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Transparency and Accountability in the Management and Use of Africa's Oil Wealth as a Key Driver for Long-term Security[1]

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I. Africa's Oil Boom: Peril or Opportunity?

Sub-Saharan Africa is in the midst of an oil boom as foreign energy companies pour billions of dollars into the region for the exploration and production of petroleum. African governments, in turn, are receiving many billions of dollars in revenue from this boom. While the implications of Africa's oil boom for security, human rights, poverty reduction and the environment have been receiving increased attention from the media, policy makers and civil society groups, much greater attention and real action will be needed to ensure both that the boom is used wisely by African governments and that Africa fulfills its potential as a secure, stable and growing region for energy exports to the U.S. and the rest of the world. This paper examines the political and social impacts of Africa's oil boom and examines initiatives designed to bring greater transparency and accountability to the use of Africa's oil revenues. This objective is in the long-term interest of those interested in security and stability in Africa's oil producing states.

Africa's oil reserves, at 4% of global reserves, are relatively minor. (Compare this to Saudi Arabia's

1Portions of this paper are drawn from: Ian Gary and Terry Karl, *Bottom of the Barrel: Africa's Oil Boom and the Poor,* Catholic Relief Services, 2003, and Ian Gary and Nikki Reisch: *Chad's Oil: Miracle or Mirage?,* Catholic Relief Services and Bank Information Center, 2005.

25% share.) Nevertheless, Africa's oil boom is having profound impacts on the continent and Africa has become a significant new source of energy and a hot spot for international oil company investment. Oil production on the continent is set to double by the end of the decade to over 6 million barrels per day (mbpd). Angola will double its oil production to over 2 mbpd by 2007, with Nigeria and others adding to the growth. New producers, such as Mauritania and potentially Sao Tome and Principe, are soon to join the African oil club.

Some analysts suggest that 25 to 30 percent of U.S. oil imports will be coming from the region by 2015. According to PFC Energy, Africa will account for almost half of the $48 billion predicted for deepwater investment in the period 2005-2009 and American companies, such as ExxonMobil, ChevronTexaco, Marathon, Amerada Hess and others have major investments in the Gulf of Guinea.[2]

The "Oil Curse" in Africa – Political, Economic, Social and Security Impacts

This new African oil boom – centered on the oil-rich Atlantic waters of the Gulf of Guinea, from Nigeria to Angola – is a moment of great opportunity and great peril for countries beset by wide-scale poverty. On the one hand, revenues available for poverty reduction are huge; according to PFC Energy estimates, sub-Saharan African governments will receive over $350 billion for the period 2002 to 2019.[3] On the other hand, the dramatic development failures that have characterized most other oil dependent countries warn that petrodollars have not helped developing countries to

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[2] Presentation by Jason Nunn, PFC Energy, "CSIS Gulf of Guinea Security: Critical Infrastructure", March 22, 2005.

[3] PFC Energy, "West Africa Petroleum Sector Oil Value Forecast and Distribution" December 2003. The Nigerian government's future oil wealth in either of the above time period views is more than double that of all other countries combined, with a mean expected value of $110 billion through 2010 and $205 billion between now and the end of the next decade (2019). Angola ranks a solid second place with $43 billion through 2010 and $94 billion over the period 2002 to 2019.

reduce poverty, corruption and conflict; in many cases, they have actually exacerbated it.[4] Africa's oil boom *could* help improve the lives of Africa's poor – thus contributing to increased growth, prosperity and stability – through increased investment in education, health, water, roads, agriculture, and other vital necessities. But for this to occur, these revenues must be well managed.

Most of Africa's petro-states derive 60-90 percent of government revenue from oil production governed by contracts that are, in almost all cases, official secrets. This over reliance on one source of government revenue has serious implications for security, democracy, governance, human rights and development. These revenues are inserted into governments lacking in transparency, accountability, and fairness and capacity to spend money efficiently. Without improving their democratic institutions and administrative capacity, it is unlikely that African oil exporters will be able to use petrodollars to fuel poverty reduction; instead, oil monies are more likely to increase conflict and make matters worse for the poor.

The "paradox of plenty" or "resource curse" are phrases used by academics to describe the tragic gap between the promise of petroleum and the perversity of its performance in recent times.[5] Study after study demonstrates that, as a group, countries dependent on oil as their leading export have performed worse than other developing countries on a variety of economic indicators and are more prone to violent conflict.

What are the implications of oil wealth for democracy, security and development? Oil revenues have

[4] Transparency International's Corruption Perception Index for 2005 has Chad tied for first place, with Africa's top producers in the top ten.

[5] See Gary, Ian and Karl, Terry Lynn, *Bottom of the Barrel: Africa's Oil Boom and the Poor,* Catholic Relief Services, June 2003, www.crs.org/africanoil.cfm or Karl, Terry Lynn, *The Paradox of Plenty: Oil Booms and Petro-States* (Berkeley: University of California Press, 1997) for an expanded analysis of the effects of the resource curse.

a profound effect on the interaction between economic and political power in Africa's petro-states. Because the petroleum industry is more capital-intensive than any other economic activity and involves very extensive knowledge, skills and technology, only the biggest players, either multinationals or states, are able to exploit this resource. At the same time, because profit margins are so huge, the rents generated by oil generally overwhelm all other revenue sources. Thus, oil-led development has a strong tendency to concentrate both production and revenue patterns, and this occurs in countries – and this is true in Africa – where economic and political power often is already very concentrated. In effect, only large and powerful global and state actors can get into the oil game. Only those who control political power can grant the opportunity to make money from oil,.

The result is what economists call a "vicious" development cycle based on rent seeking. Rent-seeking is widespread behavior aimed at capturing petrodollars through unproductive and even corrupt means. In oil-exporting countries, all actors (whether public or private, domestic or foreign) have overwhelming incentives to seek links with the state in order to make money; governments, in turn, reward their supporters by funneling petrodollars, tariff protections, contracts, or subsidies their way. In the end, productive economic activity is actually penalized, few jobs are created, growth is hindered, and economies become distorted. Political power can only be sustained – through systems of patronage and control of security forces – only as long as oil revenues flow.

The difficulty of managing oil revenues well is compounded by several factors. Most important, most developing counties lack the type of political institutions necessary for counteracting rent seeking. Democratically accountable executives, efficient civil services and tax authorities, independent legal systems, active and informed civil societies, and open and transparent policy-making processes are simply not in place.

Because governments have no need to tax the population to keep functioning, a vital link between the government and the "governed" is severed – in essence, there is "no taxation and no representation". Where business lacks transparency, governments are accountable to none, economies are weak, administrative capacity lacking, and participation absent or wanting – yet investments and lending continue to pour in without restrictions – rent-seeking and corruption result. Over time, earnings are squandered, a precious asset is depleted, and widespread poverty remains.

Oil Rich Yet Dirt Poor

Like oil-exporters in other regions, long-time African oil producers have been largely unable to convert their oil wealth into broad-based poverty reduction. In Nigeria, where the government has received over $350 billion in oil revenues over the last four decades, the majority of the population still lives on less than $1 a day. In Angola, wracked for years by a civil war fuelled by oil and diamonds, the government was unable to account for $4.2 billion during the period of 1999-2002, roughly the same amount as all social spending in the country during the period.[6] Africa's petro-states have been unable to diversify their economies or prepare for a post-oil future and petroleum has become a magnet for conflict and, in some cases, civil war. Regional grievances in the Niger Delta in Nigeria or the Cabinda enclave in Angola have, at their root, the division of oil rents. Recent discoveries of oil have contributed to coup attempts and political instability in Equatorial Guinea, Chad, Sao Tome and Principe and Mauritania. Africa's problems related to the exploitation of oil are perhaps more severe than other developing regions given the exceptionally low level of development in the region, the extraordinarily weak political and administrative capacity and pre-existing problems with human rights, rule of law and democratic development.

[6] Human Rights Watch, "Some Transparency, No Accountability: The Use of Oil Revenue in Angola and Its Impact on Human Rights", January 2004.

II. Transparency: Necessary, But Insufficent

An important first step towards addressing the "resource curse" in Africa and the security threats and social impacts it represents is to build transparency. Oil is a natural resource owned by all Africans. At present, though, it is difficult, if not impossible, for citizens, civil society groups or journalists to accurately track how much money is being generated or how these revenues are spent. Transparency depends on multinational oil companies publishing what they pay, and governments revealing what they spend.

While oil-dependence is most often a perilous development path, *negative outcomes from oil booms are not inevitable.* The primary responsibility for managing Africa's oil wealth in a transparent, fair, and accountable way lies with Africa's governments. Building democratic states capable of focusing on reducing poverty is one of the key challenges facing Africa in the 21st century. Africa's governments, though, are only one part of a web of interests and relationships in the African oil boom. Other key actors determining the outcomes of this boom are foreign oil companies, International Financial Institutions like the World Bank and the International Monetary Fund, Export Credit Agencies, and Northern governments such as the United States.

Emerging Reform Efforts in Practice

To improve outcomes for the poor, all actors need to change some of their practices and work together in a more concerted manner. Unless the main players involved Africa's oil boom are united around concrete policy changes to address the effects of the "resource curse", this boom is unlikely to foster any significant poverty reduction or contribute to security and stability. It is urgent that improvements be made now to emphasize transparency and fairness, the construction of capable and accountable institutions, and the respect for human rights and the promotion of democratic space in oil-producing countries.

As a result of the increased attention from civil society groups – such as members of the Publish What You Pay campaign – academic researchers, journalists and policy makers, a number of reform initiatives are underway. The remainder of this paper will examine a few of these efforts, with a focus on the oil revenue management experiment in Chad and the Extractive Industries Transparency Initiative.

Chad's Oil: Miracle or Mirage?

The Chad-Cameroon Petroleum Development and Pipeline Project represents the foremost test case of the extent to which oil revenues can be used to alleviate poverty in a challenging developing country context. The most innovative feature of the project is the establishment of a legal framework (Chad's Law 001 and subsequent amendments and decrees) that earmarks money for poverty reduction expenditures, creates an oversight committee to ensure the transparent management of the country's oil wealth, and establishes a "Future Generations" savings fund.

This experiment is now at a dangerous crossroads. The World Bank, donors and civil society groups were shocked by the October 2005 announcement by the Government of Chad outlining its plans to revise Law 001. This would include abolishing the savings fund and using the $27 million accumulated in the account; increasing to 30% the amount of revenues going to general government coffers; and including security forces in the definition of "priority sector" spending for oil revenues.

In 2000, touting the promise of petrodollars for Chad's poor over public concerns that new revenues would be lost to corruption and mismanagement, the World Bank provided financing that catalyzed the ExxonMobil-led oil development. Given the dismal track record of oil producing countries around the world and the high stakes in a country as unstable as Chad, this experiment has come into the international limelight. The fate of the $4-billion plus project is not only of vital importance to the people of Chad, who hope to reap its benefits but risk bearing enormous costs if oil production leads to corruption, conflict and the further concentration of power in the hands of a few; it is also of great interest to other countries facing the challenge of transforming their oil wealth into benefits for their people, to donors attempting to solve the problem of the "resource curse," and to energy-hungry industrialized countries, searching for new and stable sources of oil.

Poverty, Politics and Petrodollars: Chad is a landlocked country with a long history of civil war, continued political instability, a weak judicial system, widespread corruption and an all-encompassing institutional capacity problem. (A coup attempt in May 2004 reminded observers of the fragile political environment, and President Déby's ruling party succesfully pushed through a referendum changing the Constitution to allow Déby to run for a third term in 2006.) The Chadian oil experiment depends largely on the political will of the government to respect the rule of law where there is little history of doing so, to develop accountable institutions and to encourage democracy. In an environment where the government faces both internal and external threats, such political will appears to be in short supply. (In October, President Déby disbanded his Presidential Guard and replaced it with a new security force. Meanwhile, hundreds of government soldiers deserted the army and established a new rebel movement in eastern Chad calling for Déby to resign.)

Chadian oil began to flow through the 1,050 kilometer pipeline in June 2003, produced by a consortium lead by ExxonMobil. Beyond the 1 billion barrel estimated reserves in these three fields, the presence of the pipeline infrastructure is spurring new oil production and exploration in Chad. ExxonMobil has started producing from new "satellite" fields in May 2005 and will bring more fields online in 2006.

Oil Revenues: Chad's First Taste of Black Gold: The unprecedented measures put in place to safeguard against misappropriation of oil revenues are now being put to the test and, in many ways, buckling under pressure. Over their 25-year production span, the first three oil fields in southern Chad may earn the government more than $5 billion in oil revenues. Chad's innovative petroleum revenue management law stipulates that the majority of *direct revenues* from oil production – royalties and dividends – be earmarked and spent on "priority sectors" targeting poverty reduction. In addition, a joint government-civil society petroleum revenue oversight committee (the *Collège)* has been established to play a "watchdog" role, approve projects and monitor the quality of their implementation. While some information on Chad's oil revenues is made public, details on the calculation of revenues and many key agreements between the oil companies and the government remain secret. In addition, legal safeguards contain notable loopholes, including the fact that the revenue management law does not cover any revenues from oil produced outside the three original Doba fields. These and other weakness mean that it is difficult for citizens to verify the accuracy of revenue information disclosed and that much oil revenue will fall outside of the jurisdiction of the law and the control of the *Collège.*

"Just Add Oil": Accountability from Scratch: In a country lacking an effective system of checks and balances, the joint government-civil society revenue oversight committee created by Law 001 is a unique institution, critical to the effort to hold the government accountable for the use of oil money. Experience to date has shown that the *Collège* has made promising strides to establish itself and exert

its authority. At the same it needs increased access to information, an improved ability to investigate expenditures and the cooperation of government to prosecute any wrongdoing identified. The *Collège* lacks an independent and steady source of funding, and without support from Chadian civil society will be unable to effectively carry out oversight in a country as large as Chad. Finally, the government has placed trusted allies – such as President Déby's brother-in-law – on the *Collège* and has interfered with the selection of civil society members. While the *Collège* can influence the budgeting process, reject ill-founded expenditures and investigate the execution of projects it approves, ultimately its ability to ensure that oil revenues are used for poverty reduction depends on the willingness of the judiciary to prosecute cases of misuse, fraud or corruption that the *Collège* may uncover. A critical report released by the *Collège* in July 2005 has not lead to any remedial action by the Government.

Chad has no record of effectively budgeting and spending government resources, and has a history of corruption and mismanagement in bidding and procurement procedures. The experience of the 2004 and 2005 budgets show that there are many obstacles standing between transparent budgeting of oil revenues and spending those monies in a way that reduces poverty. With increased scrutiny of revenue flows at the macro-level, problems with corruption and mismanagement are "migrating down" the food chain where they are more hidden from public view. Some observers say that the cash crisis the Chadian government has found itself in during 2005 is related to a lack of budget discipline and off-budget withdrawals by government officials from the national treasury.[7] These tendencies, together with limited government capacity to absorb increased levels of funding, have grave implications for the poverty reduction objectives of a project dependent on the effective use of massive new government revenues. World Bank projects designed to increase capacities in these

[7] Betel Miarom, "Chad Government Stands Firm on Oil Revenue Law Change", Reuters, 7 November 2005.

areas prior to the arrival of first oil have failed to meet their objectives.

Changing Chad: The Role of External Actors: Ensuring that Chad's oil boom benefits the poor requires not only building government capacity, but altering policies and, ultimately, changing politics. The experience to date reveals both the limits of external actors' ability to influence these changes and the urgent need for those actors to use what leverage they do have to support adherence to the rule of law – and keeping Law 001 in place – and compliance with the revenue management safeguards. In Chad, where citizens have limited influence on their government, external actors – such as the World Bank, IMF, and the U.S. and French governments – must be seen as important sources of pressure for maintaining the revenue management legal framework, promoting greater transparency and encouraging greater political accountability.

A "Model Project" Hanging by a Thread: Many obstacles stand in the way of converting Chad's oil wealth into concrete improvements in the lives of the country's poor. Important building blocks for transparent and effective oil revenue management are being developed and need to be nurtured, but limited progress on this front is greatly tempered by very worrying trends in the political environment, the government intention to revise the revenue management law, problems with corruption, transparency deficits and severe government capacity constraints. Now more than ever, the oil experiment hangs by a thread.

Chad's experience shows that transparency is *but one* essential ingredient in developing systems of oversight, accountability and sanction in Africa's oil producing states. Transparent information can be used for both formal and informal enforcement of the law, but the tools to use it have to be in place. Investigative and judicial arms of the government must be independent and capable of prosecuting wrongdoing. Elections must be free and fair and Chadians must have the ability to change their government through the ballot box if they think it has not managed the oil wealth well. Informal enforcement – through monitoring by civil society and publicizing information on the radio and other media – must be part of a system of accountability. Transparency is only meaningful if information is understood by the government and the public and if the findings of oversight bodies lead to action.

There are clear lessons that can be drawn from Chad's experience to date which can serve as signposts to correct pressing problems in Chad and to guide efforts to assist other developing countries in managing resource wealth. And one of the most fundamental lessons that Chad offers today is the importance of ensuring that minimum conditions of respect for human rights, fiscal transparency, and demonstrated government capacity to implement pro-poor programs are in place prior to promoting investment in the extractive industries.

Extractive Industries Transparency Initiative

The Chad experiment in reforming oil revenue management highlights the challenges to addressing the resource curse in one African oil producer. On a global scale, the major governmental and, to some extent, corporate response to the problem and the international Publish What You Pay campaign has been the UK-government initiated Extractive Industries Transparency Initiative (EITI). The EITI organized a high-level conference in 2003 to agree upon EITI "principles" and another conference in 2005 to agree on EITI "criteria".[8] The World Bank has been involved in EITI at a policy and country implementation level.

8 For information on EITI principles, criteria, reporting guidelines and other information, visit www.eitransparency.org

The EITI is a *voluntary* program designed to encourage governments to publish data on oil, gas or mining revenue payments received according to an EITI reporting template. At the same time, extractive industry companies at the country level would be expected to fill out the template according to payments owed.

There is still a lack of clarity about what EITI means in practice and an International Advisory Group is trying to hammer out key questions such as validating "compliance" with the initiative. As a February 2005 critique of EITI by Global Witness and Save the Children UK stated,

> *At present there is no way for EITI stakeholders to tell who is truly implementing the EITI in letter and spirit, and who is merely going through the motions. As a result, countries and companies which are genuinely implementing EITI may not get the credit they deserve for improved governance, while freeriders will be able to claim participation in EITI as a way of evading international pressure to curb corruption. This problem has already emerged in several countries.*[9]

There has been sluggish implementation of the EITI since 2002. In reality, only a few countries have taken any meaningful steps to implement EITI. Nigeria has made more progress than others. Nigeria launched EITI in 2004, established a national stakeholders working group and an EITI secretariat. In January 2005, President Obasanjo introduced an "NEITI Bill" to the National Assembly that would require annual revenue audits and mandate oil company payments disclosure. In March 2005, Nigeria announced the selection of a British auditing firm to audit Nigeria's oil revenues. The first audit results are expected by the end of the year and will include reconciling information on payments and receipts; verifying amounts of oil and gas produced, lifted, lost, refined and exported; and reviewing the transparency and appropriateness of the industry processes.

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[9] Save the Children UK and Global Witness, *Making it add up: A constructive critique of the EITI Reporting Guidelines and Source Book,* London, February 2005.

While there has been a good degree of rhetorical enthusiasm regarding EITI from some governments, companies, IFIs and civil society groups, there are a number of weaknesses to the EITI approach. These include:

- *Voluntary Nature* – The EITI's voluntary nature means that some countries where transparency is needed the most may not sign up to the initiative. Angola, for example, has shown little interest in the EITI. It also means that unless publication is enshrined in legislation, institutions and political practice, voluntary commitments will not become binding practice.
- *Publication of Contracts* – EITI does not call for the publication of contracts. It would be difficult for civil society groups to monitor revenues without access to relevant information in contracts, such as royalty rates, the fiscal regime and all determinants of revenue. (The IMF has stated that "Little by way of strategic advantage thus seems to be lost through publication of contracts."[10]
- *Insufficient Disclosure for Government Decision-Making and Citizen Oversight* – EITI implementation will provide incomplete information for government decision-making and citizen oversight. For example, in the case of Nigeria, the IMF has said that, even if fully implemented, "making available information according to the EITI guidelines would not be sufficient to fulfill the government's own information requirements. Reporting under the EITI guidelines would allow the public to compare payments made by oil companies with payments received by the government on a yearly basis. More detailed knowledge of the oil sector however, is needed for the Nigerian authorities to maintain effective oversight of the oil sector and make informed policy decisions. Data on payments made and received have to be verified, and

[10] IMF, *Guide on Resource Revenue Transparency*, June 2005, pg. 21.

reconciled with payments due on the basis of production, prices, and tax arrangements."[11]

- *Independent, Credible Audits and Publication* – EITI criteria do not include the mandatory publication of audits, including cost audits, of oil revenues. It is not sufficient to "reconcile" two reporting streams from companies and governments when both streams may be wrong.
- *Monitoring EITI Implementation and Membership* – There is still no structure within EITI to address the "free rider" problem – countries that improve their reputation by associating with the EITI process without doing anything – or to assess the quality of EITI implementation against clear and objective benchmarks.
- *Disclosure in a vacuum / Larger reform agenda* – Lack of disclosure of revenues and contracts is often symptomatic of larger problems with good governance, human rights and democratic participation. Limited disclosure of information through EITI alone will not lead to accountable management of oil wealth in countries with governance problems. World Bank, IMF and Western government support of EITI must be part of a larger governance reform strategy. EITI implementation in countries such as Equatorial Guinea, where, because of a repressive political climate, there is no civil society, independent media or viable political opposition is practically meaningless without accompanying governance reforms. This mirrors the problems in the Chad oil revenue experiment.

III. Conclusion and Recommendations

The Need for a "Big Push:" Many donors, companies and government actors are now making tentative steps to address the "paradox of plenty" problem generated by Africa's oil boom. They have begun to recognize that improving the distribution of benefits from oil production is not only an ethical mandate, but also an essential ingredient towards a more stable and sustainable world. Initial steps,

[11] IMF, Nigeria: Selected Issues and Statistical Appendix, August 06, 2004.

such as the Chad project and EITI, are welcome but are clearly not enough. Because developing fields and building pipelines happens faster than the construction of efficient states and good governance, only a sustained, coordinated and coherent international effort – a "big push" to change the policy environment – by the relevant actors involved in Africa's oil boom can improve the prospects for transforming Africa's oil wealth into improvements in the lives of the poor. Only a concerted change in the incentive structure surrounding oil can help to ensure that petroleum revenues will be well managed to benefit the poor. And transparency alone will not ensure progress in political environments where the rule of law is violated, human rights are not respected, the independent press is under threat and democratic processes are non-existent or deeply flawed.

Donors and policy makers need to pay particular attention to the corrosive effects of oil wealth on democratic institutions and the obstacles posed to democratic development. More support needs to be funneled to civil society efforts to monitoring oil revenues, track expenditures and inform local populations. Northern donor governments need to carefully calibrate diplomatic engagement and bilateral support to measurable progress toward increasing political space, democratic governance and respect for human rights and the rule of law. This reform agenda cannot be decoupled from transparency reforms otherwise the push for transparency will be only a hollow exercise. In addition, for onshore operations, host communities should have the right to "free prior informed consent" before oil projects come in. Ensuring community support *before* investment will insure more stable investments down the road.

The U.S. government, for its part, must send consistent and coherent policy messages on the importance of transparent and accountable revenue management. Embassies must receive the message that revenue transparency, human rights and democracy are high on the bilateral agenda in

Africa's oil producers. (In Equatorial Guinea, for example, US State Department support for the development of a social fund, while laudable, could have the effect of sidestepping key human right concerns.) The U.S. should also condition trade benefits, export credit agency financing and support at the World Bank for oil projects on transparency and human rights requirements. Military assistance and training – such as anti-terrorism training for security forces in Chad and elsewhere – must follow strict human rights requirements and be linked to real progress on governance reforms. Finally, the U.S. and other donors should concentrate technical assistance to governments to manage oil wealth in countries where it has a chance to make a difference – places such as Nigeria with a vibrant press and civil society are present.

The World Bank and IMF need to require demonstrated progress on transparency of revenues and contracts and require published audits related to oil revenue determination, management and allocation prior to providing additional project or policy lending or macroeconomic support. The IMF published a useful "Guide on Resource Revenue Transparency" in 2005 but needs to apply the principles in the guide to its relationships with client countries.

Finally, oil companies need to help break the system of secrecy by publishing what they pay African host governments. It is insufficient to provide rhetorical support to EITI and let host governments make the first move. In some country contexts, such as Angola, Western oil companies acting collectively could help move this agenda forward in the national context. (Western companies currently have a monopoly on the technology used to exploit ultra-deep water blocks in Angola – the source of the bulk of Angola's oil growth.)

Unless the main players in the oil story make specific policy changes, Africa's oil boom is unlikely to foster any significant poverty reduction nor contribute to security or democratic development. Instead, oil riches will continue to produce corruption and mismanagement, environmental destruction, human rights violations, and conflict. It is urgent that improvements be made now to emphasize transparency and fairness, the construction of capable and accountable institutions, and the respect for human rights and the promotion of democratic space in oil-producing countries.