delay between the discovery of oil and its exploitation allowed Chad a unique experience in terms of international involvement in the realisation of its oil exploitation and support for the development of mechanisms to help avert the resource curse. The government's stated aim was to ensure oil led to development for the nation.

Civil society in Chad began to ask questions about both oil revenue management and the construction and operation of the pipeline through Cameroon before the World Bank entered onto the scene. The World Bank's arrival consolidated the calls already made by civil society and resulted in both financing for the development of the pipeline and the creation of a legislative framework for the oil sector. The generation of laws relating to oil revenue and the creation of the the College to oversee the use of the revenue reserved for the priority sectors have both provided institutionalised channels for civil society involvement in the oil sector.

### ***1. The Political Context***

The process of democratisation in Chad, initiated by President Deby in the 1990s, has led to the development of a constitutional democracy based on proportional representation. This theoretically democratic set-up has however been undermined by a number of factors. Perhaps the most salient is the inclusion of clauses that allow for significant Presidential control of the processes and systems which has facilitated a centralisation of power and decision making. Not only does the ruling MPS party enjoy an 80% majority in Parliament but the President also has wide-ranging powers of appointment such that key positions at national and local level are held by individuals who have been hand-picked by the regime. Where votes are cast, interviewees noted that the vote tally does not always relate to the attainment of a position in Parliament. That is, "the ballots that go in one side, do not necessarily agree with the person who walks out on the other side". As a result, national faith in the power of the ballot has been eroded.

Chad is evidently still struggling with the joint legacy of the politicisation of ethnicity and a history of a political system that has been dominated by the military. Thus, while efforts are being made to have the State function as a democracy, there is still a strong military influence in decision-making and the State's energies are frequently directed towards the quelling of insurrection and border-related insecurity. The Executive and the military have been known to interfere with the judicial system in instances where the interests of the State are perceived to be in need of protection. Votes in Parliament are conducted by a show of hands, inhibiting the freedom of MPs to hold 'unpopular' opinions and rendering the legislative arm of the State more of a rubber-stamping than an oversight institution.

There is an almost constant, if roving, State of emergency in at least one or more provinces within the State. This instability, combined with the acknowledged

weakness of State institutions and the lack of independence between the arms of government, has meant that the State's commitment to developmental objectives has been eroded. The argument is that development must wait until the nation is stable. This has facilitated the diversion of State resources, and some oil revenue (mainly indirect), in the service of defence rather than development. As oil revenue has started and continues to flow, attendant with squabbles about the nature of Chadian crude and the below average price it attracts, it has had a monopolising effect on politics.

Chad's Minister of Petrol has been the sole interlocutor in dealings with the MNCs operating in the country and confidentiality clauses in contracts exclude them from public scrutiny. As a result, while there are systems in place to monitor the direct revenue set aside for the priority sectors, access to accurate information on signature bonuses, the remaining 88% of direct revenue and all indirect revenue is as difficult to come by in Chad as it is in most oil-rich nations. This lack of access to information has obvious implications for civil society's ability to engage with and monitor the State's use of oil revenue. In addition, it compounds the difficulties faced by members of the National Assembly who feel that, even if they had decent information, they do not have the skills to ask relevant questions and interrogate either the budget or the contracts that are put before them.

The National Assembly has neither the legal mandate to access and thereby comment on contracts or to change the budget nor does it have the means by which to sanction the Executive. The National Assembly did take the initiative in the creation of a committee to re-examine the State's contracts with the MNCs. Outside of the reality that they may be unable to get the government to take action on any of the recommendations made by the committee, there is a very real sense that they would not be able to undertake more than a cursory analysis of the contracts and thus their work would be negated from the outset. They do feel, however, that they would benefit from the ability to object to certain clauses and anticipate problems. In addition, the MPs interviewed all acknowledged that civil society and the National Assembly have common goals and, at present, a non-conflictual relationship. This space for communication and information exchange is positive, however, it can only be as useful as the information that is available for exchange and the level of understanding of the issues on the side of both parties.

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

As noted, when oil became a real prospect for revenue generation in Chad, civil society expressed reservations about the government's capacity to effectively manage the revenue. When the World Bank began discussions with the State about the establishment of the College, civil society campaigned to have the number of civil society representatives on the College increased from the proposed two to four. These four representatives are from the Inter-faith Community, Human Rights Associations, the Trade Unions and the NGOs. They are nominated by their constituent communities, as are the State members. In addition, the religious representative alternates annually between a Christian and an Islamic member.

Although the mandate of the College is daunting, some even say too broad, they have the potential to ensure that funds reserved for the priority sectors are, by and large, used effectively. However, the Commissions created to monitor the 5% reserved for communities in the oil producing zones, have been less effective and key decisions on the deployment of the resources are taken in the capital rather than at the local level. At present, it is difficult for anyone to understand, for example, how Parliament's approval of the building of a stadium furthers the fight against poverty. Unfortunately, the arrival of oil revenue has shifted the environment within which those tasked with responsible management are operating.

The existence of the College has increased Chad's credibility as a nation. However, the systems by which the College impacts government action and recent shifts in the legislative framework that controls its operations have prejudiced its effectiveness as an oversight mechanism. Nonetheless, its existence, even if it is not as effective as was envisioned, has created a legal and institutional space within which civil society can both engage the State and participate in the oversight of oil revenue management.

## 2. *Civil Society*

### GRAMP/TC

GRAMP/TC (Groupe de Recherches Alternatives et de Monitoring du Projet Petrole Chad-Cameroun) was created in December 2001 by a multidisciplinary group of researchers working on development issues in Chad. With the prospect of oil revenues, Chadian civil society organizations, including GRAMP/TC, were concerned about whether the government had the political will or ability to use petroleum revenues for poverty alleviation and community development. As a result, GRAMP/TC started to work on monitoring oil revenue and transparency. It initiated the Oil Revenues Management Watch (OGRP) along with other CSOs to encourage citizens to be interested in all issues related to the management of national resources.

GRAMP/TC's activities revolve around contributions to economic growth and social development, and more precisely to improving the management of oil revenues by undertaking alternative research on oil projects. GRAMP/TC collects, analyzes and disseminates information on public expenditure in general and the management of oil revenues in particular; ensuring the regular dissemination of relevant information on the crude oil quantity produced and sold; transfers made to Chad's Citibank account; the allocation to and use of funds in the priority sectors; contributions to setting up the oil-related PRSP; monitoring the socioeconomic, legal and environmental aspects of oil projects in Chad; and informing national and international stakeholders on transparency and good governance issues in Chad.

The World Bank's attempt to develop Chad as a model for oil revenue management processes and mechanisms designed to avert the resource curse has meant that, in comparison to the other countries in this study, there is a proliferation of NGO's working on oil in the country and also of civil society involvement in the institutions established to monitor and manage oil revenue.

Civil society organisations began to work on oil issues in 1995. They consolidated their efforts through the establishment of a Monitoring Commission in 1999 that was to become the Permanent Commission on Petrol in Ndjamen (CPPN) in 2001. As just one example of civic activity in the oil sector, the CPPN and its sister network the Local Permanent Commission on Petrol (CPPL, operating in the South) monitor and do advocacy around issues within the sector. The networks are governed by a consultative council and the CPPN represents the member organisations at the level of the capital. Information is channelled through the networks both from the capital to the regions and vice

versa. At the level of the CPPL, the focus is on creating base networks of conscious citizens in the villages through training and the provision of information related to social justice, the fight against poverty and the environmental and community level impact of oil extraction.

A PWYP coalition was established in Chad in 2004, working on the environmental impact of the oil sector, the fight against poverty and issues of transparency. The coalition is represented both in the capital and at the level of the Doba basin region. Part of their plan of action is the establishment of an EITI commission in the country. Despite government claims that the existence of the College negates the need for EITI, they have issued a declaration in support of the initiative. The PWYP coalition maintains pressure on the government, and is awaiting the establishment of an EITI committee and a plan of action (both of which were supposed to be in place by the end of 2007 although there has been no progress on this front).

#### **a. The Media**

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

### ***3. The People***

One hears and sees little of the people of Chad, the ordinary citizens who may well have hoped that oil revenue would have an impact on their livelihoods and opportunities. The presence of significant oil reserves in the South has, again, led to the potential for uneven development and state investment. Of the CSOs interviewed, none worked with the people in the North. And, even where they have worked to better the lives of the communities in the oil producing zones of the South, the lack of political will to ensure development is prioritised has meant that little has changed in the lives of the southern people.

The advent of democracy in Chad has meant that people have been given rights and there is a level of freedom of expression. Prior to the 1990s, there was a lot of repression and both assassinations and revolts were not uncommon. Yet, today, despite a state of emergency in the South, the population are acting in spite of their fear. The CPPL works with four regional community networks in the South channelling information provided by the citizens on human rights violations or oil company actions to the capital. However, the people of the South have lost a degree of freedom of movement as a result of the presence of oil and areas of their land are cut off from them by fences and private security companies guarding oil interests. The people are free to speak out but the government does not listen to them and so they are not heard.

### ***4. External Actors***

Oil arrived with democracy in Chad, and the World Bank arrived with oil. As an institution capable of lending the Chadian government the finance to transport and maximise the presence of oil, the World Bank enjoyed a central role in the

development of the systems to manage oil revenue. In the early days, they provided a conduit for and support to civil society voices and worked, if unsuccessfully, to ensure civil society participation in the discussions around oil revenue management. However, once oil began to flow through the pipeline and revenue arrived in the treasury, the government has had less and less need to rely on the World Bank and thus, less and less regard for their texts. This breakdown in the relationship has only been exacerbated by the arrival of a line of credit from the Chinese.

In the beginning, civil society groups, including INGOs, respected both the line of communication with the World Bank and through the World Bank to the State, as well as the support and capacity building provided for CSOs. That all changed in 2005 when the government amended Law 001 in contravention of its 2001 accord with the World Bank. Despite World Bank protest at the change and action inspired by the amendment of the Law, they eventually capitulated to the government. CSOs interviewed described the World Bank and the IMF as having a bark but no bite and thus today, their in-country representatives are little more than functionaries. The perception on the ground is that both institutions know the reports given to them are not accurate, but they say nothing and are powerless to insist on adherence to the early agreements. While CSOs acknowledged that it is difficult for institutions like the World Bank to appropriately navigate the discourse of national sovereignty, they could not help but feel the lack of action from the IFIs makes them complicit in the lack of development that has resulted from the arrival of oil wealth.

The MNCs currently in Chad have an equally contentious role in the nation. There has been a level of interaction between them and CSOs, particularly in the oil producing zones. Civil society networks like the CPPN have engaged MNCs and created spaces for discussion with them. This has taken the form of information days for civic actors and the exchange of information with MNC representatives in the capital when reports come in from CSOs in the field. However, there is a very real sense that community related activity they engage in is only undertaken to facilitate their core function of extracting oil and lacks a commitment to mitigate the impact they have on communities. Certain companies have built schools in their areas of operation but the workmanship is poor and the schools do not have enough classrooms, never mind that resources for teaching are seen to be beyond the scope of the projects initiated by the MNCs.

Unfortunately, the contracts that have been negotiated with the State make the MNCs like states within a state. Even when the government has issues with the MNCs, the threat of losing oil revenue and a lack of state capacity to understand the industry, leave the State with few avenues of recourse and a weak negotiating position. This power afforded the MNCs by their contracts means that, even where they do engage civil society, the extent to which they have to genuinely demonstrate social responsibility in the oil zones is undermined from the outset. There was an often repeated story of an MNC that, on completion of their activities in one of the basins, dug a hole and buried the computers, cars and other equipment they had used for the project. The equipment could so easily have been donated to the surrounding communities but the disregard for the obvious needs of the people left a sour taste in their mouths. CSOs readily acknowledged that MNCs are not development agencies and are not bound to carry out social development work. Yet, particularly in the oil

producing zones, CSOs do expect the MNCs to engage in projects and processes that minimise the negative impact of oil extraction on communities.

## ***5. Modes of Engagement***

The transition to democracy and the constitutional framework it generated has led to a situation in which civil society has comparatively more freedom to operate than in other oil-rich nations included in this study. Prior to 1998, imprisonment was not an uncommon State response to NGO activity. However, civil society has evolved beyond the point of open conflict with the government, and now tries to engage using objective critique and proposals for action. Significant support and advice from INGOs has both contributed to this shift in engagement and, continues to add to CSO capacity on the ground. This has led to more openness in the government and civil society is, at times, able to reinforce the capacity of government.

Interviewees talked about how today, both government and certain individual MPs will seek help with analysis from NGOs. The Executive is strong but there is at least some engagement and consultation on certain issues. The State has never actually shut down an NGO. There are, at times, restrictions placed on activity. Government authorisation is required before an NGO can run training on the oil sector, for example, and movement is often restricted in zones that are under a state of emergency. There is also a government commission tasked with tracking activists and their actions. However, most interviewees pointed to a decrease in the sense of government menace towards civil society and one interviewee proudly asserted, “We are more free, in fact, than Gabon”, a perception which is not reflected in most published governance indicators.

Civil society work on the oil sector both predates and ran concurrently with the World Bank’s inputs. NGOs sounded alarm bells about fraud in the State’s early efforts to build a pipeline. Civil society also wrote to the government expressing concern that appropriate institutional structures be set up to manage the anticipated revenue and, it played a role in defining the workings of the Commissions that manage the 5% allocation to communities in zones where oil wells are based. Importantly, CSOs in Chad expressed early concerns that oil production should not begin before governmental institutions had adequate capacity to implement and monitor oil revenues. As momentum within civil society increased and took shape, civil society reached out to INGOs for information on the oil sector and developed strategic partnerships that have strengthened and augmented their activities.

The CPPN has not only created space for discussions and engagement with the government but has also made efforts to engage the MNCs. As a result, ESSO ran a day of public information for civil society and the CPPN has fed information on ESSO’s local level impact back to them. Similarly, as a result of weekly interactions with Encana while they were operating in the country, CPPN was able to demand that water taps placed on their supply routes were installed and sustainable. CPPN asked that the taps be more frequent (every few kilometres) on the route to allow greater access to water for the local communities. As a result, while Encana has left the country, the taps continue to provide water to the surrounding areas.

A conducive legislative framework for revenue management and international attention on the actions of the Chadian government have not been sufficient to ensure that this 'model' revenue management system is effective and sustainable. The reality is that there are national, government-created and economic determinants that shape the ways in which the framework is used. A very real obstacle to engagement on the oil sector is the basic skill levels of those people in government who are tasked with oversight. There was discussion and planning around the World Bank providing training and capacity building to government institutions prior to the time when revenue began to flow, but this does not appear to have been an activity that extended beyond the members of the College. What this means is that the National Assembly is in a position where, due to their lack of information and capacity, complex agreements or legislation that may run counter to the interests of all but a few in the elite, will pass through the house without objection.

In addition, the power of the College was limited from the outset by the fact that, as an organ of transparency, it is reliant on the government taking action and following up on its recommendations. In this sense, as described by one interviewee, "the College has no power if it sees problems". Quite apart from its limited mandate in terms of direct revenue, the College is both reliant on the State for information and budgets and, can only make recommendations to the State about proposed action. It does not have the power to sanction the State and, while its reports are supposed to be publicly available, they have to first be approved by the State and then it is the State's responsibility to make them public.

The independence of the College is safeguarded in the constitution but there are fears that if the government begins to see it as a threat to the established order, they may undermine that. The amended Petrol Revenue Management Law 002 did increase the College's mandate to include direct revenue related to the priority sectors from all current and future oil fields. However, it simultaneously changed the length of member tenures. At present this has created confusion and a concern about institutional memory within the College. There are also rumours that the current NGO representative will be removed by government. This has caused the Human Rights Associations to call for civil society to abstain from participation in the College, though the other represented groups are not in agreement. While this discord has weakened civil society and bred disunity, the involvement of the State has also, more seriously, raised questions about the independence of the College.

The College's relations with the government operate at two levels. The first is with the President, and the College feels it is respected by the Executive. They have not come under pressure from the State and the President does call them for consultations. The second level is with the Ministries and it has taken time for these to be systematised. In addition, the Ministries start projects and do not monitor how the contractors carry out the work. The College is still waiting for a completed list of projects from them. The least productive of these relations are those with the Ministry of Finance. The College is supposed to view the budget 10 days prior to its presentation in Parliament in order for them to give their input. In the first year that they were to exercise this role, they were given 24 hours to review the budget and their observations were not shared with Parliament. This year, the College took it upon themselves to circulate their observations to the National Assembly. Given that two of the members of the College come from the legislative branch (one from the

Senate and one from the National Assembly) this procedural obstacle would appear easily surmountable.

It was acknowledged that this operating environment could change with relative ease and, where possible, should be strengthened by the formalisation of the channels through which engagement and communication currently take place. Both local and international CSOs were also careful to note gaps in the capacity of civil society and the need for continued support in the generation of strategic approaches on issues. There is a need for increased professionalisation of the sector and an increased decentralisation of civil society away from the capital, but there are examples of more professional organisations and networks operating in the provinces that can be used as a base on which to build.

## ***6. Conclusion***

On the surface, the Chad case study seems to indicate that the World Bank model for revenue management may be effective. There is an abundance of civil society activity, there are institutional channels of oversight and the government is more open to engagement than most. However, what Chad is perhaps a better model of, is the power and importance of political will. When the prospect of oil revenue began to look like a reality, Chad was not in a position to maximise its benefits from the industry. With a little help from the World Bank, it was able to build the pipeline to transport its oil and begin to anticipate revenue flows. At the time, it would not have been difficult to accede to the creation of appropriate laws and revenue management mechanisms.

The precarious stability of the State in Chad and the insecurity generated by the constant sense of a State of emergency somewhere and the instability of many of the nation's neighbours, both mitigate against the capacity for the generation of genuine spaces for dialogue. Though it is possible to open space on certain issues, the government's willingness to engage seems to come in waves and is not always predictable. This has, more often than not, led to the establishment of individualised and informal spaces for dialogue and the majority of interviewees expressed the need to formalise or institutionalise the channels of communication. Increased efforts to support, capacitate and work through the National Assembly were cited as a possible avenue for the formalisation of dialogue.

Interviewees expressed a degree of scepticism about the true extent of the government's openness to engagement and its commitment to accountable revenue management. The State's centralisation under the Executive continues to be a long-term obstacle to genuine transparency. The manner in which civil society has engaged the State has repeatedly opened space but there has been a noticeable decrease in relations between civil society and the government over the last two years. This decrease coincides with both the rise in oil prices and the opening of a line of Chinese credit that has allowed the government to clash with and limit the influence of the World Bank. Chad's laws and texts are good but do and will mean very little in terms of avoiding the resource curse if there continue to be powerful men who do not want to apply them.

# BACKGROUND ON GABON

## *1. The People and the Land*

Gabon, a former French colony, covers an area of 267, 667 square miles with the Democratic Republic of Congo covering the southern and eastern boundaries. To the north lies Equatorial Guinea and Cameroon with the Gulf of Guinea providing access to the Atlantic Ocean.

The people are mostly Bantu in origin with the Fang, Boupanou, Myene and Bateke comprising the dominant groupings in a nation composed of over 40 different cultures and ethnic groups. The population is mostly Christian (75%) with some Animist (<24%) and Muslim citizens (>1%) and most speak French. The country is organized into 9 departments and most of the social and economic development is concentrated in the coastal regions, near the oil fields and transit points for foreign oil workers and minerals. For the oil industry Port Gentil is the major coastal city while Libreville is the capital.

The majority of government revenue originates in the oil extraction industries, about 43%, with oil making up 81% of export revenue. Oil extraction is governed by the Mining Code of 1962 that was reformulated in 1999 to attract more investment in the local oil industry and to encourage exploration to offset the depletion of existing fields. Oil production is estimated to decrease by 5% annually with significant additional reserves proving difficult to find.

## *2. History*

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

Gabon has, since it gained independence, exhibited highly centralized characteristics in its political culture. Omar Bongo, as the longest serving Head of State in the world, has been in power for over forty years. The one-party State he initiated after the death of his predecessor, Leon M'ba, has over the past two decades come under increasing pressure to open up to competitive politics. However, after so many years of one-party rule and the cultivation of dependency on the party, Bongo has firmly entrenched party power in many aspects of Gabonese society. The current political system is based on a first-past-the-post (FPTP) multiparty democracy that tends

towards stability created through a social reliance on the ruling Democratic Party of Gabon (PGD).

The rule of the PGD has not been universally popular within Gabon. In 1990, there were two aborted coup attempts and widespread anti-government protests following the transition to multiparty democracy. A new constitution was created in 1991 and included a bill of rights and a National Council of Democracy to oversee these newly introduced constitutional rights. A governmental advisory board was also created to oversee economic and social issues. Although political parties were still banned and technically illegal, multiparty elections were held in 1990-1991. After the 1993 presidential elections, from which Bongo emerged as the victor, civil disturbances broke out against what was seen in some quarters as a weakly administered and 'rigged' election.

The 1998 election saw Bongo return to power with 66% of the vote and the election passed peacefully. In 2001, opposition parties boycotted legislative elections due to what they called administrative unfairness relating to State party funding. The electoral result was a PGD dominated legislature with smaller alliance parties composing the balance of the representation. In 2003, Bongo amended the constitution to remove the cap on the number of times a president can run for office and in 2005, retook the presidency with 79% of the ballots. In 2006, Bongo took the National Assembly election victory again with the PGD and her alliance partners taking 99 out of 120 seats.

### ***3. The State of the Economy***

Gabon's economy is primarily extractive with the majority of non-oil income coming from timber, manganese, cocoa, coffee, rubber, sugar and pineapples. These primary sectors account for 5.9% of GDP. Industry related to petroleum and timber processing accounts for 59.7% of the economy. Of total government revenues, 43% originates in oil receipts. Gabon, in 2006, had a GDP of \$7.2 billion with the dominant trade partners being America (53%), China (8.5%) and France (7.4%) with the balance split between the EU and Asia. Despite the impressive current actual per capita income of \$7, 200, approximately one third of the Gabonese population live on less than \$1 per day.

One of the developmental challenges facing the Gabonese government is the massive wealth gap between the top quintile and the lowest quintile. The top quintile earns 90% of all income. Oil revenues have demonstrated a tendency to exacerbate poverty mainly due to the fluctuations in international oil prices, the declining rates of production and the inability of the Gabonese government to adjust to oil shocks and to plan for contingencies. These inability are apparent in the lack of diversity in the Gabonese economy and the lack of government policies aimed at encouraging and supporting economic diversity. Inconsistency in policy adherence and spending priorities has tended to undermine the overall effectiveness of social development and poverty reduction programmes.

Corruption and mismanagement loom large as tributary factors to an increasing income gap and economic diversification has not found much political or social support. Transparency International (TI) rates Gabon as a State struggling to rein in

corruption and mismanagement. Although corruption is an issue, foreign oil firms continue to find the Gabonese business environment less risky than the TI index rating suggests. Labour laws (1978 Labour Code and the 1982 General Convention of labour) are lenient and only occasionally enforced. Tax incentives are common in the oil sector to encourage additional exploration and more difficult extractions while a high degree of human networking and interconnectivity between economic and political players ensures the operational longevity of most foreign firms in Gabon.

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

Oil was discovered in the 1950's with major exploration occurring in the 1960's. Depending on the source, Gabon has proven oil reserves of 2.5 billion barrels of light crude, as at January 2006. This figure is considerably higher than it once was. Proven reserves were a shade over 1 billion barrels when estimates were made in the 1990's. The rapid increase in proven reserves has had much to do with offshore exploration, with the new discoveries in the Rabi-Kouanga offshore field containing most of these reserves. Current production is estimated at 237 000 bpd, including new oil exploitation offshore.

The only major refinery (Sogara), opened in 1967 and with a refining capacity of 17, 000 bpd, is based in Port Gentil. The government owns a quarter share in the Sogara refinery with Total Gabon (44%) and Shell (17%) being the other dominant share holders. Domestic oil consumption has remained constant and low, seldom breaching the 10, 000 bpd mark. In the Gabonese oil economy, the government, with its part ownership of the refining capacity and through production sharing agreements (PSAs) with the larger oil companies, is a major player. These PSAs are made possible by the legal structure of mineral rights. According to the Mining Code of 1962, all minerals belong to the State. The government may allocate rights to explore territories but the payment of royalties remains a form of mineral purchase.

The major oil companies operating in Gabon, inclusive of the State-owned enterprise, Société Nationale Pétrolière Gabonaise, are Tullow plc (a UK-based company), Addax (a Canadian-based firm that holds nearly full shares in Maghena and Ramboue fields), Total (France), Vaalco Energy (USA-based) and Shell (UK and Netherlands joint venture). A number of minor companies operate in partnership with the larger companies. However, their percentages are usually less than 5% of total holdings.

##### **a. Legislative Amendments and New Fields**

The legislation governing the exploration for and extraction of raw materials has been amended. The 1962 code was reviewed in 1999 with the aim of stimulating further exploration and more exploitation of existing resources. The 1962 code vested the State with the sole ownership and sole title to mining rights. Decree No 981/PR 1970 and Ordinance 45/73 (1973) modified the initial code and oil exploration and production licenses are regulated through exploration and production sharing agreements. In a similar vein to Chad, the government specifically moved to create a State-owned oil firm capable of entering into partnerships in upstream and downstream oil-processing activities.

Law 14/82 that allows for PSA's was passed in January 1983 and replaced the concession agreement. The law states that exploration agreements may last for two periods of five years or divided over three periods made up of one five year period followed by two 2-year exploratory sessions. There is a minimum of 10% State participation and a minimum 5% royalty payable on production volumes. Taxation and payments are capped at 55% of the cost of oil. If development costs have not been recouped after five years, the oil firm may apply to the government to have the cost of oil component increased to 75%. In other words, one is only taxed on 25% of production. Any signing bonuses are recoverable after ten years.

The new offshore fields at Rabi-Kouange have been estimated to hold over half a billion barrels of light oil. This new field has also attracted a cluster of fiscal incentives and tax breaks that were not present before in any of the onshore fields. The majority of this offshore field is operated and exploited by Shell. The licensing for exploration in the offshore fields allows drilling to occur to a depth of 2 000 meters. This depth adds considerably to the cost of exploration and extraction. Unlike Sao Tome, the rock structures off Gabon's mainland are not volcanic (basalt and granite) and the relative cost of drilling is not as dear. The logistical side of exploitation, storing and transporting the oil, is largely met through oil company expense, given the limited refinery capacity in Gabon itself.

## ***5. Economic Consequences of Oil***

It has been difficult for the Gabonese government to diversify the economy and to plan for the time when oil no longer provides significant revenue. The heavy reliance on the primary and extractive sector subjects government expenditure to volatile commodity price fluctuations. The volatility of the commodities market contributes to a reduced capacity to plan social expenditure. Commodity boom periods encourage unsustainable spending. Currency volatility and financial uncertainty is also an issue. In 1994, France, the guarantor of the CFA's value, devalued the CFA franc by 50% overnight. This almost instantly caused massive inflation of 34% which only stabilized in 2001 at 1.5%.

While spending on economic diversification is one way of hedging against variable oil prices, the presence of oil itself contributes disincentives to diversification. Given the variability of commitment to economic diversification, appropriate diversification and hedging policies have yet to be formulated. However, the lack of political will to diversify can be attributed to the presence of other minerals such as manganese, of which Gabon has ample reserves and what was once considered the world's richest deposit. It also has significant quantities of tin, phosphates, diamonds, potash, uranium, niobium, iron ore (1 billion tonnes of estimated reserves), zinc and marble. There is however little processing capacity inside Gabon itself and these minerals will not replace the oil income stream due to many logistical and capacity constraints.

Oil has dominated the economy of Gabon for decades, at the expense of all other potentially exploitable areas of economic development. Despite the increased revenue that the high current oil prices are providing, the long term economic stability of the country is questionable. Certainly, Gabon's attempt to replace oil revenue with environmental tourism will not be able to take the place of oil. That said, the legislative act establishing approximately 12% of Gabon as national parks, was clear

recognition of the need to diversify away from oil. Laudable as this effort may be, and there is little doubt that the laws governing these parks are remarkably progressive, it will not provide the jobs and industry necessary to address the acute shortage of employment . In combination with Bongo's retirement or abdication from power, the political and economic context in Gabon poses serious concerns. Elections due to be held in 2012 may be the turning point for Gabon, although in which direction is as yet uncertain.

## **CASE STUDY: GABON**

Since its independence in 1960, and Omar Bongo's rise to power in 1967, Gabon has experienced political stability that is unrivalled on the African continent. Although never a major producer of oil – its reserves minor in contrast to its neighbour Nigeria – the revenue generated by this resource has helped sustain a political regime for over four decades. With Gabon running out of oil and the post-Bongo succession debate already surfacing, the political and economic map may be re-written. France has traditionally played a large role in Gabon, with the French MNC Elf until fairly recently the major player in the oil industry. Since the scandal involving the executives of Elf, and political changes within France, Gabon has begun attracting international investors from other areas. Although the Gabonese – who some say are more French than the French themselves – still retain close political, social, and economic links with France, the Chinese seem to be emerging as their new dominant partner.

### ***1. The Political Context***

All the people interviewed for this report, agreed on one thing: nothing in government happens without Bongo's approval. This diminutive character has an understated presence in every context except the country in which he governs. There are claims that Bongo's hand can be seen behind most major events in Africa, and it is no secret that he played a determining role in the creation of the Central African Bank and the CFA currency. In Gabon, Bongo has achieved a status of almost mythical proportions. With a wife from the aristocracy of Cameroon and personal ties with French presidents dating back to Charles de Gaulle, that Bongo has political savvy is without question. French paratroopers still form the core of Bongo's personal bodyguard, and the French continue to be so numerous in Gabon that they are said to "sleep four to a bed." It was with French support that Bongo gained prominence in Gabon, and it is in no small part due to their continued support that he has remained in power for so long.

As a member of the minority ethnic group, Bongo's longevity is all the more impressive. Staying in power has cost him millions, if not billions of dollars. Indeed, although fabulously wealthy when contrasted with the living standards of the majority of the population, a large portion of Bongo's "income", for lack of a better term, goes towards keeping his hands on the reins of power. As he himself admits, "I redistribute nearly all the money that the Gabonese state confers on me..." (Shaxson, 2007: 97). That Gabon has not suffered from the ethnic tensions that plague many African States is no doubt in large part due to Bongo's patronage. Bongo sits atop a one party State that has virtually no opposition within government. Opposition parties are weak, and don't have the trust of the people. No institution of government appears to have any autonomy or independence. As one MP stated, loans from international lending institutions, for example, although they need the approval of Parliament, are often agreed upon while they are in recess, thus bypassing them altogether.

For the moment, the steady decline in the amount of oil that is pumped is being made up for by the rising price of crude. In 2007, for instance, although they pumped less oil than the previous year, they made more money. But as money comes in, just as

quickly does it goes out. Estimates indicate that around 50% of the official budget goes towards paying off the country's external debt. Due to its status as a Middle Income Country (MIC), rather than a Less Developed Country (LDC), Gabon also has an easier time acquiring foreign loans, which has led to excessive borrowing. Approximately two-thirds of all food is imported, much of it from France, which is reflected in the high cost of living in Libreville. Exact figures regarding Gabon's budget are hard to come by, and the reliability of the numbers that are provided is questionable. It is not clear whether all of the oil revenue actually makes it into the official budget, or, more importantly, where it goes after that. There seems to be little question that there is a parallel budget, controlled and dispensed as circumstances dictate. As in most other oil producing states, corruption in Gabon is endemic and not likely to go away within the next ten years. All aspect of the economy are open to graft. If a businessman wants to open a store, or gain a monopoly, "suitcases of cash" are known to pass hands.

A vital part of Bongo's mystique and, possibly, success, is his personability. It is said that anyone can go to see him, for instance, lending him an approachable image that engenders him to the people. Furthermore, many Gabonese (as well as foreign) students are provided with a generous bursary and stipend to go to universities, both locally and abroad, which people say Bongo gave them – *not the government!* Perhaps more importantly, however, he is politically astute. Commissions have been set up to engage civil society, and an EITI Committee was convened and is broadly inclusive. Whether or not these have the resources, information, and capacity to be effective is debatable, but it places the onus of *proving* that these are paper houses on any detractors. These acts on the part of Bongo also work to appease any concerns within the international community, as well as provide evidence to the Gabonese that their interests are being addressed.

When the world community raised the alarm with regard to the catastrophe that would befall Gabon if they did not diversify their economy, Bongo initiated and had ratified legislation that turned approximately 12% of the country into a national park. With this step, Gabon became one of the world's leaders in terms of environmental conservation. The law creating the parks, which includes measures to ensure their protection, is a noteworthy document, undertaken with the participation of world experts on environmental preservation, and international and national NGOs. Eco-tourism was to replace oil as the major engine for generating foreign currency. As a result, Gabon has pristine and unspoilt primary forest that covers most of the country.

Recently, however, the Chinese were awarded a contract that gives them *carte blanche* to find and extract mineral or oil deposits anywhere within Gabon's land and maritime borders. Included as one of the projects, was the construction of a new dam to produce electricity. This dam, as it turns out, was to be built in the middle of one of the national parks, destroying vast tracts of land that were (or are) protected from development by the very act that created them. Civil society action has been able to delay this project, and the road towards the site, also being built by the Chinese, now stops just short of the national park. This has been hailed as a victory for civil society in Gabon, but it is not certain to last. Proclamations by the government have not relented, restating its commitment to the project and asserting that civil society organisations are only trying to halt progress. Oddly enough, even this exchange is

cause for optimism in Gabon. In a sense, or in contrast to past history, it can be seen as dialogue.

For the last 4-5 years, government officials have tended to be more accessible than in the past, and not a few are aware of the issues that confront the country and what needs to be done. MPs and Ministers are known to readily accept meetings with members of civil society and the public, but what is said during private conversation does not necessarily translate into public action. If the topic fits within an area that is particularly sensitive, like oil, then all words will be carefully measured. Petrol in Gabon is no longer a resource, it is a power, and those who control it and the revenue it generates can determine whether or not you have something to eat in the evening. There is only one source of power, said one government official, and another stated clearly that, "government employees are scared. They only work to stay in power." More ominously, he added that, "petrol can make me disappear. What I know I cannot discuss."

Another long-standing member of government described oil as the biggest contributor to corruption, and stated that the presence of oil is not a benediction, but rather, a misfortune. The executive branch contains no less than 50 Ministers, all appointed by Bongo (interestingly, one of Bongo's sons, said by some to be the heir apparent, is the Minister of Defence as well as the spiritual head of the Muslim Clergy in Gabon. One of his daughters is also on the boards of Shell Gabon and Total Gabon). One participant in the study stated that a national budget without petrodollars would undoubtedly see some weight loss in this heavy government. Although Ministers are appointed from Parliament, they do not lose their seat and, as a result, there are an equal amount of acting MPs, referred to as deputies or substitutes. These substitutes act on the Ministers behalf, and can therefore hardly be claimed as independent members of the legislative branch. Gabon's Parliament is characterised as no more than a rubber stamp institution, and a lack of knowledge and training only compound its ineffectiveness as an oversight body. Capacity to exercise budget oversight is seen as one of the priority training areas for the World Bank.

Finally, the future of Gabon seems to be a cause for concern. The only time infrastructure receives any attention, said one interviewee, is when there is a national celebration and the roads to the venue need to be improved. There is an air of expectation around the next elections, and Bongo's advanced age fuels speculation as to how the government will look in his absence. There appears to be a lack of vision within government with regard to the future, and planning for the eventual depletion of its oil deposits is perhaps less intellectual than it is a scramble for the benefits while they remain. Certainly, the context is one of desperate opportunism, as is exemplified by the act of allowing the Chinese to plunder the natural resources at the expense of Gabon's adherence to the rule of law and, ultimately, its future well being. That said, this opportunistic mood has also taken root in civil society.

## ***2. Civil Society***

For various reasons, the development of civil society in Gabon has been fairly recent. Only in the past 4-5 years has a space appeared where political discourse can take root. Although the fear of reprisals still permeates civil society, there is a sense that things are changing. There is an air of expectation and commitment on the part of

civil society actors that has the potential to overcome any challenges that may come from the government sector.

Visiting Libreville, unlike many other African capitals, is not like entering a shopping mall of international NGOs and UN Agencies. At the moment there are scant NGOs that work specifically on democracy issues and none that work on human rights. On the other hand, environmental NGOs have proliferated. The absence of a large international NGO contingent is telling. The UN limits its engagement to working with refugees (from neighbouring zones of conflict). Organisations and individuals alike have found working in Gabon to be difficult. Government resistance, the exorbitant costs, and a Gabonese society that is characterised as “closed”, all tend to discourage local projects by international civil society. Even the US Peace Corps closed shop some years ago. However, as Gabon has risen to the top of the worlds list of countries engaged in nature conservation, environmental groups have made an appearance. The World Wildlife Fund (WWF), for instance, operates out of Libreville, supports local environmental efforts, and provides a crucial link to the international community. As this issue has been one of the sole areas of interest (and potential funding), it comes as no surprise that the majority of local NGOs and CSO networks work primarily on environmental issues or eco-tourism.

Be that as it may, the government has also provided the means for engagement on environmental questions. The law creating and protecting the parks serves as a firm legal basis upon which to engage with government, particularly when issues generated by infringements of this law have resonance with local communities. Oil and budget issues, however, have remained taboo. Groups or individuals that target this topic specifically, have a legitimate fear of waking up in prison. Nevertheless, within the National Parks law are sections that spell out the requirements for the exploitation of minerals and natural resources. In the case of the dam that was to be built by the Chinese, for instance, civil society have claimed that the requisite environmental studies were not done, and have used this as a legal platform upon which to challenge the government. However, at a civil society alliance press conference, where a statement to the government was put forward detailing specific grievances, the frustration and anger of the activists was apparent.

More importantly, a dialogue of sorts has begun between civil society and the government of Gabon. Old perceptions and fears do linger, and government officials are quick to suspect less than sincere motives. In certain cases, which may contain some truth, NGO members are suspected of criticising for the purpose of getting someone’s post in government. As a fairly new space of engagement, both parties are wary of the other side. This lack of trust, particularly on the part of government, is not unusual. The absence of any credible opposition has bred a confidence within governmental ranks that does not see the need for consultation or dialogue. This has made the government hesitant to engage, a problem compounded by a civil society that has yet to define itself and its role. Without adequate training and support from external organisations, one can perhaps understand why CSOs in Gabon would be criticized for delivering their message with too much emotion. This may be a measure of their frustration, but an absence of professionalism may also play a part.

A long standing Socio-Economic Council was created by Bongo in the early 90s, and was meant to serve as a civil society forum. Significantly however, the Chair of the

Council has always been a member of the government, chosen by Bongo. Whether or not this was a move to placate local and/or international observers is difficult to assess, but the majority of opinions voiced do not give it much credibility. Perceptions regarding the governments past stance towards NGOs, which continue today, are that if one becomes too vocal, the government either offers bribes, offers a government post, or employs intimidation tactics. One interviewee had their pets killed, which seems to be a not uncommon act of intimidation. A line seems to be drawn between formal and informal relations, the former being potentially threatening, and the latter being relatively open. CSOs that have now “imposed” themselves on the scene, calling on the government to act responsibly vis-à-vis the construction of the dam in the national park, are stepping into a new arena.

More recent and significant opportunities for dialogue have emerged with EITI. The government of Gabon signed up to this initiative in 2004 providing funding, with the World Bank managing a multi-donor basket to support general and regional EITI activities. A PWYP coalition has emerged alongside EITI, but, as elsewhere, it does not appear to carry similar weight or cohesion. Having already published two reports, and with a third soon to be finalised, the EITI Committee is fairly well established, complaints from civil society members regarding the capacity and role of the EITI Committee notwithstanding. Among the issues raised is the “mailbox” nature of the Committee: reports from MNCs and the government come in, and the EITI Committee produces a report. No discussion amongst the government and CSO members seems to take place. Of greater concern is that there is no way for the Committee to ascertain whether or not the financial figures provided to them are accurate. Although the bigger MNCs submit reports, the more numerous smaller enterprises do not. Furthermore, there is no indication of how many barrels of oil are pumped, as only the money paid to the government is reported. Finally, in instances where discrepancies appear and are reported, between what the MNCs paid and what the government report as having been received, the reaction is one of dismissal, claiming that the numbers are small and insignificant.

#### **a. The Media**

Lastly, there is little to show that the majority of the media in Gabon is either objective or impartial. This group is unanimously viewed as being biased and, often, the mouthpiece of the government. Lacking independence and professionalism, the press is often used by government members when they have personal grievances amongst each other, as much of the printed media is owned by Bongo’s family or government Ministers. Clientelism seems to define this sector, and what is published or said is closely monitored by the executive. The absence of professionalism leads to reportage that is based on rumour and/or misinformation. Regular features supporting the actions (or inaction) of the government are viewed as obvious fabrications. Rural communities, as in most of Africa, have access to radio (and some TV) but these only report what is sanctioned by the government.

### **3. The People**

During the many conversations held with civil society and government officials, one issue clearly stood out. Contrary to governance indicators, the people of Gabon are not as well off as the international community want or are led to believe. Leaving the glitzy and active hub of Libreville, the contrast is stark. Gabon is a country of fertile

and arable land, but agriculture is mainly undertaken on a subsistence level. As one member of civil society, who works to promote communal agricultural development remarked, “if you throw a sausage on the ground, tomorrow you will have a pig.” An initiative by a Gabonese NGO to create a collective banana farm was described as a daily battle against lethargy. If not constantly prompted, the people would not tend to the fields, and the bananas would rot where they fell.

Disempowered and financially disenfranchised, the people of Gabon are described as being discouraged and lacking in inspiration. Governance indicators place Gabon among the top ten in Africa, despite the fact that voter turn-out in the last election was approximately 25%, and the general sentiment among the populace that their vote did not count. Of those that voted many cast votes of abstention. There is clearly a general sense of despondency with regards to any potential change – for the better – within the government. With a government regime that has been around for 40 years, this may be understandable. Furthermore, that the government would appear “invincible” could also be a result of Bongo’s longevity. As in several other oil producing African States, the electoral process in Gabon is more a symbolic act designed to sanctify claimed legitimacy, rather than an institutionalised democratic process. With election monitors from NEPAD countries and the African Union all proclaiming the elections “free and fair”, little hope can be given to the people and civil society organisations who look to the international community for help. More cynically minded observers may note that the stability of Gabon, the lack of conflict, has allowed for an uninterrupted flow of oil, which might be the overarching priority of many within the international community.

#### ***4. External Actors***

Although the World Bank states as one of its priorities the engagement and training of civil society, no money is provided directly to them. Money to support CSOs is given to the government. This is not uncommon, as the World Bank generally has a working relationship with governments, and not specific CSOs. The government of Gabon has chosen around ten NGOs that they give money to, and, “sometimes it comes, sometimes not.” In Gabon, in the view of one observer, the World Bank and IMF behave as commercial banks and are happy as long as they receive their payments on time. Civil society views the interests of these institutions as being suspect, while some would favour their departure, leaving the Gabonese to solve Gabon’s problems. As elsewhere, the World Bank is quick to understate its influence with government, in this case claiming only a marginal role. Civil society members would like to see the World Bank take a more active role in promoting good governance and fighting corruption.

One area of concern for MNCs from the west, and civil society alike, is the emergence on the continent and in Gabon of the Chinese. Traditionally dominant MNCs have recently been taking steps to improve their image, but such concerns do not seem to be shared by the Chinese. In Gabon, as is the case elsewhere, the Chinese do not partake in general dialogue, and tend to keep a very low public profile. Civil society has had no engagement with the Chinese, while this is not the case with many of the oil extraction companies that have a long history in Gabon. What defies understanding, claimed one interviewee, is why the Government negotiates with the Chinese from a point of weakness, when, in fact, they are equals. Another telling

comment, made by a government official, is that “Gabon are now slaves of the Chinese, like they used to be with the French.”

### ***5. Modes of Engagement***

The impact of a globalised community has had a notable impact on Gabon. There is a new and emerging group of people that have been educated abroad, and have returned to Gabon with a greater worldview and understanding. Perhaps ironically, many of these repatriated Gabonese, who may end up opposing Bongo, were given bursaries by the President. This influence is evident in the newly developing civil society, which has a dynamic and innovative approach to the issues at hand. This new generation seems eager to engage with government to yield a more equitable division of wealth and promote democratic practice. However, the way in which civil society engages government remains critical. The Socio-Economic Council and EITI, although both State established and dominated, do provide space in which civil society can engage with government counterparts.

The former of these, the Socio-Economic Council, is a well-established institution, yet not much happens within it without the approval of government, which chairs the meetings. Nevertheless, its longevity (it was established in the early 90s) can serve as solid ground upon which to build personal and institutional relationships. Whether or not EITI will make a significant impact on the use and management of oil revenues is unclear. Participants, though quick to list its faults, do see it as a positive step in the right direction. With each report that the EITI Committee produces, precedents are set by which to compare and contrast progress, or lack thereof. Also, in the four years that the Committee has been operational, attempts have been made to improve the quality of the information provided by government and MNCs. In the long run, this may yield some benefits. However, EITI and the Socio-Economic Council are the only formal means of engagement, and there appears to be no great incentive – or need – for the government to change their habits. One member of the EITI Committee, a Pastor from an evangelical church, stated that for them, as opposed to civil society in general, the government was being forced to engage due to their growing membership and popularity.

Issue based civil society organisations, on the other hand, do not have this natural support base, and apart from international NGOs and donors, remain fairly isolated. Working on constituency building, via stronger links to local communities, may increase both their legitimacy and political leverage. Be that as it may, forums such as EITI do bring government and civil society together, even if it is a narrowly defined and limited area of engagement. The PWYP campaign, existing almost as a parallel and non-governmental structure beside EITI, poses more serious potential problems. PWYP, although extremely important, taps into the government’s most sensitive area, and thus is more likely to be viewed as a threat, with which collaboration and cooperation would prove difficult.

The environmental campaign around the conservation of the national parks has proved to be a popular rallying point for civil society. This may be the result of several factors. Firstly, the creation of the national parks drew the attention (and funding) of several large international organisations. The support, both financial and in terms of capacity, is equally as important as the leverage these links generate through

international attention. The issues take on proportions that go beyond the borders of Gabon. Secondly, the government's attempt to diversify the economy, of which the creation of the parks was a significant part, provides a platform of government approved reasoning upon which civil society can stand. The progressive legislation provides a firm legal basis around which credible and legitimate arguments can be formulated. Furthermore, these laws set out processes that allow for engagement opportunities.

Change may come, but the people of Gabon will need to emerge as actors as well. Interviewees were quick to warn that there is a heightened level of frustration among the people of Gabon that simmers beneath a "pacific", non-belligerent veneer, and that the situation could explode. It goes without saying that the majority of people in Gabon, who live in abject poverty, want a better life for themselves. But in a political environment where their voice "is not respected" and "they don't know what to do", there is a clear need for participatory democratic mechanisms. What they need most, however, as one commentator so succinctly put it, "is independence of the stomach."

## ***6. Conclusion***

With oil running out, and new opportunities for civil society engagement, Gabon appears to be at a pivotal moment in time. Whether the old guard will continue in Bongo's foot steps once he relinquishes power, or whether a younger generation will take up the baton, may well be a key factor in the foreseeable future. A dynamic and dedicated civil society is poised to benefit from greater opportunities for engagement if they can sustain momentum and develop a clear agenda. In terms of oil and oil revenue, as there are no CSOs that deal with this specifically, EITI may serve as a platform for engagement with international NGOs that can support local initiatives in this area. Bongo's tenure as President has also kept at bay any ethnic tensions that could be lurking underneath the surface and would, should a more divisive new regime follow his departure, unleash forces that could, if not harnessed through democratic processes, pose a serious threat to stability.

## **Background on the Democratic Republic of Sao Tome é Principe**

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

### ***1. The People and the Land***

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

Colonial society in STP was dominated by a plantation system, which was based around slave labour as well as indentured and migrant workers. By the 16<sup>th</sup> Century, Sao Tome had become the world's largest sugar producer. This status was, however, short lived, as regions of Southern America quickly eclipsed the title. The Sao Tome economy soon shifted its focus to the cultivation and exportation of coffee and cocoa (Frynas, et al, 2003).

### ***2. Political Overview***

Following over 400 years of colonial rule, a push towards independence originated in the 1950s, including the formation of the Movement for Liberation of Sao Tome and Principe (MLSTP). In 1974, the Portuguese removal of Dictators Salazar and Caetano led to an agreement to transfer sovereignty, orchestrated between the MLSTP and the new Portuguese regime. On July 12, 1975, STP officially achieved independence, adopted a constitution, and chose its first President, Manuel Pinto de Casa. Although it was initially governed as a socialist regime, STP transitioned to a democratic government in 1990. Its Constitution was revised to reflect a multi-party system and democratic elections were first held in 1991.

Under its current system, the STP government consists of Executive, Legislative, and Judicial branches, and administratively contains seven municipal districts. The Executive branch is headed by a President (currently Fradique de Menezes, backed by the Independent Democratic Alliance (ADI)), who is elected through direct universal suffrage to a maximum of two, five year terms. The President is responsible for

naming a Prime Minister (currently Tome Vera Cruz), who must also be ratified by the majority ruling party. The Legislative branch consists of a National Assembly, composed of 55 members elected via proportional representation to four year terms. As of the latest election in March 2006, three political parties hold seats in the National Assembly (Movement for the Democratic Force of Change (MFDM), MLSTP, and ADI, with 23, 29, and 12 seats respectively). Finally, the Judicial branch consists of a Supreme Court.

The citizens of STP are free to form political parties, as freedom of assembly and association are constitutionally recognized and respected. Media access by all political parties is also enjoyed and freedom of expression is a respected constitutional right. For example, print ads criticizing the government are said to circulate freely. In addition, although the government owns the local press, radio and television, opposition parties are given free airtime.<sup>11</sup>

Although STP's most recent elections were declared to be free and fair, the political arena is not without its share of controversy. The July 2006 Presidential election was fraught by accusations of corruption and vote buying. Additionally, with over eleven different governments since the democratic transition in 1991, STP has often been hampered by political instability. In the ten year period between 1995 and 2005, the government has dealt with several specific disruptions.

First, in August of 1995, a military coup occurred when insurgents shot a guard and captured the President. The insurgents claimed that they did not actually want power, but instead were protesting alleged government corruption and poor living conditions for the Armed forces. An Angolan delegation helped to mediate a peaceful resolution and order was restored within a week.

A second series of disruptions occurred in 2002 and 2003. In 2002, the National Assembly passed a constitutional revision to curb executive power and increase legislative power. In retaliation to the revision, President Menezes attempted to dissolve the National Assembly and hold early elections. The dispute was resolved through mediation and it was determined that the new constitutional provisions impacting executive power would not be applicable until the end of his Presidential term in 2006.

In April of 2003, several citizens posted an open letter to the government citing a series of complaints. These included sub-standard living conditions and a lack of transparency in negotiations regarding oil and revenue. A few months later, in July of 2003, members of the military and the Christian Democratic Front seized several governmental sites and key political leaders. Additionally, they asserted control over ministries, television and radio stations, banks, and airports. The rebels orchestrating this military coup accused the government of corruption and inadequate military conditions, as well as problematic social and economic circumstances. The international community condemned the coup, and many nations and organizations halted financial assistance to STP. The crisis came to an end with the help of international mediation and the negotiation of a memorandum of understanding between the parties. The memorandum contained four sections regarding the restoration of the President, a return to constitutional order, the establishment of a

monitoring commission (to oversee the enforcement of the memorandum), and a note on national problems (Siebert, 2003).

Finally, in June 2005, the public again voiced discontent with the government's involvement in the oil industry, and specifically with oil exploration licenses granted in the Joint Development Zone (JDZ) with Nigeria. Members of the MLSTP (who had the largest number of National Assembly seats at the time), threatened to resign and force early elections. The President and MLSTP were, however, able to negotiate an agreement to form a new government and avoid early elections.<sup>12</sup>

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

Within this political context, STP is now challenged with the presence of significant amounts of oil. Oil exploration in STP began in 1970 when an exploration license was granted to Hidrocarbo (a subsidiary of the British Ball & Collins and US Texas Pacific Oil). A few years later, seismic studies indicated the presence of hydrocarbons, and two wells were drilled in 1973. The presence of volcanic rock in the area, however, led to drilling difficulties. The high cost of drilling paired with decolonization movements occurring at the time, resulted in the abandonment of the project. Another attempt at exploration and drilling in 1980 by the Island Co. (a Bahamas Co.), was also called off due to technological problems caused by hard basalt layers of rock (Frynas, et al, 2003).

The situation remained quiet until the mid 1990s ushered in increased international interest in STP deposits. Some of this interest was a result of technological advancements that increased the ability of oil companies to detect and drill for oil. The 90s saw a series of contracts and agreements between the government of STP and several small companies. At the forefront was the US based Environmental Remedial Holding Corporation (ERHC). In what has been described by experts as an extremely lopsided process (in favour of ERHC), ERHC and STP entered into a \$5 million contract which gave the small company exploration rights for 25 years.<sup>13</sup> A second agreement in 1997 provided the ERHC (partnered with South Africa Procura Financial Consultants (PFC)), the exclusive right to negotiate with oil companies on behalf of the STP government.

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

Another series of suspect contracts were negotiated in 2001 between Petroleum Geo-Services (PGS), a Norwegian seismic services company, and STP. The first 2001 agreement gave PGS a ten year monopoly to map the sea floor outside the country as well as the right to sell collected data to oil companies. Under the contractual terms, PGS was to receive 85% of profits from the data sale and 10% of all of the government's signature bonuses until its expenses were reimbursed threefold. A second agreement in 2001 gave PGS the right to operate three oil blocks. This agreement allowed PGS to circumvent the entire bidding process, and is especially unique given PGS's status as a seismic services company and not an oil extraction company. The terms of these contracts were renegotiated in 2003 in order to provide STP with greater profits, and to alleviate some of the risk to PGS. For example, the PGS right to operate blocks was reduced from three to two, and the company's signature bonus payments were reduced by \$3 million. While many experts still cite this series of contracts as disadvantageous for STP, others concede that PGS has provided the country with skilful marketing and training.<sup>14</sup>

In the midst of this contract formation, in 2001, STP entered into a Joint Development Agreement with Nigeria. Under the United Nations Charter on Laws of the Sea (UNCLOS), coastal states are authorized to claim 200 nautical miles of an EEZ. In 1998, STP officially declared its own EEZ. Unfortunately, a portion of the country's claimed EEZ overlapped with the boundary established by Nigeria. In order to resolve this conflict, the countries entered into extensive negotiations which resulted in the establishment of a Joint Development Treaty (Groves, 2005). The Treaty, which is valid for 45 years, establishes a specific zone by coordinates and provides for joint control of both exploration and exploitation of resources by STP and Nigeria. Under the terms, Nigeria remains in a dominant position, holding 60% control (STP has 40%), as well as managerial dominance with the majority of offices located in Nigeria and most major decisions occurring there. The treaty does, however, establish two authorities to manage the zone. The Joint Ministerial Council (JMC) contains 2-4 ministers from each country and has overall responsibility for the zone, including its operation and dispute resolution. An additional Joint Development Authority (JDA) consists of four directors (two from each country) who are responsible for management activities of the JDZ. The

#### Key Players

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

**Wade Cherwayko** is a second individual with significant oil contacts in STP as well as other areas in the Gulf of Guinea. Mr. Cherwayko is alleged to be in contact with several high level officials in the STP government, including the President's son. His involvement in the STP oil industry includes his identification as a "witness" (or intermediary) to several STP agreements. Additionally, he is suspected to have negotiated contracts on behalf of PGS and his own company, Equator Exploration, which now maintains a partnership with PGS and also enjoys the first rights to oil blocks in STP (Hagen, supra note 14).

treaty provides very general qualifications that must be met by bidders, leaving the JDA with considerable discretion.

In addition to the JDZ, in 2004, STP took a major step and implemented an Oil Revenue Law (Law No. 8/2004). Due to a general lack of experience and human resources, STP was reliant on external actors in order to create its petroleum policy. Heralded by some as a “model” law, the oil revenue policy was developed by a team of experts at the Columbia University Earth Institute and attorneys at Hogan & Hartson. The law strives to establish a new standard for transparency and control of oil revenue through the payment and management of funds and the establishment of auditing and oversight mechanisms. Importantly, the law stipulates that its provisions are applicable not only to STP’s EEZ, but also to all oil revenue derived from the JDZ as well as all of those employed by the JMC and the JDA.

Under the oil law, the financial profits derived from oil are placed in a National Oil Account and allocated with at least 7% going to public expenditures of the Autonomous Region of Principe, and at least 10% directed towards the State share of local budgets and distributed in accordance with a local finance law. The policy also establishes a permanent fund, which receives the remaining balance after Annual Funding and service fees are transferred. Additionally, oversight committees are established, such as the Management and Investment Committee, and a Petroleum Oversight Commission. The law further stresses the importance of transparency of all payments and management, and for example, determines all confidentiality clauses to be null and void.

The Oil Law additionally contains several provisions relating to public debate and access to information. On an annual basis, the Petroleum Oversight Commission is instructed to engage civil society in public sessions regarding general hydrocarbon policy and audit reports. This information and input in turn, is to be debated within the National Assembly. The Law also provides that the public should have free, truthful, and complete access to oil information (in Portuguese). Finally, the Oil Law establishes a Public Registration and Information office which is required to contain documents relating to oil resources and their management, all freely available to the public.

With its “model” oil law in place, STP is in the position to begin oil production. 2006 exploratory drilling by Chevron, resulted in hydrocarbons that were deemed to be commercially non-viable for the moment. The JDZ, has however, accepted two rounds of bids, awarding one block to ExxonMobil in 2003, and five additional blocks to a variety of oil companies in 2004. Interestingly, ERHC exercised its option for all five blocks, solidifying its status as a major player in the STP oil industry. Along with ERHC and ExxonMobil, Equity Energy, Devon/Pioneer, Anadarko, Conoil, International Commerce/Oil Exploration Operations, and FilithimHuzod/DNO/EER (among others) are JDZ stakeholders. Upon claims of procedural irregularities, the STP Office of the Attorney General initiated an investigation into the second round of JDZ bidding. In a published report, the AG concluded that “the Second Round lacked transparency and regularity and was subject to serious procedural deficiencies and political manipulation, including the award of interests to many unqualified firms or firms with inferior qualifications, technically and financially.”<sup>15</sup> The report

recommended that to correct these problems, in the future, the use of “best practices” in the bidding procedure would alleviate the cited problems.

Despite these ongoing issues, as of July 2007, oil has yet to be produced in STP. Some estimate that commercial production will begin around 2012. Thus, exactly how the STP oil industry will develop remains to be seen.

#### **A Closer Look at Two “Model” Laws**

Within the past decade, both Chad and STP enacted oil revenue laws that have been regarded by some as “model.” Under pressure from the World Bank in 1999, Chad enacted Law Number 001/PR/99 Relating to the Management of Oil Revenues. Approximately five years later, Sao Tome enacted its Oil Revenue Law No. 8/2004, with the help of international scholars and legal practitioners. Although their provisions differ in many instances, both laws are aimed at increasing oversight and transparency within government and the oil industry.

Key similarities between the two laws include the specific allocation of funds and the direction to utilize such funds to ensure the positive development of public and social welfare. Both laws also aim to ensure that future generations will be provided for via the establishment of permanent funds. Additionally, the two laws respectively create “Petroleum Oversight Committees,” to oversee the management of oil revenue and provide an independent check on government action.

Despite these commonalities, the laws are quite different in scope and detail. Rather importantly, Chad’s initial law only covered the revenue derived from three specific oil fields. In contrast, the STP law encompasses all revenue from both its EEZ and its JDZ with Nigeria. Additionally, the terms of the STP law may be viewed as more comprehensive and specific. The STP law contains several provisions that are missing from Chad’s law, such as clauses on additional oversight rules and policy, provisions stipulating appropriate contractual terms for oil contracts, a section on public debate and access to information, and the specific delineation of transparency principles. While Chad’s law may be lacking this detail, the law does provide more explicit guidance in terms of the percentage allocations of both direct and indirect resources, and the amount that must be annually deposited into the permanent fund.

Although both laws have received positive feedback and response in their aim to increase oil transparency, both have yet to realize their full potential under implementation. Chad’s original law was criticized as containing several loopholes that detract from its ability to effectively monitor oil revenue. This includes the law’s restrictive application to the three stated oil fields (though this was revised in Law 002), the notion that indirect revenue may go directly to general government accounts, the fact that the law is vague regarding regional spending, and the idea that the law allows for changes to be made after five years via presidential decree. As a result of these problems, several key oil contracts remain secretive and oil transparency remains a problem in Chad.

Similarly, the STP law has failed to live up to its potential in practice. Following the most recent round of bidding in the JDZ, the Office of the Attorney General issued a report attacking the overall lack of transparency and oversight in the bidding process. The AG cited several discrepancies between the model procedures that should have been followed versus what actually occurred. It is important to note, however, that while STP’s law covers the JDZ, Nigeria was substantially involved in the JDZ process, adding a unique third party dynamic.

## **Case Study: Sao Tome é Principe**

Ten years ago, not many people would have heard of the island Republic of Sao Tome é Principe (STP), let alone been able to place it on a map. Their emergence on the global stage has primarily been due to speculation that there may be more than 10 billion barrels of oil off the island's coast. The impact this could have on a country that, in 2006, had a total export earning of USD1.4 million and a population of less than 200,000, is enormous. Although the nation is currently mired in poverty, this is qualitatively different from that experienced in many other African countries. The volcanic island has fertile soil that provides nourishment for banana and cocoa trees that grow wild. As nowhere is far from the coast, fishing is a primary source of sustenance. There are basic social services, such as schools and hospitals, but the people lack access to adequate water supplies and sanitation. One pot-holed, tarred road circles the main island of STP and that is where development stops. Oil could, if used wisely, change all that.

Today, every flight arriving from abroad brings at least one contingent of people who are there to "help" STP. For a country that has averaged about 20 tourists a week, making approximately 1000 visitors per year, this is a dramatic change. Relative to the population size, there is a fairly large foreign presence, composed predominantly of international civil society, Portuguese, Nigerians, Lebanese and some South Africans. Mixed sentiments are expressed when people discuss the issue of foreigners. None will deny that things have changed, and that this all started with the talk of oil. Though tactfully stated, the perception is that the upsurge in crime is related to the influx of the Nigerians and the Lebanese. Although Santomeans appear to welcome a more cosmopolitan flavour to the island, there has perhaps been a negative impact on the local economy. With the Nigerians have arrived a flood of cheap manufactured products, like sandals, and various other bric-a-brac. This has done nothing to stimulate the local economy, as all the goods enter the economy without any levies or customs duty.

The defining factors for STP are its geographical isolation and population size, and for this reason alone the impact of external actors can be both positive and negative. Traditional links with Angola, and a shared language, has led to many going there to work, and many Santomeans have ancestral roots there. But, the difference between an "outsider" and a local is stark, which is a potential cause of conflict if conditions deteriorate. Although primary education is free, advancing to secondary or university education is reserved for the lucky few. Without an export market to speak of, this cash-strapped island republic stands as a diminutive figure next to Angola and Nigeria, two of Africa's powerhouses, who have steadily increased their presence and influence.

### ***1. The Political Context***

In a country populated with an unusually high number of current or former Members of Parliament, politics is very much a family affair. Although there are only 55 MPs in total, that number is considered too large for a country of only 190,000 people. One could, perhaps, conclude that the isolation of STP from the international community and its ills has left the islanders in blissful ignorance. Certainly, in a

country where there are no ethnic divisions to speak of, virtually no crime (until recently), and a population size that doesn't allow for too much to happen in secret, one could further conclude that formal democratic practice may have had little relevance. Politicians are, perhaps as nowhere else, part of the people, and thus creating space for dialogue could be viewed as a redundant exercise. That said, the effect of money, especially on a scale envisioned by an oil boom, has already led to speculation that some politicians are starting to isolate themselves and are engaging in secretive dealings with foreigners.

Recent politics has, however, had its turbulent moments. Violence that has accompanied various coups, resulting in some gun related casualties, has left a stunned reaction amongst the people. With a political arena that is perhaps best characterised as a family, complete with family squabbles, there are external forces entering onto the scene that could disrupt the tightly knit social fabric that isolation has engendered. If the government of STP can be conceptualised as a family, then Fradique de Menezes is the patriarch. Fradiqi, as he is called by the locals, has the difficult task of engaging with global actors such as the World Bank, MNCs, other international actors and visitors, and, not least, his counterparts in African countries (particularly Nigeria, Gabon, and Angola). Without a navy or air force, the President is often flown abroad on the private jets of other Presidents. During the coup of 2003, for instance, de Menezes was visiting Nigeria and would not have been able to return to STP had one of his fellow African Presidents not loaned him an aeroplane. Thus, it is self-evident that, when negotiating with Nigeria on the establishment of the JDZ, for instance, it would have been difficult to do so as an equal.

Unique political circumstances make specific distinctions between the executive and legislative branches of government difficult to ascertain. Many of the MPs, for instance, also hold jobs within government Ministries, or have other jobs that serve as their means of survival. Oversight of the executive branch, in other words, can lead to a conflict of interests, or can be an exercise in self-reflection. To compound the issue, most people in government know each other on a personal as well as professional level. Debates over policy issues can therefore be just as likely to happen within the Parliament building, as they are at a local cafe. Engagement, or spaces for dialogue, are not lacking in STP. Parliament is accessible to all who have an issue to raise, and MPs claim to receive and respond to petitions on a daily basis. As one Member put it, "it is difficult to make decisions when everybody knows each other." Many MPs lack university educations, and thus the complex issues that surround oil may present difficulties. That said, within this familial context, the institutions of government are perceived as being relatively independent. Both the judiciary and Parliament are said to be autonomous, even if neither are particularly effective.

The departure of the Portuguese saw the end of a regime of forced labour that was different from slavery in name only. Even up until 1974, a system of indentured labour persisted throughout the plantations on the island. The lack of any transfer of skills through this system has meant that post-independence agricultural development has stagnated, and the once flourishing plantations are now indistinguishable from the thick jungle that covers most of the island. Indeed, regal plantation homes and villages can be found on the mountain slopes as if they were the fabled lost cities of a forgotten time. MPs and civil society alike warn that the dream of oil has had a negative impact on cocoa and banana cultivation. There is a need to remind

communities that revenue from oil extraction may not arrive any time soon. Indeed, oil extraction from either the EEZ or the JDZ may not happen due to the logistical difficulties and high costs of deep sea drilling.

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

## ***2. Civil Society***

In contrast to CSOs in other African countries, or within the international community, civil society in STP is in its infancy. International NGOs and IGOs have played a crucial role in forming local CSOs. FONG, the umbrella body for local CSOs, was only formed in 2001, and currently there are approximately 20 “functioning” civil society organisations (among the 80 members). None of these, however, have been working specifically on oil or issues directly related to democracy. The majority of CSOs in STP are what can be termed “briefcase NGOs”, working on meagre budgets. Furthermore, they are often composed of no more than one individual, and work predominantly in the areas of health, education, poverty alleviation, and agriculture. In these sectors there is said to be a close link between CSOs and the government.

Much of the funding for these local NGOs comes from collaboration with international NGOs or UN Agencies, such as UNICEF and the UNDP. Along with these actors, of course, came the jargon that pervades the international CSO sector. As is the case in most developing African countries, learning the language of the donors is necessary if proposals are to be funded. The issue of transparency, for instance, only arrived with the international community, and has only been raised in relation to oil. Training on proposal writing, project management, budget implementation and reporting, to name but some of the more bureaucratic elements of the institutional component of NGO management, is far removed from the reality in which most STP CSOs work, without an office or infrastructure of any sort.

Recent EITI activity in STP has served to galvanise civil society. In October 2007, a large EITI conference was organised with participants from African and other international NGOs. Of greatest importance, perhaps, was the opportunity for local NGOs to engage with their counterparts in neighbouring countries. Although EITI is not specific to oil revenue management, but rather to transparency in the extractive industries in general, it can play an important role in prompting civil society oversight when the next bidding round arrives. STP signed up to participate in EITI but the government’s efforts to establish the Committee were procedurally flawed, as there was no consultations with civil society. This may have been due to a lack of knowledge with regards to the establishment criteria, rather than an effort to be exclusionary. Nevertheless, efforts by FONG are also directed at ensuring that a proper consultative process takes place in relation to the setting up of the Committee.

### **a. The Media**

Although there are print media available in STP, “there is no culture of reading.” Two radio stations broadcast, one of which is Catholic and the other run by government. The one TV station is also run by the government. In short, there is

little independence of the media in STP because to criticise the government would be to bite the hand that feeds you. There may not be overt pressure, but it is implicit. However, all Parliamentary sessions are broadcast live, and thus people can see and hear for themselves what takes place within government circles. During the day, when these are broadcast, people gather to watch on TVs wherever one can be found, much as people in other countries might watch the afternoon soap operas.

### ***3. The People***

Most Santomeans will say that they are all cousins, and after the Portuguese left in 1974, outsiders were few and far between. With such a small population, the likelihood of someone stealing something from somebody else, without somehow being related to them, was unlikely. With the influx of foreigners this situation has changed dramatically. Petty crime, theft, prostitution, and trafficking in drugs (STP serves as a major transportation point for drugs going to Europe), have all been on the rise since oil made its appearance. On the positive side, exposure to the outside world has raised awareness regarding spousal or domestic abuse, for which there still is no law regulating punishment.

Clearly, the people of STP live meagrely. They may appear healthier than their counterparts in other African countries, subsistence agriculture can provide basic nutritional necessities. However, clothes and other material goods are beyond the financial means of most people, particularly those that live outside of the capital. In the rural areas, people appear in old and ragged t-shirts, which one commentator claims to be the extent of their wardrobe. With banana and cocoa trees growing wild all over the island, why these have not been harnessed to generate income is rather perplexing.

Here it is difficult to speculate, although some claim that the management expertise within the plantations was mainly foreign, and that these skills left with them. With increased interaction with the foreign community, however, a greater awareness of the low standard of living is sure to follow, if this realisation has not already been made. That the people perceive oil as being the solution to all their financial problems is not clear. Different opinions were given with regard to the people's outlook on oil. More than likely, there is an awareness of its presence, and the increased international attention, but perhaps not what this entails in the long run. That said, some do believe that oil is being pumped and they are not being told about it. Why would, for example, Nigeria be so interested in the JDZ if there was no oil?

### ***4. External Actors***

The situation in STP changed dramatically when seismic studies were undertaken off their coast. Since then, the island has gained much attention from the international community, some bad, and some good. First, businessmen came with contracts and promises of riches. Later it came to light that these original contracts were heavily skewed in favour of the companies, on a scale not previously known within this industry. This was brought to the attention of other players, such as legal experts and the World Bank, who set about helping the Santomeans to write legislation that would control the way in which STP managed the potentially vast income generated by oil.

## **a. Nigeria**

Nigeria has taken a lead in STP and, some say, strong-armed the Santomeans into the deal whereby the Joint Development Zone was set up to avoid any maritime border disputes. In the deal, the maritime border between them was placed in such a way that Nigeria will receive 60% of the oil revenue generated in waters that should rightly belong to STP, had the line been drawn according to standards set out in international maritime law. Nigeria has the expertise, however, and thus was able to dictate its terms. But whether it be African States, MNCs, or other international actors, it is clear that STP was not adequately prepared for the attention the prospects of oil would bring.

### **Columbia University in STP**

The University of Columbia has played an important role in the formulation of the two laws pertaining to the management of oil revenue. Initially, the government of STP reached out to the international legal community to help assess the contracts that were signed with ERHC. Jeffrey Sachs, a professor at Columbia University responded to the call and began working with STP pro bono. Putting together a legal team, and with financial help from the World Bank, Jeffrey Sachs began working closely with STP to create measures that would, it is hoped, prevent the resource curse from infecting the political and economic arena in STP.

Since then, a project has been set up in STP to continue the work that Jeffrey Sachs began. Law students from Columbia University make regular visits to STP to engage members of government in training around the Oil Laws and to help ensure that the relevant Committees in Parliament can effectively monitor events as they unfold.

One interviewee speculated that the coup attempt that took place while Fradique de Menezes was visiting Nigeria was also orchestrated by Nigeria. This, it was argued was a straight forward power play in order for Nigeria to gain a stronger foothold in STP. President Obasanjo was quick to offer military assistance, which sparked fears among the Santomeans of a permanent Nigerian military presence on the island. Obasanjo also made a show of escorting President de Menezes upon his arrival back in STP, and took the lion's share of accolades for resolving the conflict.

That Nigeria has the upper hand with regard to the JDZ is clear, however, and the bidding process revealed some disturbing irregularities as many Nigerian oil companies (most of whom had no operational capacity) were accepted as serious contenders.

## **b. The World Bank**

In STP, the World Bank played a substantial role by providing the funding needed to bring in the expertise for the formulation of the laws that will govern and manage oil revenue. In addition, they have been active in supporting EITI in Sao Tome. Although they have engaged directly in training and development, many believe that they are too rigid and come with too many conditions. But, as the need for funding is dire, most are willing to accept the presence of the World Bank while remaining sceptical of their motives.

## **5. Modes of Engagement**

Fist on the list of priorities for civil society in STP is to acquire the skills needed to engage effectively on budget and revenue issues. This also needs to be accompanied

by general legal and advocacy skills. One foreign observer stated that CSOs were, up until recently, hesitant to engage with the government in this capacity as they did not see it as their role. In other words, the strategic development of CSOs in STP is perhaps of greatest importance. FONG, for example, expressed a great interest in learning how other NGO umbrella bodies operate, how they raise funds, and how they are governed. In contrast to CSOs in other African countries, or within the international community, civil society in STP is in its infancy. There is also a problem of roles, as the President of FONG simultaneously works full time for the Department of Finance.

Thus far engagement with the government of STP has not posed any particular problems, but this may change should the government become more selective in the information that they share. Work undertaken in other areas, such as health, agriculture, and fishing need to be incorporated into an overall CSO strategy, but the relationships that these have fostered with government departments will serve as a good launching point. Unlike in many, if not most other countries, cultivating the personal relationships and networks required for effective collaborative work should not pose a serious problem considering the size of the political arena. However, the formalisation of this engagement, and the professionalisation of the CSO sector needs to be encouraged. International NGOs and IGOs, such as UN organisations, can continue to play an important role in providing the international exposure that the local CSOs desperately need.

Lastly, the manner in which the parliament has defined itself, and the publicly available and accessible information on their inner workings, also provide ideal opportunities for continued engagement. Forming collaborative relationships, as is currently the case, must be sustained and nurtured as STP moves towards a future that could include oil production. At the moment, the lack of a defined role for CSOs may ensure that the relationship between themselves and government does not deteriorate into one of antagonism. Maintaining a professional and positive approach (i.e. offering solutions rather than just pointing out problems) will be key in this regard.

## ***6. Conclusion***

Initial observations indicate that STP is beginning to suffer from the “resource curse” without having any oil. Million dollar signature bonuses from oil contracts have yet to reach the shores of STP. Many of the study participants indicated that this was a major source of concern, as there has been no word as to how, or if, this money has been spent. Meanwhile, production of other potentially exportable crops, like cocoa, fruit, and coffee, are on the decline. On the other hand, crime is up. In November of 2007, they had their first bank robbery (there are now approximately six banks in Sao Tome, versus one prior to the arrival of oil). Petty theft is up. Prostitution has become a reality, where before it was non-existent. HIV/AIDS numbers are steadily increasing. In the ten plus years that oil has been on the table for discussion, not one barrel of oil has been produced for sale on the market. In fact, it will be over ten years from the now before any revenue is generated from the vast reserves people believe are hidden underneath the ocean floor.

The government and people of STP are now starting to tire of the stream of visitors who seek to prevent the fatal consequences that often accompany an oil boom. The

“resource curse”, as it is commonly referred to, is a predominant feature in most African States that have oil, and the material manifestation of this is that the people who were to benefit from the revenues of this black gold, have only become poorer. Good governance indicators in the other three countries that were part of the study (Chad, Gabon, and Angola) demonstrate clearly what could befall the citizens of STP should adequate control mechanisms not be put in place prior to the arrival of oil revenue. These mechanisms, it would seem, are already in place but have yet to be tested. Bidding rounds for blocs may provide illustrative examples of how open and willing – or closed and unwilling – the government of STP is to public scrutiny.

A final and lasting impression was that, despite the absence of any oil revenue, the people of STP are already beginning to suffer the negative consequences associated with the presence of oil.

## Lessons Learned

Oil, as a commodity, has peculiar effects on both the economics and the politics of nations in which it is abundant. The most salient of these, for this study, is the creation of what has been termed, the *Rentier State*. That is; the development of “ineffective and inefficient governance” as a consequence of both the monopolising effect of oil on an economy and the attendant impact of the flow of rent on the political culture of the State (Karl, 2007: 16). What the case studies add to this picture is the paralysing impact of oil rents on States that both find oil and begin to develop democratic institutions simultaneously (Chad) or, on post-conflict states within which the only strong institution is that which controls oil (Angola). For example, while “booms in resources have a tendency to weaken State institutions”, what options exist when the idea of the State and its institutions is being constructed as oil revenue begins to flow? (Duruigbo, 2005: 15)

The four countries included in this report paint a bleak picture of the impact of oil on politics. In this sense the majority of the lessons outlined in this chapter are not new and have been studied before and included in theories about the resource curse and the deterioration of governance in resource abundant States. The objective in laying out some of the lessons learnt from the discussions with civil society actors in each nation is to provide perspectives from the lived-experience of individuals and groups engaged in efforts to make resource wealth work for their nations.

### *1. Governance*

Oil’s ability to create *Rentier States* is in large part a function of what one interviewee summed up - “petrol is the best vector of corruption”. The important lesson is that when it comes to oil, corruption needs to be understood in the broadest terms and it takes its most pernicious form in the erosion of governance. The ‘easy money’ of oil rent both enriches and corrodes senior political figures. In effect, it creates a State elite that can be compared to scarecrows; frightening and designed to keep others out, singular of purpose and, impossible to engage in conversation.

Some farmers do decorate their scarecrows. The clothing may change the outward appearance of the scarecrow, but it does not change its purpose or function. In oil rich States, the farmer is at times the World Bank. They dressed the Chad government in revenue management attire. The clothes were top of the range and durable. However, being dressed in the attire of revenue management has not necessarily made the State capable of or willing to engage wholeheartedly in accountable revenue management. There are very real differences between theory and reality. Differences that, at base, all take the form of political will.

In all of the countries in this study, there are laws in place and, for some, constitutions that embody a framework for using oil to spur growth and development. Gabon has created and sanctified National Parks. Angola has a Minister for Decentralisation. The disjuncture between the existence of the laws and their effective implementation is, however, stark. Gabon has signed a contract to allow a Chinese company to dam one of its most beautiful waterfalls. Angola will not move on decentralisation until, and maybe not even then, the MPLA has secured its next electoral victory. The

central point is that, while the effective functioning of institutions of government is determined by their relative strengths and weaknesses, the overriding factor in their growth or change is political will. If the State, or an elite within the State, does not want or need its institutions to function effectively, oil rents enable them to both disregard institutions that are created to facilitate funding agreements and further incapacitate democratic State institutions that could engineer change.

## ***2. Civil Society***

Democratic institutions on the African continent are still relatively new and many African states are in various stages of development and democratisation. At the same time, civil society is, on the whole, in a developmental phase. Given that the nature of civil society engagement with the State is a crucial determinant of the efficacy of that engagement, CSOs need to strike a careful balance. They need to navigate between traditional ideas of their role as a watchdog outside of the State and the pressing need for constructive engagement with the State. These and other factors have contributed to a reactionary evolution of civil society, spurred on by the response of the international community to civil wars, famine and poverty. Proactive, strategic, and capable CSOs have emerged, but are the exception rather than the norm. The absence of a strong democratic culture and the lack of a strong civil society can make the nature of engagement with governments highly problematic.

The importance of the development of a fine balance between critiquing a government and constructively engaging with it is particularly applicable to civil society activity in relation to oil extraction and the use of revenue for development. Many of the CSOs encountered had adversarial stances, denouncing the inadequacies or wrongdoings of governments was the norm. That is not to say that there is no cause for such a stance, only that this form of action promotes the perception of opposition, and is therefore more likely to be viewed by the government as a threat. In trying to open up space for dialogue, a prerequisite for effective and collaborative engagement, civil society groups need to think strategically and carefully package their messages.

Angolan NGOs are learning this the hard way. Efforts to establish an EITI committee in the country have been undermined by links to the PWYP campaign. This is because, taking its cue from international advocacy and lobbying organisations, the PWYP campaign launched itself on the Angolan landscape via a whistle-blowing report that named and shamed key government officials on accusations of corruption. The government's response was to close ranks and, more critically, subvert civil society's calls for genuine transparency by taking nominal steps in that regard, for example, launching the website of the Ministry of Finance. The converse would be the careful approach taken by Chadian civil society, the affirmation of the importance of oil revenue for the nation with the offer to help use it effectively. In addition, the Chadian civil society groups interviewed had strong links to the local population, providing greater political legitimacy.

The centrality of messaging within a balanced approach points to a secondary feature of engagement around oil revenue and development: access to information and strategic choices governed by the information available. A government's capacity to access relevant information determines the extent of the profit to be gained from having oil. A government's capacity to maximise its personal profit stems from

closely guarding information about, in particular, the contracts with MNCs and the indirect revenues from those contracts, from the nation. Civil society organisations thus need to carefully reflect on their access to information and the most appropriate areas on which to focus given the extent of their access. Is budget training, for example, useful for all organisations or best directed at NGOs that have access to and engage with MPs who may be able to influence decisions? Is a focus on oil revenue management the best strategy, given government resistance to engage on the issue or is it more productive to establish networks of NGOs that approach the issue from different angles? It bears repeating that “you can’t monitor something if you don’t have information” [Interview, Angola].

The case of Gabon illustrates an alternative approach to addressing revenue management. NGOs in Gabon work predominantly in the environmental sector, which has a strong resonance for local populations. Furthermore, the CSOs interviewed work and base their strategies on the existing legislation. Although the exploitation of natural resources for the benefit of the people is the overarching objective, the focus of the campaign is on the procedural failures with regard to the obligations imposed, by law, on contractors, in the example given, the Chinese. In essence, it is not a direct assault on what are the core issues of concern for the government, i.e. the revenues to be generated through resource exploitation. Put another way, it is a strategy of engaging the primary issue via peripheral action. In a sense, this strategy calls for primary and secondary objectives, where the primary objectives are achieved in the long run, and the secondary objectives are activities designed to achieve these. For instance, in trying to instil a sense of accountability in MPs it is less useful to provide them with a definition of accountability. Rather, in promoting public hearings, whereby MPs can engage directly with their constituencies, the concept may be learned inadvertently, so to speak.

Although the coalition of NGOs in Gabon has faced stiff resistance from government, there is room for hope. They have succeeded in raising awareness on a specific issue (in this case the need for environmental impact studies, and, by default, the laws that govern the national parks) and have solicited a reaction from the government. However, the recent suspension of the operating licences of 20 NGOs may also be indicative of the aggressive stance they have taken vis-à-vis the government. Coalitions are notoriously difficult to manage, particularly in a highly competitive environment (mainly financially) where those who scream loudest attract the most attention. Instead of standing behind a unified, clear, and succinct message, that has a broad appeal, the coalition has chosen to tackle and address a broad range of issues, some of which do not relate specifically to the issues around which the coalition was formed.

Balanced engagement comes down to whether or not civil society has the capacity to accurately diagnose the root cause of a nation’s developmental difficulties. The mismanagement of oil revenue and the shocking human development statistics in oil-rich countries are, in general, symptomatic of a crisis of governance and leadership. The value of a PWYP campaign and a range of organisations doing alternative research on oil revenue management should not be undermined. But, such organisations are unlikely to have a significant impact on national development if they are not part of a broader civil society movement (which can include opposition political parties and social movements) working to establish democratic values of accountability and good

governance throughout the spectrum of State institutions. There is also some question as to how effective campaigns such as PWYP and EITI can be. PWYP, for instance, promotes mandatory disclosure, whereas EITI is purely voluntary. In the former, there is a strong argument to be made regarding why governments would chose to disclose. What, in other words, is the incentive for complete disclosure, particularly as one contrasts this with the potential benefits of non-disclosure.

These two initiatives also illustrate one of the fundamental questions that civil society, or external actors, must grapple with: that of working from the inside or the outside. Whereas EITI is in essence a government led and implemented mechanism, PWYP tends to come at governments from the “outside”. EITI, thus, has a greater chance of being perceived and operated as a locally owned initiative, even though it is an international movement. In seeking to partner with government, its collaborative approach stands in stark contrast to the often highly emotive, even if justified, methodology used by members of PWYP. This has not always worked in their favour, leading to problematic relationships between the campaign and governments. In essence, although acts of corruption and mismanagement of public funds may be rampant, publicly exposing individuals within government, particularly when these officials are more likely to close ranks rather than expose one of their own, can be counter productive.

Where States have agreed to create mechanisms to safeguard revenue management in service of development, it is crucial that civil society defend these spaces, their own autonomy within these spaces and, maintains a unified front in the face of State interference with these structures. An example is the College in Chad (and similar mechanisms being developed in STP. These structures, subject to State interference though they may be, represent important formalised channels for communication and engagement with the State. Their import is highlighted by the way in which the Chad government’s interference with the civil society representatives on the College has, playing into government hands no doubt, caused civil society to split into several camps with regard to their continued participation in the College. With some members of civil society standing on principle (i.e. we will not participate unless the government meets our demands) and others willing to continue a process of negotiation, the movement undermines its own public credibility.

Although the appropriate response to the State’s involvement may well be for civil society to withdraw from the College, this must be a resolution behind which all members are united. Conversely, if continued participation is called for, it must be all inclusive, representing the concerns of those who would abstain from the process. An all or nothing approach is less likely to succeed when engaging in a political process that is fraught with personal and institutional complexities. The unity of purpose the unions, NGOs, human rights associations and religious groups have maintained in their struggle for responsible management of oil as a resource in Chad has been the source of their power. A fractured civil society would only compromise the gains that have been made thus far.

The establishment of other State institutions, whether for generalised or oil specific purposes, represents a further space for civil society to identify and use as an opportunity to create dialogue. In Angola, for example, an international NGO (INGO) talked of the potential for engagement embodied in the Angolan Observatory

on Politics and Society (OPSA), a think tank of politicians, NGOs and academics who are supposed to investigate issues raised by the populace or the State. Another INGO pointed out that while there is some State hostility towards the EITI initiative, the Angolan Vice-President had given a positive speech about the nation's intention to join the initiative once they had their house in order, at the official launch of the EITI Secretariat in Oslo in September 2007. Where States, or individuals within States, give an indication of openness, there is the potential for engagement to open and use that space.

This furthers the argument that any and all opportunities that emerge need to be engaged. Indeed, if engagement on a specific topic cannot be achieved (as is often the case with oil), then alternative modes of engagement must be sought. Ultimately, politics is highly personal, and trust building is a slow process derived only through sustained dialogue, regardless of the topic. Again, this illustrates the potential benefits of taking a peripheral approach. In engaging the government on matters peripheral to the main objective, dialogue and trust can be nurtured. Once these are established, engaging on the primary topic may be feasible. Certainly, both Gabon and Chad illustrate the importance of cultivating personal relationships with individual members of government. Where this is achieved, open and frank discussion is realised. Although these discussions may not go beyond the private realm, as politicians may fear vocalising their private concerns publicly, they do foster a dialogue that can, in time, be expanded. If nothing else, these discussions can serve as good measure of temperature within the opposing camps.

The case studies illustrate a last and vital lesson for civil society. Several interviewees remarked on both the centralisation of civil society in national capital cities and, the importance of a democratic culture within civil society groups and networks if they are to be able to genuinely demand democracy in their States. Oil's monopolising effects have, in this instance, 'crowded out' the populations of the countries under study. In some cases, this is a function of State control of the provinces. In others, it's a consequence of the nature of societal change in a post-conflict environment or the processes involved in democratisation. In the case of Chad, travel to the provinces is often problematic due to the restrictions imposed by on-going conflict. In others, such as Gabon and Angola, travel is made difficult by poor infrastructure. Rural NGOs and CBOs, as is the case in most African countries, rarely have sustained and reliable access to basic technological services, such as fax or internet, rendering basic communication and information sharing another chief obstacle.

In terms of decentralised, constituency based change, State intentions open up a further avenue for civil society groups to strengthen their mandate or increase their impact. State directed decentralisation processes were scheduled in at least two of the countries under study. In Angola, the process will create 60 new municipalities and thence, a more direct route for State funding in service of development and the opportunity to seek to move civil society projects into the provinces. The Chadian constitution also provides for decentralisation within the government and a Minister of Decentralisation has already been appointed. The respective governments have put minimal effort into operationalising these laws but several interviewees suggested that decentralisation would both increase the available channels of communication and, also, aid civil society in its efforts to provide and disseminate public information on

the oil sector and the use of revenues in the service of development. However, despite the fact that NGOs were consulted on the legislation setting out the decentralisation process, sustained dialogue on this subject seems not to have been achieved.

Members of one opposition political party in Angola went a step further noting that there could be benefits for NGOs directing their attention to grassroots change rather than the less receptive avenues of State power. If local civil society groups can find strength through the raising of popular consciousness, they will have the power of a constituency behind their demands for change. The potential inherent in an empowered citizenry would be most evident in future election processes, a site for the creation of space identified by interviewees in both Gabon and Angola. The second round of democratic elections in Angola, originally scheduled for 1997, is currently anticipated in 2008 following a voter registration exercise conducted in 2006. While some interviewees identified early warning signs of the closing of space as the elections approach, such as closer attention to media control and restricted access to the provinces, others pointed to the ways in which, around the world, elections provide an impetus for change that opens up spaces within which to talk to people.

The potential for having a grassroots based civil society is perhaps strongest in STP, from where the existing umbrella body (FONG) and its primary members have emerged. Retaining these links internally, and promoting links between the rural CSOs and government, creates a strong base of credibility and legitimacy, making government opposition that much more difficult. In Gabon, the environmental issues that dominate the civil society movement provide strong links to local communities, who are most vulnerable to environmental degradation. If the movement confines itself to engagement with the government, hence focusing their energy and time on the capital, much of the movement's force will be lost. Government officials, regardless of their relative isolation from the people, can still see the need to respond to broad based public action.

On the other end of the spectrum, it is also worth noting the strength lent to local NGOs by the international community. Cultivating these links, and creating partnerships with members of international civil society, has a multitude of potential benefits (as well as some pitfalls). Firstly, and perhaps most importantly in countries where arbitrary arrest and punishment is not inconceivable, international NGOs have greater access to international media and governments, who can pressurise offending governments through public exposure. Secondly, international organisations can provide resources and expertise otherwise unavailable to local NGOs, as is amply demonstrated in both Chad and Gabon. These relationships must be carefully and clearly defined however, as local NGOs risk having their legitimacy undermined by claims that their agendas have been co-opted and that they represent international rather than local interests.

Civil society is, by definition, supposed to be composed of groups of like-minded citizens who come together in order to act for the common good. One consequence of the development of democracy can be the creation of civil society groups that are not well connected to a constituency of citizens. There is stage during which citizens are still catching up with the development of the State and have yet to understand the importance of their role within it. Civil society, in all the countries studied, needs to focus on civic education and the nurturing of politically conscious citizens within the

nation. Democracy anywhere needs practical use in order for it to become an effective lived reality. In order to hold the State to account, whether in their use of oil revenue for development or in the regular conduct of democratic elections, civil society needs to speak for a citizenry that has demands of its own.

### ***3. External Actors***

Oil revenues decrease State reliance on external funding and support, simultaneously limiting the ability of international institutions to insist on the democratic and development conditionalities that can be attached to aid. This is nowhere better illustrated than in the limited success achieved by the Chad revenue management model, especially once revenue began to flow. Oil revenues also disguise the real needs of the populations in oil rich nations. This, combined with a tendency to observe increased government resistance to external involvement (mainly because it comes attendant with pressure for increased accountability), results in a decrease of international support for development in resource-rich nations. Once again, the interests of the population are ‘crowded-out’ by the interests of both the State and the international community of States. In the absence of this international support for local NGOs, citizens are significantly less able to empower themselves to hold their State’s accountable.

The above is noted not to suggest that international support or involvement is a panacea for civic empowerment and development oriented policy development. Rather, it is noted to advocate caution. There are questions that should be asked when a nation like Gabon, a middle-income country (MIC) still seeks infrastructural investments from organisations like the World Bank. As a World Bank representative pointed out in interview, MICs generally seek assistance in the form of knowledge as opposed to the infrastructural assistance sought by poorer countries. What, one has to ask, has Gabon spent its oil wealth on, if not infrastructure? And thence, how likely is it (even if the loan is ‘safe’ from a World Bank perspective) that any additional money given will actually lead to sustainable infrastructure development? Whether a government is committed to development spending or not, if a significant proportion of its budget vanishes into the black hole of debt servicing, its ability to look towards a change in policy is severely compromised.

Often stated though it has been, international support or assistance must be both carefully thought through and carefully timed. If a State has taken the advice to create national oversight bodies for revenue management, how efficacious is it for international organisations to press for the adoption and creation of EITI committees in these nations? Even the STP government is questioning the extent to which, with four national institutions for revenue management under construction, there is need for a fifth. In another example, the Chad ‘model’ would most definitely have benefited from actual implementation of the World Bank’s intention to provide institutional training and capacity building to the government.

The political currency of national sovereignty, particularly in Africa, presents any international body engaging on the continent with an operating environment that is complex. This environment is only made more complex by the presence of natural resources. Once oil revenues begin to flow, governments can develop a “resource nationalism” that subverts both the leverage attained by IFIs in the early stages of

State development and, places INGOs in the compromised situation of juggling home nation oil needs with the ability to engage in actions designed to support the development of democracy (Shaxson, 2007: 104). The problem, for the World Bank and other organisations is how to re-establish leverage in nation's where their relevance has been negated by the flow of oil revenue.

#### **4. Conclusion**

A *Rentier State*, given that its revenue stream relies on little more than a mineral that spurts from the ground, has no need of a nation and begins to lose sight of those who make up that nation. This disconnect or rupture in the social contract within countries is described in terms of the loss of “the vital link between taxation and representation” (Karl, 2007: 21). The link, once broken, breeds the increasing incapacitation of State institutions because there is no longer a need to have accurate statistics on the population in order to harness the wealth they create for State functions and thence, develop policies to ensure the betterment of citizens in the service of increased national wealth. If you aren't collecting statistics, you can not plan for or anticipate development challenges.

However, given the lessons learned above, it may be more accurate to see the situation as one in which oil creates a political class with no love for the country and no need to love it. If you don't need to plan for or anticipate developmental challenges, you don't need institutions that are capable of collecting statistics. Weak or strong, the State has no real interest in institutions other than those that allow for the generation of oil wealth. That is, “the power of petrol has nullified the power of politics” (Interview, Gabon). Whether a nation is a democracy or a dictatorship, in the absence of the political will to engineer change and improve the conditions of citizens, the disjuncture between the State and the nation becomes the fulcrum around which local national efforts for change must revolve.

## Way Forward and Recommendations

African oil producing countries, in many cases, suffer from a lack of political will for sustainable change and development. As a concept, political will is neither good nor bad. It merely denotes the interests and priorities of those with political power. However, it can be a force for both good or bad. Political will can keep people in power, regardless of conditions of legitimacy, or it can seek to enhance the role of government as the embodiment of the will of the people. The discontinuity and incongruity between the will of the people and political will, is the point where action must ultimately be directed. In other words, ensuring that there is political will to use oil revenue, for example, for the betterment of society as a whole, rather than certain individuals, is a process of bridging the gap between the interests of the people and the actions of government. Political will can ensure that transparency in revenue generation and implementation is obstructed, or, it can ensure that this income is put to use equitably and efficiently.

Ultimately, in targeting political will one engages the heart of the issue, and it is particularly sensitive. Political will speaks to the personal interests of those with political power, and can therefore clearly identify areas in which individuals place personal gain before that of public benefit. In a truly legitimate government, the will of the people and political will are one and the same. The ambiguous nature of political will is, however, where the greatest opportunity rests. Affecting or influencing political will can take place on many levels and in different arenas, on different issues and with a variety of tools. Campaigns to increase public participation on any particular issue, can engender a broader political accountability, which, in turn can have a positive impact on political will. In short, the way forward must keep political will as the overarching focus in the design of strategies, objectives, and activities.

There are several important factors that must be taken into account when looking for a way forward. First and foremost, is the state of democracy within the country in question. The countries in this study, with the exception of STP, can only be classified as nominally democratic, with fear being a pervasive deterrent preventing expression and participation both within and outside of government. For the stakeholders concerned, this is a reality that can have dire consequences, whether that be exclusion from power and/or means of survival, imprisonment, or other mental and physical harassment. Thus, the unspoken yet implicit presence of a line that may not be crossed needs to be a central component in formulating strategies for sustainable dialogue. However, where crossing the line may not be an option, extending and broadening areas that *are* open to debate may yield results in the long-term. The short-term objective is therefore to promote a culture of engagement, where dialogue and collaboration can take place without fear.

Secondly, coherent strategies need to be formulated based on accurate research and information. In many instances, particularly in the sector of oil extraction and revenue, the capacity to engage effectively relies heavily upon the actors' ability to generate and analyse information. As the issues concerned are often highly emotive maintaining credibility and professionalism requires a strong information base. Put

another way, the manner in which the *message* is packaged and delivered, can determine how it is received, and, consequently, the extent and quality of engagement.

Lastly, the underlying emphasis of any strategy to address governance in the oil sector should have an inclusive, collaborative dimension. Clearly, civil society working in isolation of government, and visa versa, promotes confrontational stances in both parties. Furthermore, strategic partnerships between the various stakeholders augment the capacity and influence of the other. Most importantly, however, is the secrecy that surrounds issues pertaining to oil. Unlocking this sector for public debate needs a broad based constituency of support that includes international actors, local civil society, members of the legislature, and government officials. Cultivating networks amongst these actors, for the purpose of united action and information sharing, is essential to the process of bringing this issue out into the open, rather than allowing it to remain within the closed confines of the executive office.

## ***1. The Government***

### Strategic Imperatives

- The majority of African States, oil producing States in particular, need to instil a culture of democracy within the ruling party. These “one-party States” are limited by the whim and favour of the party elite or leader. MPs and government officials must enjoy legitimacy based on popular support.
- Independent electoral bodies must be created and supported to ensure that elections are free and fair. Undermining the will of the people through fraudulent elections breaks the contract between the leaders and people, and in doing so promotes a culture of lawlessness.
- An independent judiciary, where judges and magistrates are not subject to political forces and can thereby maintain consistency within the legal arena, needs to be enshrined and protected within appropriate legislative frameworks.
- Adherence to international and national laws, where natural resources are recognised as belonging to the people, must serve as the fundamental basis upon which all government action is taken.
- Governments must, when negotiating contracts, ensure that the best interests of the people form the core of their mandate. External expertise, where required, needs to be sought to realise this objective.
- Initiatives to decentralise government need to be formulated and implemented. Areas particularly affected by the extractive industry must, in this regard, be prioritised.

### Engagement Imperatives

- Clearer and sustained collaborative engagement between the Executive and Legislative bodies needs to be fostered and nurtured.
- The independence of the Legislative branch must be ensured, and a culture of legislative oversight promoted within the Executive branch. Both bodies must promote constructive engagement to develop a culture of collaboration that aims to improve service delivery.

- Information sharing between the Executive and Legislature needs to be promoted. As the representative body of the people, the Legislature must have access to documents that can enable them to take informed action and exercise effective oversight.
- Participatory mechanisms need to be created and implemented. Frequent and meaningful public participation enhances the legitimacy of governmental bodies and supports collaborative dialogue. Infrequent, or non-existent, public participation engenders confrontational engagement that emphasises problems rather than solutions.
- Civil society needs to be included within political discourse. As the watchdog of government, alienating this constituency alienates government from the people. Forums for constructive dialogue must be created and formalised within the Executive and Legislative branches.
- Freedom of the Press must be respected and an independent and well-informed media must be supported.
- Capacity building in both the Executive and Legislative branch needs to be implemented through strategic plans. Resources must be allocated to ensure that new MPs receive adequate training and can engage effectively within their respective Committees.
- Creating a professional core of employees within Ministries and departments needs to be prioritised.
- There is a need to define and adhere to employment and procurement procedures.

## ***2. Civil Society***

### Strategic Imperatives

- Ensure legitimacy through strong links with the people and communities. Avoid centralised perspectives and focus on the State capital.
- Promote civic education around oil and governance.
- Professionalize staff and the institution through capacity building and training.
- Develop clearly formulated strategic objectives that include:
  - Message content
  - Message delivery (information dissemination)
  - Specific targets for message delivery
  - Internal assessment of the strengths and weaknesses of organisations
  - Assess external political context, including stakeholders, government actors and processes, CSOs, and international actors, to clearly define opportunities and obstacles
- Explore alternative areas where engagement may be feasible, while ensuring that peripheral action maintains an underlying focus on the greater objectives.
- Formulate clear positions and strategy regarding the role of Multinational Corporations.

### Engagement Imperatives

- Ensure that engagement is inclusive. Identify partners within government that can support action.

- Engage in joint capacity building exercises with Committees within Parliament and Ministries/Departments.
- Collaborate with other CSOs in a range of fields to ensure that issues, as well as actors, are included in the greater strategic framework.
- Promote networks and information sharing within civil society, academic institutions and international NGOs.
- Ensure civil society independence while promoting a culture of collaboration with all stakeholders. Use confrontational approaches selectively and strategically, rather than as reactive measures.
- Form strategic alliances with MPs in ruling and opposition Parties. In engaging with either, however, ensure that the independence of the organisation is secure. Perceptions regarding organisational objectivity are crucial in terms of organisational credibility.
- Solicit and form strategic alliances with international actors, formed on the basis of capacity strengthening. Use strategic alliances with international actors to generate international support (this can include donor organisations).
- Promote the role and capacity of international initiatives such as EITI and PWYP. These can serve as vital entry points and can be used to realise longer-term strategic objectives (but be aware of the limitations and pitfalls of engagement with international campaigns).
- Identify and cultivate networks and contacts within local and national media.
- Formulate and disseminate periodic Statements to the Press.
- Submit articles for publication in local and international media (reporters may publish articles written for them)
- Promote networks of mutual support within the country to encourage solidarity within civil society.

### ***3. International Actors***

#### Strategic Imperatives

- Formulate clear country strategies based on a bottom-up approach.
- Ensure that local interests are prioritised in strategy planning.
- Ensure that local CSOs play a determining role with regard to the development of country strategies and activity planning.
- Assess the role of the organisation within the political context in terms of added value.
- Assert roles as conduits for international pressure and influence.
- Promote the role of local stakeholders within a strategic framework to ensure local ownership.

#### Engagement Imperatives

- Clearly communicate to local CSOs the role and strategy of international organisations in order to prevent false perceptions and expectations.
- Follow a clearly articulated strategy of principled engagement and take supportive actions when or if necessary.

- Promote the formation of networks and information sharing between local and international interest groups and stakeholders.
- Facilitate communication and information sharing between international media and local stakeholders.

#### ***4. Multinational Corporations***

##### Strategic Imperatives

- Formulate and clearly communicate the role of the company within the political and economic context.
- Adhere to international standards of financial disclosure and transparency, such as EITI and PWYP.
- Formulate and promote ethical operational guidelines within countries.
- Ensure that local interests and needs are incorporated in strategic development within areas of operation.

##### Engagement Imperatives

- Promote transparent and principled engagement with all stakeholders, ensuring broad inclusion in all activities and processes.
- At local level, ensure that local government, civil society, the media, and traditional leaders (if applicable) are informed and aware of any development activities or actions.

APPENDIX ONE: INTERVIEW GUIDE

**Questionnaire for Stakeholders**

**Perceptions of Stakeholders on the Oil Extraction Industry**

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

I. NGOs, International NGOs, Government Donor Orgs							
1.	Have you received any training on the Oil Sector? (explain)	Yes	No	Yes, want more	Yes, don't need more	No, would like some	No, don't need
2.	Would you say there has been an increase or decrease in your access to and engagement with government over the last few years? (explain)			Increase	Decrease	About the Same	Do not know
3.	Would you say the relationship between your organisation and the government has improved or deteriorated over the last few years? (explain)			Improved	Deteriorated	About the same	Do not know

4.	How much information do you have with regard to the external debt of the country? (explain)	Far too little	Too little	About right	Too much	Far too much	Do not know
5.	Do you see any spaces of opportunity for engagement with Government? (explain)				Yes	No	Do not know
6.	Have you or your organisation had any engagement with the oil MNCs? (explain)			Yes	No	A little	Do not know
7.	What role do you think MNCs should, if any, have in the development of your country and communities? (explain)			No role	Active role	Collaborative role	Do not know
8.	How would you rate the relationship between the government and external organisations, like the WB/IMF and other donor organisations? (explain)			Good	Bad	Average	Do not know
9.	Would you say that the Judicial Branch of Government is independent of the Executive and Parliament? (explain)			Yes	No	A little	Do not know
10.	Relationship with the Executive? (explain)			Good	Bad	Average	Do not know

11,	Relationship with the Parliament? (explain)	Good	Bad	Average	Do not know
12,	Relationship with the judicial branch? (explain)	Good	Bad	Average	Do not know
13,	Do you have any relationships with NGOs/IGOs/Donors outside of the country? (explain)			Yes	No
14,	Do you have regular access to internet/email? (explain)			Yes	No

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

20.	How much information do you have with regard to the external debt of the country? (explain)	Far too little	Too little	About right	Too much	Far too much	Do not know	
21.	Do you see any spaces of opportunity for engagement with civil society? (explain)					Yes	No	Do not know
22.	Would more engagement with civil society be good or bad? (explain)				Good	Bad	No difference	Do not know
23.	How would you rate the relationship between the government and external organisations, like the WB/IMF and other donor organisations? (explain)				Good	Bad	Average	Do not know
24.	Do you have regular access to internet/email?						Yes	No

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<sup>1</sup> See Appendix 1.

<sup>2</sup> Freedom House, Angola Profile (2006), available at <http://www.freedomhouse.org/template.cfm?page=22&country=6909&year=2006>.

<sup>3</sup> Jan Isaksen, et. al., CMI Report, Budget, State and People: Budget Process, Civil Society and Transparency in Angola (2007).

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<sup>5</sup> Global Witness, *A Crude Awakening: The Role of the Oil and Banking Industries in Angola's Civil War and the Plunder of State Assets*, (1999)

<sup>6</sup> MBendi Profile, Angola – Oil and Gas: Crude Petroleum and Natural Gas Extraction (2005), available at <http://www.mbendi.co.za/indy/oilg/ogus/af/an/p0005.htm>.

<sup>7</sup> Jan Isaksen, et. al., CMI Report, Budget, State and People: Budget Process, Civil Society and Transparency in Angola (2007) at 4.6.2.

<sup>8</sup> Energy Information Administration, Country Analysis Brief: Angola (2007), available at [www.eia.doe.gov](http://www.eia.doe.gov).

<sup>9</sup> It has been estimated that in the last four years, approximately US 1 billion of the indirect or direct money paid to the Angolan government for oil has disappeared every year.

<sup>10</sup> Quote from Interview in Angola.

<sup>11</sup> Freedom House, Freedom in the World – Sao Tome and Principe (2007 Country Profile), available at <http://www.freedomhouse.org/template.cfm?page=22&country=7327&year=2007>.

<sup>12</sup> U.S. Department of State, Background Note: Sao Tome and Principe, available at <http://www.state.gov/r/pa/ei/bgn/5434.htm> (updated as of June 2007).

<sup>13</sup> Barry Meier, No Oil Yet, but African Isle Finds Slippery Dealings, N.Y. Times, July 2, 2007.

<sup>14</sup> Erik Hagen, Play for Oil: PGS on Sao Tome e Principe, available at [http://www.norwatch.no/filer/PGS\\_in\\_Sao\\_Tome.pdf](http://www.norwatch.no/filer/PGS_in_Sao_Tome.pdf) (October 2006).

<sup>15</sup> Office of the Attorney General Sao Tome and Principe, Investigation and Review Second Bid Round Joint Development Zone Nigeria and Sao Tome and Principe, December 2, 2005 at 10.