Administrative Organization of African States and Oil Policy: Angola and Nigeria Compared

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Abstract

Angola and Nigeria are front running countries in terms of natural wealth among other countries in Sub-Saharan Africa. Angola lived under Portuguese rule before gaining independence. Nigeria, on the other hand, was under British colonization. Both still carry part of cultures they had acquired during the colonial period. At present, oil resources are the key element for their economic persistence and they have a notable position in the global oil market. Due to their colonial background, post-colonial experience and challenges that they have faced along with administrative and economic structure, both countries are essential to penetrate in many ways. The central axis of this study is that it explores whether federalism enhances democratic quality and ensures reduction of disparities through equitable sharing of oil revenues.

Keywords: Angola; Colonialism; Federalism; Nigeria; Oil policy; Unitary state

INTRODUCTION

In 2020, Angola announced a new legal regime for domestic participation in the country's oil and gas sector. This allows the encouragement of the acquisition of national goods and services and the replacement of expatriates by Angolan workers. It is expected that new regime will help wealth creation and the promotion of economic diversification in Angola. It will also promote participation in the oil sector from commercial companies owned by Angolan citizens. The new legal regime indeed emphasizes the strengthening of national entrepreneurship, highlighting that foreign technical assistance or management contracts must contain detailed training programs, knowledge transfer, technology, development, and improvement of professional skills for the national labor force, while promoting the use of national raw materials in an aim to reduce imports and increase domestic production (Nana, 2020).

On the other hand, in Nigeria, youth leaders of several ethnic groups lately came together to raise their voice against the authorities for dealing secretly with Shell Petroleum Development Company (SPDC). Youth leaders argued that multinational companies have already stolen from the nation piece by piece and authorities should not tolerate this kind of action a single day more (ThisDayLive, 2021).

Angola and Nigeria are both prominent countries in Sub-Saharan Africa. Oil policy and resource allocation topics are always on these countries' agenda since oil is the main resource in both economies. Given the principal difference in the administrative organization of both states, this research lays out how unitary and federal states design and implement oil policies. The interaction between multi-level governance (MLG) in the oil sector and policy outcomes is studied with a view to how the management of this policy area influences democratic performance or income equality.

The study aims to shed a light on how unitary and federal Sub-Saharan African states design and implement oil policies, with a view to the ways in which the management of this policy area influences democratic performance and socio-economic equality. An effort is made to analyze whether MLG in oil sector and policy outcomes such as the improvement of democratic quality and the reduction of socio-economic disparities are related.

RESULTS

Democratic Struggles

Nigerians' journey towards democracy began with parliamentary democracy. However, lack of political experience showed itself as lack of experience in democratic systems both for leaders and the population. To make democracy work, democratically elected leaders must dedicate to create fair and free nation, but not to their own interest or tribes. Nevertheless, democracy became a tool for dictators in the country, as indeed, oil revenues of the country were misused and corrupted (Palmer, 1997). By this means, first step towards in Nigeria was an unsuccessful attempt. Six years after the declaration of independence in 1960, the military took charge. There are definite reasons why Nigeria was unsuccessful to have democracy in their first attempt.

First of all, lack of experience, again, illustrated itself since citizens were unfamiliar with tradition and ethnicity. Ethnic groups are persistent in Nigeria and people are dependent on these groups. Each felt the need to remain loyal to their ethnic group as it used to be, rather than being loyal to the state itself. Palmer emphasized that "The only political system rural Nigerians really knew was the tribal-ethnic system" (Palmer, 1997 p.593).

Second of all, Nigerian leaders never gave up their personality which came from their affiliated tribe. Creating a united nation was not a goal for political elites. That is why they use their power to gain benefits for themselves and make their ethnic group stronger than others, which provoked all groups against each other (Palmer, 1997).

Thirdly, Nigeria and the British did not have common features, but still, Nigeria implemented British model of democratic system, and this system had no chance but to fail in Nigerian variance (Palmer, 1997). Those institutions had poor democratic performance.

Struggle to build a democratic government lasted almost forty years and was interrupted by a wave of coups during those years. Leaders did not use state revenue wisely and this brought along economic problems and the drive to poverty.

On the other hand, since Angola had been through one of the longest civil wars after independence, it is not possible to mention democracy in the country. In the first free election after the civil war, because MPLA had control over state revenue and media, the party did not abstain from using those sources to manipulate the elections.

The MPLA has turned out to be winner in every election for long, Angola claims that it has hosted fair, free, transparent, and credible elections for the last decade. However, Levitsky and Way suggested that democracy needs an equal level playing field (2010). Otherwise, they call this concept 'Competitive Authoritarianism' which is exactly what happened in Angola. Competitive authoritarianism is witnessed when there are elections with the participation of more than one political party, but a single party generally dominates in the elections over and over again which creates unfair elections (Levitsky & Way, 2010). Competitive authoritarianism occurs when all parties do not have equal conditions in terms of accessing resources, media, and law. Also, the ruling party intimidates the society indirectly by announcing that if the ruling party does not win, order is going to break down again.

When a ruling party controls every single key source in the country, it is not possible to compete and that creates an uneven playing field. It is possible to observe an uneven playing field in the natural resource- dependent countries and those with a colonial background. Angola has both characteristics.

Oil Policy

Sociedade Nacional de Combustíveis de Angola (Sonangol E.P.) is a state-owned enterprise and performs as the one and only holder of national concession for natural resources in Angola. Sonangol E.P. is basically acting as an integrated oil and gas company, which has the entire mining rights for the exploration, research, development, and production of liquid or gaseous hydrocarbons on behalf of the state. It has the authority to partner up with companies in order to develop oil operations in the country, and there are joint ventures with foreign companies. Almost 75 % of oil production is generated from offshore fields in Angola while alongside oil, fossil fuel extraction is one of the main sources of public revenue in Angola (World Bank Group, 2018).

On the other hand in Nigeria, control of crude oil production, distribution and income belongs to the federal government and is legitimated by legislation (such as the Petroleum Act). Federal government controls the exploitation of the resource found in all territories of Nigeria. Nigerian National Petroleum Cooperation (NNPC) is the oil company through which the federal government of Nigeria regulates and participates in the country's oil industry. It is the state oil cooperation established in 1977. NNPC's upstream activities are in joint partnerships with the main multi-national oil companies and these companies are operating predominantly in the on-shore Niger Delta, coastal offshore areas and lately in the deep waters. In this regard, a concession system has been operated between Nigeria and the multinational companies, whereby the NNPC is the concessionaire and the companies the operators. NNPC and the multinational oil companies operate their partnership under the Production Sharing Contracts (PSCs) or Joint Operating Agreements (JOAs).

Rentier Effect

Both countries are underdeveloped and still struggling with poverty. Resource curse may explain the current situation in these countries. Angola and Nigeria have all the following features:

a- The government as a distributor: Both countries have to confront mismanagement of oil resources and revenue allocation. Distribution patterns create a clientelistic approach in the country and corruption. Central power and competencies have been abused by the governments.

b- Lack of accountability: Angola and Nigeria have trouble with transparency, which means that there is a high level of corruption. Top secret oil agreements and lack of relevant monitoring functions feed corruption.

c- Vulnerability to oil shocks and other external events: Since the economy entirely depends on the oil sector, every change in oil prices affects the entire economy and makes it fragile in both countries.

d- Weak political and economic institutions: Both countries have undeveloped institutions and poor economic performance. Each has suffered from unaccountable governments and weak rule of law.

e- Central authority over the economy: Central authorities enjoy absolute power. The entire power is indeed vested directly in the executive presidents. The middle classes basically are out of the picture and have no power. Loyalty of the armed forces only belongs to the leader. Democracy and civil rights have been restricted.

Corruption

Oil contracts are made at the end of a series of negotiations between governments and oil companies, kept away from public scrutiny as top secret and open to corruption due to the lack of transparency (Ojakorotu; Kamidza; Eesuola, 2018).

Academic research shows that corruption level in countries which have natural resources is higher than in resource poor countries (Ades; di Tella, 1999) Since there is no taxation, citizens do not expect transparency from government. The ruling elite enjoy revenue coming from this natural gift. Lack of accountability leads to increasing levels of corruption. Nigeria and Angola provide ample proof. According to the statistics, while they were in the exact same place in 2019, Nigeria and Angola ranked 154th and 136th respectively out of 180 countries in 2021 and Nigerian corruption level has increased since 2017. Nigeria got 25 points out of 100 and there was a one-point decrease since 2020. Nigeria established the Economic and Financial Crimes Commission (EFCC) in 2002 to fight against corruption. After that, it established the Independent Corrupt Practices Commission (ICPC) within the framework of an anti-corruption campaign.

According to the transparency index, Angola has made little progress since 2019. There is a two-point increase since 2020 (Corruption Perception Index, 2021). Transparency has been beginning to increase slowly in Angola. Angolan authorities have designed the law to ensure equal distribution of oil revenue to the nation. Thanks to the legal framework, they aim to decrease corruption and improve accountability as well as transparency all around the country. It has been called the 'Zero Toleration Policy' against corruption (Chêne, 2010). Even the president displayed his private financial status. In addition, the government has provided collection and reporting processes for oil revenues and transfers to create transparency in the oil market.

Corruption has become a topical issue in Angola for a long time. However, for two years, a major news about Isabel dos Santos kept the entire country busy. Isabel dos Santos is the daughter of Jose Eduardo dos Santos who ruled Angola for almost 40 years. She is the richest women in Africa and claimed to be a businesswomen with a wealth that was self-made. Thanks to her father, in 2016, she was appointed as head of Sonangol, state oil company. She became one of the most powerful people in the country as the head of the state oil company.

On January, 2020, the International Consortium of Investigate Journalists (ICIJ) released a detailed report named as "Luanda Leaks" which exposed that Isabel dos Santos' wealth was created by corruption. Luanda leaks published that Isabel dos Santos used offshore companies, took advantage of powerful connections, and used millions from the public funds for her own gain which made her the wealthiest women in Africa with an estimated worth of $2 billion and holdings including telecom, banks and other industries (Freedberg et all, 2020). The ICIJ revealed that there were lawyers, bankers, consultants who had helped her create this wealth.

The Luanda Leaks also revealed that Angola's state oil company Sonangol paid minimum US$38 million just before dos Santos was fired from Sonangol to a consulting firm in Dubai. Surprisingly, this consulting firm is owned by people close to Isabel dos Santos.

Isabel's and her husband's assets have been frozen in Angola, but she does not accept the accusation of corruption and argued that these were politically motivated actions against her (The Guardian, 2020). Isabel dos Santos and two former senior government officials are also subjected to sanctions in USA for misusing public funds for their gain (Chivucute, 2021).

DISCUSSION

Constitution of Nigeria states that Federal government has ownership of natural resources and indeed has "control of all minerals, mineral oils and natural gas.'' (Section 162.1 of the Constitution, 1999). More importantly, the Constitution states that "The principle of derivation shall be constantly reflected in any approved formula, as being not less than 13 per cent of the revenue accruing to the Federation Account directly from any natural resources" (Section 162.2 of the Constitution, 1999).

Within the concept of fiscal policy, Nigeria applies revenue sharing formula which let the federal government share oil revenue among federal, state and, local levels while Angola has a centralized formula like most of unitary states. Case of Nigeria's fiscal policy matches the literature's emphasis that most federal countries apply revenue sharing assignment. In Nigeria, control and allocation duties have been given to the federal government constitutionally. Nigeria's revenue sharing assignment is implemented by a derivation formula. The current set of rule is as follows: Federal Government has 52.68%, State Governments have 26.72%, Local Governments have 20.60%, and Derivation Formula is 13% (Constitution of Nigeria, 1999). Brosio and Singh claimed that "in Nigeria the share – 13 percent of all Natural Resource Revenue – allocated to the States is net of a number of deductions that have each an economic rationale, such as the service of national external debt, but can be subject to obfuscation and improper practices" (Brosio and Singh, 2014 p. 15).

Concentration of oil production by region is an important subject. There are 36 states in Nigeria, but only some of them have oil resources so oil is distributed unevenly in the country. That is why revenue sharing arrangements raised issues in Nigeria in the past and these issues resulted that secessionists' voices led to a civil war.

Lipset suggested that wealthy countries are the democratic countries. Besides, Przworski and Limongi also suggested that richer countries are better democracies (Przeworski & Limongi, 1997). Both ideas have failed for Angola and Nigeria. The idea that economic growth results in higher democracy does not apply to Nigeria and Angola. In terms of democratization level and economic development, findings here are similar to O'Donnell's argument which is that economic growth does not lead to democracy and political elites use wealth to consolidate power and enforce themselves, which makes such countries centralized (Sayarı and Dikici Bilgin, 2018).

On the other hand, Ross's theory tested whether oil hindered democracy in resource rich countries or not (Ross, 2001). This theory makes perfect sense in this case since resource revenues handicap democracy in these two oil-dependent countries. Oil wealth comes in sight as an obstacle for democracy according to Ross's oil – democracy argument (Ross, 2001 p. 356). Since Nigeria and Angola are oil rich countries, his defined rentier effect applied to these countries. As a result of rentier structure, these countries are surrounded by corruption and poverty instead of being a stable democracy.

Federal government has more authority than subnational levels in Nigeria. Constitution of Nigeria (1999) regulates 68 matters in Exclusive Legislative List while Concurrent Legislative List, Extent of Federal and State Legislative Powers, includes 30 matters. Although there is a Concurrent Legislative List, Federal State has wider power. Most of the decision making is in the hand of central power. In other words, central powers are defined generously in the Constitution while joint powers of the states with the center are left limited. In this regard, "dual federalism" and "centralized federalism" have been used to describe Nigerian federalism.

Angola and Nigeria both have colonial legacy which is another reason why these countries have been chosen for this study. While Angola was under Portuguese colonization, Nigeria was a part of the British Empire. Different colonial powers left different features to the countries and created different path in post-colonial era. British used indirect rule in Nigeria and left a system with particular features behind in post-colonial period, while there is no sign of indirect rule by Portugal in Angola and States were seen as a part of Portugal. British system did not fit to post-colonial Nigeria during state formation, because indirect traditional rules were already powerful in the country, even up until today.

In post-colonial era, Angola fell into a civil war while Nigeria had to deal with a long wave of coups and a civil war caused by separatists. Angola was affected by the Cold War during the state formation, while Nigeria had to deal with British style management and still fit into federalism.

CONCLUSION

In this study, the aim has been to discover and compare colonial legacy, administrative organization of states, and oil policy of Angola and Nigeria. More specifically, the making and the implementation of oil policies in the unitary state of Angola and the federal state of Nigeria are compared. Considering these two countries as most similar systems, the question central to the research is whether difference in administrative organization and MLG may explain divergence in the making and implementation of oil policies. My goal is to analyze whether MLG in oil sector and policy outcomes are related or not. The conclusion is that although these two countries are not categorized as fully democratic, our findings show that administrative decentralization in Nigeria has enhanced democratic performance. However, regardless of federal or unitary state systems, poverty remains to be an unsolved problem for both countries.

The contribution of this study is the addition of administrative structure such as being a unitary or a federal state into the discussion of democratization and economic development. Angola's form of state is unitary, whereas Nigeria is a federal state. Nigeria has wider territory geographically, that is why federalism seemed more suitable for Nigeria. Despite different forms of administrative organization of states, both countries have centralized authority. There is a centralized management in Angola and municipalities do not have so much autonomy. Moreover, the same party has been ruling the country since independence in Angola, i.e., for almost 38 years the same ruler was in the charge. Accordingly, the party means the government and even the state itself in the eyes of citizens. The party interferes with almost the entire country. Even if the elections were held in the country, people are afraid of turning back to the civil war period, whereby one party rule is getting stronger.

While Angola deals with such a trauma which causes centralization in the country, Nigerian federalist structure does not manage to prevent centralization either. The concept of federalism allows us to analyze Nigeria in a better way. Researching and theorizing about Nigerian federalism shows that Nigeria has a centralized and dual nature of federalism. Constitution gives most of power to the federal government while some of them are given to the subnational governments. However, as a federal state, Nigeria has a set of rules for revenue distribution. Although collecting and redistributing role has been given to the federal state, having a defined set of rules gives insight to decentralization in the country.

Even though these two countries have control over vast natural resources, HDI shows that life expectancy, life quality, years of schooling, and other conditions are quite low and poor in both countries. Especially in Angola, access to social services is quite problematic. There is inefficient public administration. Since the end of the civil war, there is an ongoing infrastructural development effort. Lack of qualified personnel, health insurance, public hospitals, affordable care in private hospitals, access to electricity and clean water supply have been experienced by many.

In accordance with the rentier state concept, there are profound indicators to validate the resource curse in Nigeria and Angola. Besides other characteristics of rentier states, these two African countries have specific features. Their colonial roots create obstacles for democracy and any other forms of development. First of all, there is political instability since these societies have lack of experience and strong political and economic institutions. Second of all, these countries have a tendency to become authoritarian regimes because they have concentrated power in strong leaders. Thirdly, they have confronted civil wars and the related economic devastation. Finally, there is a high level of inequality. Distribution of rent creates disparity between ruling elite and citizens, reinforcing another social cleavage which deserves the attention of further studies.

Angola and Nigeria are highly corrupt but, in light of recent events, Angola has become more transparent than Nigeria. On the other hand, statistics indicate that while Nigeria is more fragile than Angola according to state fragility index, it still has shown a better performance in terms of governance, political rights, civil liberties, level of democracy, rule of law, voice, and accountability indicators. Considering the HDI results, Angola outperforms Nigeria in terms of expected years of schooling, life expectancy, and GNI. Almost half of the population lives below $ 1.90 a day in Angola, while 39.1 % of population live under the same conditions in Nigeria.

Nigeria is a more complex country than Angola because its population is made up of many different cultural, ethnic, and religious groups. Also, the huge size of its population makes it harder to manage sectarian crisis and nationalistic movements. However, the problematic issues in both countries are almost similar as mentioned in the study. Both countries have not completed their political and economic transformation or political stability. Their main economic problem is oil shocks and corruption due to oil dependency.

Angola and Nigeria were parts of large colonial empires before the post-colonial era. Portuguese administration did not help Angola in making progress in administration during the post-colonial period. Just after independence, civil war occurred in Angola. That is why Angolan people had to internalize authoritarianism. The same party has been ruling Angola for decades. A centralized system has been the main outcome.

Although Nigeria has been ruled by civilian governments over the last couple of decades, citizens are still under the effect of prolonged military rule. However, federalism helps Nigeria attain some degree of decentralization and power sharing, even though corruption remains to be rampant. Yet, the dual and centralized nature of federalism in the country leaves little room for a different way of managing oil resources than in the case of Angola.

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