



JUNE  
2021

## The Economic and Political Consequences of Falling Oil Production in Sub-Saharan Africa by 2030



Benjamin AUGÉ

In association with:



**Ifri** is a research center and a forum for debate on major international political and economic issues. Headed by Thierry de Montbrial since its founding in 1979, Ifri is a non-governmental, non-profit organization. As an independent think tank, Ifri sets its own research agenda, publishing its findings regularly for a global audience. Taking an interdisciplinary approach, Ifri brings together political and economic decision-makers, researchers and internationally renowned experts to animate its debate and research activities.

**Policy Center for the New South**, formerly OCP Policy Center, is a Moroccan policy-oriented think tank based in Rabat, Morocco, striving to promote knowledge sharing and to contribute to an enriched reflection on key economic and international relations issues. By offering a southern perspective on major regional and global strategic challenges facing developing and emerging countries, the Policy Center for the New South aims to provide a meaningful policy-making contribution through its four research programs: Agriculture, Environment and Food Security, Economic and Social Development, Commodity Economics and Finance, Geopolitics and International Relations.

The opinions expressed in this text are the responsibility of the author alone.

*This memorandum has been produced as part of a partnership between the Institut français des relations internationales (Ifri) and the Policy Center for the New South.*

ISBN: 979-10-373-0381-3

© All rights reserved, Ifri, 2021

Cover: © Shutterstock

### **How to cite this publication:**

Benjamin Augé, “The Economic and Political Consequences of Falling Oil Production in Sub-Saharan Africa by 2030,” *Études de l’Ifri*, Ifri, June 2021.

### **Ifri**

27 rue de la Procession 75740 Paris Cedex 15 – FRANCE

Tél.: +33 (0)1 40 61 60 00 – Fax : +33 (0)1 40 61 60 60

E-mail: [accueil@ifri.org](mailto:accueil@ifri.org)

**Website:** [ifri.org](http://ifri.org)

# Author

**Benjamin Augé** has been an associate researcher at IFRI since June 2010. He holds a PhD in Geography from the French Institute of Geopolitics (University of Paris 8), and is also the editor of the Africa Energy Intelligence newsletter. He teaches the geopolitics of oil and gas and African diplomatic issues at the Netherlands Institute of International Relations (Clingendael) and for an executive Master's program at HEC (Paris).

His research focuses on the governance of the oil and gas sectors in African countries. He is particularly interested in conflicts between the various actors (local, national and international) for the control of oil areas, as well as in border disputes related to oil and gas fields. Benjamin Augé has also worked on relations between Africa and certain external powers (Qatar, Saudi Arabia, Turkey, Cuba and Israel and Portugal).

## Executive summary

The sharp rebound in oil prices since the second half of 2020, to nearly \$70 per barrel in May 2021, represents only a temporary respite for oil-dependent African economies that must change their economic model very quickly.

The Covid-19 crisis has weakened the oil economies of the Gulf of Guinea even more than those of other African countries, aggravating a situation that had already become critical as of 2014-2016, the previous period of oil price crisis. While all of Africa's OPEC producers entered recession in 2020, other historically low-volume producers were much less affected by the economic consequences of the pandemic and avoided economic recession.

With oil reserves plummeting, depleted deposits, and high production costs, almost all of the Gulf of Guinea's oil-producing countries need to reform their hydrocarbon sector to try to retain or attract companies that can make large investments as appropriate. This is the case for Cameroon, Gabon, Congo, Equatorial Guinea, Côte d'Ivoire, Angola and the Democratic Republic of Congo (DRC). Elsewhere in sub-Saharan Africa, this is also true for Sudan and South Sudan, and even for countries with relatively small deposits (Niger and Chad). Finally, it concerns production areas located in deep or very deep offshore fields (Nigeria and Angola).

The current environment is moreover becoming more complicated, especially as the volume of oil investments worldwide may decline, owing to the constraints of green finance and the new strategies of the oil majors. Africa's historic Gulf of Guinea production zone will witness a gradual retreat of the Western majors, which will be replaced by smaller companies with lower structural costs. While Nigeria will likely retain the majors for large offshore projects for some time, the implementation of its Petroleum Industry Bill reforming the sector will nonetheless be critical to engaging in these costly investments. In Angola, however, the majors are expected to divest their aging assets by 2030, or even contemplate their complete exit from the country. The same is true in Equatorial Guinea. If Gabon and the Republic of Congo have seen their oil flows increase recently, the fall in production over the medium-term is set to be inexorable.

Nigeria may boast having significant reserves. However, security challenges and systemic corruption at both the federal level and among its nine oil states in the Niger Delta are significantly delaying investment decisions. This is all the more important because large investments will be needed to maintain even a pre-Covid-19 level of production.

Angola has no option but to agree to lower its taxation, as well as its local content and participation requirements in its national company Sonangol, to attract the largest oil companies to new exploration zones, in order to curb the decline in production that began five years ago.

Diversification of the oil-producing economies in Africa will thus have move forward a pace, and will be essential to fund their public sectors, so as to prevent rapid impoverishment of populations. But, so far, most of these producers have been biding their time, betting that oil prices will rise. Gabon is probably the only country that has attempted to implement a real diversification plan over the last decade, as in agriculture, a sector which requires more labor than the oil sector. Gabon is also the region's only major producer that has established welfare-state policies, even if these perform poorly.

Traditional lenders (like the IMF) are struggling to accelerate the transformation of these economies that are “hooked on” petrodollars, even when loans granted are conditional. The regimes in place in these countries suffer only marginally from falling prices and production. Their resilience seems strong, especially given that the oil sector has never financed any welfare state (save in Gabon) and has never provided any benefits to the population beyond often-regulated gasoline pump prices (which are tending to disappear in Nigeria).

Equatorial Guinea – and soon Congo – is probably the country facing the greatest difficulties. Output levels have been plummeting for almost a decade, and the economy has been in recession since 2016. The absence of significant reform of the hydrocarbon sector, coupled with recent rigidities concerning local content, and obstacles to company departures have not helped attract substitute actors suitable to local power centers, and will likely lead to a narrowing of Equatorial Guinea's extractive sector. Having never developed any welfare state and having increasingly suppressed any protests, Malabo should however not face socio-political difficulties.

# Table of contents

<b>INTRODUCTION .....</b>	<b>6</b>
<b>SUB-SAHARAN OIL-PRODUCING COUNTRIES REACT DIFFERENTLY TO CHANGING MARKET CONDITIONS.....</b>	<b>8</b>
Producers facing the economic and geological challenges to oil .....	8
Some producers are looking to improve their attractiveness .....	11
Others are remaining inflexible, at the risk of worsening their situation.....	14
Gas, a new opportunity in sub-Saharan Africa .....	16
<b>THE OIL COUNTRIES OF THE GULF OF GUINEA LAG IN ECONOMIC DIVERSIFICATION .....</b>	<b>20</b>
The role of oil revenues in the functioning of African governments.....	22
Donors are struggling to impose structural reforms .....	25
The prospects of political stability in the region's oil-producing countries.....	28
<b>CONCLUSION .....</b>	<b>32</b>

# Introduction

In many ways, 2020 represented a turning-point in the oil sector. The Covid-19 pandemic led to a 9% fall in world oil consumption, to an average of 92.2 million barrels per day (mb/d). This was the biggest drop since 1980.<sup>1</sup> This situation led to a mechanical plunge in the prices of reference crude oils, with the Brent in London, for example, reaching a low point of \$16 in April 2020, even though in January 2020, it was worth more than \$63 on average. The oil companies have suffered losses (ExxonMobil, BP and Chevron) or sharp declines in their profits (Total and Shell).

The oil-producing countries have been particularly affected. However, for some of them in the Gulf of Guinea, 2020 is just another step in the degradation that began with the last crisis in falling prices in 2014-2016. The challenges are threefold: falling prices, falling output, and insufficient economic and taxation diversification.

The historic producers in the Gulf of Guinea all have their specificities. But they have one thing in common: an overwhelming share of their budgets depends on oil revenues, with oil being a near-monopoly export. In addition, they also share a similarity that reinforces their vulnerability: Most of their oil fields are being depleted (Cameroon, Gabon, Congo, Equatorial Guinea, Côte d'Ivoire, Angola, DRC, Sudan and South Sudan) and/or are very costly because they are located offshore in deep or very deep waters (Nigeria and Angola) or are relatively small (Niger and Chad). Some of these countries have been producing oil since the 1950s or more recently (Equatorial Guinea, Sudan, South Sudan, Niger, Chad and Ghana). To survive in an increasingly competitive environment, which is also subject to climate neutrality transformations, they will have to undertake profound tax and governance reforms, if they want to continue to be on the map of significant producers by 2030, and so make the most of their resources economically.

These challenges are reinforced by the changing “business model” of the European oil majors, that has been accelerated by the Covid-19 crisis. The sharp fall in prices, together with increasingly severe climate constraints have forced them to diversify, irreversibly, towards an energy company model whose investments are

---

1. “Eia Estimates That Global Petroleum Liquids Consumption Dropped 9% in 2020”, US Energy Information, January 29, 2021.



increasingly concentrated in renewable energies and low-carbon technologies. For a decade, they have been gradually reducing their activities on the African continent. Europe's majors are now willing to invest heavily in renewable energies, primarily in developed countries.

The purpose of this study is to ask whether, in a context of reduced global oil investments, the oil producing countries of Sub-Saharan Africa – and mainly those of the Gulf of Guinea – will be able to reform their economies and remain attractive, in order to avoid slow but continuous impoverishment. The first part of this study is devoted to ongoing reforms – or the lack of reform – in these countries' oil sectors. Some producers have incorporated the fact that competition will become increasingly intense after the pandemic, and that some of their previously discovered crude may never be exploited if tax, political, and security conditions are not satisfactory. This is all the more likely if the reserves in question are small in size. Specific attention is also given to gas, which can also be used as a transition energy for the economies of some African countries, whether for export or to satisfy growing domestic electricity demand. Second, the study assesses the level of dependence on oil in some countries in sub-Saharan Africa where low economic diversification, and even its total absence, is dangerous. Such single-product exports worry traditional donors who are trying to impose reforms in exchange for new funding. Finally, the political consequences and impacts on stability of this uncertain period are studied, with producers in the Gulf of Guinea suffering from falling incomes and having less and less socio-political room for maneuver. This last part looks to the future, and it seeks to set out some hypotheses about the evolution of political regimes. These have been operating since independence thanks to oil revenues, which are now set to fall inexorably in the near future, depending on the country in question.



# **Sub-Saharan oil-producing countries react differently to changing market conditions**

## **Producers facing the economic and geological challenges to oil**

The more oil-producing countries in sub-Saharan Africa are dependent on oil wealth, the more their GDP and economic growth have collapsed in the last five years, marked by two periods of oil-price crises (end 2014 to 2016, and in 2020). Having not undertaken diversification and seeing production collapse, some countries have experienced a halving of their GDP. This is the case in Equatorial Guinea, which saw GDP shrink from \$22 billion to \$11 billion between 2014 to 2019, with production now barely above 110.000 b/d (OPEC figures). The collapse of per capita GDP, from \$23,000 in 2008 (at its peak) to \$8,131 in 2019, highlights the country's dramatic economic situation. Equatorial Guinea has been fully dependent on hydrocarbons since the early 1990s. As GDP contracted by 6% in 2020, and the outlook for 2021 is only for a 2.2% in economic growth, it will not easily be able to stop the spiral of its impoverishment.

**Table 1: Oil Producers in Sub-Saharan Africa  
Face a Structural Crisis**

	Production in 2014 in million barrels per day	Production in 2019 in million barrels per day	GDP in 2014 \$bn	GDP in 2019, \$bn	Poverty rate in 2018	Growth in 2020 and expected in 2021	GDP/ capita in \$, 2019
<b>Nigeria</b>	2.2	1.7	546	448	40% but rather 60%	-4.3% and 2.1%	2,430
<b>Angola</b>	1.8	1.3	145	88	52%	-6.4% and 3.2%	2,080
<b>Congo</b>	0.24	0.32	17	12	40% in 2011	-7.8% and 0.2%	2,510
<b>Gabon</b>	0.21	0.21	18	16	33.4%	-2.7% and 2.1%	8,600
<b>Equatorial Guinea</b>	0.26	0.11	21	11	Unknown	-6% and 2.2%	8,070
<b>Ghana</b>	0.10	0.19	53	67	23.4%	0.9% and 4.6%	2,370
<b>Chad</b>	0.11	0.12	14	11	42.3%	-0.9 % and 1.8 %	740
<b>Cameroon</b>	0.096	0.055	35	39	37.5% in 2014	-2.8% and 3.4%	1650
<b>Côte d'Ivoire</b>	0.035	0.048	35	58	39.5%	1.8% and 6.1%	2,570
<b>DRC</b>	0.025	0.025	35	50	63.9% in 2012	-0.1% and 3.8%	785/587
<b>Sudan</b>	0.12	0.10	64	30	46% in 2009	-3.6% and 0.4%	787
<b>South Sudan</b>	0.155	0.14	14	Unkno wn (civil war)	76% in 2016	-6.6% and 5.3%	314
<b>Niger</b>	0.020	0.020	10.8	12.9	40.8% in 2018	1.2% and 6.9%	564/632

Sources: IMF, OPEC, World Bank, BP Statistical Review of World Energy 2020.

Angola is another oil country in a particularly difficult situation, as according to the IMF it has reached a deficit that is equal to nearly 130% of GDP. The first recession in Angola since 1993 (due to the civil war at the time) dates back to 2016 (-2.6%) and was itself followed by four years of negative growth rates: 2017 (-0.2%), 2018 (-1.2%), -0.9% in 2019 and -6.4% in 2020. These worrying figures are mainly the result of a continuing decline in oil production. Another case of prolonged recession since 2016 has been the Republic of Congo (with -10.6% in 2016, -4.4% in 2017, -6.4% in 2018, and -0.9% in 2019). The country is in an unique situation compared to the other oil-producing countries in 2021, as the IMF estimates that growth this year will still be near zero, even as output has risen in recent years and prices have risen since late 2020. The output rate of 329,000 b/d is related to Total's North Moho project. But this upward curve will not last. By contrast, Gabon was much less affected in 2020, with a recession of only -2.7% and a rebound of 2.1% expected in 2021. Unlike all other producers in the Gulf of Guinea, this country is more resilient because its economy is more diverse, and 2020 was its first recession since 2009. Production has been stagnating for several years despite a small rebound in the last two years, due to the Dussafu Block, so output is about 210,000 b/d. Finally, Nigeria (-4.3% economic growth in 2020) has had its second recession after the 2016 recession, and the rebound in 2021 is not expected to exceed 2%.

Quite logically, other oil state in the Gulf of Guinea with much more diversified economies such as Côte d'Ivoire (48,000 b/d) or Ghana (190,000 b/d), respectively the world's first and second largest cocoa producers, are faring much better. They did not cut their production in an attempt to push up prices – not being OPEC members – unlike all of the countries previously mentioned, which were forced to abide by OPEC rules. On April 12, 2020, the latter enacted cuts in output of 10 million barrels per day, a measure that has been gradually relaxed since.

Countries with more diversified economies have mostly even escaped recession, with growth of 1.8% for Côte d'Ivoire and 0.9% for Ghana in 2020, and a rebound in 2021 estimated respectively at 6.1% and 4.2%. The same is true of the Democratic Republic of the Congo (25,000 b/d), which is dominated by mining activities: GDP has remained stable and growth is expected to reach 3.8% in 2021, according to the IMF. The situation is similar for Cameroon, where the recession was only -2.8% in 2020, and where the economy is expected to rebound by 3.4% in 2021, with low output for 2020 of 55,000 b/d average (figures from the National Hydrocarbon Society, SNH). Producing countries outside the Gulf of Guinea area such as Niger (1.2% in 2020 and 6.9% economic growth in 2021 with 20,000 b/d), Chad (-0.9% in 2020 and 1.8% economic growth in 2021

with 132,000 b/d), Sudan (-3.6% in 2021 and 0.4% economic growth in 2021 with 102,000 b/d) and South Sudan (-6.6% in 2020 and 5.3% economic growth in 2021 with 139,000 b/d) have stepped out of oil production to varying degrees.

Recognizing that the current period is becoming less favorable to them, some oil producers in sub-Saharan Africa have begun to offer some regulatory flexibility to encourage producer companies to continue their investments. The year 2020 thus marked a real break, even though the all-powerfulness of the oil states – as they represent themselves in negotiations with the oil companies – began to crack in 2014-2016. This was a previous period of sharp oil-price declines, when some adjustments were already implemented.

## Some producers are looking to improve their attractiveness

The attractiveness of oil-producing countries can be measured by taking into account various parameters such as taxation, governance (speed of decisions and simplified one-stop-shop authorizations), the role of the state oil company, local content, and a stable legal framework.

Gabon began the process of revising its hydrocarbon legal code in 2014, before oil prices collapsed in the second part of a year (the Brent price fell from \$109 per barrel in January 2014 to \$46 in January 2015). The country, however, adopted a text that was even more complex than its previous codes and with very little incentives. The document had been drafted when prices were still very high at the beginning of 2014. After the failure of the tenders offering new blocks and while the decrees to implement the new code were themselves still being drafted, the Gabonese Ministry of Oil then returned to the drawing board to write up a new code which was finally voted in Parliament on July 16, 2019. This time, the objective was clearly to be attractive: The share of the state in production-sharing contracts was set at a maximum of 40% or 45% depending on the zones, instead of 50% and 55% in the short-lived code of 2014. Corporation tax was eliminated and other incentives were offered to the oil companies. The path the then oil minister, Etienne Mboumba, wanted to take was to reach 300,000 b/d in 2021, an optimistic output volume that will probably never be attained. In 2020, Gabon managed to extract 207,000 b/d with some difficulty,<sup>2</sup> an almost identical volume to 2019, as the country had not complied with the production cuts imposed by OPEC as of May 1, 2020. Despite promotion efforts by the authorities in Libreville, the 12<sup>th</sup> tender launched in September 2018,

2. "Monthly Oil Market Report", OPEC, February 2021, available at: [www.momr.opec.org](http://www.momr.opec.org).

on the basis of the new code to be adopted in 2019, was not conclusive, even though the authorities were already communicating the benefits of this unfinalized text. On April 23, 2020, as a result of the pandemic, the ministry postponed the submission of final offers again, yet this time without giving a deadline. In 2016, Shell had sold all of its productive assets to Assala Energy (controlled by the US Carlyle Fund), and Total gradually sold its blocks and infrastructure (such as the Cape Lopez export terminal) to the unlisted family-owned company Perenco,<sup>3</sup> and to Assala Energy. It is therefore difficult at this stage to assess whether the 2019 legal code on oil, which is a priori much more favorable to oil companies, will restore the attractiveness of Gabon, where production has gradually declined by 150,000 b/d since 1996.

Angola has also suffered a continuous decline in production since 2016. This is despite the fact that the country has put in place provisions to try to retain and attract new oil companies, even though its legal framework for oil is still very complicated, giving work to specialized lawyers. The creation in 2018 of an authority to regulate the sector in charge of granting permits and enforcing contracts (the Agência Nacional de Petróleo, Gás e Biooxidizstíveis or ANPG) has made it possible to clarify the tasks attributed to Sonangol (which now manages only the state's interests). ANPG has been instructed to be more flexible on the tax aspects related to projects with oil majors wishing to extend their contracts. Thus, Chevron was able to negotiate more favorable tax terms for the extension of its Block 14 in February 2020 (where production was falling rapidly), through to 2028.<sup>4</sup> Similarly, Total easily obtained an extension of its license for Block 17 in December 2019, as did ExxonMobil for Block 15 in June 2019. Change in Angola has thus been notable, as more favorable contract renegotiations with oil companies had almost been impossible until then. The crisis is pushing the government of the new President João Lourenço to facilitate investments by actors already present in the country – at all costs. The Angolan Head of State has also allowed direct negotiations between ANPG and certain companies wishing to explore the new Namibe basin, where ExxonMobil took three blocks (30, 44 and 45) with Sonangol, in October 2020. Finally, and still in view of making the Angolan oil field attractive, President Lourenço validated by decree a special regime for the development of gas on May 18, 2018. The “petroleum income tax” was much lowered (to 25% and may be as low as 15% for unassociated gas below 2 trillion cubic feet or 56.6 billion cubic

3. "Gabon : Total vend des participations dans plusieurs champs matures à perenco et optimise ses opérations", February 27, 2017, available at: [www.total.com](http://www.total.com).

4. "ANPG Signs MoU with Block 14 Partners", Africa Oil & Power, February 24, 2020.

meters).<sup>5</sup> These new conditions contributed to the signing of the New Gas Consortium (NGC) in November 2019, between the majors Chevron, Total, Eni and BP, to build a plant for processing 400 million cubic feet of gas per day (at a cost of \$2 billion). Similarly, on local content, the President of Angola initialed a decree setting out new rules on October 20, 2020. All of these are now summarized in one document. Previously, given the lack of legislation on the subject, it was difficult for oil companies to understand their situation and violations of regulations found during audits occurred frequently. At the end of each year, companies must now submit a plan to the ANPG on the local content for the following year. Finally, Angola has been working for two years to privatize part of Sonangol's capital.

As for Nigeria, Covid-19 has finally brought the Petroleum Industry Bill (PIB) out of limbo, as legislation (on the new hydrocarbon code) was first introduced in parliament in 2008. It was brought before the Nigerian Senate in December 2020, and the bill is expected to be passed in 2021 after several months of discussions with partners within the framework of the “public hearings”. While not all oil companies are satisfied with the present preliminary results, this document will clarify the tax conditions. In particular, it includes progressivity regarding indexed royalties on crude prices, with differences across areas (onshore, shallow offshore and deep offshore). The PIB also determines price formulas for the purchase of gas for domestic uses. The text moreover provides some safeguards to prevent vandalism of oil infrastructures. This has been very common for two decades, and the Bill proposes setting up a “host community fund” equal to 2.5% of operating expenses. Oil companies will be able to tap into this fund to finance the repairs, with the aim thereby of making community leaders near oil fields more responsible for security, as they will lose funding in case of vandalism. Insecurity is undoubtedly one of the reasons for underinvestment in the Niger Delta, even as Nigeria boasts massive reserves of 37 billion barrels, and in theory has the potential to produce oil for several decades to come.<sup>6</sup> Yet for decades output hovered around 2 million barrels per day, while now it is far below that level. However, it could easily exceed 3 mb/d if insecurity and corruption were brought more under control. The future PIB creates two new regulatory authorities: the Nigerian Upstream Regulatory Commission and the Midstream and Downstream Regulatory Authority. These two entities will supervise the powers of the Minister of Petroleum Resources, who will be forced

5. For a detailed study of the benefits of the new gas law see Mayor Brown, reed “Angolan President passes Presidential Decree Approval New Natural Gas Law”, May 23, 2018, available at: [www.mayerbrown.com](http://www.mayerbrown.com).

6. BP Statistical Review of World Energy 2020.

to consult them. Previously, the minister could refuse to sign agreements between firms (block sales, for example) without providing any justification. The delays on the PIB along with security problems have been freezing several very important projects for years, which would be capable of increasing Nigerian output by 800,000 b/d. This is the case for Bonga South West (225,000 b/d) and Bonga North (100,000 b/d) developed by Shell, for the Zaba Zaba and ETAN fields (120,000 b/d) by ENI and Shell, the Nsiko field (100,000 b/d) by Chevron, and the Bosi field (140,000 b/d) by ExxonMobil.<sup>7</sup>

While Congo did pass a new hydrocarbon legal code in 2016, in the midst of falling prices, it was not intended to tighten tax conditions, but rather to make legislation clearer by proposing a single type of contract. In particular, the country ended its concessions regime, whereby the state had no stake in activities and was paid only in taxes and royalties. It then gradually moved all obstacles to production-sharing contracts. The other key novelty of this text is that it gives the state a mandatory, minimum participation of 10%, via the National Petroleum Company of Congo (SNPC). Previously, the SNPC had no guaranteed participation.

## **Others are remaining inflexible, at the risk of worsening their situation**

By contrast, some African producers in the Gulf of Guinea are not prepared to change their regulatory and tax frameworks to make themselves more attractive, despite the crisis that is hitting them all hard. This is particularly the case in Equatorial Guinea, which mainly applies its 2006 hydrocarbon code. A new regulation was drafted in 2020, notably to extend production and exploration contracts for two years as a result of the pandemic, but this was offset by stricter rules on local content. Yet the consequences of a very unfavorable framework are already palpable: production has collapsed between 2005 (376,000 b/d) and today (just over 100,000 b/d). In addition, virtually no project has been able to stabilize production to date, while all of the country's fields are facing rapid depletion: Zafiro/ExxonMobil on sale since 2019, and Ceiba/Kosmos operated by Energy-Trident Energy since Hess's departure in 2017. The government's take in revenue is 85% and so is very unfavorable to companies in contracts. Equatorial Guinea is advised by Venezuela through an agreement in principle signed in 2019. Already at the time of the former Venezuelan president Hugo Chavez (in power from 1999 to 2013), the relationship with the Equatoguinean President

---

7. "The Lethargy to Pass PIB", *This Day*, March 28, 2021.



Teodoro Obiang Nguema (in office since 1979) was very strong. The main actor in organizing the last two calls for tender – Ronda 2016 and Ronda 2019 – was Venezuelan Director of Perceptum, Roberto Blanco, who has been adviser to the Ministry since 2008.<sup>8</sup> Yet the results have not met the government's expectations. The list of winners, released on November 26, 2019, showed once again that the majors are no longer interested in the country. Only Nigerian companies with limited exploration skills but close to some prominent figures in power in Malabo, the Russians of Lukoil, the Americans of Noble Energy (bought in 2020 by Chevron) and the junior Vaalco, which is already present, have shown some interest. Moreover, another characteristic of Equatorial Guinea is that contract negotiations are lengthy. Some companies that won blocks in 2016, such as Nigerians of Taleveras, have since given up, discouraged by the slow pace of the process. The country has been tougher and tougher on foreign oil companies since 2018 in terms of local content, in contrast to Angola. This new intransigence is explained by the fact that locally-owned firms are organized through the Alianza Nacional de Compañías de Servicio del Sector de Hidrocarburos (NAHSCO), an association to lobby the state to obtain a larger share of a shrinking market, as developments become rare. The Director General Local Content at Equatorial Guinea's Ministry of Mines and Hydrocarbons, Jacinto Owono, has for two years also imposed that nationals sit on the board of directors of foreign companies registered in the country.<sup>9</sup>

Finally, it is important to note that since 2019, the government in Malabo has blocked some sales of assets such as ExxonMobil's Zafiro. The Ministry of Mines and Hydrocarbons refused to accept market entry by Trident Energy (founded by the ex-Perenco) on the grounds that the company was not the same size as the out-going oil company, and that the French nationality of the executives was not ideal. In February 2020, Vice-President Teodorin Obiang Nguema was convicted of embezzlement of public funds at the Paris Court of Appeal. His suspended three-year prison sentence and €30 million of fine were heavy, and contributed to tensions with France.

In a document dated March 24, 2021, entitled “Can West Africa's Mature Hydrocarbon Producers Navigate Turbulent Transitions?” the British consultancy IHS Markit ranked the level of attractiveness of mature oil-producing countries in the Gulf of Guinea region from 1 to 10, based in particular on their taxation and their success rate in exploration.<sup>10</sup> The two least-attractive countries by far are Equatorial

8. “Equatorial Guinea: Malabo Hires a Venezuelan Oil Consultant”, *Africa Energy Intelligence*, November 24, 2015.

9. “Equatorial Guinea: Gabriel Obiang Lima Cracks Down on Technipfmc and Schlumberger”, *Africa Energy Intelligence*, September 18, 2018.

10. A brief summary of the study written by Roderick Bruce is available at: [ihsmarkit.com](https://www.ihsmarkit.com).

Guinea (3.8) and Cameroon (3.7). Nigeria is not considered mature, owing to the volume of reserves still to be developed, even though it suffers from chronic under-investment. It was scored at 4.2 on the basis of successful exploration, followed by Gabon with 4.5, given its attractive taxation. The Republic of the Congo reached a score of 5.2, and Angola and Ghana almost 6, thanks to exploration successes.

## Gas, a new opportunity in sub-Saharan Africa

Several large export-oriented gas projects have been launched, including: Mozambique with so far two trains and one floating liquified natural gas (FLNG) vessel;<sup>11</sup> Senegal/Mauritania with phase one of the Tortue field; and in Nigeria, train 7 of Nigeria LNG Ltd. On top of this, certain African oil-producing countries could cushion the contraction of their hydrocarbon sectors by developing some smaller gas reserves for export via small-scale FLNG facilities. The latter are less expensive than shore trains and, above all, much faster to implement. Some countries could also use gas previously kept to supply local power plants.

Cameroon has been a leader in using an FLNG vessel for its gas exports, thanks to the Franco-British firm Perenco, which in turn contracted Golar to supply of the Hilli Episeyo vessel.<sup>12</sup> This FLNG vessel – the first in Africa and one of only five currently in the world – produces modestly 1.2 million tons of gas per year (200 million cubic feet per day), though it has a capacity of 2.4 million tons per year. The advantage of this technological choice is that it can be used with relatively small reserves (less than one trillion cubic feet or 28.3 billion cubic meters). In addition, this installation, supplied by the Sanaga South field, is also used for the electricity power plant in the coastal town of Kribi. The vessel has enabled Cameroon to increase hydrocarbon production, which had been in freefall for 20 years. In 2020, the average oil/gas output was 54,000 oil-equivalent barrels,<sup>13</sup> still far below its peak of 173,000 b/d in 1986. In Mozambique, ENI will install a similar, but larger, vessel (with a capacity of 3.4 million tons per year), as of 2022.

Other similar projects could enable the hydrocarbon sector in other countries of the region to generate additional export revenues via liquefied gas – as long as costs and taxes are

11. For floating liquid natural gas. These FLNG facilities are vessels that collect produced gas in gaseous form before liquefying it. LNG tankers can then collect the cargo directly in liquid form.

12. For all project data, see Perenco's website: [www.perenco.com](http://www.perenco.com).

13. SNH statistics, available at: [www.snh.cm](http://www.snh.cm).

contained. They could also improve electrical production. Such projects, if aimed at supporting access to electricity locally, may be eligible for funding from multilateral donors. This is the case in Senegal with the discovery in 2017 of the Yakaar field by BP.<sup>14</sup> It is much more modest than Grand Tortue field, shared with Mauritania. But it could also be developed to supply new power plants on the Senegalese coast, or old ones with modified turbines. A study funded by the World Bank on the construction of a network to pipe offshore gas is being prepared. For several years, Congo has also had a power plant supplied with ENI's associated gas, which increased its capacity from 314 MW to 484 MW in January 2020. As for Nigeria, dozens of plants are already operating on gas, but their total capacity remains very insufficient to meet demand. Ghana produces significant quantities of gas from the Jubilee, TEN and Sankofa fields that supply some of its power plants. But local volumes are insufficient for domestic consumption and do not allow all regions of the country to be reached. As a result, in June 2021, Ghana is set to bring into service a floating storage and regasification unit (FSRU) with a capacity to handle 1.7 million tons of imported liquefied gas import per year at the port of Tema, with Shell as a partner.<sup>15</sup> This will be the first FSRU in sub-Saharan Africa. An FSRU was also under discussion for several years between Total and Côte d'Ivoire, but the project did not take off. Moreover, small-scale FLNG vessels and/or the use of associated gas (previously burnt off) for electricity could benefit countries in the Gulf of Guinea that are still highly dependent on oil products for their modest production of electricity. For new and future producers such as Mozambique, Senegal, and Uganda, negotiations with oil companies will need to focus on prices and volumes of gas reserved for the domestic market, in order to promote the development of local industries and/or access to electricity. LNG was developed in Algeria (as early as 1964) and then in the Gulf of Guinea from the 1990s onwards (Nigeria), and then by Equatorial Guinea (EGLNG, 2007). It is therefore a technology which is still relatively uncommon in the region.

Unlike the old oil and gas-producing countries, those who aspire to become producers have had time to learn from their neighbors' experiences in order to strike a balance between a country's needed returns – taxation and local content – and sufficient attractiveness to ensure the development of their reserves. Current developments concern Senegal with the Sangomar oil project, and the gas project in the Grand Tortue field

14. "BP Announces Major Gas Find Offshore Senegal", BP, May 8, 2017, [www.bp.com](http://www.bp.com).

15. Energy Voice, « FRU Arrives in Ghana for Tema LNG », January 7, 2021.

shared with Mauritania, as well as Uganda for oil and Mozambique for gas.<sup>16</sup>

In January 2019, Senegal's parliament adopted a new hydrocarbon code, replacing the 1998 Law. The latter was already very favorable to the oil sector because it had been voted at a time when oil prices were at their lowest (the average Brent price in 1998 was only \$10 per barrel). The 2019 Law introduces some advantages for the state, such as a 10% stake for the State company Petrosen, but whose costs are fully borne by private oil companies during the exploration and development phase: an additional 20% may also be acquired, but after payment corresponding to the share participation. However, the aim of this text is more to clarify the organization of the sector, to impose a single contract (production sharing), and to define tenders as the mode for promoting blocks.<sup>17</sup> It was clearly not written to significantly increase taxation, following the discoveries of the Sangomar and Tortue fields in 2015. As for local content, a series of presidential decrees were drafted in 2020 and largely inspired by COS Petro-Gaz, the unit in charge of this sector in the presidency. These decrees have clarified the country's strategy, emphasizing a degree of flexibility, and relying on broad principles, and leaving details for negotiations with companies. This should not, in principle, dissuade current investors, nor potential newcomers. The aim of Senegal's President Macky Sall is to achieve 50% local content by 2030, which is possible because of the time left to local companies to compete with international firms.<sup>18</sup> A National Local Content Monitoring Committee (CNSCL) will be responsible for ensuring that this objective is achieved on time.

With gigantic gas discoveries of 4,530 billion cubic meters or 160 trillion cubic feet, Mozambique has not opted for drafting a law on local content, favoring the decree-law of its previous president (Armando Guebuza) of 2014, in which principles on this subject are set out summarily. Since then, the country's regulatory body, the Instituto Nacional do Petroleo (INP), has been organizing a "task force" with the Ministry of Mineral Resources and Energy with the aim of clarifying the legal framework of the local content policy. This group is supported by a number of World Bank-funded advisers, including specialists from the Tony Blair Institute for Global Change (Gustavo Santos) and Eric William, a former energy

16. This excludes Tanzania or Kenya for the moment, as no investment decision is expected to occur for at least a year due to political and/or security reasons.

17. The full text is available on the official page of the ITIE in Senegal at: <https://itie.sn>.

18. "Senegal: Local Content Nightmare Haunts Macky Sall and Petrosen", *Africa Energy Intelligence*, February 2, 2020.

minister for Trinidad and Tobago.<sup>19</sup> As shown in a previous study by IFRI, the party in power since independence (Frelimo) has not been a model of good governance and good practice in the sector.<sup>20</sup> Total's main gas project (12,9 million tons) is on hold for safety reasons, and at the end of April 2021, this major declared *force majeure*, removing its personnel from the Afungi site.

---

19. "Mozambique: The Local Content Trio Squaring up to Total, Eni, and Exxonmobil", *Africa Intelligence*, February 10, 2021.

20. B. Augé, "Mozambique: Security, Political and Geopolitical Challenges of the Gas Boom", *Études de l'Ifri*, August 2020.

# The oil countries of the Gulf of Guinea lag in economic diversification

This analysis does not cover all the producing countries in sub-Saharan Africa and concentrates on the five largest oil economies outside the Maghreb, namely: Nigeria, Angola, Gabon, Equatorial Guinea and the Republic of Congo. The common feature of these countries is that economic diversification has barely begun, with some leaders becoming accustomed to putting up with lower incomes in crisis years. This is all the more so given that services to the population are relatively low (with the exception of Gabon), and that declining oil revenues do not lead to visible disruptions. (Côte d'Ivoire, Cameroon and the DRC, are all oil producers but in small volumes, while Ghana is not included in this analysis).

The post-Covid-19 period is likely to be even more volatile for oil-producing countries that are almost entirely dependent on their functioning on oil revenues, making diversification an inevitable issue, whereas until now, such talk about diversification was quickly forgotten once prices rose. The reduction in global oil investments, the transformation of the Western major oil companies, combined with high production costs per barrel in the Gulf of Guinea, are raising fears of a steady fall in revenues generated by the sale of hydrocarbons in the region. Economic diversification, while often mentioned yet so little implemented, could be accelerated by private and foreign direct investment (FDI) in non-oil sectors. But it must also be accompanied by proactive state policies in terms of infrastructure construction and improved business climates.

The World Bank's "Doing Business" ranking provides an annual insight into the perception of business environments (corruption, tax racketeering,<sup>21</sup> time spent in government administrations to obtain official documents, existing infrastructure to transport products to customers or suppliers, etc.). The 2020 ranking (the latest available) shows how much African oil-producing countries

---

21. Many oil countries in the Gulf of Guinea periodically use tax inspections to fill Treasury coffers in times of crude oil price falls. This contributes to reducing investments by existing companies and to driving away potential new firms that are interested in exploring countries' geologies.

are embarking on diversification with significant handicaps. Nigeria is ranked 130 out of 190, Gabon 169, Angola 177, Equatorial Guinea 178, and Congo 180. As for Chad, which is not located in the Gulf of Guinea but has been producing oil since 2003, it is in place 182. Most of Africa's non-oil-producing countries by contrast are significantly better positioned for their business climate (Rwanda is 38, Morocco 53, Kenya 56, and South Africa 84).<sup>22</sup> Similarly, states for which oil is only one component of the economy fare better, such as Ghana (118) and Côte d'Ivoire (110). Nigeria is encouraged in the report for its recent reforms aimed at promoting its attractiveness, and Gabon has also made progress with the creation of a one-stop-shop for creating companies, and faster new permits for building, as well as easier access to credit. The same is true for Congo, where access to credit has been facilitated through partnerships with the Central African Economic and Monetary Community (CEMAC). According to the World Bank, some improvements have also been notable in Equatorial Guinea, concerning the reduction in the costs of company registration and better access to credit again within CEMAC. However, laudable efforts to attract foreign capital and facilitate the business climate remain very inadequate in these oil-producing countries. This is especially as almost all FDI is still concentrated in the oil sector.

Among the five Gulf of Guinea countries studied, Gabon has best understood the urgency of diversification. The reason for this awareness is that its welfare services are much more extensive than in other countries where basic services are virtually non-existent. Gabon implemented its Emergent Gabon Strategic Plan (PSGE) in 2011 to enable its economy to become "emerging" by 2025 – a vague but costed concept in the presentation paper. The plan is built on several pillars: "Industrial Gabon, developing industrial capacities in particular in the hydrocarbons, mining products and metallurgy sectors; Green Gabon, strengthening the wood, agriculture, livestock and fisheries sectors; and Gabon Services, promoting tourism and financial services."<sup>23</sup> A special economic zone – with low-taxes – was also inaugurated in Nkok. On the other hand, agricultural projects have been accompanied by the rise of the Singaporean giant Olam, which now employs some 15,000 people, or more than in the entire Gabonese oil sector.<sup>24</sup> While some of the objectives of the plan will not be achieved in 2025, Gabon is an oil-producer which has given

22. "Ease of Doing Business 2020: Comparing Business Regulation in 190 Economies", World Bank, 2020.

23. "Gabon – Economic Diversification Support Project (PADEG) – Appraisal Report", African Development Bank, August 16, 2018.

24. Compared to 10,000, five years ago.



itself the means to achieve a transition that most other countries in the region have not undertaken.

## **The role of oil revenues in the functioning of African governments**

The oil countries of the Gulf of Guinea are not everywhere comparable, and oil wealth does not serve the same objectives. In particular, it is not experienced in the same way according to population size and the proposed level of public welfare services. This concept is taken to mean here: “the involvement of government in the social and economic fields in order to ensure benefits for citizens.” In 2019, the US Energy Information Agency (EIA) estimated the oil export revenues for OPEC members.<sup>25</sup> For Africa, which accounts for half of the members of the Vienna-based organization, oil income was shared out as follows: \$37 billion for Nigeria, \$33 billion Angola, \$7 billion for Congo, and \$4 billion for Gabon and Equatorial Guinea each. While earnings per country are not yet known for 2020, OPEC has already given an overall figure which shows that its 14 members’ total revenues fell sharply from \$595 billion in 2019 to \$326 billion in 2020. It is also useful to compare per capita oil income in 2019. This was highest in Libya that year, at \$3,497, whereas it was \$2,839 per capita in Equatorial Guinea, and \$1,956 in Gabon were. By contrast, per capita income was only \$1,293 in Congo, \$1,032 in Angola, and a mere \$184 in Nigeria. Clearly, the larger the population, the more diluted oil income is, as Nigeria with a population of 200 million recorded the lowest per capita income ratio of all OPEC countries (in contrast, Equatorial Guinea has a population of barely a million people and Gabon of two million). In terms of overall GDP per capita, Nigeria is ranked 176 in the world, Angola at 160, Congo at 187, Gabon at 111, and Equatorial Guinea at 95.<sup>26</sup> Oil outcomes are therefore heterogeneous, depending much on population numbers. However, they are important to the functioning of all these states, to their public administrations and public investment, which remain highly dependent on oil revenues. As a result, every drop in prices or fall in production, or both in the case of Equatorial Guinea or Gabon, leads to a contraction of the national budget.

That said, it is possible to establish a ranking of the fragility of the oil countries studied here in terms of their level of

25. “October 2020 Short-Term Energy Outlook”, U.S. Energy Information Administration, available at: [www.eia.gov](http://www.eia.gov).

26. “Country Comparisons Real GDP per Capita”, The World Factbook.

diversification. Oil accounts for 9% of Nigeria's total GDP (the World Bank figure for 2018),<sup>27</sup> 49% in Congo, 25% in Equatorial Guinea and Angola, and 20% in Gabon. According to the IHS Markit report cited above, the Gulf of Guinea country most dependent on oil revenues is Equatorial Guinea, where oil accounts for more than 60% of state revenues and 95% of exports.<sup>28</sup> It is followed by the Republic of Congo with levels of 65% and 85% respectively, while oil's contribution is much lower for Gabon: only 35% of government income, but still 70% of export earnings. Finally, Cameroon's state obtains only 15% of its revenues from oil, although it still accounts for 35% export earnings.

In Nigeria, a major challenge is that all federal-level governments (Abuja), like those in the 36 states, depend almost exclusively on oil funds for their operation. In 2020, the Covid-19 pandemic cut federal funding for the country's nine oil states, which was also amplified by the concomitant decline in taxes from oil companies operating in these oil-producing areas. The example of Nigeria's Rivers State, which is the richest in the country in terms of oil, bears this out: Its amended budget in June 2020 was cut from Naira (₦)530 billion to ₦300 billion (i.e., from €1.1 billion to €660 million), a decrease of 40%.<sup>29</sup> Rivers State reflects the situation of the eight other oil states in the Niger Delta. Lagos State is the country's richest and most populated. But its oil economy is practically non-existent, and so the state only saw its budget in 2020 fall by 21%, compared to forecasts at the end of 2019. On July 7, 2020, the state parliament validated budget cuts from ₦1.16 trillion to ₦920.48 billion (equivalent to €2 billion). While Nigeria's situation will be difficult to manage by 2030, with incomes likely declining as a result of chronic under-investment in the last two decades, the situation of other countries will be even more complicated, given the importance of the oil sector to domestic wealth production. Congo will certainly suffer the most, as half of its GDP comes from the oil sector.

More diversified economies will be permanently more resilient to the upcoming oil shock. In Ghana, the oil annuity is equivalent to 4.6% of GDP, and in Côte d'Ivoire it is only 1%. As for the Democratic Republic of the Congo, oil does not exceed 0.6% of GDP. Therefore, the real challenge for the oil-producing countries in the Gulf of Guinea is to find ways, apart from oil revenues, to finance their public services and conduct investments, as well as to help direct oil funds to other sectors and so end their addiction to this

27. Available at: [data.worldbank.org](https://data.worldbank.org).

28. *Ibid.*

29. "Rivers Assembly Approaches n300bn Revised 2020 Budget", *The Sun*, June 17, 2020.

income stream. While a tiny minority of the labor force works in the oil sector, the oil-producing countries face very high poverty rates because agricultural and manufacturing products are still heavily imported with petrodollars. Furthermore, job creation is lower each year than the number of young people entering the labor market. Nigeria is the most obvious example, with 40% of the population (83 million people) living on less than \$1.9 a day in 2019, even before the Covid pandemic, as shown in Table 1.<sup>30</sup> It is very likely that this percentage now exceeds 50% or even 60%. For the Congo, the latest figures from the World Bank date back to 2011, indicating that 40% of population is living below the poverty line. Gabon recorded a poverty rate of 33% in 2017, but this percentage has increased since then and is now estimated to be around 40%. According to the IMF, Angola had a poverty rate of 52% in 2018, with a fall in per capita GDP of 23% between 2014 and 2020, down 7% in 2020 alone. As for Equatorial Guinea, the figures are unreliable, and the World Bank declines to provide an estimate for the country. Such poverty obviously does not affect only the oil-producing countries, but it bears out clearly how oil revenues have not been used to generate growth in other sectors.

Another factor to consider is the cost of public services, which prevents some countries from achieving significant fiscal room for maneuver to invest, in order to accelerate diversification. This is the case, for example, in Gabon. Even today, for a population of 2.1 million, there are just over 100,000 public employees, and its ratio of 55 public employees per 1000 inhabitants is one of the highest in Africa: in neighboring Cameroon, for example, the ratio barely reaches 13/1,000, even though the administration of this country of 23 million inhabitants is far from being bare-bone. The former Gabonese President Omar Bongo (1967-2008) was able to afford the country's public service system thanks to almost unlimited funds since the first oil shock in (October to December) 1973, which led to a quadrupling of crude oil prices in the space of three months. This period coincided with production increases from 126,000 b/d in 1972 to 226,000 b/d in 1976. GDP thus rose from \$722 million in 1973, to more than \$3 billion in 1976. Yet this dynamic ended as of 1996, when the population/barrel ratio declined sharply, as oil output declined and the population increased rapidly. The Gabonese model must therefore evolve rapidly or risk increasing debt and/or impoverishment.

30. According to the National Bureau of Statistics (NBS) cited by the World Bank, "Nigeria Releases New Report on Poverty and Inequality in Country", May 28, 2020.

## Donors are struggling to impose structural reforms

The oil-producing countries of the Gulf of Guinea have become increasingly indebted in recent years, long before the start of the Covid-19 pandemic, which has only acted as an accelerator of a strong long-term trend of dependence on oil for domestic or external financing needs. Nigeria is the only country whose indebtedness to local banks has remained sustainable at \$42 billion (₦16.03 trillion) as of December 31, 2020: but debt has slipped by several billion in the space of eight months. External debt (especially with the IMF) at the end of March 2020 was \$27 billion, while by December 31 of the year it had risen to \$33 billion. Nigeria's combined internal and external debt thus rose from \$60 billion before the Covid-19 crisis to some \$69 billion in the midst of the pandemic (or 35% of GDP). The Nigerian President Muhammadu Buhari has thus favored more debt accumulation rather than budget cuts. With a barrel price estimated at \$28 in the country's amended budget (though the outturn for 2020 was in fact \$40), Nigeria finances actually worsened less quickly than expected. Once again, Nigeria stands out in the region for apparently showing the greatest economic resilience. By contrast, in its latest report on Angola, the IMF estimated that the country's debt would reach 130% of GDP by the end of 2020,<sup>31</sup> with Congo to record a level of 104.5%, at the same time. Much of Angola's debt is vis-à-vis China, which it owes nearly \$20 billion, with an overwhelming portion to be paid back in oil.<sup>32</sup> This is very unfavorable for the country, and debt renegotiations with Beijing are very difficult and shrouded in secret. Equatorial Guinea is much less affected, with a debt level 46.5% of GDP.<sup>33</sup> But for Gabon, 2020 saw its debt level exceed 70% of GDP.<sup>34</sup>

Donors have mobilized widely to support the oil-producing countries of the Gulf of Guinea since the last price drop between 2014 to 2016. Yet, while it was reluctant to request any loans from the IMF under the presidency of José Eduardo dos Santos (1979-2017), Angola changed its relationship entirely with this multilateral donor when João Lourenço came to power in 2017. A \$3.7 billion loan over three years, conditional on certain economic reforms, was thus granted in December 2018. It must be said that the Angolan government's forecast in its 2021 budget is particularly bad, with the oil sector contracting by 6.2 per cent in the year, and the non-oil sectors only

31. "IMF Country Report Angola No. 21/17", International Monetary Fund, January 2021.

32. "Angola Negotiates \$6.2 Trillion Debt Relief From Writers: IMF", Reuters, September 21, 2020.

33. "Country Risk of Equatorial Guinea: Economy", Société générale, consulted May 2021.

34. "With Debt Above 70% Of GDP, Gabon Will Have to Reschedule Its Borrowing on the International Markets", Ecofin,

growing by 2% (energy, mining and agriculture). Oil output is forecast to be 1.22 million barrels per day. The two priority areas of reform for IMF are the introduction of a value-added tax and a broader tax on the non-oil sectors that are actually growing in 2021, according to forecasts.<sup>35</sup> Nigeria also turned to the IMF in April 2018 for a record loan of \$3.4 billion.<sup>36</sup> In February 2021, the IMF welcomed the ending of gas subsidies, which had cost several billion dollars per year during the rule of Goodluck Jonathan (2010-2015), as well as implementation of electricity prices that reflect market values more. The IMF has warned, however, that policies aimed at the most fragile citizens are too weak. In terms of Nigeria's diversification, the IMF remains rather concerned. Nigerians' productivity is stagnating. As for the protectionist measures that Muhammadu Buhari's government has implemented since 2015, these appear to have benefited only a small number of billionaires. The IMF has criticized the closure of the Nigerian market by referring to examples of countries that were once commodity-dependent, such as Malaysia and Indonesia. After several years of declining oil production, combined with depressed crude prices, they did effectively close their borders before deciding to liberalize markets and open borders in order to promote competition.<sup>37</sup> Between 2020 and 2021, the IMF also lent some \$299 million to Gabon, as part of Covid-19 aid (the IMF's Rapid Credit Facility). In addition, after long months of negotiations, the IMF agreed to pay \$448 million to Congo, in July 2019.<sup>38</sup> The peculiarity of Congo is that it is heavily indebted to China – just like Angola – and the IMF did not want to sign a new credit facility until Beijing had restructured its debt (some \$2 billion) with Brazzaville. The Fund also wanted a renegotiation to be opened with oil traders like Trafigura, which had provided numerous pre-financing facilities to Congo. Since July 2019, the IMF has been unhappy with the slow implementation of the reforms and so has delayed payments of various tranches, especially in December 2019.<sup>39</sup>

As a result of the Covid-19 pandemic, traditional donors have, through the Paris Club or the G20 (of which China is a member), consented major efforts to enable some of the more indebted countries to obtain years of grace – without repayment – or even partial write-offs.<sup>40</sup> Conditionalities have been rather weak and

35. "Angola: un budget 2021 austère et contraint par l'endettement", DG Trésor, November 30, 2020.

36. "IMF Executive Board Approval US\$ 3.4 Billion in Emergency Support to Nigeria to Address the COVID-19 Pandemic", International Monetary Fund, April 28, 2020.

37. "IMF country Report No. 21/33"21/33", FMI, February 2021.

38. "Le FMI accepte d'accorder un nouveau prêt au Congo-Brazzaville", *Le Monde*, July 12, 2019.

39. "Report du prêt du FMI au Congo-B. : une décision prévisible ?", RFI, December 14, 2019.

40. Renegotiations of these loans are becoming increasingly difficult, as bilateral loans are progressively being replaced by Eurobonds. On this subject see A. Hartmann, "L'enjeu des

unrelated to any obligation to diversify economies. Many of Africa's oil-producing countries have benefited from this, including: Congo, Angola, Cameroon, Chad, the DRC and Côte d'Ivoire. Only Ghana and Nigeria did not activate such rescheduling, while Gabon and Equatorial Guinea were not eligible.<sup>41</sup> But some eligible countries have been suspicious of this offer, lest rating institutions (Moody's, etc.) cut creditworthiness rankings in debt-repayment guarantees. This would mechanically make new borrowing more difficult, and the sale of Eurobonds would, for example, take place at less favorable rates. Indeed, Moody's has already threatened to lower the ratings of Senegal, Cameroon, Ethiopia and Côte d'Ivoire, all of which have accepted the G20 offer.<sup>42</sup> The highly indebted African oil countries – almost all, except Nigeria and Gabon – have no choice but to reform quickly and diversify, or to become poorer.

---

dettes publiques en Afrique, Une cristallisation des nouveaux, rapports de force internationaux", Ifri, *L'Afrique en questions*, November 18, 2020.

41. Updated World Bank list of countries that have benefited from debt Repayment Deferral: [www.worldbank.org](http://www.worldbank.org).

42. "Why African Countries Are Reluctant to Take up COVID-19 Debt Relief", *The Conversation*, July 28, 2020.

# The Prospects of Political Stability in the Region's Oil-Producing Countries

This section looks at the immediate political consequences of the Covid-19 pandemic, and beyond this at consequences that could occur gradually by 2030.

If economic diversification programs are not implemented, some countries risk seeing their populations fall into greater economic insecurity, as declining oil wealth will have an impact on social transfers. This will likely more affect countries like Gabon where a certain welfare state exists (see Table 2 below, especially on its health budget), unlike Congo, Nigeria, Angola, and Equatorial Guinea, where welfare services for populations remain very embryonic. This situation can be explained, for example, by long civil wars during which other government spending, such as defense spending, was favored. Just before the end of the Angolan civil war and the death of opposition leader Jonas Savimbi (leader of UNITA) in 2002, military spending accounted for more than a quarter of total state expenditure, for a number of years. While this percentage has declined significantly since the end of the war, it remains very high on average, at 8.9% in 2019 (as a comparison, French military spending is 3.3%).<sup>43</sup> The same is true for Nigeria, where military coups have occurred successively since the civil war in Biafra (1967-1970), while gigantic projects (construction of the new federal capital Abuja in the 1980s and 1990s) combined with high levels of corruption all swallowed up the tens of billions of dollars in revenues accumulated from the two oil shocks of 1973 and 1979, at the expense of social transfers or infrastructure investment. There is also a distinction to be made between over-administered but inefficient oil-producers like Gabon and Nigeria, where the cost of administration is very high due to the multiple layers of governance (36 federated states, and then 774 local governments), but where only 8.6% of working-age people are public servants.<sup>44</sup> By comparison, the share was 9.8% in

---

43. These percentages come from the Stockholm International Peace Research Institute (SIPRI), available at: [www.sipri.org](http://www.sipri.org).

44. International Labor Organization figure of 2019 to be found on this Wikipedia's page: [en.wikipedia.org](https://en.wikipedia.org).



Cameroon, which is nevertheless much less than some more statist and non-oil African countries such as Ethiopia at 29.5%. Thus, and apart from Gabon, which has massively increased its public sector for reasons of political clientelism by the ruling Bongo dynasty since 1967, other African oil countries have done little to grow their public services. Thus, the decline in incomes is likely to be hard for Gabonese public employees, but more painless for persons already under-administered in oil-producing countries in the Gulf of Guinea.

**Table 2: The Weight of Various Budget Items  
in Sub-Saharan Africa's Oil-Producing Countries**

	Health expenditure (in 2000; in 2018) as a % of the total budget	Defense expenditure (in 2000; in 2018) in % of the total budget	Education expenditure (in 2002; in 2018) as a % of the total budget	Percentage of public servants in relation to total workforce (2019)
<b>Nigeria</b>	2.3%; 4.4%	2.2%; 3.6%	9.8% (2012); 7% (2018)	8.6%
<b>Angola</b>	2.7%; 5.4%	27% (1999); 8.8%	8.68 (2012)	No data
<b>Equatorial Guinea</b>	1.4%; 3.2%	... - 1% ... - 5.9%	No data	No data
<b>Congo</b>	2.2%; 3.4%	6%; 11%	9%; 15.5%	No data
<b>Gabon</b>	5.2%; 9.4%	8.3%; 9%	17%; 11.2% (2014)	106.990 in 2021 out of 557.000 (20%)
<b>Cameroon</b>	4.4%; 1.1%	8%; 5.99%	15.7%; 16.8%	9.8% (2014)

Source: World Bank, Statista, Education Statistics.

Over the longer term, the question is whether the decline in oil revenues could have an impact on the political systems in place. The last election in Congo on March 23, 2021, when outgoing President Denis Sassou N'guesso was reelected with 88% of the vote, shows how

the regimes in place actually demonstrate great resilience – even in times of extreme economic crisis due to falls in income: The Congolese leader has been in power since 1979, with only an interlude from 1992 to 1997. This follows from the structural weaknesses of countervailing powers (opposition parties, NGOs, the press, etc.) and the establishment of particularly effective mechanisms of repression. In Gabon, Ali Bongo succeeded his father when he died in 2009, and the last elections in 2016 went relatively badly (with 27 deaths) as supporters of his opponent (Jean Ping) pugnaciously contested the election results. The upcoming 2023 elections could be particularly tense if an attempt is made to establish a third term for the incumbent or a new family succession with the President's eldest son (Noureddin Bongo), who has acted as the coordinator of the presidency since 2019. In Equatorial Guinea, the political system has been captured since independence in 1968 by the Obiang family. The current president Teodoro Obiang Nguema has been in place since 1979, and is actively preparing his eldest son and current vice-president (Teodorin Obiang Nguema) to succeed him in the 2023 elections, or in the following elections. The Equatoguinean system is similar to a totalitarian monarchy and the opponents are either exiled to Spain or co-opted by the regime through the granting of certain positions.<sup>45</sup> As for Nigeria, the most democratic of the region's historic oil-producers,<sup>46</sup> the economic crisis is affecting the population. Nevertheless, the upcoming 2023 elections, when outgoing Muhammadu Buhari cannot stand again, remain open. The decline in oil revenues is not expected to have significant political effects. Yet, zones of insecurity continue to spread (in the northeast with Boko Haram, in the northwest with banditry and kidnappings, and finally in the middle belt due to conflicts between livestock breeders and farmers). But this has no direct link to the decline in oil revenues. Instead, these phenomena are much more the result of poor local governance, coupled with the consequences of global warming and increasingly-scarce arable land in the north. In Angola, the difficult economic situation is so profound that the 2022 elections will be hard for outgoing President João Lourenço. However, MPLA control over the country remains total. The administration works only with members of the party and any demonstrations are strongly suppressed by the army and the police.<sup>47</sup> Moreover, the population

45. This is the case of Mocache Mehenga, the president of the Unión de Centro Derecha (UCD), who was runner-up in the elections of 2016, and is now under the President Obiang's influence. Source: "Equatorial Guinea: How the Opposition Got Entangled In the Obiang Family's Dallas-Style War in Malabo", *Africa Intelligence*, January 25, 2021.

46. I do not underestimate the limits of Nigerian democracy, given abyssal abstention rates and elections that are often marked by violence or even vote rigging. See B. Augé, "Muhammadu Buhari face à Atiku Abubakar. Un duel au sommet pour la présidence du Nigeria", *L'Afrique en questions*, No. 45, Ifri, December 20, 2018.

47. "En Angola, des forces de l'ordre toujours aussi violentes", *La Croix*, February 10, 2021.

remains marked by a 27-year civil war. As for the new oil-producing countries like Ghana, its system has been democratic since 1992, long before large deposits like the Jubilee field were put into production in 2010. The hydrocarbon sector has not deconstructed a political system which has multiple checks and balances, favoring changing governments. The situation in Senegal is not expected to change significantly with the arrival of hydrocarbon-related wealth within the next five years. The adverse consequences on the political system are expected to be minor because of the presence, as in Ghana, of multiple checks and balances.

In short, there is no typical form of political behavior that is specific to all these oil states. However, the emergence of oil wealth resources in states that are already authoritarian has a tendency to strengthen established regimes (Chad, Mozambique, and Uganda tomorrow) by providing very high security budgets to keep them in place. By contrast, when a system operating with multiple strong checks and balances is already in place – before oil earnings fundamentally change the economy – it is rare for political codes of practice to change radically (as in Ghana, and in the coming years in Senegal).

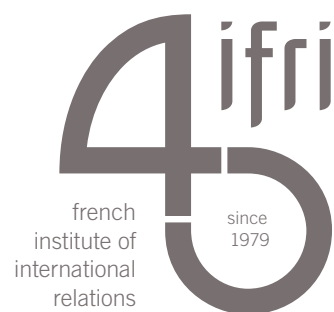
# Conclusion

It is always risky to make predictions over ten years. Whatever else, despite the Gulf of Guinea having accounted for almost all of Africa's oil production since independence, the countries in the region will be subject to profound upheavals as a result of long-run declining oil revenues, even if earnings may rise occasionally as currently (June 2021), given rising oil prices in recent months. Gabon, Equatorial Guinea, Angola, Cameroon, and Côte d'Ivoire have not made significant discoveries for more than a decade, and will need to find expedients to slow down falls in their production, by developing small deposits or improving recovery techniques for already active oil fields. Nigeria still has significant reserves (37 billion barrels), but its chaotic governance (corruption and insecurity) and cost-per-barrel may not facilitate the needed big investments. In recent years, the oil majors have begun to cede many blocks in Nigeria, Gabon, Congo and Equatorial Guinea. Angola should be next on the list, as BP could soon reduce its presence there.

Some countries are clearly trying to find tax measures to facilitate investment. But this will only help to delay the end of an economic model that began six decades ago for the region's oldest players. The choice for these states can be summed up simply: forced economic diversification or the regular but continuous impoverishment of government, accompanied by a certain downward mobility of a large part of the population living directly or indirectly off the state. Equatorial Guinea's trajectory is singular. It joined the oil-producers' club "only" 30 years ago, and at the time was one of the poorest countries on the continent. Ten years ago, it was the richest country in Africa in per capita terms, but its per capita wealth then plummeted very rapidly, with GDP halving in just five years. Moreover, the country has made no effort to facilitate its attractiveness. Does this mean its political regime is likely to change? Nothing is less sure. Even with much lower incomes, repressive and non-redistributive states remain particularly resilient in their functioning. This is, however, much less true for states that have put in place an embryo of public services or benefits in-kind, such as subsidies. Undermining these benefits could destabilize existing regimes, because it is harder to see benefits disappear (Gabon) and living standards fall, than to have never benefited from any advantages (Congo, Equatorial Guinea, Angola and Nigeria). In terms

of democratization, it is important to emphasize that West Africa has virtually no dynasties in power (apart from Togo), and that no oil-producing country in this region has escaped democratization, albeit imperfectly. On the other hand, Central Africa is a region where all the oil-producing countries are characterized by the transmission of power (Equatorial Guinea, Gabon and for a few days in Chad with the arrival of Mahamat Idriss Déby after the death of his father Idriss Déby Itno on April 19, 2021); or where the existing regimes have undividedly controlled the political space for decades (Congo, Cameroon, Chad, and Angola with a transition in 2017, within the MPLA party).





27 rue de la Procession 75740 Paris cedex 15 – France

---

[Ifri.org](http://Ifri.org)