



Information Brief

Africa and West Asia Programme

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Summary

Africa's natural resources provide a unique opportunity to foster human and economic development. However, abundant endowments of natural resources do not necessarily lead to equivalent levels of prosperity, broad-based development and resource-based industrialization. One key obstacle preventing African countries from realizing this potential is poor governance.

This Information Brief discusses the need for a new developmental approach to natural resource governance in Africa, with an emphasis on an inclusive, participatory and owner-based socio-economic transformation of African countries.

About International IDEA

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with a mission to support sustainable democracy worldwide.

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Enhancing natural resource governance in Africa

Background

Africa has significant natural resource wealth. The continent holds more than half of the world's rare minerals and is rich in both renewable and non-renewable natural resources. Its geography includes the world's largest arable landmass, the second largest and longest rivers (the Congo and Nile, respectively), and the second largest tropical forests (African Capacity Building Foundation 2013). According to the African Development Bank (AfDB), 'the total value added of its fisheries and aquaculture sector alone is estimated at USD 24 billion' (AfDB 2016: 3).

In addition, about 30 per cent of all global mineral reserves are found in Africa. The continent's proven oil reserves constitute 8 per cent of the world's stock, while those of natural gas amount to 7 per cent. Minerals account for an average of 70 per cent of total African exports and about 28 per cent of the gross domestic product. Earnings from recent oil, gas and mineral discoveries could lead to an increase in government revenues of between 9 per cent and 31 per cent in the first 10 years of production in countries like Mozambique, Tanzania and Uganda (AfDB/BMGF 2015: 6).

Undoubtedly, extractive industries have emerged as a powerful engine of economic growth and financing for development. Apart from building manufacturing industries, the exploitation of natural resources could provide the revenues needed for investment in social service provision, including health and education (Africa Progress Panel 2013).

Natural resource governance and the paradox of plenty

Africa'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 industrialization. One key obstacle preventing African countries from realizing this potential is poor governance.

Poor governance refers to the lack of strong institutions and weak policies, aimed at short-term gains rather than at long-term development objectives. In addition, easy access to and capture of revenues are factors that make governments less accountable and more likely to preserve the interests of the minority governing elite with limited benefits for the population (United Nations Conference on Trade and Development 2012).

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

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largest gaps between income and human development, as reported in the Human Development Index (UNDP 2016). Overall, the wealth of natural resources has not yielded positive benefits in terms of inclusion and poverty reduction in Africa.

The structure of Africa's extractive industries

A further problem that impedes development benefits from natural resource wealth is the status and structure of Africa's extractive industries. Most countries in the continent remain exporters of unprocessed or lightly processed commodities. According to the UN Economic Commission for Africa (UNECA 2013), sub-Saharan Africa's dependence on primary products is high and there is low value addition to commodities before export.

Due to this dependence, the region is exposed to high commodity volatility and limited linkage of the commodity sector to the local economy. Furthermore, according to the Africa Progress Panel, 'a study by the Southern African Development Community [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' (2013: 45).

Thus, Africa needs to climb the value-added chain of mineral processing and manufacturing to unlock the full economic potential of its natural resources. It needs to foster local resource-based industrialization 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.

Regional natural resource frameworks

The fact that the potential benefits of natural resources have failed to materialize has been recognized by decision-makers. Many African governments have expressed a commitment to invest revenues from natural resources in order to enhance development outcomes, including better health, better education and access to quality social services.

At the continental level, a new African normative framework on natural resource governance—the Africa Mining Vision (AMV)—was adopted by heads of state 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 African Mineral Governance Framework, designed to facilitate the realization of the AMV, has also been drafted. More recently, in 2015 the African Union (AU) adopted the first 10-year Implementation Plan for 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, and which is also a milestone of the 2030 Agenda for Sustainable Development.

Regional institutions such as the AfDB Natural Resource Center (ANRC) and the African Minerals Development Center (AMDC/ECA) are also supporting African states in their efforts to improve their natural resource governance.

International frameworks

At the level of international institutions and partners—including non-state actors—the focus is generally on the governance of natural resources. Efforts have concentrated on the fight against corruption, as well as tax mobilization, transparency and accountability, as reflected in the latest Resource Governance Index released by the Natural Resource Governance Institute (NRGI 2017).

Other initiatives reflecting this trend include the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas; the Kimberley Process; the Dodd-Frank Act in the United States; the European Union's transparency and accounting directives; the Extractive Industries

Related International IDEA publication

Tackling the Resource Curse: The role of democracy in achieving sustainable development in resource-rich countries
Anar Ahmadov and Farid Guliyev (2016)

This Discussion Paper provides a critical survey of the academic and policy literature that investigates the role of democratic arrangements and practices in sustainable and inclusive development through the prudential governance of oil, gas and mining resources. It covers different government systems, world regions and countries.

The findings suggest that if the question is ‘does democracy lead to better development outcomes in countries rich in oil, gas and mining resources?’, the ‘yes’ answer should be a very cautious and qualified one. While certain aspects of democratic arrangements and practices are empirically linked to sustainable and inclusive development outcomes, others are not—and may, under some conditions, undermine the achievement of such outcomes.

Finally, several theoretical and methodological issues are identified that affect many studies in this literature and hinder making inferences from their findings. Six illustrative cases are discussed to highlight important aspects of the relationship between democracy, natural resources and development.

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Transparency Initiative; and Publish What You Pay (European Centre for Development Policy Management 2017: 3).

A new developmental approach

Despite these efforts, natural resources are not yet a vehicle for the transformative development of African states. In fact, natural resources continue to constitute one of the main sources of violent conflict, and represent a threat to the democratization process in most African states (Tana Forum 2017). There is, therefore, a need for a paradigm shift in the reflection and action on natural resources governance to use this sector as a key leverage for inclusive, participatory and owner-based socio-economic transformation of these countries.

For International IDEA, this paradigm shift reflects a new developmental approach to natural resources governance in Africa, characterized by:

- transformative visionary leadership and political will;
- prioritizing the interests of citizens (including those from base communities) and their rights (political, economic and social), and to strengthening political participation (via political parties and parliamentarians) in the natural resource sector;
 - a proactive role for local civil societies organizations in designing, implementing and promoting transparency in natural resource governance policies;
 - linkages between natural resources governance and sustainable, inclusive, participatory, owner-based transformative development and regional integration;
 - linkages between natural resources governance and financing for the Sustainable Development Goals (SDGs);
 - linkages between natural resources governance and green development;
 - improvements in the natural resource value chain through necessary transformations at the local level (as opposed to the gross export of these resources) in order to contribute to job creation (especially for young people) and industrialization;
 - organizing and rationalizing artisanal small-scale mining operations;
 - including a gender perspective for women’s empowerment in the mining sector;
 - inverting the logic of action of the organized private sector to privilege the general interest of citizens of countries of extraction rather than the individual benefits of the shareholders; and
 - emphasizing continental and regional frameworks and mechanisms for monitoring and evaluating the implementation of natural resource governance policies in African countries, including the AMV, APRM and existing regional arrangements (e.g. in the SADC) in addition to external frameworks.

This new approach is not an alternative to the AMV, but a refinement and reinforcement of this continental framework. International IDEA’s Africa and West Asia (AWA) Regional Programme will continue its work in developing the approach within the framework of its contribution to improve democratic dividends for African citizens—particularly through comparative knowledge generation and capacity development for parliamentarians and members of political parties (International IDEA 2017).

Indeed, democracy is not an end in itself but rather a means to create conditions conducive to building capable developmental states—that is, states that are able to respond to citizen’s needs in terms of accountability, access to public service and security—and create a consensus on a legitimate developmental project.

International IDEA in Africa and West Asia

Our work in supporting democracy in Africa and West Asia involves contributions from across all of our initiatives. The Africa and West Asia Programme has a footprint in over 40 countries, with a regional office in Addis Ababa and country offices in Tunisia and Kenya. Priorities include constitutionalism, political party dialogue, electoral integrity, natural resource governance, youth participation and women's representation.

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