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Capacity Building and Oil Exploitation in the Gulf of Guinea

By Margarett Désilier

1. Background

The oil-rich Gulf of Guinea countries can be characterized by some governments with weak institutional capacity, civil society groups with limited resources and sometimes restricted political space, and a population with limited education and little information on the workings of the oil industry. Even the elite in these countries is not fully trained and skilled personnel in such key areas like engineering, law, and economics are not easy to come by. The economic production base is very narrow and GDP levels are low. Income inequality is high and per capita income levels are low – most citizens of these countries live on by far less than the UNDP minimum of $2 USD per day. In Nigeria, for example, which has received over $300 billion in oil revenues over the last 25 years, per capita income is less than $1 a day.[1] Surprisingly, Nigeria has performed worse, in terms of basic social indicators, than sub-Saharan Africa as a whole and much worse than other regions of the developing world.[2] Rising inflation, increasing poverty and unemployment are alarming economic indicators.

There is political instability in some cases and when power changes hands, there is a quick turnover of high-ranking officials; it's like building a new state all the time. Countries in the sub-region therefore have weak and fragile economies. While some governments are awash in financial resources – Catholic Relief Services (CRS) conservatively estimates that sub-Saharan African governments will receive over $200 billion in oil revenues over the next decade, the largest and

1 World Bank, "Making Petroleum Revenue Management Work for the Poor: Transparency and Good Governance Dominate Discussion on Petroleum Revenue Management", press release, November 4, 2002.
2 UN IRIN, "Nigeria: Focus on Scourge of Poverty:, 11 June 2002.

Table 1: **Comparative Indicators, 2002**

Country	HDI Ranking	Pop.in 2000 (million)	Pop. in 2015 (million)	Life Expectancy (at birth)	Adult literacy rate	GDP (in billions of $)	Per Capita income 2000 (in PPP$)
Angola	161	13.1	20.8	45.2	42.0	8.8	2,187
Cameroon	135	14.9	20.2	50.0	75,8	8.9	1,703
Chad	166	7.9	12.4	45.7	42.6	1.4	871
Congo Brazzaville	136	3.0	4.7	51.3	80.7	3.2	825
Equatorial Guinea	111	0.5	0.7	51.0	83.2	1.3	15,073
Gabon	117	1.2	1.8	52.7	71.0	4.9	6,237
Nigeria	148	113.9	165.3	51.7	63.9	41.1	896
Sao Tomé	119	0.1	0.2	65.1	83.1		1,792

HDI: Human Development Index; GDP: Gross Domestic Product; PPP$: Purchasing Power Parity in US-$.

Source: UNDP 2002 Human Development Report.

most concentrated influx of revenue in Africa's history[3] – there is a scarcity of human resources to manage this wealth coupled with political instability. Corruption and bad governance, hallmarks of oil-based economies around the world, are the order of the day.

2. Why Capacity Building is Necessary and Why it is Not Enough

As a result of the above socioeconomic situation, lack of capacity at both institutional and human resource levels is a source of worry. This is particularly so given that it takes well-trained and experienced hands for new oil rich countries such as Equatorial Guinea and Sao Tomé to learn from the errors of maturing oil economies

3 While projections of this nature are difficult to make given the variables involved – including the price oil will fetch on the world market, the amount national governments will receive through any future negotiations with oil companies and future levels of oil production – this figure serves to illustrate the magnitude of the revenues involved. This figure was derived by aggregating published estimates of 2002 government revenues for all of sub-Saharan Africa's oil producers. Declines in production from mature producers, e.g. Gabon and Cameroon, will be more than offset by large increases in production in Nigeria, Angola and Equatorial Guinea, as well as the arrival of new producers including Chad, possibly São Tomé. If anything, the figure of $200 billion will, in the end, prove to be far too low. Sources include: Economist Intelligence Unit and World Bank.

like Gabon. There is a big gap between existing and needed capacities both within governments – to manage oil-based economies for the purpose of national development – and civil society – to understand the oil game and to hold their own governments to account. If these capacity gaps are not properly addressed the tendency of oil riches to turn into a curse for the poor will continue.

Programs to build capacity have had, at best, mixed results, fuelling oil sector investments while only marginally increasing, if at all, the abilities of governments to negotiate with oil companies or to manage increased revenues in a transparent manner. Because all states in the region are vastly handicapped – in institutional and human resource terms – in their dealings with the international petroleum sector, the need for substantial reform in contracts and revenue collection and management is undeniable. Training, capacity building and the development of a cadre of skilled technocrats who can manage a complex oil economy, while vital, is not enough. These actions must be coupled with enlightened leadership and political will to change "business as usual." Incentive structures must be changed so that regimes are rewarded for transparency and accountability in the management of oil revenues, and not the other way around. To reduce the problems of the Gulf of Guinea's petro-states to strictly a lack of capacity is to miss the point. As we note in the recent CRS report *Bottom of the Barrel: Africa's Oil Boom and the Poor,* co-authored by Ian Gary of CRS and Terry Lynn Karl of Stanford University (and author of *Paradox of Plenty: Oil Booms and Petro-states)*, reforms aimed at increased government capacity can have the effect of merely increasing the revenue capturing ability of corrupt regimes. Capacity building alone would strengthen already centralized power arrangements without a concomitant expansion of democratic space, improvement of human rights or reduction in poverty.

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.

The following are a few examples of capacity shortfalls in the African oil boom:

a. Negotiation of Oil Deals with Giant Multinational Companies:

Many Chadians are of the opinion that their government could have struck a better deal with the ExxonMobil, Chevron Texaco and Petronas consortium for the exploitation of the Doba oil fields if the necessary technical expertise was available. Chad is estimated to receive some 12.5% of its oil profits, with the rest going to the international oil consortium. This rate is far below the global norm for state-company splits of the barrel. Some of Chadian opinion leaders believe that some countries have been able to negotiate better oil deals than others as a result of national experts involved in the negotiations. This is a big indicator of the relevance of capacity building with regards to the negotiation of oil deals. Weak oil states are in a difficult position as many oil consulting firms that might assist them often have oil companies as clients, presenting an inherent conflict of interest.

A more compelling example is the case of Equatorial Guinea. The country was able to increase its absurdly low share of oil revenue by 25% per barrel thanks to support from World Bank experts. This implies a lack of capacity on the Equato-Guinean side to review the terms of the initial contract. The World Bank's own Operations Evaluation Department (OED) found in a 2002 review that Bank performance in capacity-building initiatives to strengthen the petroleum sector by both the Bank and the government was "unsatisfactory."[4] Having noted approvingly at an earlier time that the risk of dealing with a weak government had been mitigated by "the establishment of the Department of Petroleum Affairs within the Presidency where both decision making power and the country's limited expertise in the sector are concentrated,"[5] the Bank later began to realize that the undemocratic context in the country was precisely part of the problem. Although a covenant in the credit agreement pledged that the government would start to enter oil revenues into the annual budget, this was never done. In reaction, according to its own review, the "Bank failed to react strongly to overdue audits, inadequate project accounting and failure of government to comply with covenant requiring transparency in budgeting of oil revenues."

The situation is probably less dismal in the case of a few other countries in the Gulf, but the issue of how effective oil-rich Gulf of Guinea states are when negotiating with giant oil companies still remains, as does the need to improve transparency and accountability alongside state negotiating capacity.

b. Monitoring of Environmental Impact:

Environmental impact assessments (EIA) related to the oil exploitation and taking informed decisions regarding the appropriate environmental management plan (EMP) are often very crucial for biodiversity conservation especially in the case of onshore oil exploitation. Oil companies have the obligation to prepare their own

4 World Bank (2002), "Project Performance Assessment Report: Equatorial Guinea – Second Petroleum Technical Assistance Project", July 1, 2002, Report No.: 24430, Operations Evaluation Department.

5 World Bank, Equatorial Guinea Petroleum Sector Technical Assistance Project, Report No. P-3401-EG. The Chad-Cameroon pipeline project is an excellent example. The promise for job opportunities was used as justification for approving the project. Many locals were hired along the pipeline route but the jobs lasted only for a few weeks in some cases. Over 10.000 jobs were offered but today only a few hundred jobs are available for the production phase.

blueprints as required. However, the participation of the host governments and local communities is essential to ensure quality control and respect for socio-cultural norms and beliefs. Implementation of the EMP should therefore be the primary responsibility of the host governments who should be able to monitor the activities of oil companies, document non-compliance situations and seek redress as early as possible.

The capacity to take control over environmental issues is hardly available in countries within the Gulf of Guinea. Upon approving construction of the Chad-Cameroon oil pipeline in June 2000, the World Bank realized this shortcoming and granted a loan to the Government of Cameroon to finance the Cameroon Petroleum Environmental Capacity Enhancement (CAPECE) project.

It is regrettable however, that implementation of the project did not precede construction work on the pipeline. Today, months after completion of construction activities, the CAPECE project is yet to take off fully and there is precious little to monitor on the ground. Hence, the need for similar, but effective and timely projects to be launched now in countries where there is new oil finds instead of waiting for exploitation to start.

c. Job Opportunities for Nationals (Quality Versus Quantity):

Oil exploitation is not labor intensive. Moreover, the few jobs available in the oil sector are mostly highly skilled positions requiring well-trained and experienced experts – most often expatriates. So what happens in oil-rich African countries is that expectations are raised when oil exploitation starts. Unfortunately, only a few qualified nationals gain good permanent jobs while the bulk of other recruits end up in unqualified temporal positions. The disillusion can be very frustrating and may have long-lasting socioeconomic consequences[6]. Transfer of technology by training nationals who could occupy key positions in the oil companies and be able to deliver the goods is therefore a key aspect of capacity building. To use the example of the Chad-Cameroon pipeline project again, it is disheartening for Cameroonians that Colombians, Filipinos and others did almost all of the welding.

d. Economic Planning and Development:

Gulf of Guinea countries currently in an oil boom have petrodollars flood into small and fragile economies. The situation may be overwhelming in some cases.

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For Chad, the national budget will more than double with the arrival of oil revenues in 2004. The capacity to absorb such a sudden increase in government revenue does not exist in Chad and other countries of the sub region like Equatorial Guinea, Congo Brazzaville and Sao Tomé and Principe. In spite the extreme poverty situation in these countries, it is interesting to note the imbalances between the volume of fresh cash and the lack of capacity to manage the huge financial resources. Government must quickly develop "allocative efficiency," but the experience of other petro-states shows that public contracts are often massively inflated as a politically desirable practice, to better serve a political patronage system. Insiders close to the ruling circle establish enterprises to gain contracts funded through the allocation of oil wealth.[7] Thus the tightening and strengthening of procurement procedures requires political support.

No carefully planned economic programs are in place to guide government spending so that priority sectors receive adequate attention. Even in Chad, where the World Bank has provided much assistance, spending plans are not in place for the five priority sectors earmarked for spending under the revenue management law. The creation of such plans is a high profile job requiring the participation of economists and other experts, as well as local populations to determine spending priorities. Countries within the Gulf of Guinea certainly have a few of such experts but there is an incredible shortage of qualified manpower in almost all sectors.

The volatility of oil prices presents another capacity challenge. Few if any countries in the region have the capacity to manage complex economic models to predict oil income and to use this information for budget planning, nor do these governments have the capacity to manage revenue stabilization funds that could help smooth out price shocks.

e. Coping with the 'Dutch Disease':

The Dutch Disease, a process whereby new discoveries or favorable price changes in one sector of the economy – for example, petroleum – cause distress in other sectors – for example, agriculture or manufacturing – provides a powerful explanation for the poor performance of oil exporters[8]. According to Terry Karl and other academic experts, persistent Dutch Disease provokes a rapid, even distorted, growth of services, transportation, and other non tradables while simultaneously

7 Watts, Michael J. "Petro-Violence: Some Thoughts on Community, Extraction and Ecology", Berkeley Workshop on Environmental Politics, WP 99-1, Institute of International Studies, University of California, Berkeley. "The public contracts/tender – always massively inflated in a way that cost-overruns are politically desirable (the more costly the better) – becomes the metric of political choice."

8 Terry Lynn Karl, 1997. The Paradox of Plenty: Oil Booms and Petro-States.

discouraging industrialization and agriculture – a dynamic that policymakers seem incapable of counteracting.

In as much as coping with the Dutch Disease is a policy issue, political will alone would not mitigate the negative effects to the economy. The available expertise within the ruling class and also amongst civil society could be very helpful. Understanding the core problem and adopting a multidisciplinary approach to seeking solutions are imperatives to reducing the effects of the Dutch Disease. It is therefore most likely that these negative effects would be more disastrous to the fragile economies of Gulf of Guinea states than what has been seen in other parts of the world. The case of Nigeria in the 1980s when oil prices took a nosedive is very revealing.

The answer to the Dutch Disease phenomenon is a diversified economy in which other sectors have a solid base and are striving to be as competitive as the oil sector. Diversification of the economy requires an enabling environment for investments so that new enterprises could be established. It also requires investments in health, education and other social services. One of the most crucial factors for business growth is qualified manpower. In a situation where nationals lack the expertise to promote[9] new business concerns adapted to each country's socioeconomic environment, overdependence on the oil sector is inevitable and this is suicidal to the economy. Finally, while industrialized trading partners are happy to accept Africa's crude oil, they may have tariffs on other goods diversified economies may wish to export. The data in table 2 below strongly indicates that the economies of all countries in the Gulf of Guinea are over dependent on oil.

Table 2: **Oil Dependence in Gulf of Guinea Exporters (2002 estimates)**

Country	% GDP	% Exports	% Gov't Revenue
Nigeria	40	95	83
Angola	45	90	90
Congo Brazzaville	67	94	80
Equatorial Guinea	86	90	61
Gabon	73	81	60
Cameroon	4.9	60	20

Source: Word Bank, IMF, CIA World Factbook 2002, US Department of State, US Energy Information Administration in Bottom of the Barrel: Africa's Oil Boom and the Poor.

9 Business promotion should take advantage of oil wealth, but this cannot happen unless there is enough qualified labor.

f. Getting Ready for the Boom Bust:
Strategic planning of economic activities in order to be ready when oil boom days are over and be able to mitigate the negative effects of the boom bust is a serious matter requiring the necessary political will but also expertise and informed decision-making. A sudden decline in income levels and public spending could lead to distrust of the regime in power and subsequently open conflict in some cases. Again, the answer to this is economic planning and diversification for which expert knowledge, technical know-how and policy changes are inevitably needed.

3. Capacity Building Mechanisms

The necessity for capacity building is based on the premise that even the most well-intentioned and accountable developing country governments would have difficulties managing an oil-based economy and sudden wealth with present capacity constraints. The absence of this capacity would lead to the exploitation of not only the resource but also the people who own it, no matter how transparent negotiations with governments and the depth of consultations[10] with grassroots' communities. Often, governments have bilateral and multilateral cooperation agreements that could help address the issue of capacity building for its staff. The World Bank and the IMF are increasingly playing an important role in this regard. There is often, though, little coordination so that any capacity building efforts end up lagging behind the oil exploitation activities and the results, if any, are not useful by the time these are achieved. *While pipelines and offshore platforms can be built quickly, reforming governments, building institutional and human capacity and fostering civil society and citizen oversight takes many, many years.*

A potential – and by no means complete – capacity-building agenda for Gulf of Guinea petro-states could include:

a. Formal Training for Nationals:
Specialized training for young nationals in fields related to oil exploitation and management of oil-based economies should be prioritized. The best would be for such training to be start immediately, where there is new oil finds. The idea also would be to target problematic areas according to the situation in each country.

10 The World Bank Operational Directives 4.01 mention an obligatory consultation of affected communities as far as extractive industries projects are concerned. Article 19 of the OD stipulates that the World Bank engages stakeholders and takes into account the views of concerned groups and local civil society organizations in the project design, particularly during the preparation of the environmental impact assessment (EIA).

Oil was discovered in Chad over 30 years ago. There was therefore enough time to train engineers, economists etc. who would have been actively involved in the ongoing oil exploitation in their country. In the absence of well-trained personnel there is no guarantee of full participation in discussions and negotiations leading to key decisions regarding:

- Environmental Impact Assessment;
- Induced access management;
- Waste management plans;
- Accidental oil spill response plans;
- Cultural site management plans;
- Compensation plans at individual and community levels;
- Workers health (especially HIV/AIDS and other STDs) and safety (prevention of accidents) plans;
- And many other vital issues.

b. On-the-Job Training:

Hiring specialists from overseas is now inevitable in a situation where very few nationals or in some cases none at all has the necessary capacity to fill even middle level positions within the oil companies. However, oil exploitation being a long-term business, it may not be too late to actively engage in on-the-job training for nationals with the necessary qualification. This calls for mandatory hiring by oil companies of nationals to assist expatriates in middle level positions so that they are groomed to takeover the job. Such a strategy would greatly improve on the current situation whereby barely 300 Chadians have permanent jobs in the Doba oil fields. Even so, oil is still a capital and technology intensive, rather than labor intensive, enterprise, this approach would have its limits. The real question is capacity and political will in collecting, managing and allocating revenue.

c. Institutional Capacity Building for Oil-Related State Organizations:

Most countries in the Gulf of Guinea have, at least on paper, some of the right state institutions in place. Apart from government departments in charge of mining and industry, there are state oil companies[11] and in some cases specialized organizations exist like the oil revenue oversight and control committee in Chad. There is a real need for capacity building at the level of all these institutions. In the case of the petroleum revenue oversight committee in Chad, for example, preparations

11 Some of the State oil companies are Nigerian National Petroleum Corporation (NNPC), SONAGOL (Angola), Société Nationale des Pétroles du Congo, GEPetrol (Equatorial Guinea), Société Nationale des Hydrocarbures – SNH (Cameroon).

to actually monitor application by the Government of the oil revenue law have been timid and delayed. Representative of the civil society within the committee talk of the need for training programs to be organized so that they could become better equipped for the job. Office space and basic equipment for the committee was only recently acquired. In 2000, the government used $4.5 million of a $25 million signing bonus to purchase arms, bypassing the committee which was not yet operational.

d. World Bank and IMF Technical Assistance:

The World Bank and IMF have a long experience of working with most Gulf of Guinea governments. These collaboration ties are stronger in some cases than in others. Unfortunately oil rich states have a tendency to declare their independence from these International Financial Institutions, which they consider irrelevant to their situation of economic surplus. However, experts from these institutions can play an essential role in helping weak though oil rich economies to negotiate better deals with oil giants and also improve on their revenue management standards. In countries such as Chad, Congo-Brazzaville, Equatorial Guinea, São Tomé and Mauritania, the World Bank is or has been providing technical assistance. This assistance usually comes with few strings attached that could compel a government – such as the case in Chad – to improve the transparency and accountability of revenue management. This was seen in the case of Equatorial Guinea mentioned earlier. It is crucial for emerging oil producers to seek the support of the World Bank and the IMF especially in their dealings with oil giants, which can easily dwarf most Gulf of Guinea states.

In the much watched case of Chad, the revenue management system put in place by the World Bank is only a legal and technocratic framework and its ultimate success depends on the political support of those in power to make the model work and the ability of ordinary people to hold their government responsible for its action. Thus the refusal of the World Bank and other international financial institutions to address the fundamental issues of human rights and governance (unless they have a "direct economic impact") is self-defeating. In the end, only good governance and respect for rights will determine whether the poor actually benefit from the largest private foreign investment project in sub-Sahara Africa.

e. Capacity Building for Civil Society Organizations:

Governments with capacity to manage an oil economy would still need organized civil society groups and citizen action to hold them accountable. CRS now has four years of experience supporting churches and other civil society groups in the Gulf of Guinea to address oil issues. Our report outlines some of the projects CRS supports in the Gulf of Guinea. Networking between local civil society groups within the region and with their Northern partners constitutes one form of capacity building at the moment. Others include training programs, research and information sharing and public education efforts. Civil society groups need to have the capacity to raise the awareness of the population about oil revenues and involve them to expand the struggle outside elite, capital-based circles. Civil society groups have problems finding and retaining qualified staff. Efforts to improve on the educational standards of citizens through greater investment would therefore be profitable to everyone and would ameliorate the capacity of civil society actors as well.

Specialization could also help improve the participation of civil society. At the moment many organizations seem to try to do everything with varying degrees of success. Better results can be achieved by having different organizations specialize in doing different things related to oil exploitation (for example: socio-economic issues, health and safety standards, environmental impact and transparency in revenue management, research and policy analysis). This would not only improve the quality of output given the complex nature of the issues, but also enhance credibility.

4. What Capacity Building Can and Can Not Achieve

a. Before Oil Exploitation:

Capacity building would be most helpful if implemented even *before* oil ex-ploitation starts in order that it should benefit the emerging oil producers in the following ways:

- *Negotiations with oil companies:* Transparency in oil revenue management is currently the issue regarding Africa's oil boom and poverty reduction. However, should oil companies and host governments abide, then hopefully the debate will quickly shift to whether or not African Governments are striking the kinds of deals they could with oil companies and how they are actually spending the money;
- *Consultations with Governments*, Civil Society and affected communities would be more efficient and purposeful;
- *Selection and training* of representatives of affected communities would be done by civil society groups that are more qualified and professional;
- *Participation in preliminary studies* by qualified Government personnel in aspects such as environmental impact assessments, the volume of new oil reserves and projections of production levels;
- *Realistic analyses* of what would be gained from oil exploitation and at what cost (risk factor). This would help in management expectations in order to avoid creating an illusionary situation;

- *Preparation of realistic oil revenue trends* and the appropriate spending patterns in the short to medium term and what solutions would be suitable when production starts dropping.

b. During Oil Exploitation:
Two areas of concern when oil starts flowing, bringing with it an influx of petro-dollars into the economy, are environmental and revenue management.

- *Environmental Management Plan (EMP)* requires close monitoring to ensure compliance with all engagements made by the oil company. This is a multi-disciplinary task requiring the participation of Anthropologists, Archeologists, Environmentalists, Geologists, Sociologists, Medical Doctors, Agronomists, etc. The best EMP would be useless if the competent government authorities and civil society groups do not monitor implementation.
- *Oil revenue management* is crucial for countries in the Gulf of Guinea to address the current poverty situation within the sub region. This is a matter that calls for the participation of all opinion leaders and citizens in each nation. There are a number of international campaigns[12] going on at the moment requiring governments to be more transparent in the management of oil revenues. Emphasis is currently on making sure that oil contracts are published so that the amounts oil companies are paying and what the governments are earning is no longer considered as state secret. However, the ultimate aim is ensuring that Africa's oil wealth benefits the poor through investments in priority sectors such as health, education, water and sanitation, etc.. These campaigns would be futile without the effective participation of informed citizenry.

5. Perspective for Work in the Future / Recommendations

If capacity building is duly provided as recommended above, what could be done in the future in order to promote the participation of the civil society in their country's economic development?

a. International Finance Institutions (IFIs):
The World Bank Group and the IMF have engaged in assisting countries in reducing poverty and promote sustainable development. In Chad, the World Bank has helped design an aggressive revenue management law tied to spending, to reduce poverty. Elsewhere, the IMF has pressed governments to be transparent and to assign oil

12 These include the Publish What You Pay (PWYP) campaign and the Extractive Industries Transparency Initiative (EITI).

revenues to reducing debt reduction and social spending. Such efforts should be made more systematic and both institutions should use their leverage to: 1) promote transparency and accountability of revenue management; 2) promote use of petroleum revenues toward implementation of a poverty alleviation plan; 3) press governments to disclose any oil backed loans they have received, as loan servicing becomes the liability of future generations. As a direct contribution, the World Bank could provide a training fund for building the technical and managerial capacities of civil society and the IMF should offer civil society groups the current fiscal trainings provided to government officials in order to help them carry out a watchdog function.

b. International Private Humanitarian and Development Agencies and Non Governmental Organizations:

They should expand current curriculum of capacity building to partners to include more technical training to fully engage and enable the civil society in independent monitoring of oil-generated activities: environmental impact as well as budget monitoring, fiscal policy and revenue management.

c. The Government:

Referring to the phenomenon of "Dutch Disease" mentioned earlier and in order to fight the consequences of this disease, governments should strive to promote a diversified economy focusing on production sectors, such as agriculture, agro-businesses, credits for small enterprise developments etc.. Ideally, countries in the Gulf of Guinea where there are new oil finds should consider the exploitation of the resource as something that goes beyond suddenly becoming rich by obtaining oil rents from foreign oil companies. It should never be looked upon as an issue of "They come, they get our oil, they pay for it and we are happy ever after." What we see happening in the Gulf of Guinea sub region, especially in new oil-rich states such as Equatorial Guinea, Chad and São Tomé, foretells of a situation of no special consideration to the phenomenon of the Dutch Disease. If no priority were given to preparations for boom busts days (such as the promotion of production sectors), the danger of oil boom 'blessing' rapidly becoming a 'curse' would be a forgone conclusion. Yet, the consequences could be really disastrous if no effort is made to build the capacity needed to understand and learn from the Gabon and Nigeria examples. Besides getting ready for boom bust days, some other priority upstream considerations could include:

- Adoption of a policy for increased spending on the educational and other social sectors in national budgets;
- Negotiation with oil companies for scholarships awards directly to nationals as part of in-service training for their employees;

- Provision of pride of place to education in bilateral and multilateral cooperation agreements with Northern Governments and international organizations;
- Disbursements drawn from bonus payments, for example should be used to finance specialized educational programs.

d. The Civil Society:

Civil Society leaders should try to create a forum or a platform to promote open discussions and participation in the debate on oil wealth. Civil Society should also engage in civic instruction activities with the communities at large to provide feedback and collect their thoughts on how to best use oil revenues, based on local needs. Civil Society members should participate in an "independent supervisory council" to exercise oversight, publish findings and recommendations.

All of the above is based on the assumption that oil companies effectively publish what they pay to governments of oil-producing countries and that governments in turn publish what they earn and how they intend to spend it. There is at least a growing sense that this must be done, if not agreement on the modalities. Efforts in Chad and IMF pressure in Angola and Congo-Brazzaville are useful signs of forward movement, as is the growing North-South coalition of over 160 groups backing the Publish What You Pay campaign. But there is a long way to go and ad hoc or one off interventions will not solve the problem.

This leads us to the whole idea of preparing oil rich countries before exploitation begins. It would be a complete waste if all the knowledge and experience that has been accumulated over the years related to the consequences of oil exploitation to the economies of host countries is not put at the service of Gulf of Guinea states which are so desperately in need of such assistance.

While this paper has been on the importance of capacity building, it is important to bear in mind that while technocratic fixes help, they are not enough. Even with the efficient management of oil revenues and spending in priority areas, the obstacles to reduce poverty are largely political. Capacity building of host governments and civil society should be regarded as an imperative for successful oil exploitation if this must benefit all parties concerned: oil companies as well as the current citizens and future generations of the host countries. As our own report concluded this June, "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 in the oil story make specific policy changes, Africa's oil boom is unlikely to foster any significant poverty reduction. …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"[13].

13 Bottom of the Barrel: Africa's Oil Boom and the Poor, by Ian Gary, Catholic Relief Services and Terry Lynn Karl, Stanford University, June 2003.