"GOOD GOVERNANCE" AND THE EXTRACTIVE INDUSTRIES IN SUB-SAHARAN AFRICA

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This article critically examines the challenges that come with implementing the Extractive Industries Transparency Initiative (EITI)—a policy mechanism marketed by donors and Western governments as a key to facilitating economic improvement in resource-rich developing countries—in sub-Saharan Africa. The forces behind the EITI contest that impoverished institutions, the embezzlement of petroleum and/or mineral revenues, and a lack of transparency are the chief reasons why resource-rich sub-Saharan Africa is underperforming economically, and that implementation of the EITI, with its foundation of "good governance," will help address these problems. The position here, however, is that the task is by no means straightforward: that the EITI is not necessarily a blueprint for facilitating good governance in the region’s resource-rich countries. It is concluded that the EITI is a policy mechanism that could prove to be effective with significant institutional change in host African countries but, on its own, it is incapable of reducing corruption and mobilizing citizens to hold government officials accountable for hoarding profits from extractive industry operations.

Keywords: accountability, Extractive Industries Transparency Initiative (EITI), "good governance," sub-Saharan Africa

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INTRODUCTION

The EITI... although it only looks at how governments manage their revenues, it is the process that is more important than the reporting because governments sit with companies and civil society [which] leads to a more focused discussion with companies and civil society with what they are doing with revenues.

– Peter van der Veen, Manager, World Bank Oil, Gas, and Mining Policy Group, Third International Conference on Sustainable Development Indicators in the Minerals Industry, Milos Island, Greece, 19 July 2007

In September 2002, at the World Summit on Sustainable Development in Johannesburg, South Africa, former British Prime Minister Tony Blair launched the Extractive Industries Transparency Initiative (EITI), a policy intervention that has been touted by developed world governments, bilateral donors, and international organizations as the key to resurrecting the stagnating economies of natural resource-rich Africa, Asia, and Latin America. The EITI is marketed in Western policymaking circles as a mechanism for facilitating prudent management of mineral payments “through the verification and full publication of company payments and government revenues from oil, gas and mining” (EITI 2007). Such transparency, proponents argue, is the key “to impro[ving] a country’s credibility among foreign investors and the international banking community… [and] impro[ving] its potential for future development” (EITI 2006, p. 23). The revenues derived from oil, gas, and mining operations are vital for economic growth in more than 60 developing countries, including Ghana, Zambia, Uganda, and Chad; however, of the combined 3.5 billion citizens residing in these countries, an estimated 1.5 billion subsist on less than US $2 daily. Today, six of the world’s most oil-dependent states and 12 of its most mineral-dependent states¹ are “Heavily Indebted Poor Countries,”² characterized by low levels of human development (Hussain and Gunter 2005). The EITI is being increasingly advertised by its conceivers as a panacea for this impoverishment.

¹Countries that are most dependent upon exports of oil/minerals for their GDP.
²Heavily Indebted Poor Countries (HIPC) are nations recognized by the World Bank and IMF with the highest levels of poverty, and which qualify for international debt relief subject to governments meeting a range of performance targets. Of the 38 countries which qualify for HIPC debt relief, 32 are located in sub-Saharan Africa.
The inability to unlock mineral wealth for the benefit of the citizenry of developing countries, a phenomenon that has become known as the “resource curse” or “paradox of plenty” (Auty 1993), has spawned extensive debate among researchers and policymakers in recent years. The focus of several analyses (e.g., Duruigbo 2005; Pegg 2006a, 2006b; Ross 2001) is the World Bank, which is often credited with reviving many mineral and petroleum economies through its reform and investment facilities. Bank officials and private-sector partners contend that in addition to providing host governments with significant export earnings and royalties, a liberalized extractive industry dominated by foreign multinationals generates employment for local people, facilitates much-needed technology transfer, catalyzes improvements in physical infrastructure, and leads to the creation and growth of downstream industries (Pegg 2003; Weber-Fahr 2002). It is not the vibrancy of these industries that critics contest, however, but rather why the 800% increase in gold production that has occurred in Ghana over the past 20 years, the 225,000 barrels of oil produced daily in Chad, and the marked increases in bauxite production achieved in Guinea over the past two decades have failed to stimulate marked economic growth and improve quality of life. In light of existing policy agreements, these critics question whether “the extractive industries are good for development,” misinterpreted by some (e.g., Davis and Tilton 2002) as a call to renounce mining and oil extraction in developing countries altogether.

Growing condemnation of the involvement of the World Bank in the extractive industries—particularly the International Finance Corporation (IFC), its financial arm—led former president James Wolfensohn to commission the Extractive Industries Review (EIR), a recently concluded independent assessment that was conceived to solicit feedback on the organization’s involvement in the extractive industries (EIR 2004). Since 1990, the Bank has provided more than US $2.75 billion in loans and guarantees to support mineral and petroleum development in Africa alone (Pegg 2003). The EIR generated a flood of critical assessments, ranging from Caruso et al.’s (2003) comprehensive examination of the impacts of IFC projects on indigenous people, to Campbell’s (2003a, 2003b) detailed studies of African mining codes drafted under the guidance of Bank officials, which she claims net host governments miniscule shares of mining profits. Former Indonesian Minister for Development Supervision and the Environment, Dr. Emil Salim, was the “eminent person” selected to lead the exercise and, in March
2004, tabled his findings to Mr. Wolfensohn, which included, *inter alia*, a call for the Bank to phase out support for oil and coal projects in developing countries. Management, however, rejected the recommendation outright, countering that the Bank “would continue investments in oil, gas, and mining projects, as these remain an essential part of the development of many poor nations” (EIR 2007). Critics see the emphasis on development here as Bank officials’ unwillingness to abandon highly profitable activities: continued participation in industries that generate substantial earnings, often at the expense of environmental and community well-being.

For the Bank, the launch of the EITI was timely: it has been instrumental in deflecting criticism from the EIR and the organization’s involvement in the extractive industries in general and shifting the focus of the resource curse debate toward developing world governments. Officials at the United Kingdom Department for International Development (DfID) and other chief supporters of the EITI—principally, G-8 governments and the Bank itself—today argue that the host governments of many resource-rich countries in sub-Saharan Africa, Asia, and Latin America are largely to blame for their development failures and link their fates to revenue mismanagement and corruption. Proponents note that “in many countries, money from oil, gas and mining is associated with poverty, conflict and corruption . . . [which are] often driven by a lack of transparency and accountability around the payments that companies are making to governments, and the revenues that governments are receiving from those companies” (EITI 2005, p. 2). Motivation for the launch of the EITI stemmed largely from the success of the Publish What You Pay3 campaign, an initiative supported by Save the Children, Global Witness, and Transparency International that demands mandatory disclosure by the extractive industries of the payments they make to governments (Herringshaw 2004). The EITI calls for host governments to do the same, its supporters arguing that improved transparency of revenue flows from oil, gas, and mineral production “begins a process whereby citizens can hold their governments to account for the use of those

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3Launched by the billionaire philanthropist George Soros, *The Publish What You Pay* campaign comprises a coalition of over 300 NGOs which calls for the disclosure of payments made by multinational oil, gas and mining companies to host governments. As is explained on its website (www.publishwhatyoupay.org), it aims to help citizens of resource-rich developing countries hold their governments accountable for the management of revenues from the oil, gas and mining industries.
revenues” (EITI 2005, p. 2). As Mr. Blair put it at the time of its launch, “Better openness and accountability are essential to securing the stability and prosperity that the developing world needs, and on which our mutual business success depends.”

At the time of writing, 16 countries in sub-Saharan Africa had pledged, in principle, to fulfill the objectives of the EITI (Figure 1), an “achievement” that has heavily overshadowed the shortcomings of the

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Figure 1. Objectives of the EITI.

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5At the time of writing this paper, no country was formally validated against EITI criteria. In mid-October 2007, however, there were 15 “candidate countries,” including nine in sub-Saharan Africa (Cameroon, Gabon, Ghana, Guinea, Liberia, Mauritania, Mali, Niger and Nigeria). On 16 October 2007, it was announced that the governments of nine countries, which included seven from sub-Saharan Africa (Chad, Democratic Republic of Congo, Equatorial Guinea, Madagascar, Republic of Congo, Sao Tome and Principe and Sierra Leone) were asked to supply additional information by the end of 2007 before a decision about their candidature could be made.
initiative and the simplicity with which its conveiers have diagnosed the resource curse “epidemic” in the region. First, and foremost, is “good governance” needed to attract investment in sub-Saharan Africa? Proponents of the EITI proclaim that “political instability caused by opaque governance is a clear threat to investments in extractive industries, where investments are capital intensive and dependent on long-term stability to generate returns” (EITI 2005, p. 5). Mismanaged revenue flows and corruption, however, did little to discourage investment in petroleum projects in the past in countries such as Nigeria and Chad, which rank among the most corrupt countries in the world (Moody-Stewart 2004; Pegg 2006b); nor have prolonged autocracy and widespread civil violence diminished Western interests in diamonds and other natural resources in the Democratic Republic of Congo and Sierra Leone (le Billon 2006; Ross 2006). Second, and as previously explained, proponents espouse country ownership of the EITI, arguing that its implementation would enable citizens, for the first time, to hold their governments responsible for any mismanagement of revenues accrued from extractive industry projects. But in countries such as Chad and Equatorial Guinea, where the regimes rule oppressively and have a long history of embezzling funds at the expense of peoples’ needs, making this information available—that is, detailing where revenues originating from extractive industry projects are being channelled—will not ignite backlash from citizens, who are well aware of this corruption, nor is it likely to trigger a radical change in these governments’ approaches toward community development. This raises a third, and final, key issue: that of “good governance” itself; more specifically, the ambiguity of the term in this context. Among the 16 African “candidate” and potential candidate countries, four (Equatorial Guinea, Chad, Niger, and Guinea) are ruled by presidents who gained control via a coup d’état and two others (Cameroon and Gabon) are ruled by presidents who have been in power for over 25 years. Even Nigeria and Ghana, the supposed “trailblazers” of the EITI, are not far removed from dictatorship rule. Within most candidate and targeted countries, human rights abuses are widespread and, in the best of cases, regimes are only beginning to grapple with the idea of democracy. Overall, it appears that the EITI, which is a voluntary pact that imposes no penalties on regimes that violate its principles, is far from being a recipe capable of offsetting the resource curse in sub-Saharan Africa.

The purpose of this article is to critically reflect upon the challenges of implementing the EITI and with facilitating good governance
in resource-rich sub-Saharan Africa. While officials at the World Bank, DfID, and other donor agencies argue that the EITI is a key to facilitating good governance, the analysis that follows argues that systems of good governance must first be in place in order for the objectives of the EITI to be fulfilled. Following a critical review of the resource curse debate in sub-Saharan Africa, this article examines the challenge of achieving good governance within the region’s signatory countries, the majority of which, again, have autocratic governments that heavily exploit citizens in order to stay in power. The analysis then examines the specific challenges that come with fulfilling the objectives of the EITI in the region’s three basic categories of resource-rich countries: petro-economies, “lootable” economies, and “conventional” mineral producers. The central argument presented is that the EITI is a policy mechanism that could prove to be effective with significant institutional change in host countries, but is incapable of facilitating reduced corruption on its own.

2. THE RESOURCE CURSE DEBATE IN SUB-SAHARAN AFRICA: AN OVERVIEW

*I see the devastating effects of not managing oil and mining money properly all around me in Africa. My hope is that oil producing countries in Africa who have not yet done so, as well as those involved in mining will now come on board. EITI offers us a chance to work together for a better future and I hope my government and others in Africa and the international community will now work with us and give us properly resources to put this into practice.*

– Father Patrick Lafon, Central African Bishops Conference (EITI 2006, p. 23)

Most of the countries in sub-Saharan Africa whose economies are now dependent upon exportation of natural resources are characterized by poor economic growth, low living standards, corruption, and political authoritarianism (le Billon 2005). As noted previously, six of sub-Saharan Africa’s most indebted countries are major fuel exporters (Weinthal and Leuong 2006); several of the region’s major solid mineral producers are also classified by the World Bank as HIPC, including Ghana (gold), Tanzania (gold), Guinea (bauxite), Zambia (copper), and the Democratic Republic of Congo (copper, cobalt, and coltan).
Over the last two decades, a large body of analysis on the resource curse has emerged that aims to explain the correlation between natural resource wealth and poor political and socio-economic development in sub-Saharan Africa. This debate is broadly located within the following three sub-literatures: 1) the relationship between resource wealth and economic performance; 2) the links between resources and civil war; and 3) the relationship between resource abundance and the nature of political regimes.

At the heart of most resource curse critiques are the seminal studies of Sachs and Warner (1995, 1997), who were among the first to argue, based on empirical findings, that developing countries with high ratios of natural resource exports to GDP tend to experience low economic growth. In their initial study (Sachs and Warner 1995), the authors used 1971 as the base year and surveyed the period 1971–1989. Their second study (Sachs and Warner 1997) focused solely on sub-Saharan Africa and offers explanations for the slow growth achieved in the region’s natural resource-rich countries during the period of 1965–1990. Many analysts (e.g., Collier and Hoeffler [1998, 2005]; Elbadawi and Sambanis [2002]; Pegg 2003) have since observed that developing countries that are rich in mineral and oil resources tend to be characterized by civil violence and/or widespread impoverishment, particularly in rural areas; have poorly developed agricultural and manufacturing sectors, a phenomenon referred to as “Dutch Disease;” and, due to of their one-dimensional economies, are generally highly susceptible to fluctuations in the market values of minerals. As Heller (2006, p. 25) summarizes, the logic behind the resource-curse thesis is that economic rents generated from the export of minerals and petroleum “induce governments to rely on such flows instead of having to impose taxes on corporate and personal incomes, to allow exchange rates to appreciate so as to dampen manufacturing and agricultural exports, to overspend in periods of high resource

6The tendency that a significant proportion of the revenues accrued from a resource “boom” – in this case from petroleum or minerals – is typically spent on non-tradable goods, a move which stimulates an appreciation of the real exchange rate, in turn, drawing resources (namely labour and capital) from other potentially-productive sectors of the economy, is referred to as “Dutch Disease.” The term surfaced in the late-1970s to describe the decline of the manufacturing sector in the Netherlands following the discovery of natural gas in the 1960s.
prices, and to deplete natural resources without replacing the declining capital stock.’’

Reflecting on the abundance of material presented on the resource curse, as well as the arguments of its proponents (e.g., Auty 1994, 1995; Gelb and Associates 1988; Wheeler 1984), Sachs and Warner (2001, p. 828) concluded that ‘‘empirical support for the curse of natural resources is not bulletproof, but it is quite strong.’’ A steady stream of broader case study material, as well as individual analyses of selected countries in sub-Saharan Africa, reinforces this claim. Ross (2001), for example, provides a grounded analysis of the performance of oil and mineral-dependent countries. The author argues that the majority rank low on the Human Development Index (HDI), which he regards to be ‘‘the most comprehensive measure of living standards available’’ (Ross 2001, p. 8), a view shared by Mehlum et al. (2006). In his more recent studies, the author examines the relationship between resource abundance and civil war, observing, *inter alia*, that oil increases the likelihood ‘‘of conflicts, and that ‘lootable’ mineral resources’’ (i.e., resources such as diamonds and gemstones that have a high value-to-weight ratio and can be easily appropriated and transported by unskilled workers) tend to lengthen existing conflicts. He also observes that petroleum and diamond production indeed fuels civil violence or ‘‘warlordism,’’ albeit in different capacities (Ross 2004a, 2006). Ross (2004a) also notes that in non-conflict situations, lootable resources generally produce more widespread benefits for local people and the poor than unlootable commodities. The logic behind this observation lies in the fact that extraction of the former relies more heavily on unskilled labor, whereas extraction of the latter involves a higher degree of skilled labor and capital. In other words, unlootable resources are more likely to generate revenues for skilled laborers, those who have access to the capital required for extraction, and/or governments.

Pegg (2003) pulls together a wealth of empirical analyses, which collectively illustrate that African economies reliant upon minerals and/or oil for sustenance, have achieved minimal economic growth, have shrinking or non-existent agricultural and manufacturing sectors, and have weak linkages to the global economy. For example, in Equatorial Guinea, one of the region’s newest oil producers, cocoa and coffee declined from approximately 60% of GDP in 1991 to less than 9% of GDP in 2001 (Weinthal and Luong 2006). In Zambia, Africa’s largest copper producer, the economy contracted at an annual rate of 4%
between 1975 and 1996; today, household income levels are almost one-half that of 1960 levels (PREM 2007). These and related findings reinforce arguments presented by Weber-Fahr (2002), whose World Bank study shows that GDP per capita contracted by 2.3% annually in countries where mining contributes to more than 50% of exports and that in sub-Saharan Africa in the 1990s, the economies of mining countries contracted by 1% per year or 20% more than the region as a whole.

In explaining why countries in sub-Saharan Africa dependent upon mining and/or oil production are performing so poorly, donors have tended to shy away from placing blame on the foreign companies that generally control operations, and from implicating Western parties in general. In this regard, the EITI is by no means unique, its conceivers espousing good governance to be the key to resuscitating the region’s oil- and mineral-dependent economies: that it is not a case of host countries receiving insufficient amounts of revenues from oil and mining operations but rather that host governments are mismanaging the royalties they receive. Proponents of this view argue that Dutch Disease or, more broadly, the resource curse, can be alleviated “by adopting appropriate government policies” (Mikesell 1997, p. 194), an outcome that has proved elusive in sub-Saharan Africa. As Weinthal and Luong (2006, p. 38) explain, “countries rich in minerals . . . fail to develop a robust central bureaucracy because their ability to rely on an external revenue source engenders rigid and myopic decision making.” There is now a wealth of scholarly literature (e.g., Atkinson and Hamilton [2003], Shaxson [2005]) that suggests that the paradox of a resource curse in mineral- and oil-rich regions of sub-Saharan Africa is largely due to corruption within host countries.

The groundwork for this position was laid by Davis (1995), whose work has been instrumental in shifting the resource-curse debate away from discussions about Dutch Disease, declining manufacturing and agriculture, and the World Bank. In addition to noting that limited empirical and anecdotal evidence discredits any argument of a resource curse being an inevitable outcome in resource-rich developing countries, the position taken by Davis, in revisiting discussions on the “minerals sector as a loser,” is that poorly performing mineral economies are more a result of them being “ethnolinguistically fractionalized.” The implication here is that primary resources exacerbate an “ethnicity curse” whereby ruling

Elbadawi and Sambani (2000) maintain that ethnic divisions do not cause civil violence in resource-rich countries.
elites “rent seek” in order to endow dominant “tribes,” typically at the expense of other ethnic groups (Davis 1998, p. 222). In another recent work, Davis and Tilton (2002) identify what are seen as shortcomings in studies by Sachs and Warner and also Ross, interpreting their analyses as calls to renounce mining in developing countries. Davis (1998, p. 223) furthermore downplays the importance of manufacturing—of promoting “added-value” activities—in developing countries, arguing that “[its] appeal comes from the well documented relationship that the manufacturing economies have tended to be the fastest growing economies.”

It is maintained here that the body of work amassed by Davis and others who share similar views (e.g., Luong and Weinthal 2006; Mehlum et al. 2006) has helped to galvanize the institutional strand of the resource-curse debate, the notion that resource rents accrued from a minerals or oil boom tend to erode institutions and may tempt individuals to engage in rent-seeking competition rather than productive economic activities. This burgeoning scholarship has been instrumental in shifting attention to host countries themselves in an effort to explain why mineral- and oil-rich sub-Saharan Africa is underperforming economically. As Rosser (2006) concludes from his extensive survey of the resource-curse literature, while many studies provide convincing evidence linking natural-resource abundance to negative development outcomes, little of this research adequately examines the role that social forces play in shaping these development outcomes in specific contexts. A case is now being made for the need for good governance in mineral and oil economies, whereby host institutions become what Mehlum et al. (2006, pp. 1121–1122) describe as “producer friendly”—the idea that “where institutions are better,” it is challenging to “be an effective rent-seeker unless you are a producer” due to the rule of law, low governmental corruption, and high bureaucratic quality. More specifically, as Weinthal and Luong (2006, p. 38) explain, countries rich in minerals and/or petroleum are unlikely to develop robust central bureaucracies because of their reliance on external revenue “engenders rigid and myopic decision making,” including failure to implement a viable tax regime. Key examples cited include Angola (le Billon 2001a), Chad (Pegg 2006b), the Democratic Republic of Congo (Montague 2002), and Sierra Leone (Jackson 2005).

As explained at the outset, the EITI is premised upon the notion of good governance, its conceivers echoing the views of supporters of the institutional aspect, arguing that the resource curse is, in fact, attributed to “a lack of transparency and accountability around the payments that
companies are making to governments, and the revenues that governments are receiving from those companies” (EITI 2005, p. 2). The initiative is rooted in the belief that good governance is necessary in order to ensure that royalties from oil, gas, and mining projects are used to foster economic growth and for poverty reduction. Officers at DfID, the World Bank, and the European Union argue that the EITI, which calls for host governments to take the lead on improving the reporting of revenue flows in the extractive industries, “seeks to create that missing transparency and accountability” (EITI 2005, p. 2).

The majority of Africa’s EITI signatories, however, are, again, countries with long histories of corruption, civil violence, and/or dictatorships. Examples include Chad, Equatorial Guinea, and Sierra Leone. In reflecting upon several policy solutions that have been implemented to prevent the onset of a resource curse, Weinthal and Luong (2006, p. 41) observe that most “have largely failed because making the state a better ‘manager’ of its mineral wealth requires institutions that promote transparency, accountability, and oversight—that is, institutions that are widely absent in [these] developing countries.” Thus, in many cases, to “improve transparency . . . whereby citizens can hold their governments to account for the use of those revenues” (Weinthal and Luong 2006, p. 41), as the EITI intends to do, will require more wholesale policy and administrative changes to take place, which those driving the initiative are incapable of facilitating on their own. Many regimes in sub-Saharan Africa have retained control over populations by systematically depriving them of wealth, and by hoarding oil and mineral proceeds: achieving the objectives of the EITI would require these very governments to change their attitudes toward their citizens.

The discussion that follows analyzes the EITI experience in sub-Saharan Africa, examining the challenge with facilitating good governance in its signatory countries.

### 3. EXTRACTIVE INDUSTRIES AND THE AMBIGUITY OF ‘GOOD GOVERNANCE’ IN SUB-SAHARAN AFRICA

_Governance is about the capability of governments to get things done, how they respond to the needs and rights of their citizens, and how, in turn, people can hold their governments to account._

Proponents of the EITI argue that its implementation “is a step towards better governance—often the first step—and can support wider improvements in transparency and accountability within an implementing country” (EITI 2005, p. 25). As explained in greater detail on the EITI website:

The [EITI] supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining... Good governance is a precondition for converting large revenues from extractive industries into economic growth and poverty reduction. When transparency and accountability are weak, the extractive industries may instead contribute to poverty, corruption, and conflict—the so-called “resource curse.” The EITI is an important step in defeating this “curse.”

This assumes, of course, that host governments are interested in tackling these problems in the first place, and that citizens are capable of facilitating changes in government policy should it be discovered that mineral and oil revenues are being embezzled.

As previously explained, proponents of the EITI boldly assert that “political instability caused by opaque governance is a clear threat to investments” (EITI 2005, p. 5). This, however, was far from being the case in the 1990s in sub-Saharan Africa. At the turn of the 21st century, 19 of the region’s 48 countries were ruled by the same figure who had held power in the single-party days before 1990 (Van de Walle 2002), a list that includes eight EITI potential signatories (Cameroon, Congo-Brazzaville, Equatorial Guinea, Gabon, Ghana, Guinea, Mauritania, and Chad). In fact, among Africa’s 16 EITI potential signatory countries, in the 1990s, “democratic elections” led to a change in government in only Mali and Sao Tome. The remaining signatories were politically unstable and/or fraught with corruption: Sierra Leone was caught up in a brutal civil war for much of the decade; Niger experienced a coup d’état in 1996, which led to Baré Maïnassara gaining power; Nigeria was ruled by the brutal dictator, Sani Abacha, between 1993 and 1998; and in the Democratic Republic of Congo (Zaire), Joseph Désiré Mobutu was well into his third decade of rule.

If the conceivers of the EITI are correct in assuming that political instability and corruption threaten investment in the extractive industries, then the undemocratic regimes that proliferated in sub-Saharan Africa in the 1990s—many of which still exist today—would have been hard pressed to lure private investment and support. But the webpages of the World Bank tell an entirely different story. For example, to date, the IFC has provided Pecten, a Delaware-based oil company 80% owned by a subsidiary of Shell, with four loans (the most recent, a 10-year US $250 million credit facility in 1992) to work the Lokélé oilfields in Cameroon, where President Paul Biya has held office since 1984, in what is widely regarded to be the most corrupt country in the world (Assiga-Ateba 2001). As explained on its website, “The financing is used, inter alia, to drill additional wells, rehabilitate existing wells, install platforms and construct additional production facilities.”

In 2000, the IFC also approved financing for the controversial US $3.7 billion Chad–Cameroon Pipeline, the largest private sector investment in sub-Saharan Africa to date. The project has facilitated the extraction and transport of oil from Doba in southern Chad, and its export from Cameroon. The World Bank website states that “The project includes an innovative program to direct new revenues to support economic and social development in Chad, which is one of the world’s poorest countries,” seemingly dismissing that President Idriss Deby, who seized power in 1990, has remained in office via questionable means, is regularly criticized for nepotism in his appointments of key government positions, and has been responsible for countless human rights abuses (Pegg 2006b). Perhaps the most telling example of how political instability failed to discourage investment in extractive industry projects in 1990s sub-Saharan Africa is Nigeria, where widespread corruption and community backlash—including the controversial execution of activist Ken Saro-Wiwa, whose death has become iconic in the Ogoni peoples’ epic struggle waged against Shell in the Niger Delta (Fynas 2001; Pegg 2000)—has not discouraged oil investment in the country. As Fynas (1998, p. 457) stated at the time, “Nigeria experiences serious political instability, yet Shell is expanding

its investment in the country,” furthermore explaining that “political instability has not deterred Shell from investing in the country and may have been beneficial to the company [helping it]… maintain its market position in Nigeria” (Frynas 1998, p. 458). The ability of the region’s undemocratic regimes to attract, unimpeded, outside capital for the development of extractive industry projects (see Table 1) raises an important question: what do proponents of the EITI mean by good governance?

At the beginning of the 1990s, the development agenda began espousing the good governance message for the first time. With the Cold War having ended, there was no longer a need to keep dictators such as Mobutu in power. The donor community, therefore, began reinventing the notion of good governance, a move described by Rhodes (1996, p. 656) as “the latest flavour of the month at the World Bank, shaping its lending policy towards Third World countries” and deemed necessary to facilitate the launch of a new generation of “political conditionalities” (Doornbos 2001). In 1989, the Bank published a report entitled Sub-Saharan Africa: From Crisis to Sustainable Growth (World Bank 1989), which attributed the “crisis of governance” in sub-Saharan Africa to widespread failure of its countries to manage and utilize development aid prudently (Woods 2000). The World Bank would be instrumental in ushering in an era of good governance and political conditionality in which donors, responding to increased media attention toward dictatorial regimes squandering foreign aid, began “offering support for the removal of authoritarian governments and the spread of democracy in the Third World, largely through the form of electoral assistance, but also judicial reform, training of the media, and support for civil society,

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<th>Country</th>
<th>IDA/IBRD</th>
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<td>475</td>
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<td>Nigeria</td>
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<td>183</td>
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<td>Mali</td>
<td>6</td>
<td>102</td>
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From Pegg (2003).

among other things” (Marquette 2001, p. 395). The good governance agenda includes promoting transparency, accountability, fairness, and ownership, values that the Bank and major bilateral donors believed at the time would translate into a broader objective to improve the rule of law, political accountability, and flows of information between governments and citizens (Woods 2000).

The Bank’s good governance agenda would prove influential in steering most international and national development agencies along a path of political conditionality. One of the key themes of the Bank’s 1991 Annual Development Conference was good governance. Here, officials conceptualized “governance” as the manner in which power and authority are exercised for development “in the management of a country’s economic and social resources” (Nanda 2006, p. 272). The Bank and other donors would soon begin framing sub-Saharan Africa’s development problems “in terms of governance; specifically the purported lack of ‘good’ governance” (Roberts et al. 2007, p. 4). With individual countries unclear as to what such an agenda subsumes and demands, many donors felt more comfortable going multilateral: that is, following the Bank’s lead on the matter (Doornbos 2001).

The Bank’s own charter, however, requires it to remain apolitical—to only factor economic issues into decision-making and not to interfere in the political affairs of any member country (Marquette 2001). Thus, its approach to governance reform has emphasized issues such as efficiency in public administration, rule of law, transparency, and accountability to ensure economic growth and development, at the same time devoting little attention to evaluating the legitimacy of governments and power structures, how policy decisions are arrived at, and how equitable economic systems are in developing countries (Nanda 2006). The shortcomings of this approach soon became apparent: realization that “the idea of posing political conditionalities was easier in theory than in practice” (Doornbos 2001, p. 101) and that “sociocultural and political contexts in the recipient countries and not the Western donors preferences [should] primarily shape the [aid] agenda” (Nanda 2006, p. 274). Because transparency of political processes and “the idea of level playing fields did not easily match with prevailing political cultures and configurations of power [in developing countries]” (Doornbos 2001, p. 101), in positioning themselves to secure aid, recipient governments in sub-Saharan Africa, “paid lip service to conditionalities for promoting transparency and political

In implementing policy mechanisms such as the EITI, the lesson learned from the Bank’s experience in the 1990s is that promoting good governance requires the regimes entrenched within host countries to be unequivocally committed to embracing it—that is, committed to efficient public service, an independent judicial system and legal framework to enforce contracts; accountable administration of public funds; respect for the law and human rights at all levels of government; and a pluralistic institutional structure (Rhodes 1996). The era of good governance ushered in by the World Bank, however, appears to have induced little change in sub-Saharan Africa. As Chabal (2002, p. 457) explains, “[the] multiparty politics…that have taken place have not resulted in the widespread systemic political change that has been widely anticipated,” with pluralist elections held solely to satisfy donors threatening to withhold aid for failure to embrace democracy. Past experience suggests that there must be a foundation of good governance in place in order for policy interventions such as the EITI to be effective and that, contrary to the views of its proponents, good governance, transparency, and improved government–citizen relations are keys to implementing a successful EITI, and not the opposite. Officials at DfID, the World Bank, and other Western donors, however, insist that the EITI is the key ameliorating the resource curse “epidemic” plaguing resource-rich sub-Saharan Africa today, led by a group of 16 countries that over the past decade, have been recognized to be among the most corrupt in the world (Table 2). The group includes Nigeria, a supposed trailblazer of the EITI, consistently ranked among the most corrupt countries in the world; Guinea, which Transparency International ranked the second most corrupt country in the world on a recent (2006) Corruption Perceptions Index; and Chad and Cameroon, which were labeled the most corrupt countries in 1998 and 2005, respectively, and are showing few sign of improvement on this front.

It is rather unlikely that country ownership of the EITI will lead to African populations deriving greater benefit from extractive industry operations. Thus, results are discouraging: because the EITI is voluntary, there are no checks and balances in place to prevent the embezzlement of revenues from projects; nor are there any incentives to implement them. Fewer than 25% of the world’s top 50 oil and gas
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*Note: The Transparency International Corruption Perceptions Index ranks countries according to the level at which corruption is perceived to exist among public officials and politicians. It draws upon data collected from polls, and independent expert and business surveys.

*—most corrupt country; +—candidate country.


The scale ranges from 1 to 10, with 10 being the least corrupt.
producers have signed up to the initiative and even fewer mining corporations, the “prevailing opinion among companies [being] . . . that that resource-rich countries themselves must lead the process of implementing the EITI, and the companies will then follow” (Doane and Holder 2007, p. 13). But what would disclosure of revenue payments from extractive industry projects possibly accomplish for the African people? In Equatorial Guinea, for example, it is estimated that 80% of oil revenues accrue directly to President Obiang’s dominant Esangui clan or less than 5% of the population (Wood 2004). Do proponents of the EITI expect that disclosing this knowledge publicly in a country where the World Bank and IMF have already halted a number of aid programs due to the government’s gross mismanagement and corruption will mobilize citizens and initiate change? Moreover, will proponents of the EITI help empower Gabon’s citizenry, which was powerless to act when it recently emerged that in the 1990s, President Omar Bongo was receiving US $16.7 million annually from Elf executives, should it come out publicly that the government is embezzling petrodollars?

For ordinary Africans, the call for host governments to take the lead on implementing the EITI certainly sends mixed signals. On the one hand, it signifies that oil companies and donors are aware that corruption is a problem that plagues mineral- and petroleum-rich sub-Saharan Africa and are demanding that host governments become more transparent and take greater responsibility for their actions. On the other hand, with no penalties in place for inappropriate behavior, those driving the EITI indicate a willingness to work with people like Presidents Bongo, Obiang, and Deby, who have long siphoned mineral and/or petroleum revenues for personal gain. Why should they change their attitudes with the onset of a

11During the period 1989–1993 when Loik le Floch-Prigent was the CEO of Elf, the former French State Oil Company, an estimated £200 million in company funds were siphoned to buy political favours both in Gabon and France, and to fund extravagant lifestyles for both company executives and selected Gabonese elite. Payments in not only Gabon but also in Congo-Brazzaville and Angola were primarily aimed at ensuring that Elf, and not US or British competition, extracted oil, and ensuring African leaders’ guaranteeing allegiance to France. In addition to securing jail terms totalling 60 years for 37 defendants, including Mr le Flotch-Prigent, the public prosecution sought €34.5 million in fines (Henley 2003). The biggest fraud inquiry in Europe since World War II, the ‘Elf Scandal’ put into perspective how corrupt Africa’s oil sector is, and has raised questions of whether similar deals have been forged in other African petro economies.
voluntary initiative if there is no evidence that corruption discourages foreign investment in the extractive industries?

The position here is that the EITI alone is incapable of facilitating improved governance in resource-rich sub-Saharan Africa. More sweeping changes are needed, including more progressive regimes, in order to ensure that oil and mineral revenues are managed more prudently. As the discussion that follows explains, there are a number of other challenges that must first be overcome in order for Africa’s 16 potential signatories to overcome the resource curse. These issues extend well beyond the EITI and must be addressed in order to fulfill its objectives.

4. CAN THE EITI FACILITATE IMPROVED ECONOMIC PERFORMANCE IN SUB-SAHARAN AFRICA?

Resource-rich countries, extractive industry companies and the international community have a common interest in supporting efforts to increase transparency and accountability. Many countries have already made significant progress in this area.

– Extractive Industries Transparency Initiative Sourcebook (EITI 2005, p. 6)

The effectiveness of a voluntary pact, such as the EITI, in sub-Saharan Africa, where extractive industries have long been operating in corrupt environments is open to debate. The view here is that the EITI may be incapable of generating the momentum to facilitate the sweeping changes to improve transparency in the region’s oil and gas, and mining countries. There are additional hurdles that must be overcome, which vary according to the different economies in the region: petro, lootable and “conventional.” This section of the article explores some of these challenges at greater length.

4.1. Petro-Economies. Ross (2001, p. 356) makes a convincing case that the “oil-impedes-democracy claim is both valid and statistically robust” — that “in other words, oil does hurt democracy,” doing greater damage in poor states than in rich ones. The views of Ross and supporters, however, run counter to the rhetoric espoused by proponents of the EITI: that certain petro-economies (i.e., those rich in oil and/or natural gas) in sub-Saharan Africa are heavily embracing transparency and good governance. While pledging to be more democratic, what cannot be
overlooked is that this group of supposed trailblazers includes Chad, Equatorial Guinea, and Gabon—again, countries whose ruling elite have long embezzled funds from petroleum projects at the expense of state and community development.

Despite the optimism resonating in EITI circles, there are few signs to suggest that this group of countries would diligently follow through with their pledges to improve transparency and good governance. This would require, first and foremost, these regimes to cease their dictatorial ruling, abandon their corrupt practices, and stop siphoning revenues from oil projects for personal enrichment; in many respects, this corruption appears to be endemic and may, therefore, be uncorrectable. As Shaxson (2007) suggests, it undoubtedly is those countries where the problem of corruption is the most entrenched that will be most resistant to changing the status quo. This dilemma is compounded by the voluntary approach to disclosure espoused by the initiative. Shaxson notes: “Under EITI, corrupt governments can choose whether or not to publish data: some have, some haven’t, and some have just pretended to” (2007, p. 218).

The case of Nigeria reveals how superficially proponents of the EITI have analyzed the corruption that is now rampant in petroleum-rich sub-Saharan Africa. Former president Olusegun Obasanjo’s alleged move to integrate Nigeria into the EITI machinery stemmed from pressures exerted by the donor and NGO communities to address the corruption associated with payments and revenues generated from oil production: an estimated 50% of oil revenues were being squandered, stolen, or siphoned away by corrupt officials (FOI 2005). There are few signs, however, that this corruption has been alleviated. Since a return to civilian rule in 1999, the country’s 36 state governments have received US $36 billion in federal allocations, with the 774 Local Government Councils receiving an additional US $23.4 billion (HRW 2007); in 2004, US $6 billion was transferred to state authorities, a third of which went to major oil-producing states—Delta, Rivers, Bayelsa, and Akwa Ibom (ICG 2006). Yet, 31 of the country’s 36 governors, including all four that preside in the state governments of these four oil-producing states, face possible charges of corruption after leaving office (HRW 2007).

The paradox in Nigeria—it being the world’s eighth largest producer of oil, yet being a net importer of fuel—has given rise to an extensive debate about corruption in the country. At the center of many discussions is the Nigerian National Petroleum Corporation (NNPC), whose executives were involved in a US $1.5 million conspiracy with the Texas-based construction
and petroleum-engineering contractor Willbros in February 2005\textsuperscript{12} and, more recently, was the subject of a US $7 billion controversy.\textsuperscript{13} The NNPC, which was established in 1977 as a vehicle for facilitating partnerships with foreign multinationals, receives some 57\% of crude oil, most of which it exports. The proceeds are deposited into the Central Bank of Nigeria and then shared by the three levels of government (Gary and Carl 2003). President Umaru Yar’Adua’s newly elected government has pledged to dismantle the NNPC on the grounds that it both “produces crude oil in partnership with foreign oil companies, but also imports fuel and acts as a regulator and administrator of the oil sector,”\textsuperscript{14} judged to be conflicting responsibilities. The relevance of this, however, is unclear: while apparently committed to eradicating corruption, President Yar’Adua’s ascension to power was itself dubious, reportedly made possible by election rigging and intimidation (Rawlence and Albin-Lackey 2007). Significantly, Yar’Adua, who is of Obasanjo’s People’s Democratic Party, faces the challenge of eradicating the deeply rooted corruption in the country’s petroleum economy and carrying out the commitment made by his predecessor regarding Nigeria becoming signatory to the EITI. In February 2004, Obasanjo made Nigeria the first country to voluntarily subscribe to the principles of the EITI, a move that made him extremely popular in donor circles and has helped to improve the country’s international image. As is explained in a recent Human Rights Watch Report (HRW 2007), his appointment of the former World Bank official Ngozi Okonjo-Iweala as Finance Minister led to important reforms and increased transparency, in the process netting the national treasury US $18 million in debt relief. But he suddenly removed Okonjo-Iweala from her post in August 2006 following her attempts to push through key pieces of legislation, including the Fiscal Responsibility Bill, which would have mandated transparency of government expenditure at all levels. Oil revenues continue to be embezzled in Nigeria, with sparingly few funds reaching the poverty-stricken inhabitants of the Niger Delta where extraction takes place. Continued tensions between government and oil company officials on the one hand, and the native impoverished Ogoni people on the other hand, are a testament to the latter’s frustration with the former over siphoned


revenues that had been earmarked for poverty alleviation in the Delta (see, e.g., Boele et al. 2001a, 2001b; Ikelegbe 2001; Omeje 2005).

As difficult, and impossible, as addressing the corruption in Nigeria may seem, the situation in Equatorial Guinea and Chad—two other petro-economies in sub-Saharan Africa that have also committed to the EITI—is comparatively bleaker. In the case of Equatorial Guinea, where President Obiang has ruled oppressively since seizing power from his uncle in 1979, there is a “range of legal, quasi-legal and criminal supporting enterprises” (Wood 2004, pp. 553–554): in addition to trafficking drugs, the manner in which oil revenues are spent remains an official state secret (Wood 2004). The country’s GDP per capita, which exceeds US $20,000 (UN 2006), is illusory because most wealth is concentrated among the elite, with little distributed to the citizenry (Frynas 2004). As McSherry (2006, p. 25) explains, under Obiang, Equatorial Guinea has become the “quintessential criminal state,” retaining an autocratic political system, its citizens unable to change the government; engaging in numerous human rights violations; and sponsoring several misguided development projects such as the construction of a second capital city, as opposed to providing basic facilities to citizens, such as hospitals and roads. It remains to be seen if the EITI can be adapted to such a setup.

It recently emerged that a main reason why the country has expressed interest in becoming an EITI signatory is to detract attention from a scandal involving Obiang at Washington DC-based Riggs Bank: 60% of the country’s revenues were being siphoned to 60 accounts held by the president, his family, and close colleagues. An estimated US $700 million had been frozen by the United States government, but was released in 2005 following claims by Obiang and his government of being unable to deal with a cholera outbreak in the country and subsequent commitments to improving transparency with oil revenues.15 The country, however, continues to lack public transport, potable drinking water, and electricity.

A similar situation persists in Chad, where President Deby’s government seized power in a coup d’état on 2 December 1990. The Chadian case perhaps best illustrates the questionable nature of the rulers that proponents of the EITI are attempting to forge transparency agreements

with. Deby was sworn in as country president on 28 February 1991 and was subsequently “reelected” in March 1996 and May 2001. He was further reelected in May 2006, following the passing of a referendum he tabled in June 2005 that eliminated the country’s two-term presidential limit. Chad is the location of the source of the US $3.75 billion Chad–Cameroon pipeline that, as previously noted, is the largest private sector investment made in sub-Saharan Africa to date. By agreement with the World Bank, which again, catalyzed the project, 80% of the proceeds from this oil are allocated to economic development and poverty reduction in the Doba region, where oil extraction takes place, with 10% funneled into the Future Generations Fund and 5% earmarked for the Chadian treasury (Van Dijk 2007). At the end of 2005, however, Deby passed an amendment through parliament to raise the percentage of revenue that his treasury could access, prompting former World Bank President Paul Wolfowit to suspend loans to the country and withhold US $100 million in oil royalties. Despite indicating openly that it was his intention to spend the royalties on weapons, Wolfowitz eventually released the money, succumbing to United States pressure (Massey and May 2006; Pegg 2006b). While all indications suggest otherwise, proponents of the EITI remain convinced that the pledges of the leaders of sub-Saharan Africa’s petro-states will facilitate marked economic and social improvements.

What, however, explains this behavior? To revisit ideas raised earlier, point sources such as oil and natural gas, the production of which have high barriers to entry, are inaccessible to rebel groups and, thus, are more likely to enrich governments (Di John 2007; Duruigbo 2005). Scholars reason that because supplies of oil and natural gas cannot readily be seized, it becomes second nature for the governments of petro-economies to engage in abnormal “rent seeking behaviour” (Soderling 2006), driven by the belief that “political power can only be sustained only as long as oil revenues flow” (Gary and Karl 2003, p. 24). Excessive rents can give rise to a situation in which a government no longer has a need to tax citizens, who in turn lose the incentive to demand accountability of those who spend tax revenues (Duruigbo 2005); this, by extension, breeds corrupt practices in government circles. Van Djik (2007), for example, argues that President Deby would unlikely be in power if it was not for oil revenues, which have enabled him to procure weapons, intimidate the citizenry, and foil several coup attempts. Similarly in Gabon, where oil is reported to be depleting (Soderling 2006), President
Bongo, the longest serving ruler in Africa, is one of the richest heads of state in the world due to oil revenues and corruption, including that associated with the Elf Scandal.

A second area in question in the region’s petro-economies is the commitment of multinational oil companies. As Shaxson (2007, p. 218) notes, “the (oil) companies love EITI—it takes the pressure off them and puts it onto African governments to disclose.” Moreover, the EITI’s voluntary approach to disclosure, he argues, in effect lets multinationals off the hook. To date, only 25% of the world’s top 50 oil and gas companies have signed up to the EITI (Doane and Holder 2007), which can be interpreted as the industry having a complete disregard for the environments in which it operates. More specifically, despite also calling for increased transparency and pledging to the principles of PWYP (Publish What You Pay), there is ample evidence that suggests that multinationals are willing to forge questionable deals with the corrupt bureaucrats in petroleum-rich sub-Saharan Africa. Frynas (2004), for example, reports that in Equatorial Guinea, World Bank audits revealed that there were discrepancies between what companies were supposed to pay to government and how much was actually paid. In Chad, following the decision of the World Bank to dispense US $100 million in royalties, the government forced two oil companies to pay alleged tax arrears, and to continue to pay normal business taxes, which together may increase the country’s budget by more than 50% (Van Djik 2007). These cases shed light on the lengths to which foreign multinationals will go to extract oil in the region: a willingness to engage in questionable negotiations with corrupt governments and to appease these governments with bribes and finances in order to ensure continued operation. In these, and similar, situations, impoverished communities are being deprived of badly needed finances.

In summary, there is widespread corruption in most, if not all, of sub-Saharan Africa’s petro-economies. The main and emerging players—Chad, Gabon, Cameroon and Equatorial—all have dictatorial tendencies and, therefore, policy environments that are highly incompatible with the aims of the EITI. The view here is that more sweeping policy and institutional changes are needed in these countries if the EITI framework is to be fully operationalized. There also is evidence that multinational oil companies, which in many respects are driving the transparency agenda, are willing to engage in questionable dealings with the corrupt leaders of the region’s petro-economies. These transactions are depriving needy populations, the very groups that the EITI is attempting to mobilize, of finances capable of alleviating poverty.
4.2. “Lootable” Economies. Four EITI signatories in sub-Saharan Africa—Sierra Leone, Liberia, Madagascar, and the Democratic Republic of Congo—are considered to be “lootable” economies: countries containing pockets of lucrative, easily accessible mineral wealth, such as gemstones and diamonds. Several scholars (e.g., Reno 2002; Ross 2004b) suggest that there is a strong correlation between such resources and political disorder; and, by extension, that lootable wealth has the propensity to fuel “greed-based” insurgency in collapsed states (Berdal 2005; Collier and Hoeffler 2004; Korf 2005; Regan and Norton 2005). These scholars have explored the links between lootable resources and civil violence, drawing different conclusions from compiled datasets on wars and intermittent conflicts. Humphreys (2005), for example, notes that diamonds tend to shorten civil wars by facilitating military victories, not negotiated settlements. Ross (2004a, 2004b), on the other hand, observes that lootable resources could make conflict so profitable that one or more combatants lose their incentive to reach a peace settlement, views that are reinforced by le Billon (2001b, 2006).

While an informative debate has indeed emerged around the issue of civil violence and lootability, and their apparent association, comparatively little attention has been paid to identifying ways in which to facilitate good governance and transparency in lootable economies. The civil wars that have surfaced in recent years in many areas of lootable sub-Saharan Africa are manifestations of what Allen (1999, p. 377) terms “spoils politics,” which occurs when the primary goal of parties competing for power is self-enrichment. Although lootable settings are not necessarily destined to culminate in civil violence, they are nevertheless prone to rapid political deterioration, their readily accessible resources creating ideal conditions for spoils politics. The factors that Snyder and Bhavnani (2005, p. 565) claim determine “the ability of rulers to get the revenue with which to govern and, hence, maintain political order” in lootable settings are also key determinants of a nation’s susceptibility to spoils politics. These determinants include its resource profile, especially whether non-lootable resources—again, goods with high economic barriers to entry—are also available to rulers as a source of revenue; the robustness of economic institutions, and whether lootable resources such as diamonds are extracted by difficult-to-tax artisans or by large, taxable companies; and the ways in which rulers spend the revenue accrued, in particular whether it is mismanaged or spent prudently on social welfare, infrastructure, and the military (Snyder and Bhavnani 2005).
In their quests to promote good governance, the focus of those driving the EITI in Sierra Leone, the Democratic Republic of Congo, and other potential signatories such as Liberia must be to prevent spoils politics scenarios: while several authors presume that there is a strong association between lootable wealth and civil war, as Snyder (2006) notes, there may not necessarily be a correlation. Prior to the recent episodes of violence that unfolded in both Sierra Leone and the Democratic Republic of Congo, there were lengthy periods of stability. In the latter, Mobutu Sese Seko held power more than 30 years (1965–1997) and, in the former, Siaka Stevens held power for 17 years (1968–1985) until transferring the reins of government peacefully to a chosen successor. But while such stability could be misinterpreted as peaceful and democratic, and likely was at the time in certain policy circles, as Allen (1999) explains, both the Mobutu and Stevens cases are classic examples of “prolonged spoils politics,” where widespread corruption, self-enrichment, and systematic violence prolonged state power. If, by implementing the EITI in Sierra Leone and the Democratic Republic of Congo, proponents are hoping to promote good governance, transparency, and prudent management of mineral revenues, the emphasis should be placed on addressing underlying causes of spoils politics that, again, fuels the civil violence that commonly unfolds in lootable settings in the first place. There are, however, a number of questions surrounding the ability of countries to tackle this problem, the difficulty of which will be illustrated using mainly the Sierra Leone case.

First, are there indications that prudent management of lootable revenues can take place in signatory countries? Past evidence suggests that a commitment to increased transparency may in fact have little bearing on changing the way resources are managed and exploited in lootable economies. In particular, and as explained previously, the relative ease of extraction and transport associated with lootable resources, and their high weight-to-value ratio, make them an attractive focus for powerful and often well-armed interest groups and their networks:

...the low economic barriers to entry that characterize lootable resources make it hard for rulers to gain monopoly control of them. For example, to mine alluvial diamonds, a pick, shovel, sieve, and sweat are usually the only requirements. This means that a mass of small, wildcat miners can easily get into the business... Moreover,...[in places like Sierra Leone and the DRC] alluvial
diamonds are located in riverbeds scattered across large expanses of territory. These attributes of lootable resources pose formidable impediments to government control of extraction, especially in “soft” states with weak regulatory, surveillance, and border enforcement capabilities. (Snyder 2006, p. 950)

As has been apparent in not only Sierra Leone and the Democratic Republic of Congo but also other lootable economies such as Angola and Liberia, many groups benefiting from the extraction of lootable minerals are firmly entrenched, their positions strengthened and maintained by the resources derived from the exploitation of “exclusionary spatial enclaves” (Ferguson 2006). It is therefore unlikely that the disclosure of payments would rapidly dissolve these powerful networks or facilitate citizens deriving greater benefit from resource extraction.

While it is both easy and economically feasible for mining companies to control deep pit mining (as is the case of South Africa and Botswana), in lootable environments, such as Sierra Leone’s alluvial diamond fields, where there are relatively few diamonds per hectare, people tend to reside where the diamonds are found and labor-intensive extraction methods—often involving nothing beyond picks, shovels, buckets, and sieves—are common. While Ferguson (2006) argues that transnational capital “hops” over “unusable” Africa to find its way to mineral-extraction enclave spaces, because alluvial diamonds are diffuse resources and less spatially concentrated, they are more difficult to exploit using enclave methods. But this has not discouraged powerful actors with vested interests from exploiting, for example, Sierra Leone’s diamond wealth. Critics have noted that the lootability of the country’s diamonds not only induced decades of diamond smuggling in the country, but has also been responsible for rampant corruption in the government, funded the decade-long civil war, deprived the country of millions of dollars in development funds, exacerbated instability in the West African subregion overall, and distorted Sierra Leoneans’ basic sense of governance.

The concern, however, is that the corruption in Africa’s lootable economies is so deeply rooted that it may be beyond the capability of governments to correct. In the case of Sierra Leone, since the discovery of diamonds in the 1930s, political elites have found ways to capitalize on the diamond economy, often strengthening their own political positions through patrimonial networks and clientelism, a process that Bayart
(1993) refers to as “the politics of the belly.” When former president Siaka Stevens’ All Peoples Congress party came to power in 1968, diamond wealth was used to reward his political supporters, which reduced the industry to a parastatal rife with corruption and smuggling. Under Stevens, official diamond exports would decline from 1.7 million carats in the 1960s to a mere 50,000 carats by 1985 (Temple 2006). As the country became deprived of economic resources and the bureaucratic state became hollowed out, patrimonial networks became even more firmly entrenched. Toward the end of Stevens’ tenure, when economic and social development had collapsed completely and the majority of the population had become completely cut off from the benefits of the diamond industry, it became increasingly necessary for him to secure his own political position by rewarding a small group of elites and a growing personal security force with diamond wealth.

Corruption and the “criminalization of the state” (Bayart et al. 1999) eventually set the stage for the brutal civil war during the 1990s, with diamonds playing a key role in fueling and prolonging the conflict, and various parties financing their efforts through mining activities. But while large-scale civil violence has since ceased in Sierra Leone, diamonds continue to be looted: the present post-war mining situation is particularly chaotic, with numerous reports of illegal mining and significant smuggling of diamonds across international borders. The EITI, proponents argue, could help correct situations such as this, provided that it “fits comfortably within the legal framework of a well-functioning revenue administration alongside fiscal control mechanisms” (EITI 2005, p. 28). It is claimed, against this background, that “[the] EITI should not involve extraordinary demands on the government” (EITI 2005, p. 28), the assumption being that in the case of Sierra Leone, the Kimberley Certification Process Scheme (KCPS), which itself is a voluntary pact, has helped to strengthen policies and facilitate improved transparency with respect to the extraction and marketing of alluvial diamonds. There is little denying that KCPS has led to some improvement, but smuggling continues to be rampant in the country, threatening to undermine the entire exercise: in 2002, it was estimated that up to 90% of the country’s diamond production was exported illegally, amounting to over US $350–$400 million in lost development funds (MSI 2004). Some industry observers suggest that despite the KCPS, up to 50% of Sierra Leone’s diamonds will continue to leave the country illegally. In a recent speech in parliament, President Kabbah acknowledged that...
corruption still plagues Sierra Leone, explaining that “the entire country has crumbled beneath the burden of warfare, economic ruin, rampant corruption, and autocracy” (Kabbah 2007). However, to assume, as Dr. Shekou M Sesay, Minister of Presidential Affairs in Sierra Leone, put it at the country’s EITI Keynote Address, that “…the EITI is a laudable idea, which if implemented to the spirit and letter will ensure prudent management of the dividends from mining and go a long way to alleviate extreme poverty among [our] people,”16 would be premature. There are several benefactors of the ongoing embezzlement in the country and policy flaws that the KPCS has failed to correct. For the EITI to be effective in Sierra Leone and other lootable economies in sub-Saharan Africa, the dynamics of the production chain must be unearthed and sources of corruption identified. Only then will the government be in a position “to enshrine EITI legally; create new transparency, revenue and industry policy legislation; or make changes to existing EITI related policies and legislation” (EITI 2005, p. 18).

This raises a second concern: can the Sierra Leonean government realistically overcome the obstacles—which proponents of the EITI have too often cursorily overlooked—that prevent improved governance and transparency in lootable settings? The magnitude of this challenge was broached in the same keynote speech delivered by Dr. Shekou M Sesay, who, in response to the country’s commitment to implementing the EITI, explained that:

In pledging our commitment to the EITI, we remain conscious of the fact that its implementation comes with its own challenges—it will require consideration of some complicated issues, for example contract, confidentiality, the need for new regulation framework data, and legislation; established modalities for gathering the required data; and building capacity in government and civil society to be able to competently engage in the process and use the information produced.17

16http://www.eitransparency.org/UserFiles/File/sierraleone/sierraleonne_keynote_address_shekou_sesay.pdf
17http://www.eitransparency.org/UserFiles/File/sierraleone/sierraleonne_keynote_address_shekou_sesay.pdf
It is unlikely, however, despite its commitment and enthusiasm, that the government is capable of addressing these issues on its own, in large part due to the complex network of actors that have long sustained the corruption and lack of transparency that characterize local diamond extraction. As Reno (1995) explains, Sierra Leone’s illicit “shadow state” economy, along with the local networks that sustain it, is inextricably linked to global networks. Sierra Leonean diamonds have not only been implicated in regional instability in Liberia, Guinea, and Côte D’Ivoire, but are also linked to international criminal networks (Davies 2006). The international community has become increasingly aware that the illicit diamond trade provides an effective vehicle for international money laundering and is a potential source of resources for terrorist groups (Even-Zohar 2003; le Billon 2006). In 2006, a World Bank delegation reviewed the challenges of dissolving these complex networks and concluded that significant capacity building is needed if the EITI is to be moved forward in Sierra Leone, the implication being that a commitment to transparency will be insufficient to break the negative linkages between natural resource wealth, poor governance, unequal development, and conflict.

Finally, presuming that increased transparency is the solution to empowering the citizenry of lootable economies such as Sierra Leone and the Democratic Republic of Congo, and a key to attracting investment in diamond extraction, how do proponents of the EITI propose to go about achieving this? Kimberley provides little foundation for the initiative and, if anything, magnifies the weaknesses of voluntary schemes as regulatory mechanisms in lootable settings: there is no mandatory impartial monitoring mechanism associated with the scheme which, in effect, allows the industry to monitor itself. Perhaps the most significant shortcoming of the KCPS is its failure to implement and monitor diamond-control systems. Certification must be supported by robust control systems in order to ensure that diamonds are not used for the purposes of spoils politics. Recent reports from the Democratic Republic of Congo and Côte d’Ivoire—two countries that are currently engulfed in conflict—suggest that despite an embargo, diamonds

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18Davies (2006, p. 178) explains that the combination of requirements to pay an exporter’s licence fee of US$30,000 per year, the export tax of 3 percent, and the additional payments which must be made through bribes, have all contributed to discouraging legal production.
continue to flow from both countries and may be exported by other KPCS participants.

Although the KCPS may be a positive step forward in attempting to redress the serious humanitarian and security problems associated with conflict diamonds, and may have played a role in facilitating increased export earnings for the Sierra Leone government, it has done little to address underlying poverty and improve the haphazard working conditions that small-scale miners must endure on a daily basis. There are an estimated one million artisanal miners in Africa that operate beyond the KPCS (DDI 2005: 2); the response in Sierra Leone has been the launch of the Diamond Area Community Development Fund (DACDF), the aim of which is to encourage small-scale development in diamond communities. The fund has been widely heralded as providing a considerable incentive for both diamond miners and resource-rich chiefdoms to engage in legal diamond-mining activities and revenue reporting, by returning a percentage of mining revenue to the producing chiefdoms. A portion of the government’s 3% diamond-export tax (which amounts to a 0.75% export duty) is now allocated to the fund for small-scale development projects in diamond communities. The first disbursement was made for the period of January to June 2001 and disbursements have been made every six months since then. Chiefdoms benefit in accordance with the number of mining licences issued and the value of diamonds recovered from the area. The fund is now approaching US $3 million and some chiefdoms and councils have used the finances wisely for community development (Temple 2005).

In addition to providing much-needed resources for social and economic development, the fund is (in theory) supposed to encourage chiefdoms to monitor mining more effectively and eradicate illegal activities, thereby enhancing the KPCS. Shortly after its launch, however, it emerged that a number of chiefdoms were not utilizing the fund in a competent manner and, in 2003, a coalition was set up to ensure that the fund would be used more effectively. Concerns continued to be raised by the Government of Sierra Leone High Level Diamond Steering Committee and the disbursement of funds was suspended in 2004. The main criticisms voiced by the committee were a lack of apparent transparency, community awareness, and local participation in decision-making processes concerning the management of the fund. Although Chiefdom Development Committees have been put in place to supposedly ensure that project decision-making
is carried out prudently, they are often composed solely of rural elite such as Section Chiefs, which, in turn, has stifled the concept of local ownership by alienating other stakeholders such as women and youth (Temple 2005). The DACDF is indeed an important initiative, but it has too often been the center of controversy. While many chiefdoms have demonstrated the capacity to utilize the fund effectively, others have not. A recent article by Jackson (2007, p. 100) explains in greater detail the misuse of the fund, pointing out that “there is no accountability mechanism for ensuring that this cash is used for development, and it is extremely common to hear that local people complain of the chief’s abuse of the system in pocketing this money.”

In summary, the position here is that for the EITI to be effective in facilitating improved revenue management and transparency in lootable economies, a sound policy framework must be in place. In the case of Sierra Leone, the KCPS and DACDF have the potential to be the cornerstones of such a framework but, as this discussion has highlighted, both are plagued with problems. While the challenges with implementing the EITI in Sierra Leone are significant, they could be even greater in the Democratic Republic of Congo, where tribal divisions appear to be more pronounced and, as Fairhead (2004, p. 298) explains, there is “the most documented case of corporate culpability in transforming governance and fuelling conflict.” The United Nations (2001) has documented how corporations from America, Europe, and Asia have formed alliances with rebel movements in the country, and many of the mining corporations now operating there have strong political connections. The conclusion drawn from the EITI Sourcebook is that proponents of the EITI have not yet come to grips with how firmly entrenched production and trading networks are in Africa’s lootable economies, and the level of institutional commitment that is needed to facilitate improvement. It stipulates that “however incomplete, publication of available revenue—preferably from the extractive sector—would serve as a baseline for judging progress in improving data quality” (EITI 2005, p. 18). On the contrary, the key to improving revenue management in countries such Sierra Leone and the Democratic Republic of Congo is not to invest in partial and inaccurate reporting as a solution, and subsequently superimpose the EITI atop problematic schemes such as the KPCS in order to articulate “a baseline for judging progress,” but rather strengthening these schemes before making such declarations.
4.3. “Conventional” Mineral Producers. The “conventional” mineral producers—defined here as developing countries endowed with mainly “unlootable,” non-fuel minerals—are being increasingly overlooked in studies of the resource curse in sub-Saharan Africa. A possible explanation for this omission is that while countries such as Zambia, Ghana, and Tanzania may be illustrative examples of Dutch Disease, at the same time they do not conform to many of the more recent ideas presented on warlordism, civil violence, and greed in resource-rich economies. Scholars’ increasing neglect of non-fuel minerals in assessments was recently raised by Ross (2004a, p. 349) who, in addition to declaring that “the link between non-fuel minerals and civil war is ambiguous, in part because mineral wealth has received less scrutiny than oil wealth” points to how various highly referenced studies (e.g., Collier and Hoeffler 1998, 2002; Fearon and Laitin 2003) “look at how oil influences the likelihood of civil war, but . . . offer no test of non-fuel minerals . . . [and consequently] we do not know if non-fuel minerals pose the same problems as oil and gas.” The dismissal of the relevance of conventional mineral producers in a resource curse literature now replete with discussions of petroleum-rich and lootable economies is reflected in Jensen and Wantchekon (2004, p. 818) who, in explaining “why an abundance of natural resources increases competition for control of the state” refers to Mali, now Africa’s third largest gold producer, as a “resource-poor country.” The performance of Africa’s conventional mineral producers is being rapidly overshadowed by issues such as civil violence in the Democratic Republic of Congo, oil in the “New Gulf,” the reconstruction of Sierra Leone, and diamonds in Angola, which are perhaps more exciting and topical areas for researchers.

But while the importance of conventional mineral producers may be losing attention in the literature, they remain a key component of the EITI agenda. Of the 16 African potential signatories, four fit into the category of conventional mineral producers: Ghana (gold), Niger (gold, uranium, and industrial minerals), Guinea (bauxite), and Mali (gold). Donor countries, the World Bank, and other drivers of the EITI see the continued transparency and disclosure of mineral payments in these countries—particularly Ghana—as a key to bringing other conventional mineral producers such as Tanzania and Zambia on board. Ghana recently disclosed details about its mineral revenues (Boas & Associates 2006), covering the period of January to June 2004, a move that proponents of the EITI have lauded as significant. What is less clear, however,
is how this transparency will affect Ghana’s people or, more specifically, improve their lives. A recent report published by the International Council on Mining and Metals (ICMM), the mouthpiece of the global large-scale mining industry, entitled *The Challenge of Mineral Wealth: Using Resource Endowments to Foster Sustainable Development* argues that “the example of Ghana suggests mining can provide an important kick-start to previously-struggling economies as well as help to drive down poverty,” further explaining that “economic reforms of the 1980s and 1990s [which] included a new, investor-friendly minerals code,” facilitated US $5 billion in investment in new mining projects, particularly those emphasizing the extraction of gold (ICMM 2006, np). It also hints that the industry is putting aside significant monies toward the development of towns located within the catchment area of operations, the same communities that, as several studies vividly illustrate (e.g., Akabzaa and Darimani 2001; Hilson and Nyame 2006), are highly underdeveloped and, despite these alleged contributions, have significantly higher unemployment rates than the national average (Carson et al. 2005).

The lengths to which the ICMM has gone to paint the picture that, in the current investment climate, mining *can* bolster Ghana’s economy raises several questions, as does the repeated praise voiced about the Ghanaian Government’s efforts to disclose details about its mineral revenues. The conviction being made by supporters of the EITI appears clear: that mining projects are generating revenue that is sufficient to bolster the country’s economy but that the people of Obuasi, Tarkwa, and other mining towns are deriving little benefit from company–government transactions, potentially because of corruption. While an inquiry (Murphy 2007) into the Boas & Associates report (2007) has revealed several omissions and problem areas that require clarification for the period of January–July 2004, what additional disclosure of past transactions should reveal is that mismanagement of funds accrued from mining projects has never been a major problem in Ghana. What subsequent reports *are* likely to expose, however, is not that a corrupt government is embezzling finances, but rather that the country is deriving minimal benefit from its large-scale mining projects due to the generous tax breaks it provides incoming companies and low royalty payments it receives as compensation for production. This could put the burgeoning body of literature on Africa’s mineral codes, which continues to be overlooked in debates on the performance of resource-rich developing world economies, into the spotlight. The current mining boom that is ongoing
in countries such as Ghana, Tanzania, and Mali is largely owed to the overhaul of legislation for the benefit of investors; namely, the redesign of mining policies to provide generous incentives and favorable terms concerning security of tenure, ownership/marketing of mineral, surface/land access, and import/export policy (Filho and Vilhena 2002). While these reforms have succeeded in attracting requisite levels of foreign investment and in turn facilitating marked increases in mineral production, host governments are netting small shares of the resulting profits. What these cases illustrate is that the poor economic performance of Africa’s conventional mineral producers is more a result of inequitable mining codes than poor governance, that even in situations in which revenue mismanagement may be taking place, the quantities of money available to embezzle are insignificant.

All signs point to the very multinational mining corporations that are championing the EITI process having exploited an advantageous position: armed with state-of-the-art technologies and the support of the World Bank, companies have negotiated favorable terms over the past two decades, for mining gold, bauxite, and copper in countries such as Ghana, Guinea, Tanzania, Zambia, and Mali, in each case taking advantage of a country’s financial crisis and inability to harvest its mineral riches with obsolete equipment. In the case of Guinea, for example, there is little denying that widespread corruption has taken place under the dictatorial rule of Lansana Conté and that Transparency International is well justified in ranking the country as the second-most corrupt in the world on the latest Corruption Perceptions Index; however, is a necessary first step toward reviving Guinea’s economy not to ensure that a greater share of profits generated from the production of bauxite, which accounts for over 80% of exports (Weber-Fahr 2002), remains in the country? Initially, depressed prices for aluminum forced the Guinean government into negotiations with private companies to restructure the pricing formula for exports of unprocessed bauxite. As Campbell and Clapp (1995) explain, in 1988, after 2 years of extensive negotiation with Halco Mining, an agreement was reached, which culminated in the elimination of an export levy and led to extensive adjustments in prices and export taxes on alumina. As a result of these changes, the Guinean economy became more exposed to fluctuations in the international market for aluminum, which generated significant taxes during periods of heightened global demand for aluminum but became more susceptible to economic stagnation when market prices declined. Conakry’s share of
bauxite profits has further eroded since the implementation of a new mining code in 1995, which provides a host of tax incentives to investors and permits up to 85% foreign ownership of any venture.\textsuperscript{19} It also primarily exports raw bauxite to Europe and the United States for manufacture into alumina, another source of lost income for Guinea. In 2005, the country produced 15,000,000 metric tons of bauxite but a negligible 780,000 metric tons of alumina (USGS 2007)—output from Russian Aluminum Group’s (RUSAL) Friguia aluminum refinery (Bermudez-Lugo 2007). While other major bauxite producers such as Australia, China, and Brazil convert at least one-quarter of raw ore into alumina \textit{in-country}, in Guinea the level of value-added alumina smelting activity is insignificant.\textsuperscript{20} The main impediment to expanding alumina production is the nationwide shortage of electrical power, but financing energy projects to facilitate this has never been in the interest of the World Bank: as Campbell and Clapp (1995) explain, beginning with initial feasibility studies undertaken in 1984 by Bank officials for the development of a hydroelectric project, no assumption was made that it could supply the requisite power for a smelting plant.

The case of Ghana is perhaps even more striking because “it illustrates [how] a mining boom may be accompanied by . . . a much lower contribution to GDP than might have been expected, 2–3\%, while mining represents approximately 40\% of total merchandise exports earnings since 1992” (Campbell 2003b, p. 7). As Akabzaa and Darimani (2001) and Campbell (2006) explain, this situation has arisen in large part because of the Minerals and Mining Law of 1986. The ICMM and the World Bank have lauded its implementation, pointing to how it has facilitated a 800-fold increase in national gold production over the past 10–15 years. However, the country has failed to benefit from the growing multinational presence in the mining sector and accompanying influxes of foreign investment, largely because of the tax breaks provided to incoming operators, which not only scaled down corporate income tax liability but also reduced corporate income tax from 50–55\% to 45\% in 1986 and even further to 35\% in 1994. Additionally, the law permitted investors to recoup 75\% of


\textsuperscript{20}The only significant developments being made on the alumina production front are RUSAL’s plans to increase the production capacity of its Friguia refinery from 780,000 tons/year to 1.4 million tons/year by 2009, and negotiations between Alcan, Alcoa and the government to develop the Kamsar refinery, with a planned production capacity of 1.5 million tons/year (Bermudez-Lugo, 2007).
the initial capital allowance in the first year of operation, decreased the royalty rate from 6% of the value of minerals won to 3%, and abolished the mineral duty (5%), import duty (5–35%), and foreign exchange tax (33–75%). Although Ghana’s large-scale mining companies produced no less that US $5.2 billion in gold between 1990 and 2002 (calculated from Yakubu 2003), as reported by the Bank of Ghana, the government received only US $68.6 million in royalty payments and US $18.7 million in corporate income taxes from these companies during this period (Bank of Ghana 2003). The government retains and reinvests 80% of mining revenues and allocates only 9% of royalties to community development (Hilson and Nyame 2006). At the country’s most recent EITI meeting in Accra, 15 January 2007, there was extensive lobbying among company officials and officers from the Chamber of Mines, the representative body of the country’s mining sector, for the government to increase the amount of money it dispenses for community development purposes from 9 to 30% of royalties. While this could stimulate some improvements in mining communities, it would, at the same time, deprive the government of badly needed finances. These discussions have also been instrumental in drawing attention to the government as the reason behind the underdeveloped state of the country’s impoverished mining communities, at the same time shifting focus away from the underlying cause of the problem: that the sector’s overall economic contribution is small.

Mali appears destined for the same fate. The country’s mining code, revised in 1999, was “explicitly modeled on that of Ghana” (Campbell 2003b, p. 8), a change facilitated with US $108 million in support from the World Bank (Tamufor 2005). It aims to provide the sector with “attractive legislation, a stable political environment, a balanced fiscal and customs scheme and an efficient administration” (Campbell et al. 2006). In addition to setting royalties at 3%, the code exempts mining activities from taxation during the first 5 years of production, income tax on professional earnings, registration and stamp duties, value-added tax, and income tax on investment income (Campbell 2006; Hatcher 2004). Hatcher (2004) further notes that the government has lauded the potential of the gold-mining sector for increasing government revenues, despite opinion that its contribution to GDP is not as large as some estimates imply. The government received approximately US $42 million in taxes from mining companies between 1995 and 2005, the same period when one of the companies operating in the country, Canadian-based Iamgold, experienced one of the highest revenue and profit increases
in Canada (US $63.6 million in revenues and US $8.7 million in profit in 1998, an increase of 393.1% over 5 years).

Many other conventional mineral producers that the EITI is attempting to get on board are experiencing similar problems. For example, in Zambia, the royalty tax on copper is a paltry 0.6%, reduced from 2% in 2002 in order to encourage more mining activity in the Copperbelt. Moreover, as Cali and te Velde (2007) explain, since the implementation of the Mines and Minerals Act of 1995, companies engaged in copper and cobalt extraction are only required to pay a corporate tax of 25%, compared to the 35% previously. Similarly, in Tanzania the explanation behind why the current gold boom has failed to generate significant economic growth is more strongly associated with mineral policies than corruption. In addition to having a 3% royalty in place, the government waived import duties on equipment; charges inexpensive rates for ground rents (US $20/km²); permits a 1-year grace period for payment of value-added tax; and, perhaps most significantly, allows 100% foreign ownership and unrestricted repatriation of profits (Forster and Bills 2002). Not surprisingly, with these agreements in place, increased gold production has had minimal impact on GDP: despite experiencing a marked increase in gold exports from US $3.34 million to US $120.53 million between 1998 and 2000, the contribution of the mining sector to national GDP still hovered at just over 2% at the beginning of 2001.21 This figure has since increased modestly to 3.5%22 in large part because US $700 million in gold continues to be exported annually.23

In summary, the picture painted by DfID, the World Bank, and other supporters of the EITI is that the poor economic performance of Africa’s conventional mineral producers, is, much like its “lootable” and petroleum-rich counterparts, a result of mismanagement and embezzlement of mineral revenues. But, as argued in this section of the article, in potential EITI signatory countries such as Ghana and Mali, as well as other conventional mineral producers, including Tanzania and Zambia, poor economic performance could be linked to policies that,

despite bolstering (mineral) production, fail to provide significant economic returns for host governments. If, indeed, this is the case, should the World Bank, bilateral donors, and multinational mining companies be held accountable for taking advantage of the vulnerability of these poor countries and pressuring their governments to draft these inequitable mineral policies? Further disclosure of payments in Ghana and, possibly, Guinea and Mali may reveal that it is not a case of their governments siphoning earnings generated from extractive industry projects but, rather, that there are few revenues to seize. The key to these countries improving their economic performance, therefore, lies in an overhaul of mineral taxation agreements.

8. CONCLUSIONS

Remarkable progress has been made in the last four years. From an idea that was piloted in four countries, today EITI is being implemented in 20 countries around the globe, from Peru to Mongolia, from Nigeria to Azerbaijan.24

– Tony Blair, Former Prime Minister, United Kingdom, and Jens Stoltenberg, Prime Minister, Norway, In: Extractive Industries Transparency Initiative, Report of the International Advisory Group, 2006

The objective of this article has been to draw attention to the challenges with implementing the EITI in sub-Saharan Africa. The EITI attempts to facilitate good governance and to improve transparency in mineral-rich countries that have underperformed economically. Proponents maintain that if the blueprints developed are followed, signatory countries will achieve marked economic improvements and their citizens will also derive numerous benefits.

This discussion, however, has argued that those driving the EITI have diagnosed the challenge far too superficially in sub-Saharan Africa. Those driving the initiative, including Western governments and the World Bank, assert that its implementation will enable the citizens of developing countries to hold their governments accountable in the event that petroleum and/or mineral revenues are embezzled. The pact, however, is merely voluntary, which makes it unclear as to how governments can be held accountable. Moreover, supporters assume that governments

24EITI (2006, p. 3).
are willing to be held accountable for mismanagement of petroleum and/or mineral revenues in the first place. Some of the African signatories to the EITI, including Equatorial Guinea and Chad, are among the most oppressive regimes in the world that have long marginalized their citizens. These countries are unlikely to embrace any doctrine of good governance.

The EITI is still in its embryonic stages. It would, therefore, be premature at this point to declare that it is a complete failure, incapable of facilitating economic improvements and greater accountability in resource-rich sub-Saharan Africa. This article, however, argues that fundamental changes must take place in the region in order for the aims of the EITI to be fulfilled, foremost a commitment to “good governance” in host countries. The analysis has also drawn attention to the challenges of implementing the EITI in different landscapes: petro-economies, “lootable” settings, and “conventional” environments. Detailed analysis of each category of mineral economy in sub-Saharan reveals that a unique set of challenges must be overcome in order to implement the EITI; and, while host governments are indeed contributing to the problem, other parties are also responsible for the region’s poor economic performance. It is concluded that the EITI is a policy mechanism that could prove effective with accompanying institutional changes in host economies, but will unlikely facilitate reduced corruption, improve governance, and increase transparency on its own in resource-rich sub-Saharan Africa.

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