## **INAUGURAL LECTURE**

# Curing the Affliction

From the "Oil Curse" to Sustainable Development in Africa's "Petro-States"

Professor Victor Ojakorotu
Professor of International Relations
BSc (Hons.) 1<sup>st</sup> Class (Ife), MSc (Ife), PhD (Wits)

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#### ABOUT PROFESSOR VICTOR OJAKOROTU

Professor Victor Ojakorotu holds a PhD degree in International Relations from the University of the Witwatersrand, Johannesburg, South Africa. However, he received his Masters of Science degree in International Relations from Obafemi Awolowo University, Ile-Ife in Nigeria where he bagged a First Class Honours degree in International Relations.

Prior to his appointment here, Professor Ojakorotu had worked at his alma mater, the Obafemi Awolowo University in Nigeria, at the University of Kwazulu-Natal in Pietermaritzburg and at Monash University in Johannesburg.

As a scholar, Professor Ojakorotu's research interests focus on oil related conflict issues and how peace advocacy can promote inter-ethnic harmony in local communities primarily in Africa. To this end, he has published on a range of topics in these areas with special emphasis on oil and environmentalism, social movements and post conflict reconstruction processes in the Niger Delta of Nigeria and Cabinda of Angola.

His publications have appeared in many international journals with five edited books to his credit.

#### **PREAMBLE**

The Rector

Ladies and Gentlemen

It gives me great pleasure to stand before this audience to deliver this inaugural lecture in commemoration of my elevation to the position of a full professor of International Relations in late 2013 by the University of North West (NWU).

However, I must confess at this juncture that since NWU found me worthy of this recognition and promotion, I have been battling within me on what may be the appropriate topic that will befit this august occasion and that is worthy of the time and pleasure of the esteemed gathering that is here today which gave up other worthy causes in order to be here today, honour me with their presence and celebrate this moment with me. After many moons of internal deliberation with my alter ego, I came to the realization that justice may not be served if I failed to locate today's discourse within the ambience of the very academic concerns that have captured my scholastic imagination during the last quarter of a century which, of course, has motivated every academic inquiry that I have made and the contributions I must have made to the field of International Relations as a conscientious African who is very much attuned to his society and the many challenges mitigating against Africa's strides to greatness in the 21<sup>st</sup> century.

I must tell you this as well: this experience has not just given me the opportunity to reflect on my place in the comity of scholars in Africa and internationally, but it has provided me with the chance to ponder on my role as a teacher. On this, the words of Bill Boon echoes through the stillness of the many nights leading to this very moment and these words that punctuate my thoughts and that will forever guide me as a teacher are as follows: "Our job as teachers is more to light candles than to fill vessels". Boon's statement is the very foundation upon which my career as a scholar and researcher is founded. And these words are a constant reminder that propels me towards excellence through research in my chosen area of scholarship.

The significance of Boon's axiom, to me, goes beyond what I have stated above because my job as a scholar is not defined only by being a lecturer, who imparts knowledge into diverse students within the four walls of a classroom. It is not the ultimate essence of my career because, unequivocally, I have come to the realisation that the impact of what I do today as a scholar is measured by the impact of what my contribution is to society through what I have achieved in terms of documented outcome of my research. This is how performance, I believe, is measured in the academia since it is the totality of a scholar's publications that determines his inputs to that field. Teaching is vital, but the incoming generations need an intellectual beacon of sorts that should guide them towards developing and uplifting their immediate societies, in particular, and humanity, in general. I am of the view that discoveries made through research are the intellectual beacon, which then serves as foundation that other intellectuals will build on in their attempt at looking at new area of discourses. Therefore, the fundamental nature of my scholarship is informed by the fact that I "light candles" that help both my students and professional colleagues make independent, critical breakthroughs in their works for the ultimate advancement of society in relation to conflict studies as they affect states that have been subjected to what is considered resource curse.

For this reasons, the content of this inaugural lecture is informed by my sojourn as a scholar and as a teacher. Hence, this presentation is titled "Curing the Affliction: From the "Oil Curse" to Sustainable Development in Africa's "Petro-States".

#### My contribution on resource-curse discourse

The Niger Delta region of Nigeria is a principal locale in Africa that has witnessed heavy disregard of the negative environmental impact of oil exploration by multinationals companies for over four decades (Ojakorotu, 2009) This deplorable condition eventuated by oil exploration in the Niger Delta has led to the emergence of social movements and militant youth groups that have challenged both the Nigerian state and foreign multinational mining companies (Ojakorotu,2008) This flashpoint is of academic significance to me because it is at the centre of my research interest during the last two and half decades. On the subject of the Niger Delta and the manifestations of the arduousness of the resource curse, I have made declarations in previous studies that encapsulate my perspectives on the relation between the Nigerian government and the people of the Niger Delta.

Firstly, in my narrative of oil production in this region, I have justified the notion of resource-curse on the basis of the state's definition of national security in terms of security of the oil complex, which entails that any threat to oil production has to be repelled by 'all and any means' in order to guarantee an uninterrupted oil production in the region in particular and the rest of the country in general.

Secondly, I have linked resource-curse in the Nigeria Niger Delta with a series of legislations<sup>1</sup> empowering the federal government to control crude oil production, all revenues derived

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<sup>&</sup>lt;sup>1</sup> Such as the Land Use Act, the Petroleum Act and Lands Act

from crude-oil and its distribution among tiers of government. In this regard, oil companies abdicate their corporate social responsibilities in host communities on account of the same legislations notwithstanding negative environmental impacts or damages. This means that, legally, foreign oil companies are only answerable to the government as they sustain production to levels that maximise corporate profits while having no interaction with host communities. In this way, the laws of the land support the thesis that oil, which is abundant in that region, is a resource-curse.

Thirdly, I have justified resource-curse in the Niger Delta region by showing the lack of political will to enact laws that protect the environment from being degraded, polluted and damaged by oil production-related activities. Similarly, the federal government has over the years failed to enact 'biting anti-corruption' laws, hence local greedy elites continue to access benefits from oil foreign companies meant for host communities. Consequently, I once declared that:

...the leadership of many oil communities has compromised their struggle for selfish motives by becoming 'compensation entrepreneurs' who specializes in devising methods purporting to meet expressed needs of people, yet lining own pockets...(Ojakorotu, 2006a)

Fourthly, I have justified the notion of the resource-curse in the Niger Delta region by linking oil production with human rights abuses. In this respect, I have interrogated and exposed how oil companies have always been ready to support state repression against communities expressing their agitation by disrupting oil production. As a result of this collusion, the following statement was made in 2008:

... all the oil companies are deeply and structurally connected to the repressive apparatus of the state. They pay salaries and expenses of a special national armed

and uniformed national police force tasked with guarding oil industry facilities...Ojakorotu & Whetho 2008b)

The above assertion correctly links:

- Violent confrontations between oil-bearing communities and the federal government and its agents over the latter's increased access to oil wealth;
- Conflict between these communities and multinational corporations (MNCs) mainly over land rights or compensation for ecological damage
- Conflicts among ethnic groups with claims to land ownership and sharing of amenities.

Fifthly, the resource-curse argument resonates with both the government and oil companies' failure to regularly maintain high-pressure pipelines constructed all over the oil-bearing communities to carry crude oil, diesel and gas as well as other oil installations. This means that oil companies and government usually abdicate their responsibilities, yet blame local communities for vandalizing the pipelines for the purposes of stealing petroleum products. This often results:

... in spills and leakages arising from corroded parts, which unfortunately, destroys wildlife, farmlands, forests, aquatic and human lives. In addition, discharge from refining activities into fresh water sources and farmlands devastate the environment and threaten human lives largely due to excessive amounts of toxic. Further, gas flaring negatively affects wildlife and human life(Ojakorotu & Uzodike, 2006c).

Sixthly, I have amplified the host communities' perception of 'little efforts by both the state and foreign oil multinationals to develop the region'. The above, coupled with environmental concerns, not only sustains a highly explosive conflictual environment, but it also empowers local militant groups to attract the involvement of the international community, particularly the international non-governmental organizations (INGOs). Thus,

the internationalisation of the conflict has compelled both the state and the foreign oil companies, particularly Shell, to institute policy shifts in favour of the plight of host communities. For instance, oil companies have improved their corporate social responsibilities by supporting, *inter alia*, baseline studies that determine oil companies' operations in host communities as well as increasing their annual allocation to communities' projects and by providing support to the newly established Niger Delta Development Commission (NDDC).

Lastly, my research interests in resource curse as it affects African states has led me to develop the nexus between conflicts and oil exploitation in both Cabinda, Angola and Niger Delta, Nigeria in spite of the fact that the conflicts at both places have varying historical interpretations and causal factors. With regard to Angola, I have systematically showed that the oil-conflict there has been localised between government's national army and secessionist in Cabinda(Ojakorotu,2011a, 2011b & 2012); however, in Nigeria, it is between government in league with oil companies and militant youth groups in the Niger Delta(Ojakorotu, 2006a&b, 2008a,2008c & 2009). With respect to Cabinda, I have demonstrated that the genesis of conflict was the eventual amalgamation of an enclave, Cabinda, into Angola albeit without adequate consultation with the enclave's leadership. This development aggrieved the leadership of the Liberation of the Enclave of Cabinda (FLEC), who felt marginalised by both Portugal and Luanda, arguably, in order to strategically deprive Cabinda's people access to vital oil resources which are indigenous to the province. Like in the Niger Delta, I have shown how local militancy groups resorted to hostage-taking and kidnapping of foreign nationals and foreign workers in the oil industry:

Between 1998 and 1999 FLEC kidnapped workers from multinational energy, construction and timber corporations operating in the region, and demanded ransom payment of US\$400,000 and US\$500,000 respectively, which they used to support their politically motivated attacks. In 2000, they kidnapped six Portuguese nationals and an Angolan, and demanded recognition by the Portuguese government (Ojakorotu 2011a)

Unfortunately, these developments in Angola have angered the international community, particularly the European Union (EU), which strongly condemned the group's activities. The condemnation prompted the Angolan government to heavily and decisively clamp down on the insurgency by applying various methods including torture, disappearances, arbitrary arrests, sexual assault, targeted killings, executions and selective military filtrations aimed at rooting out insurrectional intentions and dissidence in the province. The militarised actions of the Angolan government that was laced with obvious human rights abuses resulted in FLEC's insurgent activities finally coming to an end late 2010. This Cabinda narrative also exposed growing poverty, inequalities and dictatorial control of the oil resources, which are defining characteristics of the notion scholars have labelled, globally, as the resource curse associated with mineral-dependent states. This fractious nature of the Angolan polity as a concomitant of oil boom is akin to the situation in the Nigeria Niger Delta, a situation that now forms the epicentre of international discourse after the trial and hanging of the internationally renowned author and activist, Ken Saro-Wiwa in 1995 by the Abacha led government.

However, while the jury is still out on the benefits or otherwise of an endowment of natural resources, in this lecture, I am hypothesising that mineral resources including oil, are not a curse *per-se* since I concur with the proponents of the idea of resource-blessing.

While I embrace the idea of resource blessing and disavow the notion of resource curse, it is pertinent for me to state that I recognise the fact that Africa is awash with conditions that give strength to the idea that the continent is cursed as a result of its natural gifts scattered among several regions. As a result, this presentation revisits theoretical observations with a view to assessing the extent of damage that has been inflicted on the continent through a selected perusal and interrogation of events in Angola and Nigeria. In this regard, effort is made to tress the link between oil production on the one hand and anarchy and price stability on the other. Also, I will navigate through the aberrant nature of governance as it relates to the corrupt practices associated with oil production and marketing by paying special attention to issues of institutional quality, the importance of global values, principles of democracy and rule of law as well as inclusiveness in policy making or frameworks since the enthronement of fair legal and regulatory environment would have stemmed the growing level of stubborn poverty and social inequalities that herald widespread socioeconomic underdevelopment. Thereafter, I will specifically focus on oil exploration and exploitation in Nigeria's Niger Delta and Angola's Cabinda province. Finally, this lecture concludes by suggesting viable policy recommendations in support of equitable distribution of oil and other mineral production related benefits to citizens.

### Theoretical observations: Mineral Endowment – Curse or Blessing?

In a study that Scott Pegg (2006:1) describes as "a seminal economic contribution," Michael L. Ross (1999:297), while arguing that "[t]here is now strong evidence that states with abundant resource wealth perform less well than their resource-poor counterparts", declares that "there is little agreement on why this occurs." In essence, his affirmation indicates that there are plausible dissents in the academic community who are not totally

sold on the idea that abundant mineral resource equates resource curse within well-defined, specific parameters. However, for Ross, factors that may privilege the notion of 'resource curse' can be categorised as both economic and political. Economic factors that bolster unfavourable conditions against states with abundant resource wealth, according to Ross (1999:298), are "a decline in the terms of trade for primary commodities, the instability of international commodity markets, the poor economic linkages between resource and nonresource sectors, and an ailment commonly known as the "Dutch Disease." From the political perspective, Ross argues that states become victims of their natural resources due to "cognitive explanations, which contend that resource booms produce a type of short-sightedness among policymakers; societal explanations, which argue that resource exports tend to empower sectors, classes, or interest groups that favour growth-impeding policies; and state-centered explanations ... which contend that resource booms tend to weaken state institutions."

At this juncture, I will like to state that the notion known as the 'resource curse' is not an African prerogative because it is a malaise that has been diagnosed in most developing societies just as in a few developed states with the attendant effect of capturing the imagination of scholars worldwide. To this end, celebrated pontificators like Machiavelli, Montesquieu, Adam Smith and John Stuart Mill have been recorded as devoting time to explicate the nuanced signification of the idea. Unfortunately, states' inability to manage their abundant natural wealth which, as Nicholas Shaxson (2007:1123) argues, translates to "a tendency for them not only to fail to harness their resources for national development, but even to be harmed by them in many cases" is more evident in Africa, Latin or South America, Europe, and Asia. Surprisingly, the United States is not immune from the ravages

of the 'resource curse' – an occurrence which Marcia Langton and Odette Mazel (2008: 31) say "refer[s] to the social and economic phenomenon in which many countries rich in natural resources have had poor economic growth, conflict and declining standards of democracy."

In the US, one region scholars have identified as a place weighed down by its natural resource is the Appalachian region and, according to Mark D.Partridge, Michael R. Betz and Linda Lobao (2013: 449), the "Appalachian mountain region has long been characterized by deep poverty." They further reveal that although the poverty rate between this region and other parts of the United States has been reduced significantly in the late 1990s, Central Appalachia, whose economy has largely depended on revenue from coal mining, remains overwhelmingly poor because of the following reasons:

- A low-paying industry structure
- Below average education
- Low household mobility
- Remoteness from cities

The crux of their discourse with regard to the plight of the people of the Appalachian region of the United State is clearly hinged on a simple fact: According to these scholars quoted from (Deaton and Niman 2012; James and Aadland 2011).:

... the area's dependence on coal mining has contributed to its deep poverty through: weaker local governance, entrepreneurship and educational attainment; environmental degradation; poor health outcomes; and limitations on other economic opportunities. These factors are broadly associated with the natural resources curse in the international development literature. (2013: 449)

Also in Asia, Australia is a copious example of the negative impacts of abundant natural resource. In as much as Langton and Mazel point out that their study does not capture the national situation as it may have been implied in the previous study that focuses on the Appalachian mountain region of the United States, the 'resource curse' is not a stranger to the Australia. In their study, Langston and Mazel attest that:

The largest escalation of mining activity in Australian history is currently under way, led by the operations in the Pilhara region of Western Australia. With more than 60 per cent of these mineral operations in neighbouring Aboriginal communities, effective strategies to ensure that sustainable benefits accrue to the populations in these areas has emerged as an important issue. (33)

This same sensibility permeates some sections of Europe, and Russia is a perfect candidate to illustrate a concept that Prateek Goorha (2006) opines "suggests a causal link between the inability of an economy to grow and develop in accordance with classical economic growth theory and the abundance of the natural resources it possesses." Elaborating on the negative impact of Russia's fuel, gas, oil and metal finds, Goorha argues that "between 1998 and 2005 the Russian economy increased its reliance on [its natural resources] in exports from virtually two-thirds to more than three-quarters." The concomitant reason for this, says Goorha, "is the myopic and inefficient management of certain [natural resources]." Goorha's interrogation of relevant statistics in relation to Russia's economic health came up with bleak prognosis which the scholar says is "ostensibly rather incriminating" that may "truly [be] indicative of the Russian economy suffering from a resource curse."

The volatile nature of the political economy of the 'resource curse' finds home in more expressive, amplified forms in both Latin America and Africa where the negativity associated with the preponderance of natural resources is vastly linked to violence. Citing other sources to buttress claim, Annegret Mahler (2011) quoted from (Collier and Hoeffler 2004; Ross 2004)and (Dixon 2009; Hegre and Sambanis 2006, 531).

states:

An expanding literature on the so-called resource curse argues that the dependence of national economies on the export of natural resources causes an enhanced rate of internal violence. Of the different types of natural resources in existence, oil is considered to be the one that particularly increases the likelihood of violence

Venezuela, for instance, gradually lost its temperament in the 1980s after a measured period of peace due to the discovery of oil in commercial quantity in the country. As Mahler points out:

Since the election of President Hugo Chavez and especially since 2001, a deep polarization of Venezuelan society has been observable. This polarization has manifested itself in numerous mass protests, which have repeatedly been marked by violence and occasionally by fatalities (Amnesty International 2008; International Crisis Group 2004; PROVEA 2005). Violence generally comes from groups supportive of the government, from certain opposition groups, and from the security forces. In April 2002, after lethal clashes between a demonstration organized by the opposition and a counterdemonstration undertaken by supporters of President Chavez, a failed coup d'etat took place, which resulted in a total death toll of 17 (Latin American Newsletters 2002, 2).

The increase in internal violence towards the end of the 20<sup>th</sup> century through the now as precipitated by the emergence of petro-dollars in Venezuela, as Mahler argues, may be attributed to the following:

- Degree of Abundance
- Resource Sector Management
- Political Institutions
- The Behavioural Patterns of Political Actors
- The External Use of Resource Rents
- Political Culture and Ideologies

Mahler succinctly captures the essence of the above factors as they impact on the Venezuelan society thus:

... oil has driven internal conflicts through a different mechanism, [and] distributional disputes over oil rents have triggered an intensification of the ongoing conflict. Of additional importance in the first period of conflict were the behavioural patterns of elites, as well as political-institutional factors, namely the deterioration in the effectiveness and legitimacy of political institutions through corruption and the inflexibility of the partidocracia system.... The oil factor, for instance, contributed indirectly to the long-term degradation of the political institutions and the decline in their efficiency through widespread corruption and clientelism. ... several contextual conditions have fostered conflict and other forms of violence largely independently of the effects or ramifications of oil. These are, first and foremost, the behavioural patterns of the elites and the growing relevance of certain political ideologies. (603-604)

The outbreak of conflicts triggered by the presence of natural resource is argued to have been necessitated, principally, by "the struggle for the access to oil rents" (Mahler, 2011: 604) and this is so true of the many internal conflicts in Africa. From West Africa to East Africa and from South Africa to horn of Africa, the reality of a concept, which James Goodman and David Worth (2008:202) "defined as the socio-economic disadvantage, political disruption or environmental degradation that result from dependence on extractive industries" (2008:202) is so acute.

From the above discussion, African countries largely lag behind the rest of the world in terms of social, economic, political and legal institutional development. This explains largely weak development or implementation of policy, legal and regulatory institutions, which in the case of Angola and Nigeria in particular are largely blamed for lacking the political will coupled with effective mechanisms to control the predatory conduct of ruling elites, politicians and senior public officers as well as mining companies officials in the management and exploitation of oil resources. Fraser Institute (2006) concurs by noting that most African countries lack quality legal system to enforce property rights. Collier and

Gunning (1999) weighs in the debate by emphasising institutional weaknesses as the main reason why Africa lacks the key growth and development drivers. This institutional dimension is most relevant in the context in which the quality of the legal and political arrangements struggles (most often fails) to discipline the activities of foreign private sector in its interactions with the public sector.

In recent years, Africa has become an epicentre of the global scramble for natural resources, particularly minerals including oil and gas. Further, the continent is known to produce more than 60 different types of minerals, metals, and ores. In particular, Cheru (2014) observes that 17 of the 53 African countries were by end of 2010 producing and exporting oil. Ramdoo (2012) confirms recent discoveries of oil in Kenya, Liberia, Mozambique, Tanzania and Uganda, a development which further raises the profile of the continent. While traditional Western development partners remain dominant in Africa's extractive sectors, emerging economies have increasingly become major investors, as well as consumers of the continent's natural resources. More recently, there has been a dramatic involvement of China and India mining companies in the continent's extractive industrial production following a significant increase in the demand for oil, gas and other minerals commodities. McKay (2012), Lee (2006), Stephan & Power (2012) and Weinstein (2008) attribute this rising demand to historically high price levels at the global market as well as favourable the terms of trade for commodities, resulting in more frenzy of exploration and mining activities in African resource-rich countries. However, McKay (2012:4) observes that this financial bounty has not been translated into increased rates of social and economic development in most African economies.

#### Angola: Resource curse and the paradox of plenty

Angola's wealth has "been associated with repression and suffering," posits Philippe le Billion (2001:55). This categorical statement is hinged on the fact that Angola is a country with an abundance of oil and diamond, yet 70% of its population lives in poverty with 80% having no access to basic medical care (Eviatar, 2004). The fundamental factor that is

responsible for this penury can be traced to the near perpetual state of anarchy that defines the Angolan state for over five centuries as a result of the presence of colonialists who, according to le Billion:

... plundered Angola of its people and shipped them to Brazil's plantations. Colonialists expropriated Angola's best land to provide an agricultural surplus for Portugal and an outlet for its impoverished population. The industrial economy of the twentieth century and the spread of luxury consumption provided a demand for Angola's oil and diamonds that partly fuelled four decades of war. Angola's wealth appears to be a curse for its people. (55-56)

However, the presence of the colonialists prior to independence and their exit from Angola since independence has not assuaged the nation of the "curse for its people". The reasons for this may be two-fold: foreign intervention in Angola's internal politics and the abysmal usage of state resources in ways that are not beneficial to the generality of the Angolan society.

On the first factor, le Billion argues:

Wealth is not the curse in itself, however. Nor are greed and economic agendas the only driving forces in the long history of Angolan conflicts. Local populations consistently opposed the authoritarian colonialism of Portugal. Geo-strategic and ideological agendas motivated the participation in the conflicts of, among others, South Africa, Zaire, the US, Cuba, and the Soviet Union. Competing Angolan parties repeatedly used identity politics to deploy or justify violence. Finally, the personal ambitions of the contending leaders and their entourages, as well as their mutual distrust, have motivated and prolonged the successive violent conflict. (56)

The apocalypse unleashed on this Southern African state by "the personal ambitions of the contending leaders and their entourages" cast shadows on the promises of independence because, according to Assis Malaquias (2001):

The optimistic dreams set free by independence quickly turned into a collective nightmare as the nationalist movements that led the anti-colonial struggle failed to find peaceful mechanisms to share power in a post-colonial state. ... Not surprisingly,

therefore, ethnic divisions pre-dating colonialism remain intact and consistently act as powerful centrifugal forces.... [And] the colonial presence made these processes even more complex by forcibly absorbing into the colony diverse ethno-linguistic groups with incongruent histories and aspirations. (522)

The above nuances led to the second factor that has elevated deplorable living to a gold standard in Angola. This condition of the post-colonial state in Angola, in my view, can actually be said to have been fermented by "the more general relation between abundant natural resources and armed conflicts [since] rents generated by narrow and mostly foreign-dominated resource industries allow ruling groups to dispense with economic diversification and popular legitimacy, often resulting in rent-seeking, poor economic growth, and little social mobility outside politics and state patronage" (le Billion, 2001:56).

The attendant effect of the above political economy manifests itself in Angola's demands for less taxation from her citizens. And, the aftermath of this situation is inherently in the idea that the government is independent of the people and, then, assumes a position of not being accountable to its people. The Institute of Development Studies (2007:1) supports this thesis when it states that if governments are not dependent on taxes for their finances, they are less accountable and responsive to their citizens. When a state is not accountable to its people, then a perfect recipe for social disaster has been provided.

In the Angolan context, the government in Angola does not use the national income to fund developmental endeavours and even more devastating is that a huge amount of such income is embezzled. This disparity is largely blamed on corruption and elite plunder on oil and mineral resources through convenient contractual arrangements with foreign mining companies. This grand corruption has since benefited many of the country's political elite who have staggered personal wealth outside the country. McMillian (2005) argues that in

2003, each of 50 Angolans in position of public office had personal wealth of more than US\$50 million. Of the above, an estimated ten had personal wealth in excess of US\$100 million. Standing (2007) further alleges that of seven richest Angolans who were in the government at that time, President José Eduardo dos Santos was believed to be the wealthiest of them all. Standing (2007) further argues that between 1997 and 2002, 'unaccounted for funds' from Angola's oil industry amounted to US\$4.22 billion. Over the same period, total social expenditure in the country including government fiscal spending as well as public and private initiatives funded through the United Nations Consolidated Inter-Agency Appeal was S\$4.27 billion. Thus, the above looted money (unaccounted for funds) could have adequately facilitated social development leading to more wealth generation.

Firstly, this environment encourages political competition that is driven by systems of patronage; hence the priority of public spending is towards maintaining political hegemony than supporting the public good such as the construction of schools, health care facilities and military barracks. Secondly, this environment encourages concerted effort to weaken or compromise institutions that pose checks and balances into the conduct of government; for instance, the media, the criminal justice system, parliament, civil society and academia become subterfuge of the hegemonic system. Thirdly, this environment favours militaristic methods of social control, which in turn, encourages a noxious relationship between rulers and the military, with the latter being kept loyal through a sharing of the profits from resource exploitation (Standing, 2007). Fourthly, this environment favours centralised government system that is secretive, aggressive, paranoid and uninterested in public welfare. Lastly, ruling elites of such a government plunder resource wealth for their own ends at the expense of the public good.

Thus, the above serves to politically or psychologically weaken other areas of the economy, which may be less vulnerable or valuable to rent seeking. Thus, as corrupt rulers focus on their own wealth creation through embezzling or capturing rents from point-source resource extraction, they demonstrate little interest in developing other potential sectors of the economy, especially those that have both forward and backward linkages with oil and gas mining production and/or industries. It is not surprising therefore that mining complex in almost most African countries lack downstream and upstream industrial activities as well as having weak linkages with other important sectors of the economy such as agriculture and manufacturing. Hodges (2001) demonstrates that the mineral and oil mining complex is struggling to provide sufficient security round operations, especially in conflict areas as well as employment opportunities for nationals, particularly residents of those local communities around mining complexes. Not only does this reflect poor economic performance, but also profound impact on societal inequality, social cohesion and social development. Ross (2006) argues that the over-reliance on oil and gas tends to diminish female participation in the labour market since sectors that have been or are being crowded out have high propensity to employ women. Such development in turn reduces the economic and political influence of women in society.

Thus, in spite of the fact that Angola is the second Africa's largest exporter of oil and the third largest exporter of diamonds, Angola has one of the highest levels of poverty in the world because of attendant corruption among government officials. To this end, the country is one of the most unequal economies in southern Africa, estimated at 0.62 gini coefficient (Rosser, 2004).

However, the ruling party<sup>2</sup>, the People's Movement for the Liberation of Angola (MPLA), continues to blame long and protracted civil war with UNITA, and the subsequent demands for cessation by Cabinda<sup>3</sup> for failing to build strong and functional governance and democratic institutions, but oil revenues enabled MPLA to hold on to power while fighting UNITA and doing little to help the people whose poverty levels have been worsened by war.

While the country has in recent decade started to enjoy country-wide peace, by all accounts, the country's economic, political and legal institutions are still largely fragile. This is confirmed by Amundsen (forthcoming) who laments the dire state of the country's institutional arrangements. It is pertinent to state that the state institutions are under siege since President José Eduardo dos Santos has excessive power, the judiciary is far from independent, the media is controlled by the state and lacks plurality, and MPLA dominates all democratic elections with 80% and 72% in 2002 and 2012, respectively. Civil society is intimidated and infiltrated hence it is largely unable to hold government accountable, especially on the management and utilisation of the oil and diamonds revenues. Notwithstanding the signing up to the Extractive Industries Transparency Initiative (EITI), the International Budget Index (2008) ranked Angola as the second least transparent country in the world.

The EITI declaration on Angola is disheartening since it enunciates what Frantz Fanon in his book, *The Wretched of the Earth*, may consider one of "the trials and tribulations of national consciousness". According to Fanon:

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<sup>2</sup> Portuguese Movimento Popular de Libertação de Angola

<sup>&</sup>lt;sup>3</sup> Is an enclave and normal Angolan province that experience persistent political protest against this status including a number of guerrilla actions.

The bourgeoisie, which evolved in Europe, was able to elaborate an ideology while strengthening its own influence. This dynamic, educated, and secular bourgeoisie fully succeeded in its undertaking of capital accumulation and endowed the nation with a minimum of prosperity. (119)

Angola has one of the world's fastest growing economies, which grew by 5.1% in 2013 largely due public infrastructure investments in energy and transport. As Africa's second biggest oil producer, Angola produced 1.85 million barrels of petroleum per day (which contribute about 45% to the country's GDP), and revenues from oil are estimated at \$60 billion (80% of government revenues) this year.

But few people have been benefiting from oil as evidenced by limited jobs, increased inequality and allegations of corruption. UNDP estimates that 36% of Angolans live below the poverty line while one in every four persons is unemployed. Despite being the fifth largest economy in Africa, ordinary Angolans have seen little change in their standard of living. Only 37.8% of country's 21 million people have access to electricity while about half have access to safe drinking water. What has led to this, in Malaquias view (2001:256), is thus:

Protracted military conflict in Angola has provided both MPLA and UNITA elites with opportunities for self-enrichment while terrorising and pauperising the population. Evidence of the criminal nature of Angola's political economy is irrefutable, abundant, and mounting. The elites have not only robbed the country of its wealth but, equally reprehensible, they have also destroyed or atrophied the lives of most Angolans...

In the same vein, Rosser (2004) observes that Angolan ruling elites used the vast oil rents to distribute favours to supporters. Therefore, the level of corruption is entrenched involving all actors including politicians, military officers, magistrates, businessmen and senior civil servants. During elections, ruling elites distribute patronage gifts to even lower levels. while

promises of favours including selective awarding of business licenses, jobs in the civil service, payment of large off-budget bonuses, and fuel and water subsidies for elected groups. However, the trickling down effect to the poorest in society and those most politically isolated elements in society could not happen. Similarly, a large proportion of the education budget in Angola goes towards funding scholarships abroad (implicitly for the children of elites) while large chunks of the health budget are dedicated to ensuring emergency evacuation procedures for elites.

#### Oil and internal conflicts – the case of Nigeria

In an overview of Nigeria's Oil Industry, Uwafiokun Idemudia (2009) posits:

The oil industry in Nigeria has been dominated by two of its three key stakeholders: the Federal Government of Nigeria (FGN) and foreign oil companies. The consideration of the host communities as a stakeholder in the Nigerian oil industry is a new phenomenon; however, the host communities are still relegated to the background in decision-making processes within the oil industry. This is partly because the FGN, by virtue of decrees and laws, such as the Land Use Act of 1978 and the Petroleum Act of 1969, remains the only authority that can legitimately enter into negotiation and grant concessions for oil exploration to international and local oil firms, since ownership of crude oil has been vested in the Nigerian state.

The dynamics that this relationship embodies for a Nigerian nation steeped in distrust is enormously ominous, especially since the host communities are insignificant players in the affairs fuelled by their resource. Idemudia, again, provides insight into the relationship that exists between the host communities, the Nigerian government and the multinational oil exploring companies:

Oil exploration and marketing take place in Nigeria through complex joint venture partnership agreements and production-sharing contracts between the FGN and the oil companies. Since ownership of crude oil is vested in the state, taxes and royalties accrue to the FGN directly. Hence, the FGN is in effect both a stockholder and a stakeholder. It has the responsibility for regulating the activities of the oil companies through the Nigerian National Petroleum Corporation (NNPC), established in 1977.

The NNPC has been the sole superintendent of the oil sector, dictating the pace and direction of activities in the industry. As the federal government's proxy in the oil business, it holds an average of 57 percent in joint venture partnership arrangements with the multinational oil exploration and production companies in Nigeria.

For the people of the Niger Delta where the bulk of Nigeria's black gold is extracted, the existing aforementioned arrangement is unacceptable especially where social justice and economic development have eluded them for so long while they wallow in abject poverty. Consequently, oil resource has led to civil conflicts in Nigeria, whose oil-rich Niger Delta inhabitants have engaged in militancy to claim greater control of the country's wealth with the threat of secession similar to the events in the Congo when, in less than a month after independence, Congo was plunged into civil war as a Congolese politician declared his native mineral-rich province of Katanga an independent state (Gondola, 2002:108). Such conflicts, when they degenerate into civil wars — beyond the material and economic devastation that they cause in the form of destruction of property, disruption of economic activities, and distraction of the government — drain a country's finances as money gained through the exportation of minerals is used to secure arms and prosecute an expensive war.

In Nigeria, for instance, although the widespread violence in the Niger-Delta of the country has not metaphosed into civil war due to Nigeria's vested interest in the region, yet the "full

As Michael Watts (2007: 639) aptly states, "the Niger Delta is a vast oil basin of some 70, 000 sq. kms and composed officially of nine states (Abia, Akwa-Ibom, Rivers, bayelsa, Delta, Imo, Ondo and Edo), 185 local government areas and a population of roughly 28 millions; it possesses a massive oil infrastructure consisting of 606 fields, 5284 wells, 7,000 kilometres

blown insurgency" that engulfed the region about a decade ago, which is currently

simmering, makes the West African state a volatile political entity still.

of pipelines, ten export terminals, 275 flow stations, ten gas plants, four refineries and a massive liguefied natural gas (LNG) sector." However, in spite of the nature of a seemingly organised oil sector, there is a litany of complaints that characterises the relationship between the federal government of Nigeria and the host communities where Nigeria's wealth is made due to the radical fiscal centralism, which Watts (2007:642) says has made the history of Nigeria "the history of the reconfiguration and contestation over revenue allocation." Sadly, over the years, the fragile relationship between Nigeria and a section of the Niger Delta has deterioted to the extent that the region became "ungovernable" to the extent that the conflicts in Nigeria's Niger-Delta with incessant attacks on oil installations and kidnap of personages associated to the oil exploration companies "cost Nigeria \$60 million per day, roughly \$4.4 billion per annum in damage and lost revenue ... and in mid-2006 [then] President Obasanjo ordered the military to adopt a 'force for force' policy in the Delta in a vain effort to gain control of the creeks" (Watts, 2007:639). As a result of this development, Ike Okonta (2005:206) declares that the presence of the Nigerian government in the Niger-Delta "is only felt in the form of the machine gun and jackboots" while the region remains "one of the most polluted places on the surface of the earth" as pronounced by the World Wildlife Fund.

The conflicts that were precipitated by what may be considered an unholy alliance between the centre and the nine states was the end result of a sensibility that still frowns at a federal policy that encumbers the oil revenue accruable to Nigeria in ways that are perceived to have disadvantaged the 'owners' of the natural resources and privileged 'parasitic' communities that are dependent on the oil wealth thereby creating a situation which Watts

(2007:642) sums up thus: "the oil producing states (composed largely of ethnic minorities) have lost and the non-oil producing ethnic majorities have gained – by fair means or foul."

Unfortunately, the conflicts in the Niger-Delta and the consequent solutions proffered to ameliorate the conditions in this region also undermine or destroy social, economic and political institutions that are central in driving socio-economic development agenda. While Idemudia (2009: 7-8) affirms that "the discovery of oil in 1956, and its extraction since 1958, have transformed the Nigerian economy from dependency on agriculture to dependency on oil [to the extent that] the centrality of oil in national politics against the backdrop of preoil politics facilitated the full manifestation of the resource curse", Watts (2007:642), on the other hand, argues that "the shifting politics of fiscal centralisation, and decentralisation, provides the ground [for] three important aspects of the 'new' Nigerian political economy: the decentralisation of corruption, the democratisation of the means of violence and, [finally], the rise of enormous power and wealth at the level of the state governors who become not only counterweights to the federal centre but machine politicians." However, the significance of Nigeria's dilemma pursuant to its 'resource curse' is heightened by V.T Jike (2004: 698), who says:

Institutional structures in Nigeria have become considerably weak, and the leverage for popular control has been whittled down. The family has lost its preeminent status as a nurturant socialization institution. The political parties and institutions are a travesty of what they ought to be ... . The level of poverty has become widespread, orchestrating a massive rural-urban migration and thereby compounding incipient urbanization problems of metropolitan centres (Makinwa, 1981). And an unintended spate of inimical consequence following urbanization are unleashed on emergent urban centers. Area boys, ethnic militia, and a stream of countercultures take hold and are firmly entrenched.

In spite of an increase in the CSR activities of multinational oil companies and their subcontractors in the Niger-Delta region, the conditions in the Niger-Delta are still worrying, especially when one considers the effect of the environmental degradation the region has been exposed to due to "petroleum exploration and ancillary problems of spillage (Jike, 2004:689). In essence, as McKay (2012) argues, the strong alliances between the oil companies and the various levels of government in Nigeria, regardless of successions, have led to the continued brutal repression of civilian protests in the region triggered by the destruction of a people's environment. Consequently, he further provides insight into how local activists and their INGOs' allies consistently expose a range of serious problems including the economic and environmental consequences of regular oil spills which have devastated local farming and fishing activities; the breakdown of the region's social fabric and the loss of property; and heightened community tensions. The EU commissioned study undertaken by Chatham House (Baumüller *et al.*, 2011) weigh in the debate by stressing:

- Common occurrence of oil spills and the practice of gas flaring in the Niger Delta both have had devastating impacts on local economies, societies and environments;
- Oil companies' attempts to implement more socially responsible practices without transparent engagement and accountable instruments with local communities have affected how communities view the gesture which they qualify as inadequate and short-sighted.
- Governments' lack of political will to enforce local laws and regulations is obvious.
- Failure by major importers<sup>4</sup> of oil to promote greater sustainability and equity in the industry.
- Importance of current efforts to promote greater revenue transparency coupled with better revenue management and a greater emphasis on preventing trade in oil sourced illegally or from conflict areas.
- The need for increased cooperation between governments, oil companies, civil society and local communities.

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<sup>&</sup>lt;sup>4</sup> Such as the EU and USA

#### **Policy recommendations**

Madam Rector, having interrogated the aftermath of the discovery of natural resources and its negative impact on the social development in two major African states, it is necessary for me to make the following recommendations in an effort to sanitise the system and galvanise society towards a more acceptable socio-political practice that should be beneficial to humanity in spite of a perceived curse that beclouds Third World nation states blessed by nature. In other words, the presence of natural resources in any community has the capacity of becoming a blessing in both the spirit and the letter of the word. After all, as Ann Boschini, Jan Pettersson and Jesper Roine point out, "for just about every failure [caused by the emergence of petro-dollar] there is a counterexample of success" and Norway, Australia, South Africa and Botswana are examples of countries that have made good in spite of the hovering presence of a resource curse.

First, it is my opinion that African resource-rich countries should establish preconditions for the reorientation of their respective economies. This requires robust engagements with all relevant stakeholders (as is the case in those countries that succeeded in breaking the resource curse such as Botswana and Ghana) as well as radical nationalists influence and sentiments in terms of driving the agenda of an equal society. This also calls for the establishment of coalition of interests across all sectors and political divide.

Second, political system that is not inclusive has a high degree of regime instability, and it is less likely to build the necessary capacity for effective revenue administration in the oil sector. Unstable regimes are also unlikely to build appropriate and biting institutions. More often, this entails constraining policy choices on tax rates and regulation. Therefore to efficiently collect tax in the oil industry, countries must cultivate the necessary political will

to adequately support tax administrative capacity through purchasing technological equipment and build technical capacities to manage direct oil revenue inflows and other compensatory revenues. This has to be completed by equal support to legal institutions that not only enforces contracts, but also decisive in fighting corrupt practices.

With the above in mind, government and all relevant stakeholders should focus mainly on transparency in revenue collection, procurement, distribution of income, public expenditure stemming from the extractive industrial operations. In this regard, oversight organizations and institutions working in this area should lobby for a law that make it mandatory to compare payments made by companies with payments received by government(s). Most resource-rich countries subscribe to the global processes such as the EITI and Publish What You Pay initiative both of which aim to increase revenue accountability through full corporate and government disclosure.

Third, since the political economy of natural resources is about the interplay between politics and valuable natural assets, it is imperative that there are strong national and regional institutions to ensure fair interaction, especially with a view that ordinary citizens benefit from these natural resources. This notion views institutions to constitute the rules of the game(s) that influence either the positive or negative effects of resource rents as well as their relative dominance in both centralized and decentralised political economy models of the resource case. As Atkinson & Hamilton (2003) argue, the institutional qualities should be measured by how the efficiency and effectiveness of the rule of law, governance and democratic practices enhances the capacities and qualities of public servants who working towards reducing the level of government corruption and risk of investment expropriations

and contract repudiations. Success in this regard would influence resource-rich countries to successfully manage their resource wealth with prudence and long-term vision.

It is my belief, therefore, that a combination of 'biting institutions' and 'transparency' encourages governments to improve its share of higher receipts for commodities. This also encourages transparent negotiations between mining and energy companies, and governments, leading to greater public accountability thereby reducing opportunities for corruption. Cheru (2014) reminds us of the need to ensure that governments, if they have not yet done so, develop and enact into law a legislation that enforces public disclosure of the terms and conditions of contracts in the extractive industry. This approach can be extended to the disclosure of crucial information agreed to during the process of negotiating mining rights by both parties – government and mining and energy companies – a development that ensure greater transparency and public accountability in the sector while reducing opportunities for corruption.

Fourth, it is imperative to lobby against laws or policies that treat military spending as sacrosanct in some countries and, especially in dictatorships, as a "no go area". This is an area that has been encouraging governments to hide revenues meant for public expenditures to be siphoned outside the country without any trace. Coupled with this is the need to advocate for efficiency taxation administration by supporting efforts to build requisite capacities on fiscal related matters.

Fifth, it is crucial to empower state institutes, economic bodies and social groups that favour protectionist and growth-reducing policies. In this vein, all efforts should be made to improve the capacities of parliamentarians, especially those in the extractive industry

portfolio; CSOs working on this area and other stakeholders whose goal, inter alia, seeks to scrutinize existing contracts as well as monitoring the extractive industries' activities.

Sixth, government must ensure that foreign companies build the necessary infrastructure and industrial capabilities with forward and backward linkages to efficiently extract and process natural resources and promote regional value chains. This entails adopting integrated beneficiation as well as diversification and industrialization strategies that encourage innovation while paying particular attention to those industries and services associated with inputs in extractive sectors, post-extractive processes and the industrial uses of resources.

Seventh, with respect to environmental concerns, stakeholders (national and external) should advocate for new robust sector practices and standards most of which are currently woefully lacking in the management of extractive sectors, covering exploration, environmental impact analysis, water use and contamination, rehabilitation and reclamation, and health and safety standards among other things. This should be complimented by new legislation and regulations adopted specifically to ensure that extractive projects do not undermine environmental sustainability or lead to instability and conflict. In line of the challenges and opportunities associated with increased foreign interest in the extractive sectors, governments should adopt also appropriate policy frameworks and legal instruments that articulate modalities for a win-win engagement with emerging economies in addition to influencing the direction of the relationships.

Eighth, it is important to focus on building political and governance issues as intervening variables. It is also important to explore casual links between economic structure on the one

hand and the nature of the political system and/or the quality of governance on the other. It has already been argued that poor governance regimes and weak monitoring institutions in an environment of resource wealth tend to create incentives for rent-seeking rather than entrepreneurship. Under such an environment, both the state and private sector actors focus on capturing the resource rents rather than wealth creation.

Ninth, complacence can lead to excessively lax policies and a neglect of structural and other necessary measures needed to foster diversification. Excessive spending in the good times necessitates sharp retrenchment when commodity prices fall, thus aggravating the impact of shifts in the terms of trade. The enclave nature of natural resource activities restricts opportunities for the development of forward and backward linkages in resource-rich economies between extractive mining activities and the rest of the economy. The link between resource wealth and corrupt officials tempt them to manipulate state institutions and violate procedures during the awarding of mining rights in order to secure resource rents such as bribes and kick-backs.

Tenth, corruption across the bureaucracy must be addressed as oil revenues increases incentives to expropriate funds throughout the system, obstructing development policies in other areas. CSO is a potential link between state and society, hence transparency, non-interference and improved capacity enhances its effectiveness.

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