Oil, Democracy, and Development in Africa

This book focuses on the history, key industry and policy actors, and political economic outcomes in oil-producing African states, filling a gap in the literature on resource-abundant countries by providing an optimistic assessment of circumstances in contemporary Africa. John R. Heilbrunn's historical analysis investigates the origins of how different policy makers responded to inflows of oil windfalls. In doing so, Heilbrunn illustrates how outcomes vary as a consequence of the goals of particular actors that are distinct from the activities in their country's oil sector. This contribution calls for a reassessment of how we consider the impact of oil on developing economies.

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For Jodi

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Contents

Tables

Preface

The inspiration for this book came in 1998. While on a flight to Europe from West Africa, I read an issue of *Jeune Afrique* that related a story about an unfolding investigation of grand corruption implicating senior officials with the French state-owned oil company Elf Aquitaine and a number of Central African leaders. The article was the tip of an iceberg. Collusion between Elf's executives and African presidents had been the subject of many unsubstantiated rumors. Over several years, I researched the issue of corruption in the oil sector and subsequently published my findings in an article.[1]

My research into public-sector corruption and the oil industry led me to the resource curse literature. This literature was practically hegemonic in the political science and economics work on oil-producing states. With the notable exception of Davis's 1995 article, it seemed that no one questioned the determinism of the resource curse literature.[2] However, the notion that possessing considerable natural resources was a cause of poor economic performance seemed inherently counterintuitive. How could Chad, a shockingly impoverished country, be worse off for having discovered hydrocarbons? Why would São Tomé and Príncipe be condemned to dismal economic performance and authoritarian rule? Finally, why, once the war ended in Angola, would the state have few options but dictatorship and low rates of economic growth? Such conclusions seemed both improbable and absurdly deterministic.

My reflections on these questions collided with the ostensible determinism in the resource curse literature. First, people enact policies that contribute to economic growth, stagnation, or decline. It seemed important to consider what individuals sought when they tried to manage the complex revenue streams

[1] John R. Heilbrunn, "Oil and Water? Elite Politicians and Corruption in France," *Comparative Politics* 37, 3 (April 2005): 277–292.
[2] Graham A. Davis, "Learning to Love the Dutch Disease: Evidence from the Mineral Economies," *World Development* 23, 10 (October 1995): 1765–1779.

that are evident in oil extraction and marketing. Second, oil can do nothing; it is a mineral of variable qualities and marketability. People choose how to oversee their extractive industries, and the effects of oil production are consequences of policy choices. These sentiments crystalized in a sense that only through an examination of a country's circumstances *before* the discovery of petroleum would it be possible to understand how political leaders choose to manage windfalls from oil production.

Finally, profound changes occur on multiple levels in societies that are affected by natural resource extraction. These changes take shape over extended periods of time. As factors of production shift – for example, population growth relative to capital or land – subtle changes occur that find expression in politics. Although it is tempting to consider circumstances at a particular point in time, the impact of population growth that has been continent-wide can hardly be exaggerated. As someone who began working in Africa in 1980, it is clear to me that the population explosion in Nigeria, Ghana, and other countries has consequences evident in high rates of urbanization and social upheaval. In most oil-exporting countries, these transformations have been revolutionary; they are evident in shifting authority patterns from rural gerontocracies to urban, often clan-based networks. Changes on both the surface and more subtle levels are subthemes in this book. Conclusions that flow from analysis of these changes are cautiously optimistic; African hydrocarbon exporters are developing economically and their politics reflect an impetus toward democracy.

This book unfolded over a lengthy period, and during that time I accumulated a number of debts that I would like to acknowledge. At the beginning, Lynne Rienner kindly shared some of her extensive knowledge of academic publishing. I would like to thank Amy Stanley who in her kind fashion encouraged me to go forward with the book. Muna Ndulu invited me on three occasions to make presentations to the excellent students and colleagues at Cornell University's Institute of African Development. Dominique Darbon annually hosted me at Sciences Po Bordeaux, where I made presentations on topics explored in this book. Finally, Marco Cesa at the Johns Hopkins University Paul Nitze School of Advanced International Studies – Bologna Center asked me to speak to the highly dynamic students and faculty in that program. To these friends and colleagues, a special thanks.

While I was conducting the research for this project, former colleagues at the World Bank kindly engaged me as a consultant to prepare specific studies that influenced my thinking about oil-producing states. Thanks to Julia Devlin, Joel Hellman, Anand Rajaram, and Michael Stanley for their support and encouragement. The work I did for Joel resulted in a paper on sovereign wealth funds that deepened my understanding of the permanent-income hypothesis and natural resource revenue management. That study informed another paper I prepared for Michael Stanley that analyzed revenue management in hard-rock-mining economies. Both Julia Devlin and Michael Stanley arranged for presentations at which I benefited from comments of other staff members at

the World Bank and the International Monetary Fund. I am grateful for these contacts, the interactions I had with these highly talented individuals, and the confidence they showed in my thinking.

Many of my colleagues at the Colorado School of Mines have been supportive of this project. Laura Pang, former Division Head of Liberal Arts and International Studies when I joined in 2001, was highly supportive of this project. She both listened to early ideas and provided helpful funds for several research trips to Paris and Bordeaux. Eul Soo Pang was no less a sounding board for this project as it took shape. Larry Chorn, then with the Department of Petroleum Engineering, shared his deep knowledge of oil production processes. I have enjoyed numerous lunches and discussions with Graham Davis, who helped me crystalize my criticisms of resource curse arguments. Jay Straker has in his gentle manner shared concerns of how natural resources influence development in countries like Guinea, the focus of his research. Finally, James Jesudason has been a steadfast friend and intellectual critic. His input was most evident in prompting me to consider a thematic approach that I used in organizing the book.

In France, I received intellectual and financial support from friends and colleagues at the Centre d'Études d'Afrique Noire – now called Les Afriques dans le monde (LAM) – a research unit of Sciences Po Bordeaux where I have been a research Fellow since 1995. It has been a genuine pleasure and honor to be affiliated with LAM, and I would like to acknowledge the encouragement and support of Michel Cahen, Christian Coulon, Dominique Darbon, Laurent Fourchard, René Otayek, Patrick Quantin, Céline Thiriot, and Comi Toulabor. During the 2008 winter session, Vincent Hoffman at Sciences Po Bordeaux invited me to teach a seminar on corruption and natural resources. In Paris, Jean-Pierre Favennec, former Chair of Economics at the Institut français de Pétrole (IFP), generously shared public documents, information, and insights about the project. I extend my gratitude to all.

Elsewhere, I consulted a wide range of colleagues with whom I discussed the political economy of abundant natural resources. Robert Bates, Pauline Jones Luong, and Ricardo Soares de Oliveira kindly shared their insights on the political economy of oil. Bob called my attention to the importance of non–oil producers on petrostates and how they might influence policy outcomes. Rob Lempert, Peter Lewis, Michael Ross, and Nic van de Walle read and commented on early chapter drafts. I greatly appreciate their critiques that helped me think through much of what I was writing.

In the spring of 2009, Marco Cesa invited me to spend a semester in residence at the Johns Hopkins University Paul Nitze School of Advanced International Studies – Bologna Center (SAIS–BC). While at SAIS–BC, I benefited from regular interactions with the very gifted students who attend that program and lively discussions with Marco Cesa, Erik Jones, Mike Plummer, and the director, Ken Keller. Although our talks revolved around a number of topics, not all of them covered in this book, their comments and input helped me consider many of the topics that I do discuss here. Thanks to all for their inputs and comments.

I would especially like to acknowledge the support and comments of several people who were most influential in how this project unfolded. First, special thanks to Lewis Bateman, my editor at Cambridge University Press. Lew continued to support the project in spite of multiple delays on my end and was instrumental in bringing the book to completion. Second, I would like to thank the anonymous reviewers Cambridge University Press enlisted to read successive drafts of the manuscript. I marvel at the extraordinary effort they put into improving the manuscript and the final project. Their comments and suggestions for revisions were invaluable. Third, I want to acknowledge Nic van de Walle's friendship and availability to discuss ideas despite his insanely busy schedule. Dominique Darbon at Sciences Po Bordeaux commented on drafts and shared many insights on the project. My good friend and former colleague, Phil Keefer, has been a sounding board, a source of encouragement, and fount of excellent critiques throughout the project. Over the years, Phil has always been available to discuss principles of economics that I may have poorly understood. Of course, any errors that remain in the text are mine alone.

Finally, but hardly least, my family, Jodi, Jamie, and Jessica, were always sources of happiness and a grounding in priorities. Jodi read and provided comments on the entire manuscript twice. She was always supportive and tolerant of my moodiness while I worked on the project. Jamie and Jessica were sometimes impatient, but always a source of great happiness and pride.