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GOVERNANCE OF NATURAL  
RESOURCES IN SÃO TOMÉ AND  
PRÍNCIPE: A CASE STUDY ON  
OVERSIGHT AND TRANSPARENCY  
OF OIL REVENUES

**EXECUTIVE SUMMARY**

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## GOVERNANCE OF NATURAL RESOURCES IN SÃO TOMÉ AND PRÍNCIPE: A CASE STUDY ON OVERSIGHT AND TRANSPARENCY OF OIL REVENUES

This case study, commissioned by International Alert, examines the governance of natural resources in São Tomé and Príncipe by focusing on the management, oversight and transparency mechanisms or structures set up to monitor oil revenues since 2007. The study explores the activities, challenges and social communication strategies of these oil-related bodies from 2007 through 2009, identifying problem areas and analysing if and how these problems are linked to larger social dynamics, and how they could be exacerbated by the influx of oil wealth. The study provides some insights on risks of conflict and what can be done to mitigate them in ways that foster social cohesion.

The study made numerous important discoveries, most of which raise serious questions about the country's commitment to good governance and transparency concerning its future oil revenues. The study shows that the structures are not working as well as they should. There are not only serious problems to do with legal compliance but, more disturbingly, while the problems of management and oversight are well known and understood, little effort is put into corrective action.

Furthermore, little cross-sectoral consultation took place before legislation was passed to set up these structures. As a consequence, there is a sense that the structures are an imposition, leading to lingering resentments across the sectors. Many social actors, including those tied to the system, feel that the structures do not take into account certain "realities" of the society. Civil society believes that the structures impose on it a burden it simply does not have the capacity to bear. Old, underlying problems in society seem to have simply found a "new stage" where they are being "re-enacted". The myriad oversight problems identified reflects the deep distrust that permeates this island nation.

The problem now is that the stakes are higher with potential incoming oil wealth. However, as the structures are designed to be inclusive, they can help ensure that the benefits of oil are distributed more equitably. The advent of oil can be an opportunity for strengthening social cohesion. Legal frameworks alone cannot do that. They have to be owned and used. That takes goodwill and hard work.

The key findings and recommendations of this report are:

**Signature bonuses and the management of the national oil account:** For the general public of São Tomé and Príncipe, there is no transparency as to the amount received from signature bonuses. There is no clarity on use of funds collected from the signature bonuses from the first and second licensing rounds. No audits have been conducted as required by law and the process for determining the use of the signature bonus fund was not made transparent. The funds were not used strategically. Neither the National Assembly, the prosecutor-general's office, executive nor civil society interest groups have taken measures to end non-compliance with the law.

### Recommendations:

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- It should be a top priority to ascertain and publish the exact value and use of the signature bonus funds so that the general public is made aware of this. At present, there is lack of public dissemination of the amounts.
- The country should first endeavour to follow established law for use of oil revenues, and it should define a more effective and transparent process for determining the use of funds transferred to the national state budget and then publish a plan for the use of petroleum resources.
- The National Assembly needs to take decisive and corrective measures to stop the generalised apathy toward continued non-compliance with the law. It should promptly institutionalise a committed and conscientious Petroleum Oversight Commission (POC).

**The management of the Joint Development Zone (JDZ):** Budget problems and reporting compliance issues suggest that the JDZ is being poorly managed and suffers from weak oversight. There has been little initiative to take corrective action. The Joint Development Authority (JDA) has not been forthcoming in sharing financial information with other oversight and transparency structures. The authority of the Extractive Industries Transparency Initiative (EITI) committee to conduct audits is not clear to all stakeholders. The JDA does not believe the EITI committee has the authority to conduct an audit of the JDA. Furthermore, the national oil laws say that ‘all’ oil revenues should be deposited in the national oil account. However, it is not clear how much income is derived from acreage fees and why São Tomé and Príncipe’s portion of these fees have not been deposited into the national oil account, as the law stipulates. The same question also applies to the social funds. The exact value of the social funds is not clear and their use has not been subject to oversight. It is not clear if these funds are exempt from being deposited in the national oil account and on whose authority. To address the issues related to JDZ management, relations with Nigeria will need to improve.

### Recommendations:

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- An audit of the JDA should be a top national priority. The Gabinete de Registo e Informação Pública (GRIP), the national public information registry, should publish the results of the audit. Irregular payments should be investigated.
- National and international actors need to bring a new level of attention and scrutiny to the management of the JDZ.
- National actors should be aware of the multi-faceted nature of problems related to the governance of the JDA. Training in conflict analysis and resolution, negotiation, and collaborative decision-making skills could help national actors negotiate with Nigeria more effectively.

- São Tomé and Príncipe and Nigeria should develop opportunities for greater collaboration.

**Confidential agreements:** The government of São Tomé and Príncipe has signed confidential agreements with oil companies that give them non-competitive pre-existing rights to blocks in the Exclusive Economic Zone (EEZ). There is significant public distrust and lack of publicly accessible information on the current status of these agreements and efforts to renegotiate or revoke them has not been made public.

#### Recommendations:

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- The government should disseminate clear information about the current legal status of confidential agreements with the oil companies and efforts to renegotiate or revoke them.

**The management, oversight and transparency structures:** The government did not conduct adequate early consultation before approving the laws that set up the management, oversight and transparency structures. There is a sense that the structures were imposed and lack national appropriation. The system imposes a burden on civil society that it is not able to shoulder and the sector is not receiving any help. The national committee of the EITI has been slow to initiate necessary oversight functions. The POC has not been institutionalised, producing a significant gap in oversight. The structures lack the resources they need to perform their assigned tasks. Much confusion exists regarding their mandates and inter-relationships. The various structures are not working together.

#### Recommendations:

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- A dialogue mechanism should be created between the various management, oversight and transparency structures to promote collaboration and clarify roles, responsibilities and relationships. This group of actors could help the government of São Tomé and Príncipe examine how the current configuration of national oil management structures affect oversight and recommend improvements that would enhance accountability. The country should recognise the importance of having internal dialogues to ensure that false underlying assumptions about the realities of the country are not formed. Dialogue can enhance national appropriation and draw out suggestions that could make the structures more organic, rational and functional.
- The goal of creating national management, oversight and transparency structures should not be for “international window-dressing”. The international community, having made presumptions about the capacity of civil society to contribute effectively to oil oversight and transparency structures, should now assume responsibility for ensuring that civil society has the capacity to fulfil the oversight responsibilities assigned.
- The training provided by the international community should focus on developing the human capital that will be necessary to confront the challenges that come with petroleum production. It should focus on creating an environment where questioning and

constructive criticism are accepted. Positive contributions toward social cohesion and the common good should be incentivised.

- The international community should help establish at least two sustainable NGOs with special knowledge of the petroleum sector and governance issues. The NGOs should be able to represent civil society in the newly formed oversight and transparency structures. They must overcome difficulties of non-appropriation through effective outreach and by promoting the engagement of the society in oil management issues with ongoing cross-sectoral dialogue as an integral part of their mandate.
- The various structures should avoid engaging in behaviours and attitudes that promote rivalry. They should establish mechanisms of oversight and evaluation with regularly scheduled meetings and regularly published reports. Collaboration should be incentivised.

**Public Outreach and Communication:** There is an abysmal lack of information made available to the public, especially to those people living in the districts.

### Recommendations:

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- The management, oversight and transparency structures should endeavour to disseminate information, particularly at the district level, in a manner accessible and understandable to the majority of the people.
- Sensitisation campaigns are needed to help set realistic expectations about the benefits of oil.
- The JDA, in particular, should strengthen its social communication strategy.
- Conflict-sensitive and transformational approaches to change management should be incorporated into international and national program design.
- Information should be sent voluntarily to the GRIP by all organisations regardless of whether this is required by law or not.
- The GRIP database should be accessible on the internet.

The full report is available by emailing [publications@international-alert.org](mailto:publications@international-alert.org).