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Africa Programme Conference Summary Report

Promoting Democratic Management of Africa's Oil Wealth: Lessons from Angola, São Tomé e Príncipe, and Nigeria

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Findings from a joint project by Chatham House, Catholic Relief Services and Human Rights Watch

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Conference Summary Report

Promoting Democratic Management of Africa’s Oil Wealth: Lessons from Angola, São Tomé e Príncipe, and Nigeria

This meeting disseminated lessons from “Promoting Democratic Management of Africa’s Oil Wealth” - a regional project that addressed oil revenue transparency and accountability in several countries in sub-Saharan Africa. The project’s goal was to inform international public debate on the extractives industry – primarily oil revenue management in Africa and to help citizens gain an understanding of the amount and use of oil revenues so that they can hold their own governments accountable. The meeting aimed to increase regional understanding of challenges in oil revenue management and transparency.

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Session 1 - Lessons from São Tomé e Príncipe

Chair

Patrick Raleigh, Economist Intelligence Unit, London

Alex Vines, London

Carla Sardinha Vieira, Webeto, Luanda

Lulsegged Abebe, International Alert, London

Discussant - Gisa Weszkalnys, Exeter University

Alex Vines, London

This session began with Alex Vines outlining some of the key conclusions from the recently published Human Rights Watch Report that he wrote – 'An Uncertain Future: Oil contracts and stalled Reform in São Tomé e Príncipe'. The report argues that São Tomé e Príncipe has made taken some positive steps with regards to laying down a legislative framework needed to manage future oil wealth, and entering an agreement with Nigeria to jointly manage a disputed offshore area. However the São Tomé government has struggled to resist the temptations of oil wealth, despite the lack of oil currently being produced. The country as a whole remains poorly prepared to positively utilise the benefits that could accrue from oil wealth. A clear sign of this came when São Tomé was removed from the Extractive Industries Transparency Initiative's list of candidate countries in 2010. Of particular concern is the apparent failure of the São Tomé Government to negotiate deals which deliver adequately for the rights and concessions being traded away. A root cause of all of this is arguably the lack of transparency regarding deals and associated documentation.

Carla Sardinha Vieira, Webeto, Luanda

This was a message echoed by Carla Sardinha Vieira of Webeto, who discussed the results of research undertaken to ascertain the state of documentation and awareness made publicly available by companies. A key goal of the research and other activities taken by Webeto is to ensure that

São Tomé e Príncipe does not become another example of the effects of the resource curse. The role of civil society in ensuring this is important, but it was emphasised that individuals and communities must feel empowered and energised if they are to undertake the hard task of gaining the information that will serve the public good.

In pursuit of this Webeto surveyed four companies operating in the blocks awarded by the Joint Development Authority. In the case of one company, Chevron, there was relatively good basic information published, though this was not the case in the three others. The lesson was however that sometimes this information is out there when groups are adequately enabled to find it. The importance of this was underlined by research undertaken with regards to public access to information, where the main finding is that public access to information is far from adequate. Despite the challenges, a key message was that transparent management of revenue is possible if everyone plays a role in ensuring it happens.

Lulsegged Abebe, International Alert, London

Lulsegged Abebe of International Alert pointed out that unlike many other African countries, particularly those affected by the resource curse, São Tomé e Príncipe has a democratic culture. International Alert has been actively focussing on São Tomé for some years, and its emerging conclusions share many of the conclusions of earlier speakers, in particular the powerful role that civil society can play in attenuating some of the worst impacts. International Alert targets civil society groups, local media and parliamentarians as part of this. The early detection of problems, the establishment of structures and mechanisms to ensure professional management, and perhaps most important of all, a willingness on the part of stakeholders from all sides to engage constructively, were identified as essential components in promoting democratic governance.

Gisa Weszkalnys, Exeter University

Gisa Weszkalns of Exeter University responded by drawing on the experiences of some São Toméans, and emphasised the frustrated hopes of many citizens when it came to the promised benefits oil would bring. Gisa pointed out how much more interest there has been in São Tomé since countries such as Ghana have found oil and are looking to the country as a model for how they might frame relevant legislation. There has evolved an 'economy of expectation' as to how the country will benefit. New housing, a deep water sea port, a free trade zone – many new initiatives have begun on the back of such expectations. These combine with rumours of corruption and financial crime, and disappointments from those who have been expecting new opportunities. Managing expectations is a clear lesson.

Session 2 - Lessons from Angola

Chair, Alex Vines, Chatham House

Lisa Misol, Human Rights Watch, New York

Diarmid O'Sullivan, Global Witness, London

Padre Belmiro Chissengueti, Angola Catholic Bishops' Conference Justice and Peace Commission, Luanda

Nick Shaxson, Chatham House

Lisa Misol, Human Rights Watch, New York

Lisa Misol began by offering the main conclusions drawn from work HRW has been undertaking in Angola since 2000. The three principal lessons are that internal debate and external pressure can lead to significant improvements in transparency; but that secondly, these improvements in transparency are not enough to improve human rights, and that third; it can be difficult to sustain pressure for reform. Lisa expressed the view that the Angolan government has gradually increased transparency and instituted reforms over time, and that there has been an important shift in public discourse within Angola, including a forceful condemnation of corruption by President dos Santos. However Angola's poorest have not benefited from reforms and transparency is still limited. Lisa recommended that the IMF could insist that Sonangol's audit be made public, and that additional data be made more available. More could be done to encourage China to push for more transparency in Angola. Efforts to increase public engagement were highlighted as important, as was a sustained focus on corruption and accountability, including using recent US Senate investigations to push for criminal investigations.

Diarmid O'Sullivan, Global Witness, London

Diarmid O'Sullivan of Global Witness agreed with the previous points made that transparency does not necessarily lead to accountability, but emphasised that it is an essential first step. He discussed Angola's efforts to respond to requests for greater transparency by showing the limited use to which the data released thus far could be put and the discrepancies that were highlighted by that data which was released. Whilst acknowledging that poor quality and lack of data did not mean corruption, Diarmid emphasised that it did leave questions regarding the use to which national resources were being put that public bodies acting on behalf of their citizens should be in a position to answer if they were truly accountable. He also echoed earlier speakers in saying that increasing publication of data is welcome but does not in itself deliver accountability, particularly given the inconsistencies and lack of detail available at present.

Padre Belmiro Chissengueti, Angola Catholic Bishops' Conference Justice and Peace Commission, Luanda

Padre Belmiro Chissengueti described the work that his organisation, the Episcopal Commission for Justice and Peace (CEJP) was undertaking in Angola, particularly its role in building the capacity of civil society as part of an Economic Justice Programme through research into oil, diamonds, public expenses, information sharing and networking. More research needs to be undertaken by Angolans themselves rather than by foreigners. Collaboration with Partnership Africa Canada and the International Budget Partnership were instrumental in this. CEJP's work on transparency echoed that of previous speakers, finding that there had been some improvement in transparency of the oil sector and more openess by oil companies. However he pointed out that in Luanda the space for debate is far greater than in most of the rest of the country. The main reccomendations were that access and desaggregation of data needed to improve, and that there are changes to the legal framework required to promote the fuller disclosure of information.

Nick Shaxson, Chatham House

Nick Shaxson reflected on the debate around how to influence change. Angolan leaders feel that external interventions in Angola have often been very counterproductive, and as a result are skeptical of foreign interventions including with regards to transparency and related issues. In combination with a weak civil society this can generate a real sense of frustration on the part of those seeking to promote greater accountability. Nick proposed that the IMF and the Catholic Church were two possible sources of influence over the Angolan Government, but alternatively indirect influence were perhaps more likely to suceed.

Session 3 – Lessons from Nigeria

Chair, Paloma Cid, CWC Group, London

Nicholas Shaxson, Chatham House, London

Madeline Young, FRIDE, Madrid

Fr. Edward Osang Obi, Centre for Corporate and Social Responsibility, Port Harcourt

Vanessa Herringshaw, Revenue Watch Institute, London

Nicholas Shaxson, Chatham House, London

Nick Shaxson developed the theme he had addressed previously at Chatham House regarding Nigeria's history of engagement with the Extractive Industries Transparency Initiative (EITI). He offered a brief overview of the history of EITI, making the point that the Nigerian EITI went far beyond the requirements of the original EITI. There were many drivers of reform in Nigeria's oil sector, not least lessons from past disasters, the international pressure for transparency, President Obasanjo's personal agenda, a strong reform team and a debt rescheduling deal. However reforms faltered as the political situation in Nigeria deteriorated around President Obasanjo's bid for a third term and resistance within Nigeria to NEITI. There were also issues relating to the clarity and consistency of the data that emerged. In conclusion, EITI succeeded to the extent that it did in Nigeria because it occurred in the context of pre-existing reform efforts elsewhere. It complemented and benefited from these efforts but did not drive them itself. The role of Nigerian civil society in driving and engaging with NEITI was also very limited. NEITI can claim some success in increasing transparency, but did not lead to better governance or accountability, which should be the key tests of EITI and similar initiatives.

Madeline Young, FRIDE, Madrid

Madeline Young presented the findings from work undertaken for the Spanish research institute FRIDE examining the impact of EITI on Nigeria's citizens, in partnership with Civil Society Advocacy Centre and Intermón Oxfam. Madeline explained some of the methodology of the project, and the reasons why NEITI is important for Nigeria, particularly the idea that NEITI represents a contribution to a new culture of international accountability, in which the role of Nigerian civil society groups is particularly important. Madeline questioned the ultimate purpose of NEITI beyond promoting transparency, suggesting that its contribution to reducing poverty and increasing human development must be considered. NEITI has achieved a number of things, including increased state tax revenue, better publication of payments and revenues, streamlined Central bank data, increased civil society engagement and capacity and increased international support for Civil Society Groups. Yet NEITI has also revealed massive shortcomings in Nigeria's public administration, has not impacted human development or poverty reduction and has not lead to the prosecution of any significant corrupt officials or companies. NEITI now risks being made redundant by emerging legislation. In the mean time countries benefiting from the production of Nigerian oil which are also development assistance donors to Nigeria are not supporting coherent development policies as their trade policies undercut their development policies. NEITI lacks a number of fundamental attributes that would improve these shortcomings, including a lack of focus on local community impact.

Father. Edward Osang Obi, Centre for Social and Corporate Responsibility, Port Harcourt

Fr. Obi, Director of the Centre for Social and Corporate Responsibility (CSCR), Port Harcourt, offered the results of the baseline survey report his organisation had carried out to understand the level of awareness, attitudes and behaviour on issues relating to governance and corporate transparency of the oil sector. Nigerian State government, local civil society and the representatives from two oil companies, Shell and Chevron Nigeria, had been questioned, and the results were surprising both in the low level of awareness of many issues relating to budgetary and corporate social responsibility issues amongst all participants, but also the low level of support for popular involvement in such issues amongst even civil society participants. In Father Obi's opinion this represented a real sense of disempowerment at many levels, though there were some areas that offered hopeful signs, such as the relatively high level of support for community involvement in CSR in oil company field staff, though less awareness of what their own CSR guidelines were, whilst staff in company headquarters had a high awareness of procedures, but less support for popular involvement in their formulation.

Therefore a key recommendation of the work undertaken by CSCR was that HQ and field staff should share knowledge and experience more freely, and to encourage greater interaction between staff and local communities whenever possible. On the legislative side there were recommendations for a number of measures to increase community participation in budgetary processes, as well as recommendations for a number of legislative reforms, including the enactment of a Fiscal Responsibilities Act and Freedom of Information Act. However, Fr. Obi expressed the view that whilst local activism was critical in promoting greater transparency and accountability, international pressure was equally important, and urged further efforts from outside and from within Nigeria to move the reform agenda on.

Vanessa Herringshaw, Revenue Watch Institute, London

Vanessa Herringshaw, of the Revenue Watch Institute, offered some responses, introducing the work of Revenue Watch and then examining the interactions between various developments at local, national and international level that might impact on accountability and transparency over resources in Nigeria. At a national level the proposed Petroleum Industry Bill (PIB) was highlighted as a measure that may have several positive impacts, including the break up of the Nigerian National Petroleum Corporation (NNPC), but there were also concerns at the degree of power that the Act would give the Minister, it was unclear where revenue would flow in some cases, and the key test of the success or otherwise of the Bill would come in implementation. So in Nigeria at national level PIB is in progress, NEITI is in crisis, and the parliamentary and presidential elections in 2011 will represent a key test.

At a sub national level the basic problem is the breakdown of the relationship between individuals and society. Capacity, information, engagement mechanisms are all lacking but the key one is impunity, and this needs greater emphasis. Greatest engagement is probably possible at the local state level. The Bayelsa Expenditure and Income Transparency Initiative is probably the one of the most hopeful initiatives to date. It borrows the best bits from NEITI but links income to expenditure. It may be replicated in other states. Another initiative is being undertaken by the Niger Delta Citizens Budget Platform (NDCBP) and the Bayelsa NGOs Forum (BANGOF) which are seeking greater accountability through a series of town hall meetings examining particular State initiatives and budgetary mechanisms and the consequent publishing of reports. These are attracting local politicians, but are not without risk and some report writers have been threatened or attacked. These are good examples of how important it is to focus on the local level.

At the international level the new US Dodd-Frank Act requires all US listed companies to publish all payments to governments on a country by country and project by project basis. This will all be published online, so that Nigerians (and others) will be able to see what a large number (not all) of companies are paying to the Nigerian government for what. The US is now calling on others to implement similar laws. This will be an annual report and will be mandatory. A new International Accounting Standard (IAS) would have an even bigger impact. Currently 110 countries require or allow this standard, whilst a number of others, including China, Brazil, India and others are on paths of 'convergence'. Others are on convergence but with no clear timeframe including the US, Japan, Indonesia and Russia. New Extractives Standards for international accounting are on the agenda and would also have a significant positive impact potentially.

Session 4 - Voluntary Initiatives and Oil Governance

Chair: Thalia Griffiths, African Energy, Hastings

Eddie Rich, EITI Secretariat, Oslo

Joseph Williams, Publish What You Pay, London

Jean-François Lassalle, Total, Paris

Discussant: Ian Gary, Oxfam America, Washington DC

Eddie Rich, EITI Secretariat, Oslo

Eddie gave his talk about the key features of EITI and the first lessons learnt from this relatively new initiative. Following the previous day's discussion, he started with highlighting three points. Firstly, transparency does not necessarily lead to greater accountability. The task is not only to produce results but also to discuss them. Secondly, EITI is not a panacea and it is not the answer to corruption in countries such as Angola or Nigeria. It is a first necessary step but it has to be part of an iterative process. Thirdly, EITI is not necessarily voluntary in the classical sense.

EITI works as independent verification mechanism of tax and royalty payments. Companies disclose what they pay to governments and governments disclose the receipt of payments. A multi-stakeholder group then produces the output in form of data and reports and discusses the results. In so doing, EITI becomes a platform for dialogue and discussion. It has a relatively limited task but with the potential to have a much wider reach. There are currently 31 countries in the EITI and that means that there are also 31 different models of EITI. However, EITI always contains four key features: country ownership, a multi-stakeholder focus, the disclosure of company payments and government receipts as well as validation.

EITI is not just a secretariat or a board, it is a movement towards transparency. It produces two key figures, which has not been available before: How much money is coming into the country and the difference between the amounts declared from government and company. By now, almost 50 EITI reports have been published internationally and worldwide almost half a billion people have access to reliable revenue figures for the first time. But the dialogue, which has been started, is clearly more important than the data.

There are some lessons learnt so far from the initiative. 31 countries mean 31 different processes and also 31 different reasons why countries have started the EITI process. The only common outcome is that trust has been built in a sector where mistrust has been endemic. The initiative has also empowered civil society and communities. Other outcomes include capacity building, creating a better understanding of the extractive sector and fostering a more stable and attractive investment climate.

Eddie emphasized that this is not a simple process and that EITI is not going to solve the problem of the whole sector. EITI de-listed Equatorial Guinea and São Tomé and Príncipe. This was a difficult decision for EITI but one that provided momentum to the countries which are still adhering to it. He finished with a quotation of UK academic Paul Collier saying "EITI is definitely the right place to start and the wrong place to finish".

Joseph Williams, Publish What You Pay, London

The key message of Joseph Williams was that it is essential to talk not just about 'voluntary' EITI versus international regulations but rather about EITI, voluntary initiatives and international regulations. Publish What You Pay (PWYP) supports initiatives like EITI which create dynamic processes and which are led at the country level. PWYP was started in 2002 by six UK based organisation and now includes over 600 organisations in 55 countries. Its key aim is to campaign for transparency and accountability in extractive industries with a focus on oil, gas and mining. PWYP supports voluntary measures as a first step and then encourages the use of mandatory mechanisms.

In Joseph's point of view, EITI has three strengths: It builds trust amongst stakeholders. It is a unique forum that allows civil society often unprecedented access to engage in policy with corporate and government decision-makers. Finally, it can lead to laws at the national level, which moves EITI away from the voluntary level and gives the initiative teeth.

There currently is a global momentum for transparency and EITI has often been 'the only game in town'. However, it did not work in São Tomé and Príncipe, a country that might not have been ready enough, and also not in Equatorial Guinea. Angola is not a member of it, although it was Angola's situation which originally prompted the initiative. Finally, Nigeria also shows flagging commitment for EITI since 2006.

It is important that the EITI and international regulations provide genuinely and timely disclosure on an annual basis. Data should be available on a disaggregated level (on a country and on a company basis). They should be easily searchable and comparable. Furthermore, information is needed on reserves, production volumes, production revenues and costs.

Joseph concluded that whilst initiatives such as EITI are very important, there is a lot industrialized countries could do to improve transparency through regulation. This includes listings, International Accounting Standards, fighting tax havens and due diligence on capital flight.

Jean-François Lassalle, Vice President of Public Affairs for France and NGOS at Total, Paris

Jean-François Lassalle spoke about EITI and the new US government Act from an oil company perspective. He stated that Total has been heavily involved in the setting up of EITI. It was present at the initial conference in London and supported many countries to participate in EITI. The company additionally started other initiatives such as creating a dedicated website disclosing on what taxes Total is paying in different countries. Total provides members for the board of EITI and holds regular meetings with NGOs about this topic.

Jean-François gave a summary of the advantages of EITI for oil companies such as Total, for implementing countries and for their civil societies. For Total, EITI is a win-win situation. The initiative motivates policy progress towards better governance and creates more transparency. It provides the company with better reputation higher staff satisfaction, improved shareholder relationship and market confidence as well as a better risk management. All these issues are crucial for a successful, long-term investment of oil companies. EITI has various advantages for implementing countries. It increases the countries' investment attractiveness and their opportunities to access foreign capital. It enhances accountability and stability for public finance. In a wider sense, countries adhering to EITI will be more trusted by financial institutions and will achieve greater political integrity. Last but not least, EITI empowers civil society and helps to raise awareness. It supports the relationship of civil society with the private sector and helps to strengthen the relationships with their investors. Overall, it gives NGOs in African countries a legitimacy, which has not existed before.

Having shown EITI's general advantages, Jean-François Lassalle then moved on to discuss the reasons why Total prefers EITI over the new US Law on Extractive Industries Payment Disclosure. In his opinion, this Act has the following drawbacks:

- it only includes US Securities and Exchange Commission (SEC) registered companies;
- it has an unilateral origin that does not take into account other state's sovereignty (e.g. a US company might have to disclose its payments according to the bill to an African country but this might be forbidden in the oil producing country itself);
- it creates a competitive distortion between SEC and non-SEC countries as the former are forced to play with open cards whilst the latter do not have to disclose their payments);
- it only includes payments made by companies rather than comparing it with the payments received by the governments;
- it is US legislation and therefore not a country owned process.

Ian Gary, Senior Policy Manager for Extractive Industries for Oxfam America, Washington DC

Ian Gary, Senior Policy Manager for Extractive Industries for Oxfam America, presented a different opinion about the US Law on Extractive Industries Payment Disclosure. President Obama signed the so-called 'Lugar-Cardin' Provision in the Dodd-Frank Act of 2010 into law on June 21. Contrary to what opponents of the bill claim, it has emerged from a long process started in 2006, which included multiple hearings and opportunities for industry input. In the end, it received full White House backing and can be seen as victory for the PWYP US coalition. Its core content is that all US-listed/registered extractive industry (EI) companies must disclose payments to governments in SEC filings starting in 2012/13. This is required on a country-by-country and project-by-project base, in a yearly process and broken out by payment streams. Companies have to report in all countries they are active in and not only in those which have agreed to cooperate as under the EITI.

The new Act is a major milestone for promoting EI transparency. It covers around 90% of internationally operating oil companies and has gained widespread company and investor support. The SEC rule-making process now has to undertake further work to clarify the Act until the deadline on April 17, 2011.

Ian Gary stated that the new law is a tool to empower civil society organisations in EI dependent developing countries, as the disclosure will not depend on the host government's political will. Most companies involved in current exploration in São Tomé e Príncipe and Nigeria will fall under the new law. Moreover all major new projects in Angola, which at the moment is only disclosing some information about payments but is not part of the EITI, will be covered.

The law might also be the catalyst for other initiatives. The International Accounting Standards Board (IASB) is considering a rule change to make disclosure of payments to governments a standard in the 110 countries, which use IASB rules. Further stock exchanges such as in Hong Kong or the UK are considering new listing requirements. The law might also affect legislation transparency in EI countries such as Nigeria and Liberia (transparency laws) and Ghana (Ghana Revenue Management Bill pending).

The new law and EITI are complementary and all part of a package of measures needed. However, Ian Gary pointed out that the future of the EITI would crucially depend on its next board meeting in October. The last validation deadline in March 2010 was only met by 2 of 22 countries and 18 out of 20 received an extension. In his opinion, progress on transparency must be accompanied by respect for human rights and there has been a gap between EITI and human rights practice. There need to be safeguards for civil society organizations within and outside the formal EITI process.

Q&A Session:

Q: Are the new oil fields in the Albertine Rift between Uganda and Congo covered by EITI? The people in this region are deeply concerned about suffering from a 'resource curse'. What can you recommend them to do to avoid what has happened to most other African countries after they started oil exploration?

Q: What is missing in this conference is a real discussion on the impact of oil on communities. There is such a big imbalance of power and not enough African civil society groups to address this issue.

Q: If South Sudan will vote for independence, will it be signing the EITI?

Q: There is a big concern about assets and flight of capital in the extractive industry. What is done to monitor this issue? There has been much talk about the tax foreign companies have to pay but what about the money?

A : EITI does not apply for the part of the Congo in the Albertine Rift region and Uganda is not a signatory of EITI at the moment. The amount of commercially viable oil confirmed on the Ugandan side has made oil a big issue for the country. The two major international companies involved in the exploration of Uganda's oil fields are Tullow Oil and Heritage Oil PLC, which are listed on the London Stock Exchange and therefore would not fall under the new US law. The topic of capital flight is an important one and PWYP is aware that there is a need to link up with the tax registration movement.

A : EITI does not cover the region in Congo and Uganda at the moment but it is planned to cover the Congo part within the next few years and there are intense discussions taking place in Uganda. However, more important than being covered today is to make sure that the Albertine rift region is covered when production starts in a couple of years. Regarding South Sudan, discussions at the moment are not about joining the EITI as it first need to achieve its sovereignty but rather about awareness building.

A: It is important to note that Uganda is working through an Oil Revenue Management Bill at the moment. In addition, Tullow Oil declared that it is willing to include Uganda in EITI if the country is willing to agree. For the tax havens, there is an organization in Washington called Global Financial Integrity which is strongly engaged in this topic.

A: One question that is left to address is the weakness of civil society in these countries and that is a fact. It is an issue about profitable versus non-profitable business but also an issue about capacity. Total works with the French part of PWYP to strengthen civil society's position its operating countries to help them strengthen their position by providing knowledge, e.g. about contracts in the oil industry. Total is the only Western company currently present in South Sudan but there is no active production or other activities at the moment.

Q: In the first EITI report there was suspiciously little discrepancy between the numbers reported from companies and countries in Nigeria. Does this tell you that you are looking at the wrong figures?

Q: Does the new law cover private sellers?

Q: Even after the payments are disclosed there is no guarantee that life will improve for the people in Africa. How can this be ensured?

Q: The BP leak in the Gulf of Mexico showed the dangers of oil production. There has to be a democratization of Africa's environment in regions such as the Niger Delta. What can be done to make sure companies work responsibly and clean up their acts?

A: There should not be so much tension between EITI and international regulations; they should both complement each other. In the case of Nigeria, it will be very interesting to see when new figures come out from SEC and EITI.

A: The Nigeria report in question showing only little discrepancy was from 2005. The latest NEITI report shows differences of about US$ 5 billion. This gives room to a whole set of issues which have to be discussed. Unfortunately, civil society in Nigeria was much more focused on discussing its representation in the multi-stakeholder group than finding the reasons for this discrepancy. EITI is not there to expose corruption; it is there to limit it.

A: In fact, the oil leak in the Gulf of Mexico put oil companies in a weak position at the end of the US legislation process. There is a need for more environmental impact assessment and new developments in the sector should be reflected in its institutions. A similar accident to the one in the Gulf of Mexico would put most oil producing African states in a very difficult position, as they do not have the money of the US to deal with such an accident.

A: It is important to empower the people in the country and local content is key to it. Companies should give as much work as possible to local contractors. This is an issue where Western and Asian companies differ significantly.

Q: Very little has been said about production. Production is a big problem with companies producing more than they declaring. Who do you believe? The companies or the governments? Why do you not bring members of African governments into the EITI board?

Q: What concerns do oil companies have for doing business amongst such volatile regimes as Uganda in such a trouble continent?

Q: Could you elaborate on the role of institutional investors in EITI?

Q: What is Total doing now about the new US law? Are you planning to lobby against it?

A: Oil companies often differ from the governments in African countries in their approach. They want to develop a well slowly to get as much out of it as possible in the long run. Governments often have a tendency for fast depletion. Oil exploration and production in countries such as Uganda are challenging from a political and often also from a technical perspective. Total is present in challenging countries such Burma or Sudan but is trying to work as efficiently as possible to transform these countries from inside. There is comprehensive documentation about this on Total's website.

A: Production really is a key issue. EITI only covers the financial side and it is symptomatic that in a country like Nigeria the total oil production can still not be determined. However, this is not such a big issue in other countries. One third of the board members of EITI are indeed from implementing countries. Institutional investors have specific timeframes and EITI currently has more than 80 institutional investors.

A: There has to be more work on international accounting standards but production really is very important. The US law is passed now and there is limited flexibility how it can be changed. The law received significant attention in the EU. Companies covered under the SEC should try to promote similar laws in other regions such as EU or China.

A: The effect of the law on EU is not the problem, it is more the distortion it can create towards Indian, Chinese and Russian companies.

Conclusion

Nick Shaxson, Chatham House

Nicholas Shaxson concluded that the issue of transparency had been the overwhelming focus of the conference. He drew some key questions from the discussion:

- Does transparency deliver justice for poor countries dealing with rich oil companies?
- Has transparency led to better accountability, allowing citizens of mineral-rich countries the political power to have their voices heard by their governments?
- Has transparency led to better development outcomes in terms of curbing poverty or encouraging human rights?

- Does transparency deliver justice? In this situation, justice means between poor countries and rich oil companies. This matter was only touched on during the conference.

- Has transparency led to better accountability? Have citizens of mineral-rich countries been able to get their governments to hear their voice? This is a question of political power.

- Has transparency led to better development outcomes? Has it curbed poverty or encouraged human rights?

Nick argued that it is often assumed, but not necessarily true, that the achievement of one of these factors would naturally lead on to the next.

The power relationship between citizens, the government and oil companies was described as triangular. Although oil companies were in the strongest position (at the top of the triangle) before the 1970s, since the formation of OPEC the triangle has shifted and African and Middle Eastern oil-producing countries now wield most power. The portrayal of oil companies as large powerful entities is inaccurate, as the governments of larger African oil-producers, especially Angola and Nigeria, can inspire fear in oil executives.

Nick said that the overriding theme of the conference had to be finding a way to put citizens at the top of the power triangle.

Examples from the conference's presentations were then drawn. They included a lack of political will to improve; a lack of vibrancy in civil society; and a lack of focus on holding authorities accountable for missing billions of dollars. In accumulation, they illustrated the point that the outcomes of recent transparency initiatives have been lacklustre.

Nick argued that the question is whether initiatives to promote transparency have any real influence or barely affect the boundaries of presidential palaces and oil company boardrooms – where real decisions are being made.

He went on to say that some reports which are released by initiatives maintain that the discourse needs to be changed, that new areas of engagement are needed, and so essential conclude that governments should tackle corruption by being less corrupt – a circular argument.

Despite the negatives, a number of points which show areas of progress were identified. Nick pointed out that Victoria Herringshaw said that initiatives tend to find more traction at sub-national level than national level. This was the situation in Angola. Local monitoring exercises (for example, seeing if a school has been built where promised) can be effective, but there is a need to see whether there is an over-focus on oil revenue, which is detracting from any evaluation of expenditure.

It was described as extremely positive to see the US taking leadership with the Frank-Dodd Act. An over-focus on EITI has detracted from other approaches, but the Frank-Dodd Act was seen to have provided a more mandatory approach. EITI is not mandatory globally.

Nick highlighted Lisa Misol's presentation, which emphasised the receptivity of governments to outside pressure. They need outside financing, and the IMF can be a main vector for influence to be injected into countries, rather than initiative representatives trying to make direct recommendations to countries.

It was argued that transparency is clearly positive in itself, but is not a panacea. It is a first step, and decisive moves need to be made to establish what the next focus should be. The idea of local content is good but needs to be accompanied by more engagement – any move forward needs to be into an area that people can really engage in.

There are other approaches which were not discussed during the conference.

- The political approach: what proportion of revenue from each barrel of oil is going to the government? Citizens of oil-producing countries would take great interest in this, but civil society organisations are not yet looking at the issue partly because it is difficult to find figures. The onus is on the oil companies and governments to explain their contracts. There has never been a systematic effort to make this happen.

- Tax havens are a huge issue, and is the next area where cooperation is needed with transparency organisations. The UK is one of the major destinations for those seeking a tax haven. Although the idea of combating London's status as a tax haven is often dismissed as too difficult, there is scope for British civil society organisations to coalesce around a new movement and create a new transparency campaign.

- The question of directly distributing oil revenue to citizens on an individual basis: this issue had previously been raised by Nick. Opponents to the idea see it as an extremist neo-liberal 'tea party' style movement. Whilst if enacted, this idea would involve a radical relocation of wealth from the rich to the poor, such opponents fail to understand that economic systems and political relations in many African oil-producers are different to those in the West. Nick maintained that the redistribution idea could not be rejected seriously.

- Taxation: this is an area where the civil society is not significantly engaged with citizens. Significant work is needed to encourage transparency of taxation not just for the extractive industries but also in other economic sectors. Currently, the World Bank recommends that civil society needs to do more work on this.

Discussion

The discussion began with an insight into the way that de-listing from EITI has affected São Tomé. Carla Vieira argued that citizens were never really part of the EITI, and that the country's main agenda was ensuring that a long-term government be established. She questioned why STP joined the EITI, as it is not a country which produces oil, and lamented the lost opportunity to provide training and practice for STP's people.

Good governance in the oil sector was then commented on. A previous Chatham House conference had brought together technocrats from nineteen oil-producing countries, representing 67 percent of the world's known oil resources. They agreed on the following five principles of good governance:

1. Clarity of goals, roles and responsibilities: leaders need to agree on the role of oil in the development of the country. There should be clear demarcation between the roles of the main petroleum corporation, the Ministry for Oil and the Parliament;

2. Sustainability for future populations: where is the revenue from oil going? How best can the environment be protected? The Gulf of Mexico and the Niger Delta represent areas where regulatory failure has happened, and so both demonstrate a failure of the system of governance and are not just the fault of the oil company;

3. Accountability: although all agreed on this, there was a wide variety of opinion on what accountability actually constitutes;

4. Transparency of information: people cannot be held to account if they have not been allowed access to all of the information;

5. Enabled institutions: Can bodies carry out the work which they have been assigned?

The commenter worried that if the US could not put in place effective management structure, leading to the Gulf of Mexico spill, Ghana was likely to be unable to too.

It was suggested that moving the conversation on past transparency would require civil society becoming financially invested in oil companies. This would allow money to reach parts of society it otherwise would not. The commenter gave the example of Nigeria, where citizens in the north disagree with those in the Niger Delta on whether all Nigerians, or just those in the Delta, should gain financially from the oil. The problem is exacerbated by the fact that government-run institutions are the most profitable. Citizens do not have pensions.

It was argued that civil society in Nigeria can only ever be a talking shop, as organisations from different regions have different goals. People can only be brought together by the promise of a financial incentive - not everyone in the same country will have the same objectives.

It was asked what would happen with the EITI if all of the eighteen countries currently with extensions defaulted.

Eddie Rich answered that these were questions which had been considered by the EITI board, but its major concern was always 'Is there a meaningful process going on in each country?' EITI initiatives are country-led processes, and EITI's central organisation only observes that its rules have been complied with.

It was also recognised that EITI is a young process. The board decided that if eighteen out of twenty countries could not comply with its regulations, then there must be something wrong with the rules. Quality assurance did take six to nine months, which was a large part of the two year deadline and so extensions were given.

STP and Equatorial Guinea were delisted for not following the substance of EITI. In STP, initial interest had dropped off, necessary reports were not produced and when the government asked for an extension, the EITI board thought it was too late. Equatorial Guinea has a similar oil and gas profile to Norway, but Norway gets twenty times as much revenue from its oil and gas. Equatorial Guinea is sitting on significant reserves of unused oil, and a discussion is needed around this.

The point was made that delisting could benefit the delisted government and cause more suffering to the citizens. Eddie responded that delisting is essentially a self-sanction and there would be no international consequences, unless organisations such as the IMF had placed conditionality on a country being a member of EITI.

The issue of human development was raised. It was argued that without development there are wider security issues, increased dependence on aid and increased immigration, and so it must be encouraged.

The next commenter asked what the role of parliaments is in Africa's oil relations. She recommended that the next conference be focused on governance, and Presidents and those signing oil contracts be invited to speak.

It was pointed out that all of the presentations had started with the assumption that there is a free civil society, but in cases where the government is more controlling, people will not have the permission to develop civil society. Such governments would also be reluctant to submit to the influence of any civil society organisation.

Nicholas Shaxson then asked the audience whether anyone believed that the triangular relationship between oil companies, governments and citizens had been fundamentally changed. He offered his opinion that the answer from the conference seemed to be an unequivocal no. He asked whether any other initiatives had been effective or had more potential than EITI, and reasserted the idea that redistribution of wealth on an individual basis holds the most promise for putting citizens in the best position.

Ian Gary responded that Ghana provided a promising country-specific example of a situation where the power balance had changed for the better, though whether this can last is still to be seen.

Speaker Biographies

Lulsegged Abebe is the Manager of the West Africa programme at International Alert, a peacebuilding charity based in London. Lulsegged is a researcher, trainer and practitioner on peacebuilding with extensive experience in reconciliation, conflict analysis, early warning and negotiation. He has a PhD in conflict Analysis and Resolution from George Mason University, Virginia.

Fr Belmiro Chissengueti is a Roman Catholic priest working at two different parishes in the city of Luanda. He is an ordained member of the Spiritan Congregation, a Roman Catholic Religious Congregation which was founded in France in 1703 and is dedicated to serving the poor. He is also the General Secretary of the CEJP and was invited as a consulting expert for the African Synod at the Vatican last year. Fr Belmiro holds a degree in Law from the Catholic University of Angola.

Paloma Cid is a senior executive at CWC Group. She is responsible for programme development and government relations in the West Africa region, particularly Nigeria, Equatorial Guinea and Angola. She has managed numerous major projects to promote investment in oil and gas, sustainable development and social progress. Prior to joining CWC Group, Paloma worked first with IBM and subsequently managed a two year programme of cultural activities with the Spanish embassy. Paloma holds a degree in Economics from the Universidad Autónoma de Madrid and a Post-graduate Certificate in International Trade from the Centro de Estudios Comerciales.

Ian Gary is Senior Policy Manager for Extractive Industries with Oxfam America. Prior to joining Oxfam, Ian was Strategic Issues Advisor on Extractive Industries at Catholic Relief Services (CRS). He has held positions with the Ford Foundation as well as international development organizations in the US and Africa. Ian has been a frequent commentator on extractive industries issues in major media outlets including the *New York Times, Washington Post, Financial Times,* BBC and NPR. He was an advisor with the World Bank Extractive Industries Advisory Group from 2005-2009 and was a leading advocate in the Publish What You Pay US effort. Ian has conducted field research on extractive industries issues in several African Countries and he is the author of the Oxfam America report *Ghana's Big Test: Oil's Challenge to Democratic Development* and co-author of the CRS report *Bottom of the Barrel: Africa's Oil Boom and the Poor* and *Chad's Oil: Miracle or Mirage?*

Thalia Griffiths is the news editor of African Energy. She has worked with African Energy since its launch in 1998, focusing on the politics and economics of West and Central Africa and other Africa-related projects. Thalia is a former deputy editor of London-based newsletter Africa Confidential, and has travelled extensively for ten years as a correspondent of Reuters news agency. She joined Reuters after leaving Oxford University, where she studied French and German, and her time with the company included three years based in the West Africa bureau in Cote d'Ivoire, plus spells in Cyprus (on the Middle East desk) and Bulgaria. She still travels regularly to Africa, including recent assignments for African Energy to Chad, Senegal and Uganda, amongst other countries.

Vanessa Herringshaw is head of the Revenue Watch Institute's London office. She also represents RWI in Europe and leads its program on training and capacity building globally. A key theme in Vanessa's work has been strengthening accountability and governance in areas like health services, children's rights and poverty reduction. For the last 10 years she has focussed on economic justice and corporate transparency, especially the impacts of oil, gas and mining in less developed countries. Vanessa also spearheads the initiative on accounting standards reform in the extractive sector for the international Publish What You Pay coalition. Prior to joining Revenue Watch, Vanessa headed the Economic Policy Unit at Save the Children UK. She holds a Master's degree from the London School of Hygiene and Tropical Medicine, a Bachelors degree from Cambridge and was a Frank Knox Scholar to Harvard University and the Kennedy School of Government.

Jean-François Lassalle is Vice President of Public Affairs for France and NGOS at Total. He has responsibility for managing reputation issues, such as those related to the Group's presence in complex environments, as well as all Corporate Social Responsibility issues, including EITI. Through his previous experience, Jean-François has developed a good understanding of development issues, in particular in sub-Saharan as well as in North Africa where he held several managerial positions between 1990 and 2002. He was the representative for Elf on the Board of the French Investors' Committee for Africa (CIAN). His former position for 6 years as an all contract negotiator gave him an awareness of governments' expectations regarding the impacts of hydrocarbon resources on development.

Lisa Misol is a Senior Researcher in Human Rights Watch's Business and Human Rights Program. She has carried out field investigations in about a dozen countries for HRW and written reports on a variety of topics including on political violence in Kenya, arms trafficking in West Africa, military businesses in Indonesia, extractive industries in Burma, and global patterns of human rights abuses implicating companies. Lisa also engages in extensive international advocacy, including follow-up to Human Rights Watch's research on oil, corruption, and human rights in Angola and Equatorial Guinea. She is a dual national of Spain and the United States and holds a master's degree in public and international affairs from the Woodrow Wilson School at Princeton University.

Father Edward Osang Obi is a Roman Catholic priest of the Missionary Society of St. Paul, in Nigeria and Director of the Centre for Social and Corporate Responsibility. He completed his initial academic training in Nigeria, and served as a Missionary in Botswana and South Africa for nine years before returning to work in Abuja, Nigeria. Fr Edward specialized in Social Ethics, with particular emphasis on Corporate Social Responsibility in the Niger Delta. His doctoral dissertation, which was completed at the Katholieke Universiteit Leuven, in Belgium, defended a notion of participatory ownership that could create the context for oil resources to be owned inclusively rather than exclusively, and be managed conjointly, by the government, oil corporations and the people on whose land they occur.

Diarmid O'Sullivan is the leader of the Global Witness campaign working to curb corruption in the oil, gas and mining industries. He has been a campaigner for Global Witness for seven years and is currently an alternate Board member of the Extractive Industries Transparency Initiative. Previously, Diarmid worked as an analyst for the International Crisis Group in Indonesia and as a journalist based in London, the Middle East and Southeast Asia. He has a BA degree in Arabic and Middle Eastern Studies.

Patrick Raleigh is the analyst at the Economist Intelligence Unit (EIU) covering São Tomé e Príncipe. Prior to joining the Africa team, Patrick worked as a Sub-Editor on the Asia team at the EIU. He has also worked at Routledge as an Assistant Editor of the Europa World Year Book and Europa Regional Surveys. He has a BA in Modern Languages from the University of Bristol and a Diploma in Economics from Birkbeck College, University of London. He is currently studying part-time towards an MSc in Development Studies at the School of Oriental and African Studies (SOAS), University of London.

Eddie Rich has worked in development for over 14 years. From 1996-98 he was the DFID representative to Angola. He was Head of DFID's Corporate Social Responsibility team when the nascent Publish What You Pay coalition came to DFID with the idea for a transparency initiative for the extractive sector in 2001. He continued to work on the Extractive Industries Transparency Initiative until 2004 when he moved to Kenya as Deputy Head of DFID Kenya. When Kenya started exploring for deep sea oil in 2006/7, he re-entered the EITI debate.

Nicholas Shaxson is an Associate Fellow of the Africa programme at Chatham House, and the author of *Poisoned Wells: the dirty politics of African oil* (2007). Previously a Reuters correspondent in Luanda, he was author of the Economist Intelligence Unit reports on Angola from 1997-2009 and has written on West African oil-rich countries for numerous publications including the *Financial Times, Africa Confidential, African Energy, Oxford Analytica* and various others. He is currently working on a book on tax havens, to be called *Treasure Islands,* which will be published by Random House in 2011.

Carla Sardinha Vieira is the President of Webeto, an international NGO with particular focus on transparency in the management of natural resources of São Tomé e Príncipe. Since 2003 she has worked with diasporas focusing on civil society issues. Carla has participated in numerous international training sessions and conferences on development issues, particularly in Sub-Saharan Africa, including in São Tomé e Príncipe, Nigeria, Angola and South Africa.

Alex Vines has been head of the Africa Programme at Chatham House since 2002 and in 2008 became Director of Regional and Security Studies. Alex first joined Chatham House as an Associate fellow for the British Angola Forum in 1999 and he has written extensively on Lusophone Africa. From 2005 to 2007 Alex was a member, and later Chair, of the UN Group of Experts on Côte d'Ivoire and served from 2001-2003 on the UN Panel of Experts on Liberia. Alex has had a long association with Human Rights Watch and served as their senior researcher and more recently as consultant on Business and Human Rights. He is the principal author of the recently published report *An Uncertain Future: Oil Contracts and Stalled Reform in São Tomé e Príncipe*. He serves on the editorial board of several leading journals and writes regularly for publications around the world. Alex was awarded an OBE in the Queen's birthday honours 2008 in recognition of his work on Africa and is a part-time lecturer at the Department of International Studies and Social Science, Coventry University.

Gisa Weszkalnys is a social anthropologist whose current research explores processes of natural resource developments in São Tomé e Príncipe. She is a Lecturer in Anthropology at the University of Exeter and a Research

Associate of the African Studies Centre, Oxford. She also works as an independent consultant and has conducted studies of perceptions of natural resources, agricultural projects, and human development in STP and Angola. She was trained at Cambridge University and has worked at Goldsmiths, London, and the University of Oxford. She has published widely in peer-reviewed journals and is the author of *Berlin, Alexanderplatz: Transforming Place in a Unified Germany* (Berghahn, 2010).

Joseph Williams is Information and Advocacy Officer for Publish What You Pay. Prior to joining PWYP in January 2009, he worked at the International Crisis Group on its Central Africa Project where he became acquainted with the clear need for better governance and greater accountability in the extractive industries. He then moved to China where he was writing for London-based newspaper Africa-Asia Confidential on relations between China and Africa. Joseph's previous experience includes research, project management and advocacy work in Brussels where he worked for various EU institutions including the European Parliament. He holds a Master of Arts in European Studies from the University of Exeter and a Master of Science in Development Management from the Open University.

Madeline Young is a research consultant for the FRIDE Foundation, specializing in governance, human development, and natural resource management in Africa. She has previously worked with Intermon Oxfam and Chatham House for publications covering fisheries management, extractive industries transparency, civil society advocacy, and international development policy. She was recently appointed to the advisory committee of 'Forum pour une autre Afrique'.