

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**STRENGTHENING DEVELOPMENT LINKAGES FROM THE
MINERAL RESOURCE SECTOR IN ECCAS COUNTRIES**

Regional Workshop
Brazzaville, Republic of the Congo
28 to 30 September 2016

Governance and Transparency in Revenue Management

by

Dr Jesse Salah Ovadia, University of Windsor, Canada

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



University
of Windsor

Governance and Transparency in Revenue Management

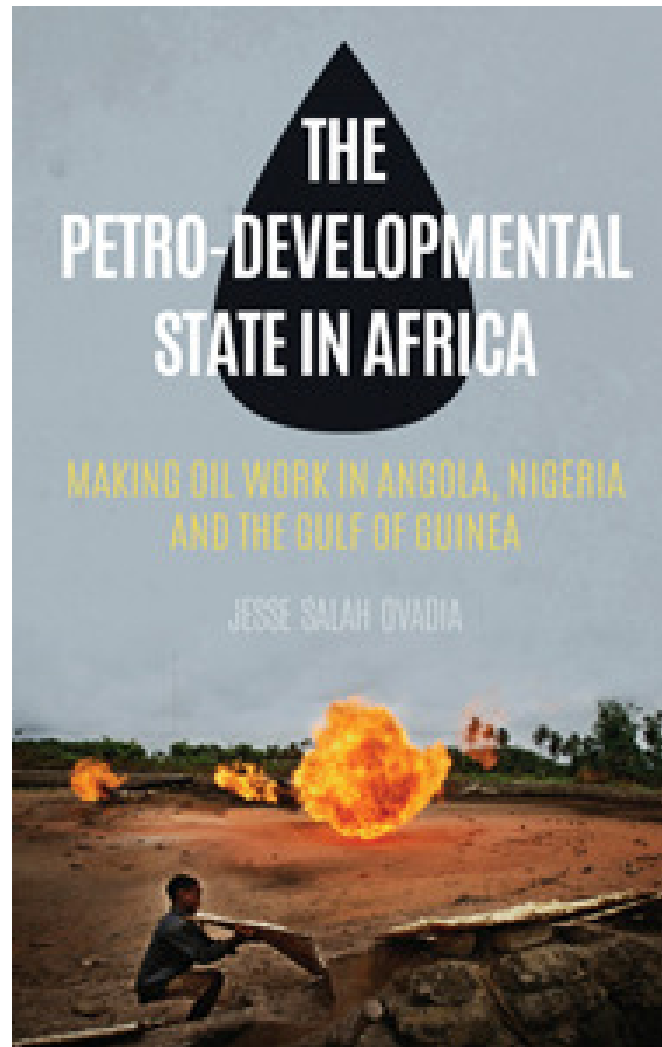
Dr Jesse Salah Ovadia
University of Windsor
jesse.ovadia@uwindsor.ca

Presentation to UNCTAD Regional Workshop
Brazzaville, Congo
September 29, 2016

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"

Angola

- 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.



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



Dr Jesse Salah Ovadia
jesse.ovadia@uwindsor.ca

Selected Publications

Local Content Policies and Petro-Development in Sub-Saharan Africa: A Comparative Analysis. *Resources Policy*, 2016, 49.

The Petro-Developmental State in Africa: Making Oil Work in Angola, Nigeria and the Gulf of Guinea. London: Hurst, 2016.

Energy, Capitalism and World Order. London: Routledge, 2016. (w T DiMuzio)

Local Content and Natural Resource Governance: The Cases of Angola and Nigeria. *The Extractive Industries and Society*, 2014, 1(2).

Accumulation with or without dispossession? A 'both/and' approach to China in Africa with reference to Angola. *Review of African Pol. Econ.* 2013, 40(136).

Measurement and Implementation of Local Content in Nigeria. Lagos: Centre for Public Policy Alternatives (CPPA), 2013 [Online].

The Making of Oil-backed Indigenous Capitalism in Nigeria. *New Political Economy* 2013,18(2).

The Nigerian "One Percent" and the Management of National Oil Wealth Through Nigerian Content. *Science & Society* 2013, 77(3).

The Reinvention of Elite Accumulation in Angola: Emergent Capitalism in a Rentier Economy. *Cadernos de Estudos Africanos* 2013, (25).

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).