CONCEPT NOTE

High Level Panel

Political Parties and Natural Resource Governance: Building Capacities for a Developmental Approach

Southern Sun Hotel, Cape Town, South Africa
7-8 February 2017

I. Background

Africa has significant natural resource wealth. The continent holds more than half of the world’s rare minerals and it is rich in both renewable and non-renewable natural resources. The continent’s geography features the world’s largest arable landmass, the second largest and longest rivers (Congo and Nile respectively), and the second largest tropical forests. The total value added of its fisheries and aquaculture sector alone is estimated at USD 24 billion. In addition, about 30% of all global mineral reserves are found in Africa. The continent has proven oil reserves constitute 8% of the world’s stock and those of natural gas amount to 7%. Minerals account for an average of 70% of total African exports and about 28% of the gross domestic product. Earnings from recent oil, gas and mineral discoveries could lead to an increase of government revenues of between 9% and 31% in the first ten years of production in countries like Mozambique, Tanzania and Uganda. Undoubtedly, extractive industries have emerged as a powerful engine of economic growth. Apart from building manufacturing industries, the exploitation of natural resources could provide the revenues needed for investment in social service provision such as health and education.

The continent’s natural resources provide a unique opportunity to foster human and economic development. However, Africa suffers from the paradox of plenty, meaning that abundant endowments of natural resources do not lead to equivalent levels of prosperity, broad based development and resource based industrialisation. One key obstacle preventing African countries from realizing this potential is poor governance. This problem refers to the lack of strong institutions and weak policies aimed at short-term gains rather than at long-term development objectives. In addition, the easy access to revenues is another factor that makes governments less accountable and more likely to preserve the interests of the minority governing elite with limited benefits for the population. The level of poverty in most resource-rich countries in Africa has not been reduced, as predictions based on their economic growth performance would suggest. As a case in point, most resource rich African countries have some of the largest gaps between income and human development as reported in the United Nations Development Programme’s Human Development Index (HDI). Overall, the wealth of natural resources has not yielded

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1 Africa Capacity Indicators 2013. Capacity Development for Natural Resource Management
2 African Development Bank (2016)
3 Africa Progress Report (2013)
4 UNCTAD 2012. Extractive Industries: Optimising Value Retention in Host Countries
positive benefits in terms of inclusion and poverty reduction in most resource rich countries in the continent.

A further problem that impedes development benefits from natural resource wealth is the status/structure of Africa’s extractive industry: Most countries in the continent remain exporters of unprocessed or lightly processed commodities. According to UNECA Southern Africa Office Expert Group Meeting Report (2013), Sub-Saharan Africa's dependency on primary products is high and there is low value addition to commodities before exports. Due to that, the region is exposed to high commodity volatility and limited linkage of the commodity sector to the local economy. Furthermore, the study by SADC on the value chain for a range of minerals in Africa shows that the value of processed products was typically 400 times greater than the equivalent unit value (by weight) of the raw material. Thus, Africa needs to climb the value-added chain of mineral processing and manufacturing to unlock the full economic potential of its natural resources. The continent needs to foster local resource-based industrialisation (RBI) and value addition and embrace it as a legitimate aspirational goal. The goal is to use natural resource endowments to develop a competitive local supply industry that, through employment creation, value addition, technology and knowledge transfer, fosters broad-based sustainable development.

The problem that potential benefits of natural resource have failed to materialize has been recognized by decision-makers. Most African governments have expressed a commitment to turn revenues from natural resources to enhance development outcomes: better health, better education, and access to quality social services. At the continental level, a new African normative framework on natural resource governance - the African Mining Vision (AMV) – was adopted by Heads of States in 2009. The AMV provides a compelling thrust towards “transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development”. It further calls for greater value addition of African mineral resources. The framework to facilitate the realisation of the AMV, the African Mineral Governance Framework has been drafted. More recently, the AU adopted the First 10-year Implementation Plan of Agenda 2063, which places natural resources at the center of the construction of a developmental State and of the socio-economic transformation of African countries. Regional institutions such as the Africa Development Bank (AfDB) Natural Resource Center (ANRC) and the African Minerals Development Center are supporting African States to improve their natural resource governance.

In spite of this progress, the ACBF 2013 African Capacity Report recommends further actions to enable African countries to benefit from their natural resource endowments: First, the capacity of the actors and stakeholders involved in high value natural resource extraction needs to be enhanced. Such efforts would, among others, address the problem

of 'capacity imbalance' - whereby one set of stakeholders enjoy significant capacity while the other stakeholders experience inferior and in some cases much lower capacity – which can result in mismanagement, abuse of office, corruption and exploitation. Second, regulatory frameworks, processing, marketing, management of revenue and policy oversight have to be developed. Therefore, a paradigm shift in the reflection and action on natural resources governance in Africa is imperative.

A key stakeholder with regard to natural resource governance are political parties. They play a crucial role as they form policy positions on the management of finite natural resources. These policy positions and party programmes will largely inform government policies on natural resource governance once a political party is elected. While parties should take clear, distinguishable policy positions that are in line with the party’s overall vision, decisions on natural resource governance also transcend generations and certainly electoral cycles. Therefore, capacity building of political parties in natural resource governance is a crucial element to ensure that natural resource governance responds to citizens’ expectations and benefits the country as a whole rather than a few individuals.

It is against this background that the International Institute for Democracy and Electoral Assistance (International IDEA) Africa and West Asia Programme, the African Capacity Foundation (ACBF) and the International Organization of Francophonie (OIF) and the African Peer Review Mechanism (APRM) are organizing a High Level Panel on 'Political Parties and Natural Resource Governance: Building Capacities for a Developmental Approach' in Cape town, on 7 and 8 February, on the margins of the Mining Indaba Forum 2017. The High Level Panel will provide to participants a platform to discuss and reflect on a new Developmental Approach to Natural Resources Governance in Africa. The goal of this approach is to optimize the profits from natural resources, distribute these gains among citizens and, hence, enhance prospects for sustainable socioeconomic transformation.

II. Objectives of the High Level Dialogue Session

The high level dialogue is designed to create a platform for collective reflection and consensus building amongst representatives of political parties and other key stakeholders in Africa on the role of political parties in natural resource governance with a view to:

a) Assess the challenges of natural resource governance in Africa’s democracy and development prospects;

b) Explore the link between local resource based industrialisation, value chain and sustainable national development opportunities;

c) Unpack challenges being encountered by African governments to enhance local resource based industrialisation and value addition on the national level;

d) Reflect on the role of political parties in enhancing the nexus between natural resource management and sustainable development;

e) Proffer innovative industrial approaches that focused on revenue maximisation from natural resources;
Recommend policies that are geared towards inclusive utilisation natural resources revenues.

III. Expected Outcomes

The high-level dialogue session is expected to enhance Africa political parties’ awareness on developmental approach to natural resource governance. More specifically, the dialogue will build the capacity of political parties to assume their oversight role in the development and implementation of policies and other regulatory frameworks on local resource based industrialisation and value addition. These policies should be geared towards enhancing natural resource commodity profit maximisation, government revenue and ultimately opportunities for inclusive sustainable development. The dialogue will also promote regional and sub-regional initiatives to enhance traction on developmental approach to natural resource governance – including a possible APRM Index on Natural Resource Governance. Finally, the dialogue will make recommendations on the framework of political parties’ capacity building curriculum on developmental natural resource governance.

IV. Participation

The High Level Panel will bring together senior officials from African countries across the continent, political party leaders, experts, representatives from the private sector and CSOs representatives from a wide range of organizations and institutions – such as regional and sub-regional organizations. The total number of expected participants is 100.

Contact Information

For further information about the Dialogue, please contact Mr. Alistair Clark, Programme Officer, International IDEA, Africa and West Asia Region Office, Addis Ababa, Ethiopia. Email: A.Clark@idea.int ;