Growth or Grievance?

How might the recent discovery of offshore oil threaten the future development of Sierra Leone?

John Chan
Enquiries
All enquiries should be made by email to the Managing Editor, Dr Tom Waldman: tom.waldman@york.ac.uk

Aims and Objectives
This series of independent publications and works-in-progress written by Post-war Reconstruction and Development Unit (PRDU) masters students, scholars, researchers and associates presents diverse perspectives on a broad array of cross-cutting subjects including: post-conflict and post-crisis/disaster reconstruction; state building; fragility; peacebuilding; development; conflict resolution; and humanitarianism. It is targeted at an international readership including academic and research institutions, development and security professionals, and policy-makers.

Views expressed in any paper are not necessarily held by the PRDU; they are intended to promote discussion and allow emerging scholars in the field to share their views and research with a wider audience. The series aims to publish papers that reflect a variety of opinions, are written in accessible and clear English, and that are empirically informed, academically rigorous and based on original research.

Previous Papers in the Series

No.1 ■ January 2012
Use the Head and the Body Will Not Suffer: Dependencies and Adaptations by Households in Liberia’s Informal Economy
Julia Lynn Smith

All Working Papers can be accessed at:
www.york.ac.uk/politics/centres/prdu/report-&-publications/working-papers/
Growth or Grievance?

How might the recent discovery of offshore oil threaten the future development of Sierra Leone?

John Chan
Preface
This paper addresses critical development issues surrounding the 2010 discovery of offshore oil within Sierra Leone’s maritime boundaries. Upon embarking on this paper, the author found no literature specifically addressing the impact of oil discovery upon fragile post-conflict states. This paper attempts to identify probable development pathways for Sierra Leone arising from new hydrocarbon reserves. The proposed model should be directly applicable to other conflict-afflicted developing countries.

This paper is the result of research conducted towards the completion of the MA in Post-war Recovery Studies from the Post-war Reconstruction and Development Unit. Research was conducted in Freetown whilst the author was on a work placement with the Sierra Leone Red Cross Society (SLRCS). The SLRCS is engaged in community based health, youth development and disaster management, and kindly facilitated research access to projects and communities in remote rural regions.

Acknowledgements
I would like to thank a number of individuals for their contribution towards this paper. I offer my gratitude to all the staff at the PRDU for their excellent support, but would like to extend special thanks to my supervisor and the course convenor, Dr Rajesh Venugopal. Generous thanks go to Keyman Chan and Zoe Hensby, and to my colleagues at Sierra Leone Red Cross Society, especially Victor Fornah, Vanessa Johnson, Marilyn Ota, Abu Jalloh and LTK.

About the Author
John Chan is an experienced publisher and editor of academic articles and journals. He has worked for CIMIC’s anti-piracy team, and on research projects for the Post-war Reconstruction and Development Unit (PRDU). John gained a BSc in Environmental Chemistry from Swansea University and an MA with distinction from the PRDU at The University of York.
Abstract

Can Sierra Leone survive another lucrative mineral find? The recent discovery of offshore oil evokes great hopes, but simultaneously, great fears. With high unemployment and an impending youth crisis, the need to assess oil’s potential impact on this fragile post-conflict state is pressing. This paper provides a comparative analysis of oil producing states and the dynamics of the resource curse. Data collected in Sierra Leone indicates strong dissatisfaction levels in marginalised groups, and existing grievances may be exacerbated by the emergence of a new extractive industry sector. This paper identifies the major threats to Sierra Leone, such as civil conflict and military coups. It proposes strong governance, transparency, economic diversity, a sovereign wealth fund, employment initiatives and inclusion to counteract negative oil impacts.

Introduction

In September 2009, news broke which promises major consequences for Sierra Leone. Oil companies Tullow and Anadarko announced that light crude was discovered off the coast; a find which coupled with the Jubilee field off Ghana ‘established a whole new, active hydrocarbons system that spanned at least 1,000km to the coast of Ghana and perhaps all the way to the Latin American nation of Guyana.’ In all, private sector investment (PSD) could reach between USD 15–18 billion (FT, 2009). The companies are exploring the coastal waters around the new Venus well. A second discovery, Mercury, was made in November 2010.

Forecasts are highly speculative and the figures will not be known until the basin is properly explored and drilling commences. But estimates are that the region stretching from Guinea to Liberia should possess a technically recoverable 3.2 billion barrels of oil, 23.63 trillion cubic feet of natural gas and 721 million barrels of natural gas liquids (US Geological Survey, 2011). The discoveries are so far limited to Sierra Leonean waters (Figure 1) and data is not available about which international maritime boundaries the oil fields might cross. Yet, it is realistic to forecast a substantial increase in revenue for the Government of Sierra Leone (GoSL) with the Mercury well confirming pre-drill estimates of 450 million barrels of oil (Reuters, 2010). This discovery could greatly benefit the nation but could also imperil it. Mineral wealth has traditionally been mismanaged in Sierra Leone and was a key contributor to the recent civil conflict.
Conflict Overview

It is important to recognise that unusually in the context of most African conflicts, ethnicity was not identified as a structural cause (The Report of the Truth and Reconciliation Committee (TRC), 2004; Keen 2005). In later years, certain factions or individuals in selected regions did target those of differing ethnicity, religion or tribes, but for the most part (and certainly initially) the killings were mainly chaotic, random and opportunistic. The damaging effects of natural resource extraction on governance and the economy, plus the resulting grievances after decades of poverty are commonly cited as the most significant factors (Reno, 1995; Keen, 2000).

A common misconception often reinforced by selective media coverage and popular culture is the over-simplistic notion that diamonds were at the root of the civil war. Diamonds themselves were not the structural cause, but they undoubtedly played a role (Keen, 2000, 2005; Pugh, Cooper and Goodhand, 2004). According to the TRC:

…the exploitation of diamonds was not the cause of the conflict in Sierra Leone, but rather fuelled the conflict as diamonds were used by most of the fighting factions to finance and support their war efforts … In particular, the sale of ‘conflict diamonds’ contributed to the procurement of small arms and the proliferation of these arms in Sierra Leone and the region.

Keen (2005) outlined how diamonds were exchanged for arms. Rebels were selling diamonds and buying weapons from Guinean troops in Koidu, and
the RUF traded diamonds for arms and ammunition in Burkino Faso. Conflict
diamonds were traded in Belgium despite a Diamond High Council ban in
1999. UN Security Council Resolution 1132 (1997) banned the sale of arms to
Sierra Leone, but diamond funds continued to maintain an illegal flow of small
arms into the country from Bulgaria via Liberia. Until the Kimberley Process
Certification Scheme was introduced in 2003 diamonds were easy to smuggle,
their origins hard to trace and the international industry indifferent to the con-

Diamonds also dictated the direction and intensity of the conflict. The Rev-
olutionary United Front (RUF), Civil Defense Forces (CDF) and Armed Forces
Revolutionary Council (AFRC) were primarily responsible for targeting dia-
mound areas and the RUF and AFRC employed abduction and forced labour
for mining, including the use of child labour. The diamondiferous areas became
the focal point of conflict as rebel factions sought to control the lucrative trade.
Moreover, the RUF was mining diamonds mainly between 1998 and 2001, a
time when the conflict was at its most intense. It was only after UN peace-
keepers gained diamondiferous territory in mid-2001 that rebels began to lay
down their arms (BBC News, 2001).

When one delves deeper it appears that diamonds had for years been as-
sociated with behaviour which undermined the state. A system of top-down
corruption and patronage networks was entrenched in Sierra Leonian society
which brought about the decay of governance and institutions. Over the years
a ‘shadow state’ arose from the greed of politicians and business leaders and
their abuse of diamond revenues (Reno 1995, 2000). These resources were used
to sustain loyalty and perpetuated top-down corruption which destabilized
the whole country. Not only did the economy and the viability of the state
begin to fail, but bottom-up incentives to engage in shadow trade emerged.
The prospect of accruing diamond wealth became a tangible escape from a
life of drudgery. As insecurity gave way to civil war this system was subse-
quently adapted to service conflict (Pugh, Cooper and Goodhand, 2004).
Hence one can conclude that although the war was not about diamonds, it is
certain that some of the mechanisms that led to war and prolonged it would
have been absent had Sierra Leone been geologically different. In short, Sierra
Leone was afflicted by the resource curse (Ross, 2003), with diamonds bringing
not wealth but misery.

Natural Resource Wealth

When a country strikes gold or oil, or unearths precious gems or metals, many
might assume the discovery an auspicious one. For poor countries, the
prospect of such a windfall offers the promise of an escape from the poverty
trap, and for some countries this indeed has been the case. Botswana, Indone-
sia, and Malaysia are examples of nations which managed to harness their re-
source abundance for sustained economic development (Rosser, 2007; Vincent,
1997). Yet countries growing rich from natural resource wealth, even if blessed
with a vast abundance of mineral reserves, are actually rare (Collier, 2007). Counter-intuitively the majority of resource-dependent countries actually record less economic growth and lower levels of development than those with lesser mineral reserves, a phenomena which since Auty (1993) has commonly been referred to in the literature as the ‘resource curse’.

The resource curse occurs if the accrued revenue from exploited natural resources does not contribute to economic growth but is instead mismanaged, with a range of development indicators negatively affected including, most notably, economic growth. Mahdavy (1970) described ‘the rentier state’ when examining Iran and detailed several key problems which would today be considered symptoms of the resource curse. Auty (1993, p.1) analysed six countries to determine how they responded to external shocks and observed that ‘not only may resource-rich countries fail to benefit from a favourable endowment, they may actually perform worse than less well-endowed countries.’ Similarly, Sachs and Warner (1997), Auty and Mikesell (1998) and Collier (2007) all contend that in the last few decades nations with economies dominated by their abundant natural resources were performing worse than those that were resource poor. Such countries are vulnerable to fluctuating global commodity prices. A crash in prices can expose countries to an abrupt slashing of state revenues, and the risk of debt and financial crises. Bolivia’s economy, for example, reeled when tin prices more than halved in 1985 (Crabtree, Duffy and Pearce, 1987) and a sharp drop in oil prices severely destabilized Nigeria in 1980 (Sala-i-Martin and Subramanian, 2003).

Significantly for Sierra Leone, Le Billion (2005) asserts that the size of a country matters, and that smaller countries dependent on mineral wealth have been the worst affected, citing the example of copper-exporting Zambia’s decades of financial woes following the global collapse of copper prices in the
1970s. Smaller countries tend to have less industrial diversity and capital reserves to cushion them from shocks and over a longer period such instability is observed to curtail growth. Effects of the resource curse are well documented and include:

- Low economic growth rates and exposure to shocks
- Dutch disease
- Risk of civil war
- Rent-seeking and corruption
- Poor governance
- Authoritarianism
- Poverty and inequality

Central to the resource curse is the fact that natural resources (particularly minerals and oil) command particularly high rents. In resource cursed countries most of the income is generated not through material production or service delivery (labour) but by economic rent. The natural resource revenue can be considered ‘unearned income’ and the dominance of this in the economy means most consumers are no longer producers. This lopsided approach towards exports disassociated from labour has a strong effect on economies which may evolve to exhibit damaging trends and outcomes. De-linking income from labour means that massive rents can actually discourage work throughout the whole society. Instead of reaping rewards through hard work, wealth may be acquired through interaction with officials controlling the easy streams of revenues (Kaldor, Karl and Said, 2007). The incentive may therefore lie in rent-seeking behavior which can pervert governance and society, and weaken institutions, undermining economic growth. Rent-seeking might involve lobbying government for anti-competitive tariffs to establish cartels, or more plainly corrupt activity such as bribery.

The price of oil is also famously volatile, surging from modest figures to stratospheric highs within a financial quarter, or nose-diving to tremendous crashes. High prices in 1974 and 1979 led to recessions and the record prices seen in 2008 were implicated in the following worldwide economic slump. The unpredictability of commodity markets can lead to boom and bust cycles which, without astute management, result in unsustainable spending or excessive borrowing. Gelb (1988) identified four critical problems in managing the mining and extractive sector surrounding booming revenues:

- Reduced competitiveness of the remaining and lagging tradable sectors (Dutch disease)
- Inadequate saving
- Establishment of unsustainable patterns of consumption and investment
- Sluggish adjustment to economic downturns

The literature attributes the most damaging instances of Dutch disease chiefly to oil, although there have been similar affects experienced with diamonds
(Namibia; Le Billion, 2005), copper (Peru and Chile; Auty, 1998), and gold (Australia; Corden, 1984). Dutch disease occurs when a rapid influx of resource rent from the export of natural resources results in high domestic absorption and appreciation of the domestic currency, which then affects the non-mining sectors detrimentally (Collier, 2007).

Critically, an influx of natural resource revenue can threaten governance and institutional quality. Reno (1995) outlined how diamond rents incentivized the systematic dismantling of Sierra Leonean institutions. Lacking an established culture of accountability and transparency, governments and elites became rich by controlling illicit exchange and by undermining the formal state’s capacity to collect revenues. Critics were silenced either through censorship, intimidation or political violence, and resistance within the establishment (ministries, the judiciary, security forces) gradually eradicated through nepotism or bribery. After several decades a hollowed-out shell of the state remained, lacking legitimacy and manipulated by corrupt, self-serving and authoritarian leaders. This pattern of deteriorating governance parallel to resource abundance has also occurred in Angola, Nigeria and Iraq (Kaldor, Karl and Said, 2007). Ghani and Lockhart (2008) implicate rents as a major problem for states lacking accountable governments. In states lacking transparency, accountability and inclusion, a functional mechanism for dealing with grievances does not exist, resulting in a spiraling of protest, unrest and ultimately conflict.

It is worth noting that oil is more closely associated with the resource curse than any other commodity. Oil differs from other natural resources in terms of both capital and labour. Importantly, oil extraction is capital intensive throughout the entirety of its production, much more so than other industries (Karl, 1997). Oil requires substantial and long-term investment and expenditure to locate and produce. This ‘perpetuates the de-linking between wealth and work … quite different from, say, diamonds or timber, which can be labour intensive, require significantly less capital outlays and have a relatively quick turnaround,’ (Kaldor, Karl and Said 2007, p.13). Such capital intensity means that elite agreement and contracts to enable the oil to flow are needed, invoking a level of stability, legitimacy, law and order.

This has two crucially important effects. Firstly, it is not necessary to secure the consent of the wider population to enter and maintain production. Secondly, oil production can be isolated from the remainder of the economy. Oil production need not interact with other national industries such as agriculture or manufacturing, and the spillover into the economy is slight: ‘The petroleum industries in the oil-rentier states tend to be enclave industries that generate few backward or forward linkages,’ (Yates 1996, p.23). Mining solid ores requires heavy manual labour with excavation and transportation of materials, and construction of extensive shafts and tunnels, therefore generating much local employment. But to get liquid oil to the surface only needs sophisticated drilling equipment maintained by a much smaller team of skilled technicians. Oil companies often ship in their own highly trained expertise, overlook or employ few local staff, and build secure compounds that contrast sometimes impoverished surroundings.
Asset depletion
Unlike other recyclable natural resources, to use oil is to combust it, and in order to maintain oil-based energy production the resource constantly requires pumping from exhaustible reserves. Hubbert Peak Theory (Deffreys, 2001) contends that oil production follows a bell shaped curve with extraction climbing until reaching a maximum, ‘Peak Oil’, before tailing off as resources dwindle. In the mid-1990s scientists began applying Hubbert’s theory to global oil production and most estimated that the peak year for oil production would be between 2004 and 2006. In late 2010, the International Energy Agency announced the production of crude had peaked in 2006, inferring that production appeared to be following the predicted curve (New York Times, 2010). The GoSL will need to consider its own bell-shaped production curve in future state budgeting.

Natural resources and conflict
According to Collier and Hoeffler (2001), dependency on natural resources makes states statistically more prone to civil wars. They found that the highest risk occurs when resource exports comprise about a third of GDP. Below this level, they propose that rents are insufficient to maintain conflict, and above this, rents are generally high enough for the government to ‘buy off’ resistance and freeze conflicts. According to Ross (2003, p.3), ‘the natural resources which cause these problems are largely oil and hard rock minerals, including coltan, diamonds, gold and other gemstones.’

Le Billion (2005) links resource availability to armed civil conflict. Belligerents often fund rebellions through the capture of natural resources, and feasibilities such as the technical nature of extraction, transportation and tradability dictate whether resource capture can be a sustainable enterprise and prolong a war. Resources with a high price to weight ratio are favoured due to higher profits and ease of transportation, and those in more distant locations removed from the control of a central government are more readily accessed by rebel forces.

Alluvial diamonds scattered over a large area of bush cannot be easily secured by a government. Their extraction is straightforward – they exist in the loose grit and pebbles of river beds or simply lie exposed on the plain. Rebels can easily exploit alluvial diamonds by simply employing a small number of unskilled workers to pan a river. Ross (2003b) describes such easily acquired resources as ‘lootable’. Those requiring equipment, expertise or investment to exploit are termed ‘unlootable’ and are rarely directly controlled by rebel forces in armed struggles. Conversely, kimberlite diamonds exist in a volcanic pipe, extraction requiring industrial mining equipment, technical expertise and skilled labour. To exploit kimberlite diamonds or other deep shaft minerals, rebels would need to seize control of an existing mine, run it, and defend it, a much more difficult proposition.

The opportunity for resource theft is also influenced by transport logistics (in turn influenced by the price to weight ratio) and the ease by which looted commodities can be sold. Origins of most commodities are difficult to trace,
making them easy to launder. Until the Kimberley Process Certification Scheme (2003), diamonds from conflict regions were easily smuggled and sold on world markets. Oil has a low price to weight ratio and theft of onshore oil results from the tapping of exposed pipelines, or involves a degree of collusion from corrupt state officials. Onshore pipelines are also easily sabotaged at vast cost to oil companies, allowing rebel groups to pursue in extortion. In contrast, offshore oil platforms enjoy relative security. Pipelines and loading are confined to the sea; offshore installations and pipelines are well insulated from rebel attack, sabotage or tapping. See Table 1 for a breakdown of resource accessibility by rebel forces.

<table>
<thead>
<tr>
<th>Resource</th>
<th>Exploitation</th>
<th>Theft</th>
<th>Extortion</th>
<th>Price range ($/kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alluvial gems and minerals</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>20,000 – 500,000</td>
</tr>
<tr>
<td>Timber</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>0.1</td>
</tr>
<tr>
<td>Agricultural commodities</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>1.5 (coffee)</td>
</tr>
<tr>
<td>Onshore oil</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>0.12</td>
</tr>
<tr>
<td>Kimberlite diamonds</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>500,000</td>
</tr>
<tr>
<td>Deep-shaft minerals</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>2 (copper)</td>
</tr>
<tr>
<td>Offshore oil</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>0.12</td>
</tr>
</tbody>
</table>

Table 1: Resource accessibility by rebel forces (source: Le Billion 2005, p.30)

Le Billion (2005) identified correlations between certain natural resources and types of armed conflict (Table 2). Resources were categorised as diffuse if spread over a large area (e.g. timber) or point if extracted at a fixed location (e.g. oil). Resources were also categorised according to how easily governments could exert control over resource revenues. In developing countries with infrastructural challenges, this is often a matter of geography. Proximate resources are those which are easily controlled by the central governing power and distant resources are those which are more difficult to control due to their location in regions with porous borders or in areas controlled by politically hostile groups. Le Billion was careful to state that the type of conflict would not be predicted by resource sectors; however characteristics of natural resources could predispose a state to certain conflict risks. According to Le Billion’s analysis, offshore oil extraction is associated with an elevated risk of either an attempt at secession by the region geographically associated with the oil, or else a direct attempt to supplant the leadership through a coup d’état.
Social scientists generally concur that a significant link between oil and conflict exists. According to Kaldor, Karl and Said (2007, p.2) there is ‘widespread agreement in both qualitative and quantitative social science research (as well as in the minds of the mass publics) that oil and war and linked.’ They contend that there are three scenarios which give rise to conflict due to oil’s strategic nature and high rents:

1. Geopolitical
2. Petro-state
3. Greed

Rarely are the three distinct and separate. There may be combinations of two or even three scenarios in an oil-related conflict. This is especially true today as ‘new wars’ which are often conflicts of identity, criminality and rebellion, ascend over ‘old’ high-intensity geopolitical wars (Kaldor, 2006).

Table 2: Relationship between resource characteristics and conflict types (source: Le Billion, 2005, p.36)
Geopolitics

The geopolitical basis behind these conflicts is the classic explanation of warfare with battles fought between states to gain control of coveted resources as either (i) a strategic means to secure a victory, (ii) the spoils of war, or (iii) the mission objective itself.

According to Klare (2002), the growing impact of resource scarcity, especially dwindling oil, will increasingly contribute to conflict between nations. Ghani and Lockhart (2008) underline oil’s pivotal role in the modern age, maintaining that oil runs global economic activity, underlying the flow of information, commodities, and capital. Oil is pivotal to economic and military strength and many states cannot function without it. To guarantee security of supply ultimately can involve force. The total prohibition of oil exports to Japan in 1941, a country wholly dependent on foreign supply, meant that the Japanese imperial conference decided to complete preparations for war swiftly, and to seize resource-rich territory to the south (Hara, 2000). Kent (1976) described how Anglo-German rivalry intensified in the face of fierce oil competition in 1912–13 and how the British Empire fought to control oil in Mesopotamia in and around World War I.

Oil is central in military and economic strategy in inter-state conflict but almost none have been fought exclusively over it. According to Roberts (2004, p.105):

The first Gulf War was the first military conflict entirely about oil. Interest in oil had not only prompted Saddam to invade but had largely defined the world’s reaction to it. While government spokesmen made much of Kuwaiti suffering, behind closed doors, diplomats were focused almost entirely on the loss of Kuwaiti oil and, more to the point, whether the attendant spike would tip the world into recession.

Heinberg (2005) quotes Bill Richardson, US Energy Secretary of Energy in 1999 who admitted: ‘Oil has literally made foreign and security policy for decades.’ The First Gulf War ignited when Saddam Hussein’s Iraq, saddled by vast debts from the Iran–Iraq war partially justified his invasion of Kuwait by declaring that Kuwait had engaged in slant drilling across its border and into Iraq’s vast Rumaila oil fields (Gause, 2005).

The prospect of slant drilling by neighbours and the fact that oil fields often do not fall within one nation’s territorial borders can serve as a source of dispute. Maritime boundaries can be contentious when resources are either discovered or suspected. This is shown in the Gulf of Guinea where Equatorial Guinea has engaged in skirmishes with Nigeria and Cameroon since 1998 over oil fields which lie within the complex maritime boundaries of all three nations.

Petro-state

A petro-state is defined by de Oliveira (2007, p.30) as ‘not only a state that is a major producer of oil, but one in which oil constitutes a predominant source
of revenue for the government and is an important part of the domestic economy. In this sense, major producers like the United States and Canada do not qualify as petro-states. Petro-states float on vast lakes of oil, and with little or no industrial diversity and seductive rents, are unlikely to escape the resource curse.

Conflict might occur because of political antagonism arising from Dutch disease or the resource curse. The rentier structure of the state and the resulting corruption of its institutions sets the stage for internal divisions which grow in a cancerous fashion into conflict (Kaldor, Karl and Said, 2007). The chain of causality in a petro-state is detailed in Figure 2. Key here is that oil rents are far higher than other resource rents, and in petro-states the rentier effect is stronger to the point conflict may result. Such conflict can take many forms but is usually born of legitimate grassroots grievances arising from poor governance, corruption, political violence and inequality. Oil shocks and Dutch disease subject the economy to crises which can put great strain on the state and compound existing grievances further. In order to remain functional petro-states may use rents or authoritarianism to suppress opposition.
Greed

The foundation of this argument stresses economic motives as a primary driver of conflict. Where natural resources exist in an unstable sphere, the opportunity exists to seize them for economic reasons (Keen, 2005b). Duffield (2001) proposes that the vast rents that oil produces can be seductive to state and non-state actors motivated by opportunities to accrue private wealth, and as a means to fund rebellions and civil wars against the state. These rebellions may themselves be based on grievances arising from the predatory greed of state or non-state actors. Indeed, the greed and grievance debate reveals an interwoven causality, the two difficult to disseminate; interplaying, fuelling, inviting one another.

Keen (2000, p.35) contends that when considering incentives and disincentives for violence, economics can be a potent force, and that in the case of Sierra Leone ‘greed has undoubtedly played a role. The failure of the state to provide economic security was matched by a failure to provide physical security.’ In this instance, many ordinary citizens became rank and file rebels as a matter of economic incentive, with violence often the only way to enable sustenance in a collapsed economy. Elites embedded in the war economy were financially incentivized to prolong the conflict.

The welfare of the majority is swept aside by the greed of powerful actors doing well out of war who recognise the war economy depends on violence to sustain it (Collier, 2000). In such cases greed can be blatant and divorced from political ideology, the capture and trafficking of oil or other natural resources a market-driven function of the political economy, to enrich parasitic warlords or criminal networks (Ballentine and Sherman, 2003). In some cases, should the political climate require it, actors ‘create’ a rebellion to attempt to mask or legitimise their greed. Natural resources can be extorted to finance rebellions with genuine political grievances but as Collier and Hoeffler (2001, p.3) point out, this can be a two-way relationship ‘and the organisations which perpetuate this extortion will need to take the form of a rebellion.’

Profits can be vast, and networks sophisticated, especially when trafficking develops beyond the export of looted local resources and the controlled area evolves into a conduit of lucrative illicit commodities such as arms or drugs.

Rebellions can raise funds through the acquisition of oil directly (smuggling, tapping) or through criminal activity targeting the extractive companies (kidnapping, robbery, paramilitary protection rackets). Said (2007) revealed that despite military antagonism, covert economic cooperation between Chechen warlords and the Russian military enabled the bootlegging of oil and mutually beneficial profiteering, arming the rebels.

Exploring Oil Grievances

Indonesia and Nigeria represent good examples of entirely dissimilar countries experiencing common grievances associated with offshore oil production. Indonesia is largely considered as having escaped the resource curse (Rosser,
2007) and is not over-reliant on oil, but underlying grievances bred conflict when production commenced. The province of Aceh engaged in two conflicts against the Government of Indonesia (GoI). Aceh’s separatist agenda goes back to its unhappy assimilation into the newly independent Republic of Indonesia following World War II. Historically the Acehnese exhibited fierce resistance against colonial Holland and had once existed as an independent state; a powerful, ethnically distinct and comparatively conservative Muslim sultanate with a proud tradition and culture. Moreover, its location on scattered Indonesia’s geographical periphery places physical as well as political distance between Aceh and the central government in Jakarta. The conflict has always had an ethno-nationalist ideological core.

Oil however has played an important role. Shulze (2007) argues that Aceh’s second uprising was related to the discovery of oil and liquefied natural gas (LNG). The Free Aceh Movement, known locally as Gerakan Aceh Merdeka (GAM) began intermittently and followed the exploitation of LNG from the Arun fields in 1970s. GAM’s nationalism was based on familiar ideological splits with Jakarta but the unilateral methods by which extraction was managed by the GoI, and the political overtones of revenues financing the development of Java, came to embody its struggle.

Following the discovery of oil, several developments cemented GAM’s resistance. Political grievances were reignited when President Suharto once again annulled Aceh’s autonomy, and in the run up to the general elections of 1977, the GoI cracked down on critics throughout the country, which included Aceh’s religious leaders (Siapno, 2002). Meanwhile the emergence and rapid growth of enclaved LNG plants in northern Aceh was not translating into development for the province. The economy was previously dominated by peasant agriculture and the new industrial complexes were a spectacular contrast to the rural surroundings. According to Schulze (2007, p.190), oil firms were
initially welcomed but northern Aceh lacked even a single rudimentary technical school and local skills were desperately inadequate for the demands of modern industrial plants. Villagers had unrealistic employment expectations and were deeply resentful of qualified foreigners and Javanese who filled the better-paid jobs. Schulze (2007, p.190) cites an Indonesian military commander’s insights:

*I had a lot of contact with Arun and Mobil. They tried with community development but there was a problem with skills. The Acehnese did not have the skills for the good jobs. There was resentment in the villages next to Arun and Mobil, so I asked them to employ more Acehnese but their education was just too low. It was a real mismatch – a real problem. When I talked to the villagers they said they wanted to be managers. And they complained that they didn’t get those jobs. What made things worse was that those villagers had no electricity and would sit in the dark next to the brightly lit Arun and Mobil complex.*

An influx of ‘outsiders’ indifferent to Acehnese Islamic values fuelled greater tensions and in 1989, GAM attacked police stations and hotels where drinking, gambling and prostitution were alleged to occur (Siapno, 2002).

According to Barakat, Connolly and Large (2004, p.76) ‘the oil and gas installations have always been central to the conflict in its modern form and this was demonstrated by their influence of the GoI’s security and military approach.’ Being strategic assets, oil facilities were situated adjacent to military and air force bases and tightly guarded. This alignment meant that GAM considered oil companies and their staff legitimate military targets. GAM launched minor operations against Bechtel and Mobil, but security was robust. The Indonesian military embarked on several counter-insurgency operations, killing several thousand (Bertrand, 2004). Mobil itself was accused of collusion or at least turning a blind eye to human rights violations, which included the use of its equipment to dig mass graves for dozens of executed Acehnese. Exxon-Mobil would later be taken to court in the United States over its alleged complicity in the abuses, its corporate ethics drawing widespread criticism (Siapno, 2002).

What began as a struggle for autonomy, culture and religious values was reinvented following the discovery of oil. Grievances relating to these central principles grew with the perception of state greed. New grievances relating to the economy, employment, xenophobia and maltreatment flowed with the oil. Without oil, it is almost certain that ethno-nationalism and the GoI’s centrist and authoritarian stance would have led to further separatist sentiment as has happened in many parts of the country (i.e. Irian Jaya, Maluku and East Timor). It is though, highly improbable that without offshore oil the modern conflict would not have emerged as it did and maintained its momentum for three decades.

Nigeria, a petro-state, is replete with historical examples of oil crises and mismanagement. Nigeria also experienced oil-fuelled separatism which resulted in a high intensity civil war. The Nigerian–Biafran War (6 July 1967–15
January 1970) erupted when the oil-rich, ethnic Ibo southeastern provinces declared independence as the Republic of Biafra. Around two million died from famine, combat and disease (Bienen, 1985). Ultimately the Nigerian Federation was preserved and Biafra surrendered in early 1970. Today the region is an integral part of the state but calls for Biafra to re-secede have not entirely disappeared, largely based on ethnic grievances arising from poverty and marginalisation of the Ibo people. And it is this recurrent theme, marginalisation of local communities arising from state and corporate greed, corruption, inequality and poverty, which prevails across swathes of oil producing regions resulting in reactionary insecurity and violence. For decades, oil production has led to environmental damage in the Niger delta. Serious spills in 2008 and 2009 in Ogoniland caused environmental devastation along waterways and ruined fishing livelihoods (BBC News, 2011). The environmental impacts on livelihoods and health caused great consternation to local communities.

Economic grievances relating to inequality and employment were heightened when enclaved oil installations not only excluded impoverished communities from a share of the wealth, but actively destroyed the often meagre livelihoods that existed. The perceived greed of the oil firms and government, and the way in which grievances were ignored or suppressed, has elevated ill feeling. Political and judicial mechanisms to empower communities, guarantee accountability and bring about punitive or restorative justice have utterly failed in Nigeria, and exasperated communities have turned to militancy and violence as years of protests fell on deaf ears.

In both Indonesia and Nigeria cases oil extraction bred community hostility which spilled over into conflict. Despite differences, there were similarities in the pre-existing baselines of both case studies; both regions were ethnically distinct, and were relatively underdeveloped. Shared oil grievances included:

- Unsatisfactory employment opportunities
- Lack of local investment
- Inequality
- Cultural and religious insensitivities
- Political isolation from central government
- State oppression
- Corporate greed and complicity with suppression

Both conflicts displayed significant youth unemployment elements. When confronted with unemployment or a lack of opportunity for social advancement, youths can grow especially agitated and impatient. Perceived injustices may lead to violent youth reactions. Unemployment, with its monotonous idleness and dearth of outlets, can provide ample opportunity for the unoccupied and disaffected to mobilise either through spontaneity or design. The exact role of unemployment in violence however, is disputed. When considering policing Becker (1968) established a link between unemployment and crime in his ‘economic calculus,’ later followed by Grossman (1991) who asserted unemployment played a role in violent conflict. Urdal (2004) linked violence with youth
bulges in states with poor economic performance. Contrasting, Berman et al. (2009) refute the unemployment link, their statistical analysis concluding no link can be found, at least in Iraq and the Philippines.

The World Development Report (2011) noted that unemployment (or agriculture) feeds rebel participation. Figure 3 shows that many unemployed youths are drawn by the relative allure of rebel life (or gang membership). Therefore, should political grievances transform into rebellion in oil regions, the human resources available and lack of youth opportunity would point towards unobstructed rebel recruitment. Unemployment may breed criminal gangs targeting the oil industry in the absence or presence of rebellion.

### Grievance and governance

The propagation of grievance stems from issues surrounding governance. In Nigeria and Aceh, grievances were chiefly squared at the government, or the collaboration between central government and the private sector. The quality of governance dictates national and local economic performance, and fundamentally influences the manifestation and momentum of grievance. Research has shown that resource-poor countries tend to pursue policies that maximise social welfare (Auty, 2000). Despite colossal oil revenues, Nigeria’s social welfare has floundered, with Sala-i-Martin and Subramanian (2003, p.3) asserting that a raft of indictors had essentially remained at pre-oil levels, and that ‘on just about every conceivable metric, Nigeria’s performance since independence has been dismal.’ Its government has routinely ignored marginalised citizens, and any response to grievances has predominantly been to suppress opposition to minimise disruption to oil production. Indonesia’s authoritarian measures have also excluded communities and stifled opposition. Mitigation of oil grievances only occurs through genuine efforts to act inclusively and redis-

---

**Rebel movements and gangs attract people with similar motives**

Surveys found that the main motivations young people cited for becoming rebels or gang members are very similar — unemployment, idleness, respect, and self-protection, all well ahead of revenge, injustice or belief in the cause.

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Rebel participation</th>
<th>Gang participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment/Idleness</td>
<td>39.5%</td>
<td>15%</td>
</tr>
<tr>
<td>Feel more secure/Powerful</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>Belief in the cause/Revenge/Injustice</td>
<td>13%</td>
<td>46%</td>
</tr>
</tbody>
</table>

*Source: Fearon 2010b; Beås, Tiltines, and Flate 2010; Neumayer 2003; Loayza, Fainzylber, and Lederman 2002a, 2002b; Messner, Raffalovich, and Shrock 2002; WDR team calculations.*

**Figure 3:** Unemployment and rebel participation (source: World Development Report 2011)
tribute revenue more equitably. Inclusiveness demands political representation, freedom of expression and a climate conducive to bilateralism.

One country often held up as a shining example of good practice in resource extraction in a developing country is Botswana. Good governance, anti-corruption and the diversion of revenues into a sovereign wealth fund outside the state budget contributed to Botswana’s solid and sustainable growth. Segregating rents from state coffers effectively renders the country ‘resource-poor’ and less likely to suffer impeded growth, or other deficits related to the curse such as Dutch disease. Botswana has therefore been able to diversify its economy in preparation for asset depletion. Additionally, the growing pool of capital provides economic security for times of financial turmoil.

The Extractive Industries Transparency Initiative (EITI) outlines principles and criteria that foster governmental and corporate financial transparency in resource extraction (EITI, 2011). Candidate countries must produce reconciliation reports and work towards validation through compliance. Compliant countries achieve benchmark standards in best practices, guiding states away from corruption and the resource curse. EITI principles require multi-stakeholder representation so governments and extractive industries engage civil groups and communities. The initiative requires all parties to display transparency. Public scrutiny encourages extractive industries to display corporate responsibility and helps to curtail corporate secrecy. The accountability which results from transparency dissuades unethical practices and occurrences such as Nigeria and Aceh’s human rights abuses. By embracing EITI, governments can limit rentier behaviour and act in the interests of the people. The remit of EITI is the promotion of good governance, but through EITI compliance, excesses of greed can be constricted and resultantly some grievances might never arise. Through multi-stakeholder talks, other grievances may be mitigated or better managed.5

Findings

Qualitative data analysis of over 150 Sierra Leonean subjects using NVivo 9 sought to determine the level and range of grievances in the country in order to gauge the state’s vulnerability to possible oil impacts.

Grievances in Sierra Leone

Responses indicated that grievances arise largely from socio-economic dilemmas falling under the umbrella term ‘poverty’. Low income, unemployment, illiteracy, health and psycho-social problems, and economic stresses (such as food prices) are perennial development challenges. In Sierra Leone, two overlapping but distinct issues stood out prominently from this backdrop and comprise the most immediate danger to stability: the youth problem and unemployment.

Access to services was a regularly cited grievance although new healthcare initiatives, including free treatment for all pregnant women, were well re-
ceived. However, traditionally marginalised groups are still disadvantaged in society. As well as the vast population of alienated urban youths research found grievances among rural women and amputees. Drug-addicted and alcoholic ex-combatants (for whom DDR projects have failed) can be found milling around roundabouts where they either sell drugs or demand petty cash from gridlocked traffic. Remarginalisation of formerly disaffected groups for whom peace has failed is already underway.

Qualitative responses revealed that many citizens have a degree of confidence in the present political leadership, a relative novelty in the nation’s fifty years of independence. But the perception of widespread corruption is entrenched and combatting it will be difficult, with respondents reporting that public sector salaries for example, are insufficient for basic economic needs. Inequality certainly exists in Sierra Leone but is not a blatant juxtaposition. Despite immense wealth, elites do not overtly flaunt their riches and have little opportunity to do so. Post-conflict Freetown is a raw city bereft of luxuries. Hotels are small and dilapidated, and no 5-star lifestyle exists. Shopping malls, branded retail outlets, sophisticated restaurants and bars, and a financial district simply do not feature. Residences of the wealthy are enclaved behind razor wire and physically imposing, but still modest by international standards. The contrast with poorer districts is distinct but opulence does not confront the city’s poor. Future development can only heighten visible inequality, and will most likely deepen economic grievances.

**Divisions in society**
The data regarding ethnicity, regionalism or tribalism initially paints a confusing picture. Research was undertaken to discover if Sierra Leone is primed with dangerously divisive identity politics, ethnic strife or religious tensions that might be heightened with the advent of the hydrocarbon industry. Data
collection suggested most subjects supported the general stance of the TRC; that such identities were not an underlying cause of the war, nor is Sierra Leone fundamentally divided with groups expressing mutual hostility. In fact several stressed how the country was at peace with itself, with intermarriage between ethnicities and religions occurring without incident or disapproval. Contradicting other statements, other subjects strongly implicated some divisions as important and damaging.

Tribalism was considered important by some, but the most cited factor was regionalism. Deeper analysis revealed that the subjects making such statements were in either political or military positions. Some of these respondents expressed grievances regarding recruitment or appointment of elites (although others viewed this issue neutrally). The data suggests that positions of power, and their support bases are areas where regional ties and loyalties remain important, inferring a residual societal institution of the patronage networks that existed pre-conflict. Traditionally politicians are closely allied by regions, and when in power appoint military chiefs from their districts to solidify their position and reduce the likelihood of a coup. Few other respondents from other backgrounds (including ex-combatants) cited the distinction as especially divisive, apart from tribalism which some stated can be problematic, but localised.

Analysis

Lessons drawn from contemporary political theory plus primary data clearly demonstrate that natural resource wealth threatens Sierra Leone once again. Alluvial diamonds have exposed Sierra Leone’s economy and institutions to forces that hollowed out the state and resulted in spectacular state collapse. Post-conflict, the spectre of the resource curse remains and has the potential to undermine the economy and retard growth, putting fiscal and social strains on the country at a delicate stage of its reconstruction.

Implication of the size of the discovery

One of the biggest challenges in attempting to forecast future pathways is that is that the size of the oil reserves and the rate at which hydrocarbons will be extracted are currently difficult to approximate. This has necessitated the speculative and broad theoretical analysis throughout this paper. Oil-producing states effectively fall into two simplified categories: those that are petro-states and those that are not. Petro-states emerge from large finds which have flooded and drowned the state in a rent-seeking honey trap. Should the reserves in the Sierra Leone Basin be substantial, the danger is that the damaging chain of causality outlined by Yates (1996) will funnel Sierra Leone into a rentier path from which it will have no mechanism to escape from – until it reaches asset depletion.

Smaller finds do not result in the same rentier state composition, but the resource curse still stands to jeopardise Sierra Leone’s development, and there
are clear associated dangers. Collier and Hoeffler (2001) warn that resource dependency entails a risk of civil conflict, and that the greatest risk occurs when resource exports equate to roughly a third of GDP. A genuine risk of a return to conflict further emphasises the need to diversify the economy and reduce resource dependency. But regardless of the size of the reserves a conflict risk remains in post-war societies (Collier, 2007), a risk often exploited by belligerents when the country is poorly governed.

Poor governance for Sierra Leone can only lead to continued poverty, with oil revenues mismanaged, wasted and embezzled. Should good governance prevail (as it has in the world’s developed oil-producing countries) then the likelihood is sustainable growth, regardless of the size of the discovery. These two core factors, the size of the find and the quality of governance, and how they combine, will dictate Sierra Leone’s future. Grounded in the theories discussed in this paper, the author presents the following model to outline three broad scenarios for an oil-producing Sierra Leone where the size of the find and the quality of governance are variables (Figure 4).

**Figure 4: Future oil outcomes for Sierra Leone (source: the author)**

**Grievances**

Economic theories proposed by scholars like Collier are useful in understanding some of the forces at work within society. The resource curse is crucial in understanding how economic mechanisms may direct states. But social science is not just restricted to economics, just as human behaviour and society is not only influenced by monetary factors. It is important therefore to broaden the scope of analysis beyond economics and promote analysis of the human dimension which may defy or contradict economic theory. Qualitative responses given by subjects in the field reflected this, many listing grievances or conflict experiences which were not explained purely through economic opportunity cost (e.g. sexual violence).

It is important to recognise that how Sierra Leone responds to each of the three outcomes proposed by the author’s model depends largely on social factors. The state of the economy, employment opportunities, access to services and corruption will all elicit varying emotional responses from differing groups.
within society. Youths especially are growing restless. Against this fragility, the introduction of an oil industry should be managed cautiously. Production could see the rise of predatory elites, exclusion, marginalisation, pollution and unethical corporate practices, all of which will result in a new layer of grievances. If Sierra Leone mutates into a petro-state, this will almost certainly see greedy actors using state apparatus or rents to suppress protests, likely culminating in an escalation in societal division and violence. Some of Sierra Leone’s aggrieved poor, confronted with injustices and unobtainable wealth, may adopt criminal means to express or economically advance themselves. A Nigerian scenario of lawlessness and frozen conflict could proliferate.

Contrastingly, should the oil find be smaller and poor governance still prevail, the greed of corrupt actors will once again syphon off the wealth, weaken the state, and recreate many of the conditions which led to the last war. Under poor governance grievances will flourish. Poverty and social instability could erupt into violent civil unrest or, given Sierra Leone’s recent history, protracted low-intensity conflict.

**The Prospect of Conflict**

The youth problem is growing critical and any disintegration in order or security will likely originate from here. Youths are jobless and want to contribute to society, and want a better life. Fortunately the nation is war weary, ex-combatant and civilian youths roundly reject the notion of a return to anarchy and are yet to politically express their growing grievances. Principally, this is because they remember the war. But within five years there will be the emergence of new youths with no recollection of the conflict and these youths may be unbridled in confronting society, possibly seeking radical solutions. Another danger is the psychological state of the nation – especially Sierra Leone’s traumatised young adults. Many youths’ education was not literacy, but violence (Wessels, 2006).

If internal conflict were to break out, Le Billion’s (2005) analysis suggests it will take one of two forms – secession or a coup d’état. Findings suggest that secession is unlikely. Unlike Aceh and Nigeria, no major ethnic or religious divisions exist in a comparatively tolerant and socially cohesive Sierra Leone. It displays no history of separatism or ethno-nationalism. It is geographically contiguous unlike Indonesia, or oil-rich and diamondiferous Angola (which has seen the attempted secession of the enclave province of Cabinda). Sierra Leone is also small – roughly the size of Scotland – as contrasted with large countries like Nigeria, Angola and Indonesia, which makes it easier for the central government to control.

The country, however, is no stranger to coups (three successful and three failed attempts) and the prospect of another must be considered a genuine threat. However, the SLA has been transformed from the dangerously unstable and ill-disciplined institution it was preceding the civil conflict. The British helped to restructure the SLA following the war and it is currently a leaner, more professional and depoliticised outfit. Predatory elites arising within the armed services could have a devastating effect upon the country should they
execute a coup. Governance, accountability and transparency, central to Sierra Leone’s recovery and development, would be severely diminished under military rule; not to mention the damage that could be wreaked by the prospect of renewed conflict. Political leadership and the SLA itself must vigorously pursue an apolitical and disciplined military. Historically, Sierra Leonean coup attempts have followed political crises emanating from poor governance.

Looking Forward
The resource curse must and can be overcome, and Sierra Leone can take heart that countries like Botswana have demonstrated that small resource-rich African states can succeed and prosper. Botswana’s good governance, plus the diversion of resource revenues into a sovereign wealth fund, have helped it forge impressive and sustainable development. Following this path though is not as simple as taking the decision to do so. The entire machinery of institutional patronage networks, corruption and incompetence described by Keen (2000) and Reno (1995) must be totally dismantled and replaced. To its credit, Sierra Leone has made some progress on this front. The decision to comply with the regulatory mechanisms of EITI and the Kimberly Process Certification Scheme are promising steps towards improved management of natural resources. There is much work to do, with corruption stubbornly persisting. The country is ranked 134th out of 178 countries on the Corruption Perceptions Index (Transparency International, 2010), with a score of 2.4.

As the oil industry develops, its high-skilled and enclaved nature means that few Sierra Leoneans are likely to benefit from associated employment. Livelihood programs should be maintained and tailored towards providing skills that the evolving economy or oil industry may require. Any state revenues not insulated in the sovereign wealth fund should be channeled into education and livelihoods, and oil companies contracted to invest in the community; either through donating to existing programs run by international organisations, or perhaps by running ethical and sustainable community projects of their own. If downstream production (refineries, etc.) are located onshore in Sierra Leone, then communities adjacent to these complexes must enjoy spillover development, such as electricity and employment opportunities wherever possible. Oil production will result in visible inequity and oil-connected grievances are probable. Resolving such grievances demands equitable economic development, accountability and transparency.

Ultimately, the oil industry faces asset depletion. Oil revenues shall pour into the state, but Hubbert’s theory forecasts reserves will run dry within a few decades. We can say with relative certainty that Sierra Leone’s economy stands to lose the majority of its oil (and other mineral) revenues within the lifetime of its younger citizens. Should Sierra Leone have transformed into a petro-state the effect of asset depletion will be disastrous, the entire economy effectively collapsing and much of the rentier state with it. Decades of poor governance will leave a hollowed-out state exposed to rapidly ‘unfrozen’ conflicts against a backdrop of spiraling grievances and structural disintegration. A return to Sierra Leone’s dark days, when the collapse of the education sys-
tem following non-payment of teachers’ salaries heralded state collapse and war, may be revisited.

The second scenario features a smaller oil discovery combined with bad governance. In this instance, Sierra Leone’s modest resource riches would have been both squandered and plundered and the nation will have remained caught in the poverty trap and would have progressed little by the time the oil depletes. The economic effect of depletion will be lesser, the impoverished nation simply losing one of its corrupt sectors and having missed a golden opportunity. The human cost however will include decades of poverty and instability with accompanying high infant mortality, preventable disease and economic hardship.

The third alternative and most optimistic outcome is that Sierra Leone would have adopted good governance and invested wisely, giving the state a good chance of achieving sustainable development and a broad economic base. This, in conjunction with assets accrued from a sovereign wealth fund should cushion the state from the socio-economic trauma of asset depletion. Good governance and prosperity should also have helped mitigate grievances and prevented conflict.

In light of social factors, grievances, and the prospect of conflict, the author proposes a model which outlines possible pathways for Sierra Leone from the initial pumping of recently discovered oil through to oil depletion, and emerging through the resultant shock (Figure 5).

Figure 5 is a simplified forecast and is not intended to cover all eventualities. For example, the prospect of foreign predation has not been incorporated into the model. This is mainly due to the fact that, to date, inter-state conflict over oil fields is extremely rare (Roberts, 2004). This is not to say that such a strike is impossible, especially as future geopolitical effects of Peak Oil are uncertain. The fact that Liberian rebels invaded and targeted diamondiferous territory, and the fact that the Mercury well is very close to Liberian waters (see Figure 1) means that potential disputes could occur. But history has shown the international response to an oil invasion is overwhelming and such an invasion unlikely to be in any state’s interest.

More probable is the slide of good governance into poor governance and the ensuing conflict that could entail. If good governance in a petroleum-rich state disintegrates into poor governance, the rentier mechanisms of the state will make the reversion to good governance extremely difficult to achieve. Conversely, should the reserves be smaller, the slide into poor governance will result in instability. Such instability could take the form of conflict, with one poor administration being overthrown by another and a continuation of prior problems. The instability however could be relatively minor and Sierra Leone’s democratic system might enable the removal of a poor administration and hopefully replacement by a more competent leadership. Or, potentially, a return to good governance could occur in the wake of a rebellion or civil war. It is possible though that good governance might prove to be unsustainable and Sierra Leone might get caught in a loop, the net result being poor governance until asset depletion.
Reflections

The future extraction of recently discovered offshore oil has the potential to totally transform Sierra Leone. Possible outcomes are dramatically different. The author proposes a model which identifies three broad pathways outlining mid and long-term outcomes for the country, stemming from the two most influential variables: (1) the eventual size of the oil reserves and (2) the quality of governance throughout the extraction period.

The first variable, size, is obviously a central determiner. Large oil reserves have been linked with hampering growth or degenerating the state, whereas the prospect of a mere trickle of oil could ironically prove more beneficial to the country long-term. The preliminary indications, however, are of significant offshore reserves which would see billions of dollars of foreign investment and substantial tax revenues. The national economy has traditionally been reliant
on extractive industries, and expansion of this sector stands to continue to expose the country to the rentier effects of the resource curse.

The resource curse can be tackled but success is dependent on the second variable: the quality of governance. To maintain growth requires a solid foundation of entrenched good governance, transparency and accountability. Moreover, Sierra Leone will need to demonstrate continuous and astute financial management and discipline. Although there is a long way to go, post-war reconstruction of the country appears to be adopting the incorporation of these principles through structural reform and the adoption of regulatory mechanisms. Recent progress such as EITI candidacy status and membership of the Kimberley Process Certification Scheme are encouraging steps. Also, controlled growth can be encouraged and corrosive rent-seeking behaviour limited by isolating excess rents in a sovereign wealth fund. As Sierra Leone continues its post-war reconstruction, it must work towards broadening its economic base beyond the extractive sector to stave off the economically debilitating Dutch disease. It can achieve this through steadily and strategically expanding other sectors. Considering the educational limitations in the country following a decade of collapse, agriculture would represent a logical focal point.

The model takes into account the significant social challenges faced by the country: issues which threaten to derail development through social instability which could escalate into conflict. Qualitative data analysis revealed widespread grievances relating to unemployment and corruption, with the issue of youth unemployment approaching critical levels. History has shown that the youth issue threatens national stability. The youth population must benefit from oil production through employment wherever possible and through livelihood and education programmes arising from resultant revenues.

The introduction of an enclaved petroleum industry may see grievances ignite if not managed sensitively. Environmental management must ensure existing livelihoods are not threatened and care must be taken that visible icons of wealth and power do not further alienate or marginalise vulnerable citizens. The government and oil corporations must act responsibly and seek ways of bringing wider development to communities, distributing wealth more equitably and fostering an environment of inclusiveness and transparency.
With post-war Sierra Leone still very much in flux, it is difficult to predict whether it will achieve sustainable development, flounder in the poverty trap, or burgeon into a petro-state. Should conflict erupt, an oil-producing Sierra Leone will likely be torn by the turmoil of rebellions or coups. To negate other conflict risks the GoSL must promote good diplomatic relations with neighbouring Guinea and Liberia. Congenial relations with Liberia are important bearing in mind that; (a) Liberian-backed rebels invaded in 1991, eyeing diamond resources in the east and (b) the offshore finds are in extreme proximity to Liberian waters and extraction could be a source of contention.

The challenges and obstacles to sustainable development are considerable but, more optimistically, the mechanisms for sustainable development are in the gradual process of being installed. The author was fortunate enough to witness Sierra Leone’s fiftieth anniversary of independence accompanied by a wave of national patriotism, celebration, reflection and introspection. It was, in many ways, a new beginning. But by the time the centenary celebrations arrive, the newfound oil will be gone, and today it is impossible to tell what kind of country it will leave in its wake. The author sincerely hopes that in 2061, the good people of Sierra Leone will be celebrating, with justified pride, the prosperity and progress of the preceding fifty years.
Notes

1 For comparison Mercury contains about 10% of the oil in the Forties Oil Field, the largest in the North Sea. These are just two wells and indicative of a larger productive field.

2 Most international media focused on conflict diamonds or human rights abuses rather than the failure of governance.

3 Nigeria and Cameroon also almost went to war over the Bakassi Peninsular.

4 East Timor successfully seceded in 2002 and also holds offshore oil fields. The presence of oil is significant, the viability of the state economy questionable without it.

5 In 2011 the EITI Board renewed Sierra Leone’s candidacy status following the production of the first Sierra Leone Extractive Industry Transparency Initiative (SLEITI) report (SLEITI, 2010).

6 The Deputy Minister for Labour, Mamoud Tarawalie, highlighted development of the agricultural sector as a priority.


8 Interview: The Minister of Youth, Paul Kamara.

9 The author gained copious contextual data while residing at the SLA barracks during the course of field research.
Bibliography


The Financial Times (2009) *Andarko and Tullow Betting Big on Venus*. Available at: [http://www.ft.com/cms/s/0/0c940ea8-a2e9-11de-ba74-00144feabd00.html#axzz1VDHhrAwX](http://www.ft.com/cms/s/0/0c940ea8-a2e9-11de-ba74-00144feabd00.html#axzz1VDHhrAwX) [Accessed 6 June 2011].


Mission Statement
The PRDU links theory and practice for the enablement and development of war-affected societies.

The Unit’s work focuses on three core areas:

Conceptualisation:
Facilitating the development of a vision for reconstruction with participatory needs assessment, context analysis and strategy development.

Institution Development and Transformation:
Supporting the development of human resources, appropriate administrative systems and institutional responses in the transition from crisis management to long-term development programmes.

Participatory Evaluation:
Promoting people-centred evaluation of progressive goals and strategies and the dissemination of good practice.