Natural Resource Governance & Politics in West Africa

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In sub-Saharan Africa, is natural resource extraction incompatible with good governance? Plenty of evidence to support this claim; e.g.

- The Mo Ibrahim Index measures African countries using a number of political, economic and social governance indicators.
Democracy & Natural Resources in Africa...

- Africa’s most valuable natural resource is oil;

- Five top most Sub-Saharan oil producers – both in terms of barrels produced/day and in terms of the overall value of oil exported – are amongst the poorest performers on the index.

- Only Major oil producer that scores reasonably well on the IIG is Gabon at 29!
## Democracy & Natural Resources in Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Barrels/day</th>
<th>Total Value of Oil Exports (2010)</th>
<th>Rank on IIAG/53</th>
<th>Overall Score on the IIAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>2,211,000</td>
<td>69</td>
<td>41(^{st})</td>
<td>41%</td>
</tr>
<tr>
<td>Angola</td>
<td>1,948,000</td>
<td>61.7</td>
<td>42(^{nd})</td>
<td>41%</td>
</tr>
<tr>
<td>Sudan</td>
<td>486,700</td>
<td>10.3</td>
<td>48(^{th})</td>
<td>33%</td>
</tr>
<tr>
<td>Equatorial Guinea</td>
<td>346,000</td>
<td>9.89</td>
<td>45(^{th})</td>
<td>37%</td>
</tr>
<tr>
<td>Republic of Congo</td>
<td>274,400</td>
<td>8.66</td>
<td>40(^{th})</td>
<td>42%</td>
</tr>
</tbody>
</table>
Even worse when it comes to the specific areas of governance: E.g.

*Safety and Rule of Law* – Major oil producers on the continent perform significantly worse than continental average in this indicator;

Number of oil producing countries have seen significant declines in the category of *personal safety* over the last few years:

(Chad (-21.3), Libya (-20), Angola (-8.8), Tunisia (-6.3) and Sudan (-5.0))
Most notable disparity between Oil Producing countries and the rest of the continent is in the area of human rights and participation:

In all sub-categories of Participation and Human Rights, the OPCs scored below the continental average.

Equatorial Guinea (52nd) and Libya (51st) were the worst ranked OPCs in Participation and Human Rights.

In the sub-category of Participation, Libya (53) and Chad (50) were the worst ranked OPCs. Equatorial Guinea (51) and Sudan (50) were the lowest ranked in Rights. Equatorial Guinea (52) was again the lowest ranked OPC in Gender.
Why is the case: the theories..

Many reasons...summed up in the ‘resource curse’ literature: i.e.

- resource rents reduce vertical accountability by eliminating the need to tax; poor vertical accountability fosters corruption, patronage, rent seeking;
- the active destruction of checks and balances as a result of skewed political incentives
Generally:

- For political actors with discretion over resource rents, incentives generally align in a way that discourages the supply of public goods to disparate constituencies;

- Incentives generally favor of patronage benefits to limited ethnic or regional support networks.
In democracies:

- The rents generated for ruling elites can create massive incumbency advantages that undermine electoral competitiveness and increase the stakes for state capture in competitive systems.

- In western and central Africa especially, this has often resulted in democratic reversal, authoritarian consolidation, political instability, regional strife, or outright civil war.


Many many others...
Implications

- The above analysis is discomforting if one is a citizen of the growing list of countries on the continent that have recently discovered potentially lucrative quantities of oil and gas;
  - Ghana
  - Kenya/Uganda/Tanzania
  - Sierra Leone

Should the citizens of these countries be worried?
Causation

Which comes first?

- Theory A: Weak institutions leads to bad governance and this in turn leads to poor/inequitable exploitation of natural resources?

- Theory B: Presence of natural resources begins a cycle which ultimately leads to weak institutions and bad governance?
The weak institutions theory...

Many examples in West Africa to support Theory A.
- Post-colonial institutions in Africa were primarily weak
- Many of the primary governance institutions did not provide for sufficient levels of executive accountability.

- This was true for both democracies and non-democracies.
- Also true several decades after the end of the initial post-colonial era/cf post “Third Wave” constitutions;

Sierra Leone, 1991 Constitution

- Ostensibly, 1991 constitution creates a constitutional system with three arms of government:

- Semblance of checks and balances on paper, in practice, significant amount of power concentrated in the hands of the executive;

- Domination by the executive of all the primary arms of government, i.e. the legislature/the judiciary/etc
E.g. Parliament is the supreme law making authority of the state, and has primary oversight responsibility over government expenditure in theory.

In practice, insufficient capacity for parliament to halt expenditure proposals from the government;

Also, in theory, parliament’s are to provide a check/oversight mechanism over executive appointments; in practice, executive has tremendous influence when it comes to appointments throughout government, even to leadership positions in executive oversight agencies.
Weak public finance mechanisms, because parliament is too weak to play an effective role in the oversight of government receipts and expenditure from natural resource sector;

Even where parliament does play a role, likelihood of enforcement is minimal:
- Insufficiently strong capacity for enforcement;
- Absent political will for enforcement
• Insufficiently strong enforcement mechanisms against corruption; partly because prosecutions mechanisms are insufficiently insulated from the executive.

• No effective enforcement mechanisms against violations of environmental governance standards;
- Weak transparency mechanisms, and governments throughout the continent that are democratic, but opaque;

- Poorly enforced, non-existence information access mechanisms
Effect on natural resource governance...

- Difficulty obtaining contracts;
- Challenges with basic information in respect of the granting of mineral concession licenses;
- Little control over how natural resource rents are used;
- The application of resource rents into regime consolidation and vanity projects rather than poverty alleviation;
Theory B: What if it’s not weak institutions: what if it’s the nature of natural resource rents that causes bad governance?

This presumes that:

- Even where institutions are strong, the mere presence of natural resources (and the governance/accountability dissonance that it brings) results in institutional weakness, and bad governance.
This suggests that even where institutions are relatively well developed, the mere presence of Nat Res extraction is enough to cause weakness/strains in governance systems;

Ghana provides test of this theory
- Relatively strong democratic credentials, and relative good governance
- Since democratic government was restored in 1993, the country has held five free and fair elections and twice transferred power peacefully from one party to the other (in 2001 and 2009).
- Over the course of the last two decades, Ghana has developed a stable and highly competitive two-party political system.
Many of the institutions and processes established by the 1992 Constitution, namely, regularly scheduled elections, independent media, the rights to freedom of speech and association, civilian control of the military, and independent constitutional bodies such as the EC and (CHRAJ)—enjoy widespread public support and legitimacy.

The ballot box, the court of public opinion, and the courts of law have gained popular and elite acceptance as the legitimate avenues for settling differences between contending political factions.
Ghana has also seen a vast expansion in the media sector and increasing opportunities for political expression.

Reporters Without Borders ranked Ghana the 27th-best country in the world (the highest in Africa) for press freedom in 2009; Also, Freedom House;

Vibrant civil society movement; very broad, fairly deep, very vocal and occasionally incredibly influential;
Into this relatively progressive democratic environment is thrown a fairly significant oil find: i.e.

- 120,000 barrels produced per day at peak capacity. Tullow Oil, a partner in the Jubilee Oil Block joint venture, has estimated a peak productive capacity of 500,000 barrels a day as early as 2014.
- Deepwater Tano block could contain an additional 1.5 billion barrels. Tullow believes that Ghana’s gross production potential could exceed 4.5 billion barrels;
- Estimated 1 billion/year in additional revenue;
• Very active CSO engagement/interest in the developing of the oil regulatory regime persists;

• CSO engagement with parliament led to the introduction of some of the more positive aspects of the PRMA;

• CSO interventions encouraged government to shelve a Petroleum Exploration and Production Bill that it had that allowed oil licenses and contracts to be awarded through negotiation instead of open and competitive bidding;
• Significant levels of opacity in Ghana’s oil licensing and contracting regime.

• General culture of lack of transparency in governmental activities; a holdover of a public bureaucracy that spent decades under military and one party regimes;
Partisanship/polarization/ and the absence of insulation of partisan politics in the contract and awarding process;

- The failure to insulate the key institutions managing the sector from partisan politics: Appointments to these bodies made by the president, liable to change when a new party comes into being;

So clear challenges exist, despite democracy. **But time will tell.**
• Obvious exceptions to this rule.
  ○ Botswana,
  ○ South Africa
  ○ Namibia

• So its possible that the problem is not one of natural resource and bad governance. Perhaps its just oil and bad governance?
• Questions/Comments?