STRENGTHENING DEVELOPMENT LINKAGES FROM THE MINERAL RESOURCE SECTOR IN ECCAS COUNTRIES

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Governance and Transparency in Revenue Management

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The opinions expressed in this document are those of the author and do not necessarily reflect the views of UNCTAD.
Overview

1. Introduction
2. The ‘Resource Curse’ Revisited
3. Angola and Petro-Development
4. Transparency and Good Governance in the Management of Petroleum Revenues
5. Concerns With Corruption
6. Conclusion
1. Introduction
Oil-Backed Development

Two components:

1. Revenues (rents, royalties, taxes, etc)
2. Local linkages promotion

**Both are required for petro-development**
2. The ‘Resource Curse’ Revisited

Aspects:

- Corruption
- Lack of (formal) democracy
- Conflict/civil war
- Dutch disease

Nigeria:

- Since 1970, Michael Watts estimated that 85% of oil revenues accrued to one percent of the population. Of US$400 billion in revenues, as much as US$100 billion have “simply gone ‘missing’ since 1970”
Steve Kibble: Angola is defined by the “politics of disorder”; notion of a “Bermuda Triangle” operating

Christine Messiant: Angola as a system of “clientelist redistribution”

Clientelist redistribution relies on the lack of government transparency and accountability

Oil revenue cannot be adequately tracked because much government revenue and expenditure is off-budget

Between 1997 & 2001, $8.45 billion of public money was unaccounted for (23% of GDP)

In 2009, $6 billion was sent out of Angola illegally (GFI 2011)

In 2011, Human Rights Watch claimed $32 billion in government funds was missing
3. Angola and Petro-Development

Four recent policy initiatives:

1. The adoption of tax incentives for Angolan oil exploration and production companies
   • Presidential Legal Decree 3/2012 of 16 March
2. The adoption of regulations requiring the use of Angolan banks and local currency
   • National Bank Order 20/2012, supported by Law 2/2012
3. The coordination and promotion of investments in manufacturing and oil services through Sonangol called Sonangol Industrial Investments (SIIND)
4. Efforts to build human capacity for the oil and oil services sectors
4. Transparency and Good Governance in the Management of Petroleum Revenues

Companies publish what they pay and governments publish what they receive in an EITI Report.

- **Companies** disclose payments
- **EITI Report** where the tax and royalty payments are independently verified and reconciled
- **Governments** disclose receipt of payments
Why Transparency?

- The government picks winners and losers
- The government approves winning tenders
- The government awards licences for exploration and production
- International Oil Companies (IOCs) require a social license to operate
- IOCs and their shareholders need a stable investment environment
- Governments need to be able to measure production and local content in order to regulate the industry
- Both IOCs and government need to strengthen access to capital for local firms
- Neither IOCs nor government benefit from discretion in the implementation of regulations
The Dual Nature of Local Content (Ovadia 2012)

Local Content as both:

1. A mechanism for promoting large scale economic development
2. A mechanism for the elite to capture oil rent
5. Concerns with Corruption: The Case of Heerema Nigeria
6. Conclusion: All Stakeholders Can Work Toward Developmental Outcomes


The dual nature of local content in Angola’s oil and gas industry: development vs. elite accumulation. *Journal of Contemporary African Studies* 2012, 30(3).