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Oil Boom

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Children wade through a mangrove swamp covered with crude oil on their way home from fishing in Goi, Nigeria

Skimming the Surface

As Africa experiences its second oil boom, Ricardo Soares de Oliveira assesses who will be lapping up the profits

The twists and turns of the global oil economy are having extraordinary consequences for Africa's oil states. Angola's gross domestic product (GDP) in 1998 was \$11 billion; the estimate for 2007 is \$80 billion. Nigeria's equivalent figures are \$106 billion and \$294 billion and the picture is similar, if on a smaller scale, for oil states such as Gabon, Republic of Congo, Equatorial Guinea and Chad. But is this really good

news for the continent?

As the Gulf of Guinea region became the darling of oil companies from all corners of the globe in the past decade, investment came pouring in. The global rise in oil prices since 2003 (reaching an extraordinary high of \$120 per barrel in early May) means that oil exporters are flush with revenues. The amounts involved for those with oil are unprecedented for African standards and surely the envy of genuinely cash-strapped

African states. In the next decade alone, at least \$500 billion will enter the coffers of the handful of oil-rich countries, with emphasis on regional petro-giants Angola and Nigeria. This may well be "the largest inflow of money into Africa in history", say experts Ian Gary and Terry Lynn Karl, yet the pervasive fear among observers of the region's politics is that these resources will not be put at the service of development, however that is defined, and will instead enrich the few

who control the spigots of the petro-state as well as their international allies.

If this happens, it will not be for the first time. In the 1970s, an enormous expansion in oil production in Nigeria, Gabon and other countries in West and Central Africa coupled with high prices to provide oil-rich states with fabulous windfalls. Without exception, they spent these resources foolishly. A great deal was consumed by white-elephant projects trying to mimic the physical apparatus of modernity such as the billions sunk into Nigeria's Ajaokuta Steel Complex, which never actually produced any steel.

But African decision-makers did not just fall prey to wrong economic ideas about development (which at that time they shared with most foreign advisers). Corruption of epic proportions was rife in the form of abuse of public

office for private means, contracts for insiders or plain theft. A lot of money was simply wasted on ostentatious consumption. Congo and Gabon fought for the title of the world's leading importers of champagne per capita, and the Nigerian elite's spending trips abroad became legendary; yet more money was safely stowed away in Western bank accounts. At the same time, the availability of easy rents and the negative impact of oil monies on other productive sectors of the economy meant that labour-generating activities like agriculture were neglected. When the boom ended with the debt crisis and the decline in oil prices in the 1980s, not

a single one of the African oil producers had managed to spread the benefits or plant the seeds of a post-oil economy.

Five years into the second oil boom, there are reasons to fear that results will not be too different from its predecessor of three decades ago. Nonetheless, some developments are modestly hopeful. African civil society, in particular the continent's big churches, has begun to campaign against the misuse of their nations' resources.

International pressure has led oil companies and some oil-rich governments to accept modest elements of a reformist agenda on corporate responsibility ►

"Africa's oil producers have held on to dismal records of social spending"

and anti-corruption through efforts such as the Extractive Industries Transparency Initiative. Competent technocrats such as Nigeria's former Finance Minister Ngozi Okonjo-Iweala have done much to shore up public finances and deal with outstanding debt. But these are tentative, easily revocable developments, as subsequent events in Nigeria illustrate where Okonjo-Iweala and other reformists have been sidelined.

Those trends that matter most tell a different story. Since 2003, Africa's oil producers have held on to dismal records of social spending or the provision of public goods; their positions on tables such as the Human Development Index and the Transparency International Index (which measures perceptions of corruption) are among the world's worst; the incidence of capital flight from oil-rich economies remains unabated and basic macro-economic tools that could stave off the so-called "resource curse" – now commonplace in oil exporters the world over – are still not routinely deployed. While the Western record in the region is pitiful, the arrival of Asian competitors seems to drive foreign-investor standards even further down. Meanwhile, big villas go up in Luanda and Malabo and glitzy nightclubs and shopping malls open up in Lagos.

While the world economy often frustrates African developmental efforts, the oil-rich countries do not easily fit into a narrative of African hopelessness and foreign exploitation. All in all, petro-elites, oil companies and the oil-importing states in the industrial world have worked together rather than against each other. It is true that oil production is controlled by Western and, increasingly, Asian companies which are able to extract from African governments better terms than they would get elsewhere. The oil contracts in Chad are among the worst

worldwide. But this is hardly the case with Angola or Nigeria, and the tendency is for African states to become more sophisticated at negotiations. The regulatory capacity of Angola's national oil company, Sonangol, is widely admired even if its prowess is squarely put at the service of regime ambitions (perhaps to be starkly illustrated in the September elections). The fact that the Nigerian National Petroleum Corporation falls short of its aspirations is itself a consequence of Nigerian politics and the way the company was plundered, not the product of foreign meddling. In oil-rich states, Africans in leading positions have – almost to a man – failed their poorer countrymen.

In short, bad governance, venality and a lack of progressive vision at the level of those who run oil states is key for understanding the tragic outcomes of the past decades. Likewise, the struggle for accountability and good governance is, at least partly, an internal challenge for risk-taking individuals and political forces with better aspirations for their countries. But the outside world has an important role to play here. For too long, foreign oil companies have been willing partners of the region's most despicable regimes; foreign banks have quietly but enthusiastically laundered the proceedings from the oil trade and the governments of oil-importer states have given political and military support to oil-rich African incumbents. Unfortunately, in as much as African elites can again be expected to indulge in 1970s-style outrageous behaviour, the international actors now exploiting African resources seem wedded to a realpolitik approach that does not rate local prosperity a top priority. The stage seems set for another missed opportunity.

Ricardo Soares de Oliveira is a lecturer in African politics at Oxford University, a Fellow of the Global Public Policy Institute in Berlin and the author of Oil and Politics in the Gulf of Guinea

The Crude Truth

Soaring oil prices may suspend the decline in Gabon's oil production, but most Gabonese are unlikely to profit, writes Clare Spencer

Billboards along the main shopping areas in Gabon's capital urge shoppers to buy Gabonese goods but inside Libreville's supermarkets, they are hard pressed to find anything local to buy, even the bananas are from Cameroon.

According to Samba Thiam – Gabon's International Monetary Fund representative – this is because oil has suppressed all other industry in the country.

"Oil has caused an increase in domestic demand, coupled with an increase in salaries, which has decreased the competitiveness of non-oil goods," he says.

Figures from the ministry of hydrocarbon show just how little else is produced in Gabon.

"Oil represents 60 per cent of the government revenue, 50 per cent of GDP [gross domestic product] and 80 per cent of exports," said Hervé N'Nang, assistant director of fiscal economic affairs at the ministry, at a World Bank meeting in April.

For Thiam, the lack of other industry is a major concern as he says Gabon's oil is set to run out by 2028 and the country will have little to show from the oil boom that started in the 1970s.

However, there are those who take a more optimistic approach and believe the current high oil prices could halt the predicted slow down as oil fields previously seen as too pricey to access are now a viable proposition.

"The balance of power has changed," explains Eleodora Mayorga Alba, an energy specialist at the World Bank advising senior civil servants about these risky investments. "Nowadays it's the state that has power as companies are competing to access resources. Even when they are at deep sea, there are companies willing to invest."

But transparency is key to getting this



A worker walks past installations at Shell-Gabon oil plant in Rabi, northwestern Gabon

investment, argues Gabon's World Bank representative Olivier Frémond, who wants the government to be more open about its licensing decisions.

"Remember, an exploration well in very deep waters is going to cost you the best part of \$50m-\$70m. That's a pretty high poker game just to see if there are resources," he says. "Very few companies are actually capable of doing this and those that are capable, they want to feel that if they come and bid in a licensing round that the rules of the game are fair and square."

Fair play is not only a concern for international companies, as local disquiet grows about how corruption and mismanagement are swallowing up the revenues from the 240,000 barrels of crude oil Gabon produces each day.

Frémond backs a movement for oil-producing governments to publish how much money they get from oil revenues – the Extractive Industries Transparency Initiative (EITI) – which Gabon has joined.

But Publish What You Pay (PWYP), a coalition of 22 Gabonese non-governmental organisations (NGOs), criticised Gabon's 2007 EITI report saying there was a mismatch of \$186 million between the figures provided by the government to the IMF and those provided to EITI.

Then in January, after the NGOs published a statement criticising the government's use of oil revenues, the government responded by suspending them. By complaining that the government spent too much on elections and unnecessary ministerial positions, Interior Minister André Mba Obame said they had strayed into party politics. An international outcry made the government backtrack and lift the suspension.

But when it comes to PWYP's complaint that not enough is spent on public services in

Gabon, there is no arguing with the poverty statistics.

Sixty per cent of the population remains below the poverty line, a situation that the UN Economic Commission for Africa

reported in 2002 has not changed since the 1960s. The UN Human Development Index also illustrates a disparity between the oil wealth and the general wealth of the nation. According to the GDP per capita, most of Gabon's 1.3 million people should

earn an average income of \$7,090, putting the country 84th out of 177 countries included on the index. However, this wealth is not reflected in other indicators such as life expectancy, which is just 56.2 years and sees Africa's ninth-largest oil producer tumble to 145 on the global comparison table.

Clare Spencer reports for the BBC from Gabon

