CHAPTER

9 Final Discussion: Toward an Agenda for Further Work

The fact that oil-producing countries in Africa have not achieved better social indicators than other African countries gives rise to the question of whether this was despite or because of the inflow of billions of U.S. dollars in foreign investment in oil installations, and government oil revenue. The persistent underachievement of development goals has come to be seen as the "resource curse." This paper has shown, however, that macroeconomic policies and governance can be designed in a way that turn oil revenue into a "blessing."

SSA oil-exporting countries have so far not implemented adequate policies for using their resources effectively. Fiscal and monetary policies have not served to stabilize the economies in light of oil revenue volatility, exchange rates have been allowed to be a burden on the non-oil sector, and the depletion of the natural resource has not been balanced by an accumulation of income-generating assets that would benefit future generations. Moreover, administrative capacity constraints and institutional setups have created an opaque environment that has been more conducive to illicit appropriation of oil rents by private individuals than to the rational, effective use of oil revenue for the benefit of the populations.

Good macroeconomic policies and governance form the core of what is needed to turn oil revenue into a blessing for oil-exporting countries in Africa. The discussions during the Douala workshop have clearly shown that African policymakers agree with this assessment. To move forward, action needs to be taken in three areas:

First, governments and oil companies should improve transparency in the oil sector by regularly providing information on oil sector activities to policymakers, to the IMF, and to the public. The information provided to the public does not need to be as detailed as the information needed for policymaking; however, a way needs to be found to make the aggregated data credible to a population made skeptical by long-standing governance concerns.

Second, policy discussions should be initiated within the oil-exporting countries, with as broad a participation as feasible, about oil revenue management in general and the government's spending priorities in particular. The aim would be to identify the level of spending that is feasible without endangering macroeconomic stability and wasting resources, to inform the population of constraints and possibilities, to decide on a fiscal rule to guide government spending, and to decide on an asset investment strategy for the accumulation of savings. Broad participation would help in ensuring ownership of the resulting policies.

Third, weaknesses in national capacities for the design of effective spending programs and oil sector oversight should be identified and technical assistance mobilized from multilateral institutions, bilateral donors, and international oil companies operating in Africa.

There is a great need to continue discussions, at both the international and national levels, to enhance understanding and ownership of policies and ensure widespread support for chosen policy directions. A workshop similar to Douala is planned by the IMF and the World Bank, to which will be invited not only high-level officials of oil-exporting countries but also representatives of international oil companies. Furthermore, governments should explore the possibilities for organizing national stakeholder discussions, possibly with the participation of the IMF, the World Bank, and other donors.

As international interest in African oil rises, so do the frustration and impatience of the populations in oil-exporting countries, who see their aspirations thwarted by problems of underdevelopment despite the apparent riches flowing from the oil wells. Increasingly, populations demand major improvements in economic policies, transparency, accountability, and public service delivery.