The Social Sciences 7 (2): 321-331, 2012
ISSN: 1818-5800


# Resource Rent and Governance Crisis in Gulf of Guinea Oil States: The Case of Angola

[1]Luqman Saka and [2]Mohd Azizuddin Bin Mohd Sani
[1]Ghazali Shafie Graduate School of Government, College of Law, Government and International Studies, Universiti Utara Malaysia, Malaysia
[2]School of International Studies, Universiti Utara Malaysia, Malaysia

**Abstract:** Studies have detailed the detrimental effects of natural resources on governance. Much of the studies have gained prominence via the resource curse thesis. Though, the thesis arguments might be convincing yet there are notable exceptions of resource endowed countries that have avoided the resource curse dilemma. What then distinguishes losers from winners when it comes to resource wealth management? Is the curse that of resource or institutions? This study seeks to analysis the crisis of resource rent mis-governance in Angola, the second most important oil producing country in sub-Saharan Africa. The study looks at the mismanagement of the ever increasing rents from oil by the ruling elite and the general governance crisis in post-war Angola.

**Key words:** Resource rent, oil states, natural resources, management, ruling elite, Malaysia

## INTRODUCTION

The effects of natural resources extraction and production on the ecology, economy and governance in sub-Saharan African states remains a central discourse in academic and policy circles within and outside the continent. Without doubt natural resources play an important role in the politics and economy of most resources endowed states within the continent and across the globe. They are not just the dominant commodities that states rely on in international trade in most instances revenue from their production and extraction related activities bankroll ruling regimes. Contrary to expectation that resource abundance will aid economic growth and development the reverse has been the case particularly in sub-Saharan Africa. Numerous studies have indeed observed that resource rich countries tend to record abysmal economic performance contrary to popular expectation (Sach and Warner, 1995, 1997, 2001). The manner by which rent from natural resource extraction spurned negative economic growth, aid corruption and ginger rent-seeking behaviour has been explained via the resource curse thesis.

Notwithstanding the negativities that have come to be associated with natural resources in particular oil in extant literature, experience has shown that the curse of resources' do not just materialize over night. Indeed, there are pocket of resource endowed states that have prudently managed their resource wealth in ways that it has promote economic growth and enhance national development thus avoiding the resource curse dilemma. Whether the curse associated with resource abundance materialize and the manner in which it does, often depend on complex set of context conditions that are peculiar to a given resource endowed state (Basedau, 2005). Rather than been a curse in itself the discovery of natural resource often study to aggravates existing governance problems that predate the ascendancy of resource extractive sector and the years of resource boom.

Given this premise, this study seeks to discuss the ways by which massive oil rent in the context of weak rule of law and governance institutions has failed to translate to improved standard of living for millions of Angolans, worsen the crisis of corruption, strengthen autocratic political tendencies, undermine competitive electoral politics and ginger political instability in Angola as is the case in other sub-Sahara Africa oil states. The study makes extensive use of briefing papers and reports from academic and policy advocacy institutions in and outside the continent to illuminate the numerous governance challenges emanating from the mis-management of resource rents in particular oil rent in Angola. Its analysis was also informed by information in peer-review journal articles, books, opinion piece, commentaries and other related information. The study is organized into sections. Following this introduction is the discussion of theoretical views that have come to dominate the discourse on resource rent, governance crisis and

**Corresponding Author:** Luqman Saka, Ghazali Shafie Graduate School of Government, College of Law, Government and International Studies, Universiti Utara Malaysia, Malaysia

associated challenges in resources endowed developing economies. The objective is to situate the challenges of oil governance in Angola within a theoretical frame.

This is followed by the discussion of the centrality of the oil industry to Angola's post war economic recovery and the pivotal role of oil rents to annual government revenue. The study then discusses the mis-governance of oil rents by the ruling elite and the crisis of corruption in Angola. It highlights how the availability of massive oil rents has given the ruling elite the means to undermine the democratic process and continued political instability in Angola. It then assess policy options that are been implemented for navigating the resource curse crisis in sub-Sahara Africa oil producing states. The study conclude by affirming that the path to exiting the resource curse dilemma is for civil society groups and the people of the sub-region oil states to vigorously monitor and demands accountability and transparency in resource governance in particular and state governance in general.

**Curse by resource or institution: A theoretical discourse:** Prior to the late 1980's, the popular view among mainstream economists on the relationship between natural resource endowment and development was that resource abundance largely aid development. This position has however, come under vigorous challenge, since the late 1980's given observed slow growth and development stagnation in richly endowed and resource dependent economies. The current position in the literature on resource-development link now is that natural resource abundance (in particular oil) increase the likelihood that countries might experience poor economic performance, democratic retrogression, rent seeking and political instability (Collier and Hoeffler, 2005; Ross, 2004a; Sach and Warner, 2001). The negativities that have come to be associated with resource abundance in particular oil has come to be expressed through the resource curse thesis.

The central plank of the resource curse theory that countries rich in natural resources tend to perform badly in economic term has been shown empirically and analyzed in number of econometric studies. Mineral dependent economies experienced a more serious deterioration in the efficiency of domestic capital formation than non-mineral dependent economies in the boom years of 1971-1983 resulting in negative growth (Auty, 1993; Gelb, 1988). Sach and Warner (1995, 1997) examined the experiences of a large and diverse set of natural resource economies between 1970 and 1989 their conclusion was that natural resource abundance was negatively correlated with economic growth. This corroborated earlier conclusion of Wheeler (1984) study. In a latter study, Sach and Warner (2001), note that the slow growth rate associated with resource abundant economies is not easily explained by other variables or by alternative ways to measure resource abundance.

Studies have also established the fact that natural resource abundance is closely associated with the onset, duration and intensity of civil war. Examining the experiences of 98 countries and 27 civil wars, Collier and Hoeffler (1998) found that natural resource abundance, defined in terms of the ratio of primary exports to GDP is a strong determinant of the onset of civil war. Using better set of data they confirmed their earlier finding in subsequent studies (Collier and Hoeffler, 2004). Using thirteen countries recent civil wars as case study, Ross (2004a) affirmed that certain types of natural resources (oil, gemstones and drugs) have indeed influenced the onset and duration of civil wars.

In an earlier study using pooled time series cross-national data from 113 states between 1971 and 1997, Ross (2001) arrived at the conclusion that the oil-impedes-democracy claim is both valid and statistically robust. The study concludes that a state's reliance on oil or mineral exports tends to make it less democratic and that this effect is not limited to a particular geographical enclave, a conclusion that was later corroborated by Jensen and Wantchekon (2004). Ross (2004b, 2006) in a latter study that makes use of improved measures of hydrocarbon and diamond production arrived at the conclusion that there is strong evidence that resource wealth has made conflict more likely to occur, last longer and produces more casualties when it does occur.

Though informed by statistical evidence, studies have challenged many of the assumptions and conclusions of the mainstream econometric resource curse explanation. Using new measure of natural resource wealth, a cross-country estimation study by Bruunschweiler (2008) established a positive direct association between resource abundance and economic growth over the period 1970-2000. In the same vein, Basedau (2005) has earlier argued that the resource curse thesis fails to sufficiently explain why and how several countries have not or only partly been affected by the curse. Basedau (2005) thus, noted that whether or not natural resource are detrimental to a country's socio-economic and political development depends on a number of contextual variables, divided into country-specific and resource-specific conditions (Basedau, 2005). On the resource rent-conflict linkage, Obi (2009) notes that the resource curse thesis failed to capture the complex dimensions of the politics and international linkages that underpin violent conflicts in resource rich African countries. Such criticism re-affirmed the position of Mahler (2010) that resource wealth in this instance oil should not be view as the major cause of violence in oil endowed states. But rather, contextual conditions as political-institutional and socio-economic weakness that existed even before the resource boom era are major factors predisposing oil endowed states to political violence while other autonomous factors induced by the logic of oil rent politics also influence the dynamics of conflict in oil dependent African states.

Natural resource dependent countries constitute both growth losers and growth winners, the major factor differentiating success cases from those of failure been the quality of institutions. Countries with bad institutions suffer double tragedy of the resource curse as the deterioration of institutions strengthens the negative effects of more natural resources note (Mehlum *et al*., 2005). Espousing the political and institutional inclined explanation of the curse of resource thesis is the Rentier State Theory variant.

The Rentier State Theory is a complex of ideas concerning the pattern of development, policy decisions and the nature of states in economies dominated by external rent particularly oil rents. The theory of the rentier state analysis of oil economies of the Gulf of Guinea starts from the perspective of the key financial resource oil rent and explores the social forces of production and power structures that emerge out of it, through the creation of a rentier class that monopolizes wealth and political power, the effects on political institutions and policies making to the cultivation of rentier mentality that breaks the causal links between work and rewards (Yates, 1996).

The most important concept in the theory rent is a medieval economic term that describes an annual income levied under feudal law on property alienated from its landlord. Reading of political science literature of rentier state thesis indicates three points of agreement on the issue of rent. In delineating a rentier economy Beblawi (1987) listed four conditions that need to be present. First, a rentier economy must be one where rent situations predominates; the origin of the rent must be external to the economy; only the few must be engaged in the generation processes of the rent and lastly the government must be the primary recipient of the rent (Gervasoni, 2009; Beblawi, 1987).

The term rentier state refers to any state that lives on such unearned income arising from oil production and related activities. Dependence on petroleum revenue prevalent in oil producing economies produces a distinctive type of institutional setting, the petro-state which encourages the political distribution of rents (distributive) rather than laying a solid foundation for enhancing the productive capacity of the economy. Such a state is characterized by fiscal reliance on petrodollars which expands state jurisdiction and weakens authority as other productive (inclusive of extractive) capabilities whither.

As a result when faced with competing pressures, state officials become habituated to relying on the progressive substitution of public spending for statecraft, thereby further weakening state capacity. State attempts to support the non-extractive sectors through subsidies often prove unsustainable as they mostly failed to address long term competitiveness while the benefit of subsidies are often lost to corruption through the system complex web of patronage and rent-seeking practices (Karl, 1997).

The corruption of state institutions is often compounded by series of faulty monetary and fiscal policies that often lead to the staking up of national debt against future resource rents (oil back loans).

Deriving from the conditions underlying analysis of the rentier state theory is that when states gain a large proportion of their revenues from external sources, particularly resource rents and royalties this reduce the needs for political leaders to levy domestic taxes. The relegation of the need for domestic taxation for the running of the affairs of the state makes political leaders to be less accountable to individuals and groups within their states.

This result in the no representation without taxation dilemma on which studies that argued that oil rent impedes democratization build upon noted (Herb, 2005). Resource rents according to the rentier thesis provide ruling elite with a classic means for staying in power by establishing an organized system of patronage in which oil rents is use to reward followers and punish regime's opponents. Institutional arrangements and client list networks linked to the resource sector thus shape the matrix of power politics.

This was particular the case in Nigeria, Angola and Equatorial Guinea where the national oil corporations are central to the patronage and clientelist networks of ruling regimes and the national power politics. By undermining the need for broad base taxation, oil rents correspondingly undermine the ability and willingness of the citizenry to demands accountability and transparency in state governance from ruling regime.

Further grounding the discussion of the resource curse in the dynamics of politics and moving away from the econometric deterministic explanation was the position of Robinson *et al*. (2006) that the political incentives that resource endowments generate are the key to understanding whether or not they are a curse. Their study build explicitly political model of resource extraction based on patronage to investigate the types of political incentives triggered by resource booms and their adverse effects on development. They note that resource booms increase resource misallocation in the rest of the economy through the instrument of patronage deploys by politician to hold on to power.

More than this, their major finding was that the overall impact of resource booms on a nation economy depends critically on institutions, since they determine the extent to which political incentives map into policy outcomes.

Thus, it can be safely argued that if resource booms create underdevelopment it cannot be because they induce inefficiency in the rate at which resources are extracted the reasoning been that inefficiency may well arise because of what politicians do or failed to do with resource rents and the implications of this on political institutions and governance processes (Fig. 1). Figure 1 is a diagrammatic representation of the resource-institutions-development divergence path among resource endowed states. Figure 1 shows that for resource endowed states with strong political and governance institutions resource endowment often act as the catalyst for development did not impede democratization and resource related socio-political conflicts are resolved through institutionalized modalities acceptable to all.

However in resources endowed states with weak political and governance institutions, resource rents often generates most of the institutional maladies associated with resource rentierism). The import of the discussion is to establish the position that a better understandings of the negative impacts of resource rent on national economies and politics will come from an explicit understanding of the incentives of politicians to extract resources efficiently and how the presence of resources impacts on the choice of policy instruments. The most obvious explanation of the incidence and path of the resource curse is in understanding the complexity in the interaction between state institutions and rent from resources extraction and the implications of this on politics and public policies

**The place of oil in the economy of post-war Angola:** Angola, Africa's foremost Portuguese former colony is a country blessed with abundant stocks of natural resources of which oil and diamonds are the most pre-eminent. Revenue from crude-oil accounted for more than half of the country's gross domestic product and >90% of total exports making the oil industry the backbone of the Angolan economy and the most important source of government revenue with a contribution of 80% (Bermudez-Lugo, 2009; Tvedten, 2002). Angola joined the league of oil producing state in 1955 when oil was discovered onshore in the Kwanza basin by Petrofina which together with the Portuguese colonial administration established the jointly owned company, Fina Petroleos de Angola, Petroangol. The upstream sector of the Angolan oil industry witnessed dramatic expansion with the discovery of major oil fields off the coast of the enclave of Cabinda by the Cabinda Gulf Oil Company, CABCOG and now Chevron Texaco. The establishment of the national oil corporation, Sonangol in 1976 marked the beginning of strong state involvement in the Angolan oil industry (World Bank, 2006). In 1976, the government of Angola set up the Sociedade Nacionao de Combustiveis (Sonangol) and enacted a petroleum law, law 13/78 in 1978. Under this law, Sonangol was established as the exclusive concessionaire for oil exploration and development while being permitted to enter into associations with foreign companies to obtain the resource needed for oil exploration, development and production. The discovery of massive deep-water offshore oil fields off the Angolan coast in recent years has made Angola to emerge as an important player in the oil business in the Gulf of Guinea and in the

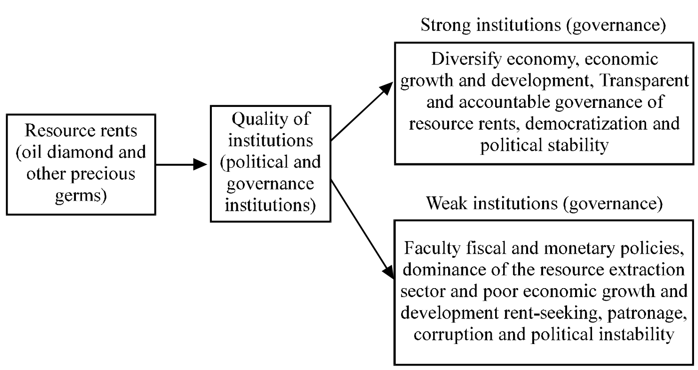


Fig. 1: Resource rents, institutions and governance; the divergence paths

Table 1: Angola oil production figure 1998-2008

| Years | Production figure in thousand barrel day$^{-1}$ (000 bpd) |
|---|---|
| 1998 | 731 |
| 1999 | 745 |
| 2000 | 746 |
| 2001 | 742 |
| 2002 | 905 |
| 2003 | 862 |
| 2004 | 976 |
| 2005 | 1,246 |
| 2006 | 1,421 |
| 2007 | 1,720 |
| 2008 | 1,875 |

British Petroleum, BP Annual Statistical Data, 2008

international arena. Angola's proved reserve has witnessed massive increase in the space of 3 decades. It was 2.0 billion barrel at the end of 1988 increasing to 4.0 billion barrel at the end of 1998 and jumping to 13.5 billion barrel at the end of 2007. According to the latest world energy review report, Angola has the 2nd largest proved reserve in the Gulf of Guinea after Nigeria and stood at third position behind Nigeria while Libya lead the pack in Africa (British Petroleum, 2009).

Angola's level of daily production has quadrupled in the past 2 decades from an average of 280 000 barrel day$^{-1}$ in 1968 to approximately 1.42 million barrel day$^{-1}$ in 2006. According to projection, production is expected to continue rising in line with the discovery and operation of new oil fields off the Angola coast and in the Kwanza basin. As at the end of 2008, Angola daily production stood at 1.87 million barrel day$^{-1}$ resulting in an annual change over of 9.1% from the production figure of 2007 and by the 2008 production figure Angola contribution to world total crude-oil production stood at 2.3% (World Bank, 2006; British Petroleum, 2009) (Table 1). The Angolan economy has witnessed rapid growth rate in recent years in line with rising oil production and revenue levels.

The annual average growth rate of the economy stand at 16.8% between 2004 and 2008 but this was stalled by the fall in the world price of crude-oil and the global economic recession. The country's GDP has also witnessed appreciable improvement rising from US$11 billion in 2002 to US$84.19 billion in 2008 though it fell to US$70.60 billion in 2009.

Central to this spectacular rise in national gross domestic product is the phenomenal growth in national oil production and development in the oil industry. Notwithstanding the impressive statistics, the economy has not witnessed much diversification as it remains overwhelmingly dependent on its oil sector which contributes on average around 50% to Angola's annual GDP (International Monetary Fund, 2010).

Table 2: Contribution of agriculture, industry and services to Angola national GDP at constant prices (2000 US$ million)

| Years | Agriculture | Industry | Services | GDP (real price) |
|---|---|---|---|---|
| 1990 | 686 | 4,861 | 2,556 | 8,464 |
| 1999 | 473 | 6,359 | 2,035 | 8,862 |
| 2000 | 517 | 6,584 | 2,028 | 9,129 |
| 2001 | 610 | 6,853 | 1,935 | 9,416 |
| 2002 | 684 | 7,850 | 2,233 | 10,780 |
| 2003 | 767 | 8,146 | 2,194 | 11,137 |
| 2004 | 875 | 9,014 | 2,442 | 12,383 |
| 2005 | 1,024 | 11,126 | 2,792 | 14,935 |

Basic indicators and national accounts, the World Bank in 2008, 37-39

While the end of decades' of civil war is expected to herald improvement in living standard, however Angola's oil wealth has materialized in little benefits for majority of Angolan (Table 2).

**The curse of resource: Oil rents mismanagement, corruption and conflicts in Angola:** Since, the official end of the Angolan civil war in 2002, the nation has recorded spectacular rise in economic statistics. Oil and diamond production figure has shot up leading to appreciable rise in all indices of economic growth. Given a projected GDP per capita of US$4674 as at 2010, it will be wrong in relative term to categorize Angola as a poor nation when compare with other countries within sub-Saharan Africa. However, the nation's resource wealth has failed to translate to improve living standard for it people as there is high prevalence of poverty. Not only has poverty remains pervasive, the provision of basic social services by the government has been highly inadequate and failed to correlates with revenue accruable to the coffer of the state (Tvedten, 2002). Statistics has shown that Angola performance in transforming it high GDP per capita into basic welfare for its population has been woeful.

Sub-Saharan African countries with less than half of Angola's GDP per capita have done better than Angola in human development index ranking in recent years. With a 0.564 Human Development Index (HDI), Angola ranked 143 of 182 countries on the UNDP 2009 human development ranking while Sao Tome and Principe with US$1,550 and Comoros with US$1,143 GDP per capita has an HDI of 0.65 and 0.57, respectively far better and ahead of Angola with a higher GDP (US$5,385) per capita. According to available statistical data, the infant mortality rate for Angola stand at 154 per 1,000 live birth, one in four Angolan children die before their fifth birthday, 90% of the country infant mortality is attributable to malaria, diarrhea or respiratory tract infections, 53.7% of total births are not attended by skill health worker while Angola's maternal mortality rate of 1,700 per 100,000 births is one of the highest in sub-Saharan Africa (ADB, 2010; United Nations Development Programme, 2009; World Bank, 2010). Other social statistical data for

Angola are not in any way encouraging. Approximately, 70% of Angolan lives on <US$2 a day; 46% of the population was considered to be undernourished; 49% did not have access to an improved water source; 31% of children under 5 years are underweight for their age, half of the population did not have access to improved sanitation facilities, adult illiteracy rate stands at 32.6%, 40.5% of the population lives below the national poverty line, the probability of not surviving to 40 years of age is 38.5% while life expectancy stand at 46.5 years (United Nations Development Programme, 2009). Angola human poverty index value stands at 37.2% ranking 118 of 182 countries in UNDP 2009 calculation; life expectancy index value stands at 0.359 while education index value stands at 0.667.

In the same stead, the International Food Policy Research Institutes places Angola at 68 of 84 countries in the 2009 Global Hunger Index. These values did not correspond well with Angola's medium GDP value and the country's GDP index value that stands at 0.665 (ADB, 2010). As shown by Table 3 on most health indicators core headings Angola's performance like that of other sub-Sahara Africa's oil producing states was poor given their level of oil wealth when compared with the performance of their non-oil producing peer within the sub-region with equivalent or less GDP per capita as highlighted in the 2009 UNDP human development report (Table 3).

The paradox of poverty in Angola is also reflected by the personal income distribution which is among the most unequal in the world. Angola's GINI coefficient which measures income inequality is 62 compared to 55 in Congo, DR largely considered a failed state. As an example of the skewed nature of wealth distribution, the ten richest Angolan had fortunes that exceed US$100 million while another 49 had >US$50 million. Topping Angola's rich list is President Jose Eduardo Dos Santos himself, a parliamentary deputy, two officials in the president's office, an ambassador, a former army chief of staff and the minister of public works as reported in Angolense, a leading Luanda based newspaper. Thus, the seven richest Angolans were all government functionaries (McMillan, 2005). The list shows the extent at which ruling elite have diverted public funds for personal enrichment leaving large percent of the population to live below the poverty line. Indeed, the story of Angola presents a horrifying case of poverty amidst riches and a glaring case of squandered possibilities. Tied to Angola's poor performance in human development, human poverty and global hunger indexes is the crisis of mis-governance of Angola resource wealth and general mis-management of the economy. While the root causes of corruption in Angola are varied and complicated, however the effects of rapacious behavior of political elite in fuelling corruption is considerable. That the web of corruption starts with the President, his political clique and business cronies underscore the impacts of elite behavior in fuelling official corruption and mis-governance (Witness, 1999). The blurred line between the ruling party the Popular Movement for the Liberation of Angola MPLA and the state reinforce the process of dubious business dealings and corrupt practices. The situation is worsened by the lack of judicial independence while the impunity this created work to strengthened official and unofficial corruption in all aspect of national economic management.

Now here are the devastating effects of revenue misappropriation and state corruption more starkly illustrated than in Angola where the percent of children that will not live to see the age of 5 also correspond to the percent of revenue that went unaccounted for in state budget each year, one quarter as reported by Witness (2004). Reports have noted that the accounting of government's budget and expenditures has for long remains opaque in Angola. Reports has it that in the period between 1997-2002, 36% of government expenditure fell outside of legal procedures and were not recorded in official account while on average US$703 million year$^{-1}$ or around 10% of the country's GDP could be not be accounted for out rightly. Actual funds unaccounted for from 1997-2002 are in the range of US$4.22 billion. In those same years, total social spending in the country including Angola government spending as well as public and private initiatives funded

Table 3: Basic health indicators of Sub-Sahara Africa's oil producing states

| Countries | Life expectancy at birth | Under 5 mortality (1,000) | Infant mortality (1,000 live birth) | Maternal mortality (100,000 live birth) | HIV/AIDS prevalence | Tuberculosis incidence (100,000 people) | Death due to malaria (100,000 people) |
|---|---|---|---|---|---|---|---|
| Angola | 46.5 | 260 | 154 | 1,700 | 3.7 | 269 | 354 |
| Cameroon | 50.9 | 149 | 87 | 730 | 5.4 | 174 | 108 |
| Chad | 48.6 | 208 | 124 | 1,100 | 3.5 | 272 | 207 |
| Congo Rep | 53.5 | 108 | 81 | 510 | 5.3 | 367 | 78 |
| Equatorial Guinea | 49.9 | 205 | 123 | 880 | 3.2 | 233 | 152 |
| Gabon | 60.1 | 91 | 60 | 420 | 7.9 | 308 | 80 |
| Nigeria | 47.7 | 194 | 100 | 800 | 3.9 | 283 | 141 |
| Sudan | 57.9 | 90 | 62 | 590 | 1.6 | 228 | 70 |

United Nations Human Development Report, 2009; World Bank in 2008 through the United Nations Consolidated Inter-Agency Appeal came to $4.27 billion. In effect, the Angolan government failed to account for an amount equal to the total amount spent on the humanitarian, social, health and education needs of a population in severe distress (Ng and Le Billon, 2007; Watch, 2004).

Citing the KPMG's, 2002 oil diagnostic report on Angola, Human Rights Watch provides lucid details of corruption that characterized MPLA's led government management of Angola's oil wealth. The report indicates that the extent of the mismanagement of oil wealth involves various forms of discrepancies in the documentation of incoming oil revenue. The discrepancies in oil revenue occurred in areas of oil tax and royalty's revenue, Sonangol tax and royalty; Sonangol profit oil revenue and signature bonus payment (Watch, 2004). Massive discrepancies also manifest in the documentation of oil production by multinational oil corporations and state owned oil company Sonangol. The mis-management of incoming oil revenue are not unique as the scale of mis-management of public expenditure was also stunning. The IMF staff report of 2002 reports that there are massive discrepancies in government expenditure particularly in the area of defense spending. It attributes the loss of public fund to mis-management, government refusal to provide accurate information on all its expenditures and large scale official corruption (International Monetary Fund, 2002). In its earlier reports, Global Witness highlighted the massive looting of state revenue in Angola under the watch of the ruling MPLA regime. The reports note that the mechanism of misappropriation of revenue have included offshore money laundering, over priced military procurement and deliberate opaque method of running up debts against future oil production (Witness, 1999, 2002).

In all the Presidents Men Witness (2002) drew attention to Angolagate scandal showing how Angola's MPLA elite profited from and privatized the war with UNITA. The report highlighted how members of President Dos Santos clique worked with associates in France, the US, Russia and Israel to skimmed huge sums from the Angolan government's military procurement process. The arms deals and the massive kickbacks that went with them were paid for by Angola's oil revenue. Angolagate as the arms-to-Angola scandal was referred to in the media shows the way that the Angolan's civil war provided a cover for full-scale looting of the country's oil wealth in the course of waging a war by national and international business and political elites across three continents (Witness, 2002) (Key figure implicated in the Angolagate scandal in France include Jean-Christophe Mitterrand and Jacques Attali, son and advisor of former French President Francois Mitterrand, respectively former French Interior Minister Charles Pascua and his right hand man Jean-Charles Marchiani. Other outside France include Arkadi Gaidmak, former Brenco International boss Pierre Falcone among other prominent international business figure (Witness, 2002).

The scandal not only provides a disturbing insight into Angola's oil wealth mismanagement in time of war it also raises concerns about the likelihood that such high level corrupt deals might exists in modified form in post-war Angola given lack of transparency and accountability in the way oil revenue continued to be managed. Confirming such fears, Witness (2004) analysis in details the shady arrangements surrounding the re-structuring and re-financing of Angola's numerous external debts. Indeed, the report notes that most of the debt re-financing deals were carried out via fresh loans backed by future oil production.

Though, the urge to control resource wealth might not have being the immediate cause of the decades' long Angolan civil war however, revenue from Angola's mineral resource help to prolonged the conflict. Oil rents and proceeds from the sale of Blood Diamond allowed both the MPLA government and the UNITA rebel movement to wage a destructive civil war for 3 decades. The share of Angola's GDP spent on defense and security related issues during the twilight years of the war was reported to be among the highest in the world, consuming on average 26% of the GDP till 1999. Report also indicates that multinational oil corporations' practices of financing both parties to the war also contribute to prolonging the conflict. In particular, French Elf Aquitaine was indicted for bankrolling parties to the war in Angola (Ng and Le Billion, 2007; Witness, 2004; Watch, 2009).

While the death of Savimbi and the subsequent signing of the 2002 Luena Peace Accord brought the war to an end Angola still face a separatist insurgency in the oil rich enclave of Cabinda. Highlighting the tenuous security situation in Cabinda was the ambush of Togolese contingent to the 2010 African Cup of Nations in the province on the 8th of January, 2010 by fighters belonging to the Front for the Liberation of the Enclave of Cabinda, FLEC. The incident left three people dead and many injured. The success of the attack is an indication of the failure of Luanda policies of securing peace in oil rich Cabinda through exclusivist pact with factions of the rebelling group and militarization of Cabinda rather than an all inclusive peace negotiation that address the core grievances of the people of Cabinda against the Angolan state. Expectation that the peace accords with UNITA and

Table 4: In 2008 governance indicators for sub-Saharan african oil states plus Botswana and Ghana

| Countries | Voice and accountability | Political stability | Government effectiveness | Regulatory quality | Rule of law | Control of corruption |
|---|---|---|---|---|---|---|
| Nigeria | -0.60 | -2.01 | -0.98 | -0.62 | -1.12 | -0.92 |
| Angola | -1.07 | -0.43 | -0.98 | -0.94 | -1.28 | -1.22 |
| Sudan | -1.77 | -2.44 | -1.41 | -1.36 | -1.50 | -1.49 |
| Equatorial Guinea | -1.89 | -0.09 | -1.43 | -1.37 | -1.31 | -1.62 |
| Republic of Congo | -1.16 | -0.61 | -1.34 | -1.19 | -1.16 | -1.16 |
| Gabon | -0.84 | 0.23 | -0.70 | -0.65 | -0.62 | -1.07 |
| Chad | -1.45 | -1.92 | -1.48 | -1.26 | -1.57 | -1.45 |
| Cameroon | -1.02 | -0.53 | -0.80 | -0.66 | -0.99 | -0.90 |
| Botswana | 0.55 | 0.96 | 0.67 | 0.52 | 0.64 | 1.00 |
| Ghana | 0.48 | 0.06 | -0.08 | 0.08 | -0.10 | -0.06 |

Kaufmann *et al.* (2009)

faction of FLEC in 2002 and 2006 will herald improved political atmosphere has failed to materialize. Members of opposition parties continue to face harassment, intimidation and assault in the hands of state security agencies while the media continue to operate under restrictive environment. Indeed, the MPLA government has taken maximuim advantage of the peace agreement with remnant of UNITA to enhance it political position and consolidate its hold on power.

This was evidence by its reported manipulation of the electoral processes leading to the 2008 parliamentary election in which the party announced a resounding 81.7% victory in the poll that translate to a 191 out of 220 parliamentary seats (Watch, 2009; Table 4). Table 4 shows the performance of sub-Sahara Africa oil producing states on the six dimensions of governance (voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption). Compare with the performance of non-oil producing but resource endowed state notably Botswana and Ghana, the performance of sub-Sahara Africa oil producing states was to say the least abysmal. The performance of Botswana on the governance dimensions and it continued impressive growth and sustainable human development which is predicated on prudent management of diamond rents highlighted the importance of virile institutions in avoiding the resource curse dilemma.

**Beating the curse of oil: policy options:** Although, the blight of resource curse continues to afflict Gulf of Guinea oil states however, experience of nations that have successfully institute accountable and transparent fiscal measures in resource rent management have also highlighted the fact that resources in themselves are not a curse. As argued by Mehlum *et al.* (2005), it is the non-existence or at best the weakness of political institutions that give rise to the curse associated with oil and other natural resources. Given Angola's turbulent path to statehood and its decades of war the task of cultivating virile and stable governance institutions in post-war context has been an arduous task. It is the dearth of and non-institutionalization of political and governance institutions that has given rise to most of the crisis associated with resource wealth management and general governance crisis in post-war Angola.

The problem has in turn been compounded by the lack of political will on the part of the ruling MPLA leaders to make a clear break with shady practices that dominate oil and diamond wealth management in the decades of conflict. Thus, the crisis of governance in Angola like it sisters oil producing states in the Gulf of Guinea did not arise from the presence of resource wealth, rather the root of governance crisis in the Gulf of Guinea oil states is traceable to the problem of governance institutions. It is in view of this that efforts directed at strengthening institutions and campaigns for transparent and accountable use of oil revenue by the international communities and local civil society groups remains the potent weapon to stem the tide of the resource curse plaguing oil endowed states in the sub-region. It is by instituting and nurturing viable governance institutions that these states can break out of the resource curse dilemma. Given this, campaign of two international coalitions, the Extractive Industry Transparency Initiative and the Publish What You Pay coalition becomes essential to effort directed at turning resource wealth into a tool for economic prosperity. The EITI, a coalition of governments, companies, civil society groups, investors and international organizations aims to strengthen governance in resource rich countries through the verification and full disclosure of company payment and government revenue from oil, gas and mining. The PWYP campaigns is a coalition of international and local civil society groups that aim at pressuring mining corporations to make public disclosure of their payment to national government.

The objectives underlying the two campaigns is that with full disclosure of revenue from mining rents it will be easier for local communities and civil society groups to track government expenditure and thus minimize corruption and misappropriation of resource rents. While

EITI promoters would want to paint a good picture of the initiative effectiveness, the reality is that ascension to EITI has been turn to image laundering policy by ruling regimes in the Gulf of Guinea oil states. While full disclosure is a necessary first step at stemming corruption in resource wealth management however, it need to be note that governance problem in sub-Sahara African oil states is not only about corrupt payments but more about corrupt use of legitimate oil revenue.

The question then lies much on how to stop the flow from being misappropriated by ruling elite. Aside the EITI and PWYP campaigns the assistance of multilateral financial institutions in structuring revenue flows and encouraging transparent management of oil rents is of outmost importance. The international communities in particular the G-8 countries can help the cause of transparency in sub-Sahara Africa oil states by pushing for treaty backed international regulatory approach that will forced corporate best practices and protect companies from retaliatory actions by national governments on disclosure and other policies directed at enhancing transparency.

Although, Angola has embarked on the drive to increase public disclosure through the ascension to the United Kingdom backed Extractive Industry Transparency Initiative and by publication of more official data relating to the oil industry yet little has really changed with regards to official corruption in the management of the oil industry and mis-governance of oil rents noted Witness and OSISA-Angola (2011). While the Angolan government has made available to the public domain more data on the oil sector than what obtained in the past, however the disclosure also raises key transparency related questions. Of utmost importance is the question of accuracy and reliability of the published official oil sector transaction information.

The mere fact that oil sector's transactional data are published will not and cannot in itself enable Angolans and their civil society collaborators to monitor government accountability. Neither can it enable Angolans to scrutinize the transparent use of oil rents by the ruling regime if the data so published cannot be relied upon as been the accurate picture of oil production and financial transactions that it is purported to have described by the Angolan government, its agencies and multinational oil and gas corporations.

Thus, without allowing independent verification of published government oil sector data by internationally recognized audit firms with impeccable record of trust the task of ensuring transparency and accountability in the governance of oil sector and the management of rents from oil will remains futile. Herein, lays the major shortcoming of the internationally backed campaign for transparency through the Extractive Industry Transparency Initiative in sub-Sahara Africa's oil producing state. The task for transparency and accountability in the governance of the oil sector and the management of oil rents in sub-Sahara Africa oil states cannot and should not be solely focused on public disclosure of production and financial transaction data. This is because governments and corporations public disclosure without submitting to independent verification to ascertain that what is purportedly disclosed is accurate will amounted to no disclosure at the long run.

Thus, to ensure transparency in the management of oil wealth in the sub-region oil states entails mandatory disclosure of production and financial transactions data on the part of multinational corporations, national oil companies and other state agencies involve in the regulation and management of the oil industry. This aside, there is also the need for mandatory audit and verification of the accuracy of oil sector transactional data their accessibility to the public and the strengthening of the capacity and capability of local civil society organizations to monitor on what and how well the oil rents is expended by the ruling regimes. It is only when disclosed information are ascertained to be correct, audited, accessible and what they are expended on scrutinize by the citizens that the crisis of corrupt management of oil rents in Angola and the rest of sub-Sahara Africa's oil producing states can be mitigated.

## CONCLUSION

Across many part of the developing world revenue from resource extraction that should have aid economic diversification, fuel growth and enhance state capacity to embark on infrastructural projects and improve service delivery continued to be mis-appropriated and mis-managed by ruling political elite. Informed by this trend, this piece engaged in a case analysis of the crisis of resource rents mis-management in Angola. It highlighted the continued dominance of resource extraction sector in the Angola economy which can be attributed to faulty fiscal and monetary policies.

It also noted the crisis of corruption, patronage, rent-seeking, the lack of accountability and transparency and other governance challenges afflicting the governance of resource rents and the management of the national economy in Angola, the impacts of which is reflected by Angola poor social indices. Though, the Angola government has initiated reforms and signed on to major transparency initiatives yet the task of engaging the state and demanding accountability and transparency by civil society groups in Angola remains daunting the study averred. No doubt the assistance of the international community is crucial in the drive for transparency in Angola and in other sub-Sahara Africa's oil producing states yet, experience has shown that reforms take hold when driven by local force. Thus, international assistance that strengthens the capability of local watchdog institutions to monitor resource utilization is of utmost importance. Pressure from the international community that encourage internal reforms and incentives that rewards best practices in resource wealth management and democratic openness by regimes is crucial to the success of transparency drive in sub-Saharan Africa's oil states. Much as the people of Angola need the partnership assistance and supports of international stakeholders, yet the drive for the reforms of oil governance and the general struggle for transparency, accountability and prudency in the management of the Angola economy and the nation's wealth is first and foremost the responsibility of the people and civil society groups in Angola.

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