

An Essay on Natural Resource Governance in Africa

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Abstract

Africa is richly endowed with natural resources that would have placed it on a world map as the most developed continent. This has not been the case as the management of these resources has been a recurring challenge; awfully and embarrassingly dismal to many countries. Oil and natural gas in particular have been notoriously precarious. Not many countries have succeeded in turning the revenues from these natural resources, whether land, sea, forests and other biodiversity, to enduring economic benefits and this phenomenon has been described as the “resources curse”. This has not only stalled development, but it has created such grinding poverty and socio-economic exclusions, which has elicited both crimes and insurgency. This is largely due to the recklessness and irresponsibility of Africa’s political leadership, Dutch Disease, lack of transparency and accountability, among others. This essay looks at the all-important issue of natural resource governance in Africa, it challenges, efforts at mitigating these challenges and possible recommendations. The essay recommends that resource-rich countries must invest into the future, build our institutions, and diversify their economy. One effective way to do it is the Sovereign Wealth Fund, keeping in mind the international best practices and also develop a knowledge institutions and cultivate a knowledge-based economy.

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Introduction

Africa's natural resources have been the bedrock of the continent's economy and continue to represent a significant development opportunity for her people. In 2012, natural resources accounted for 77% of total exports and 42% of government revenues. It is also the second world's driest continent. About 30% of the world known reserves of minerals, 10% of oil, and 8% of gas resources are found in Africa. It also has the largest cobalt, diamonds, platinum, and uranium reserves in the world, Okonjo (2013). **There is a missing transition sentence between paragraphs.**

According to the Oxfam Report, Sub Sahara Africa warehouses, more than 20% of the most world's undiscovered crude oil- which is more than those in the Middle East and North Africa put together. The report also reveals that 28 Sub-Sahara African countries can be classified as resource-rich meaning that more than 25% of their exports are made up of non-renewable resources. Some of these countries are Angola, Nigeria, Botswana, Burkina Faso, Cameroon, Ivory Coast, Liberia, Madagascar, Sierra Leone, Mauritius, Namibia, Niger, Zambia, South Sudan, South Africa, Chad, Congo Democratic Republic, Equatorial Guinea, etc. Close to 20 million people are employed in the USD 24 billion fisheries sector, with 90 million others dependent on fisheries for livelihood. Water resources are contrasted across the continent, with Africa being home to some of the highest annual rainfall in the heart of the Congo basin. AfDB (2016).

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Aside from oil, gas, and other mineral resources, Africa is also richly endowed in land, water, seas, forests, and biodiversity. Africa is home to the second world largest tropical forest with more than 70 percent of the Sub-Saharan population depends on forests and woodlands for livelihood. Land in Africa is an economic development asset as well as a social, cultural, and ontological resource.

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The continent houses an estimated two-thirds world's most suitable land for farming, Anizoba (2005). Incidentally, a strain on land is caused by environmental challenges due largely to climate changes, population growth pressure, and rural-urban migration. It also shelters one-third of the world's international river basins in Sub Sahara Africa with 35 countries sharing major river basins. The Continent's 63 international basins cover about 64% of the land area and is are home to some 77% of the population. Also, 75 million people depend on forests and biodiversity for survival. UNEP Report (2010). There is a missing transition sentence between paragraphs.

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Natural resources have the potential of bringing wealth and stability to resource-rich developing countries. The oil, gas, and mining sectors represent one of the biggest sources of revenue in Africa. Africa's natural resources were worth \$333 billion in exports in 2010. The resources in Africa has the potency of generating substantial social, economic and political benefits only if they are exploited and utilized in a transparent and accountable manner, Alao (2015) Better harnessing of revenues from these resources can help increase support for education, health, and agriculture, and overall development of the continent.

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Natural Resource Challenge in Africa

Considering the things described above, Given the aforesaid, there is no doubt that Africa is indeed blessed with abundant natural resources. Nevertheless, it remains the world's less developed region. Africa hosts where more than 400 million people who live in extreme poverty, debilitating health challenges, wars, etc. The continent is grossly underdeveloped, and its resources depleted due to abuse, mismanagement, abandonment, and vitiation of Africa's communalistic ethics by practices such as consumerism, greed, and individualism, etc. Omorovie (2014). The citizens and countries harbouring these resources have remained poor while conflicts have threatened the peaceful co-existence of these resource-rich nations owing to greed and other challenges, Okonjo

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(2013). Inability to develop home-grown technology and expertise in the exploration, exploitation, and utilization of resources has contributed to the challenge as there is over-dependence and reliance on technology transfer and foreign extractive industries which has helped plunder and decimate our resources, Arinze (2013)

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Despite being blessed and surrounded by water, more than 300 million people in Sub Sahara Africa are without access to reliable drinking water sources with 14 countries experiencing water stress.

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Between 1898 and 2015, 85 water-related conflicts have been recorded with the recent being that of Cameroon and Nigeria over the use of the Lake Chad, Nduka (2006). The seas though an important resource in Africa having has been central to global commerce and European penetration of Africa. and Harbours and hydro-carbon resources have become huge migration passage for trafficked persons, piracy and illicit trade in drugs, narcotics, weapons. Due to near-government absence, the seas have become sites for dumping of toxic wastes, illegal commercial fishing and depletion of the marine stock.

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Global Financial Integrity Report 2015 reveals that illicit financial flow amounted to more than USD 500 billion in the last decade derived from trade in oil, precious metals, and minerals, iron ore, steel, and copper. Companies operating in Africa have often used complex company structures, including establishing subsidiaries as tax heaven to enable them to transfer part of their profits there and pay little or no tax to their country of operation. Trade mispricing is often used to perpetrate this crime where companies deliberately overstate the price of imports or understate the price of export between subsidiaries of the same companies so as to avoid paying tax in the country where they operate. The report states that South Africa lost USD 359 million in 2012 while the continent lost more than USD 11 billion due to trade mispricing in 2010. The Report cited the example of Mopani Copper Mine in Zambia owned by English Mining giant Glencore which in

2010 sold extracted copper to a subsidiary in Switzerland (a notorious tax heaven) at a relatively low price. Combined with an overstatement of the cost of operating the Mine; the result was that Subsidiary in Zambia was left without any profit and thus without any tax obligation to the Zambian government. This is just one in many instances. There are cases of illegal trading in diamond in Sierra Leone, and Crude Oil bunkering in Nigeria.

Conflict over natural resources has made Africa the focus of international attention, particularly during the last decade. From oil in Nigeria, and diamonds in Sierra Leone and the Democratic Republic of Congo, to land in Zimbabwe, and water in the Horn of Africa. The politics surrounding ownership, management, and control of natural resources have disrupted communities and increased external intervention in these countries, Collier (2010). According to Kofi Anan, Chairperson of the African Progress Panel, “In the last 15 years alone, rivalry for access to natural resources had fuelled war and rebellion in Sierra Leone, Liberia Sudan, South Sudan, etc. Oil and other natural resources had played an important role in the recurring violence in the Niger Delta. That close association had led some people to describe the discovery and exploitation of natural in Africa as a curse. This, of course, is not true. Natural resources in themselves don’t cause war; it is the competition for their dues that does”. Rebel groups gain access to natural resource rents by running protection rackets against the companies or people who are the exporters or to sell concessions to mineral rights in anticipation of subsequent control of the territory. The prolonged viability of UNITA in Angola and the RUF in Sierra Leone; the violent gangs of the Nigerian Delta; and the successful rebellions of Laurent Kabila in Zaire and of Denis Sassou-Nguesso in Congo Brazzaville, were all assisted by illegal resource rents. Arinze (2013)

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Efforts at Mitigating Natural Resource Governance Challenges

Africa is really blessed with natural resources as can be seen from statistics and efforts at ensuring effective management have not been total. There have been efforts at mitigating natural resource challenges across the African continent. While individual countries have put measures in place to ensure natural resources benefit its citizens and lead to even development, regional bodies and international organizations have also assisted with measures to help manage natural resources. Nigeria, for instance, is blessed with abundant natural resources with oil and gas constituting more than 70% of its revenue and foreign exchange earnings. It has more than 28 mineral deposits apart from oil and gas. It has a total area of 923,768km square. It is the 12th largest producer of petroleum in the world and the 8th largest exporter having the 10th largest proven reserves. Revenue generated from oil and gas activities accounts for 40% of GDP and 80% of government earnings, Okonjo (2013). According to Dr. Okonjo Iweala who was former Nigeria's Finance Minister, "Government has put in place measures to ensure that natural resource and derived revenue are well managed for the good of the citizens. One measure put in place is the adoption of a reference benchmark for oil where if the oil price is at USD 30 per barrel, the government will adopt USD 20 as a benchmark while saving the excess for the rainy day. Other measures include setting up of a Sovereign Wealth Funds and Excess Crude Account to help keep price volatility in check. We also put in place a natural resource charter framework to help us manage our resources, having learned from Chile and Botswana". From Okonjo's revelation, it must be observed that Nigeria has been making efforts at managing its resources, but how well these measures have been implemented is debatable. Government also adopted the Extractive Industries Transparency Initiative known as NEITI to allow for transparency and accountability. This led to the monthly publication of revenues of each tier of government.

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There is ~~the~~ Africa Against Poverty; a regional programme with a focus on extractive industries, taxation, and other emerging development challenges in Sub-Saharan Africa. We have Resource Africa; a non-profitable organization established to promote good governance and democratic practices in building community-based institutions as essential requirements for sustainable development and effective resource management. It partners global and African countries to encourage and deliver new models of natural resource management with an emphasis on local stewardship and ownership whereby benefits are created and delivered to local communities. There is also the Africa Growth Initiative at the Brookings Institutions helping East African countries who recently discovered (what?) manage their resources to benefit their people. There is the African Convention on Conservation of Nature and Natural Resources (ACCNNP). It was signed in 1968 and revised in 2013 and is the best key African Union instrument to ensure feasibility of multilateralism for the greater good of Africa, its resources and its people. Its effort has been geared towards mobilizing African countries to protect the environment and judicious use of natural resources. The African Union (AU), the United Nations Economic Commission for Africa (UNECA) and the African Development Bank (AfDB) have also launched several initiatives to improve resource management at the continental level. Such initiatives are the African Mining Vision, the Framework and Guidelines on Land Policy in Africa, Africa Water Vision 2025 and AfDB's African Legal Support Facility (ALSF) to assist governments in the negotiation of concession agreements.

Recommendations

Based on the challenges highlighted in this essay, the following are recommendations on how best to manage natural resources in Africa.

There is a need to develop strong institutions to guarantee economic development. Building and strengthening institutions are the keys to effective and prudent management of our natural resources. The creation of the Sovereign Wealth Fund or a special savings scheme is a sure way of investing into the future. Countries like Norway, Texas in the USA, United Arab Emirate, Saudi Arabia, China, and Botswana, etc have set up such funds and have saved billions of dollars from their resources. These countries have also put in place natural resource charter framework to guide the activities and conduct of all stakeholders.

There is a need to review key instruments of natural resource governance in Africa to avoid duplication of functions and efforts and allow for effectiveness. For existing initiatives, government instruments, policies, institutions, and protocols, more resources should be made available to help promote sustainable development of natural resources. Also, relevant international organizations should include the aforementioned in their operations for synergy and collaboration such as United Nations Environmental Programme (UNEP), Convention on Biodiversity and United Nations Framework Convention on Climate Change, etc. Obsolete extant laws and regulations governing natural resource sector in Africa should be reviewed or negotiated for better deals for Africans. African Union and the African Development Bank should spearhead a paradigm shift from the status quo. This will enable resource-rich countries negotiate better contracts, licenses, and concessions as well as encourage private sector investment, work with external partners to certify and track mineral resources, ensure that consultative processes are

inclusive, create incentives for safe and profitable extraction, and prepare for the inevitable depletion of certain natural resources.

Also, development of a robust tax policy and the avoidance of granting tax incentives is inevitable. Emphasis should be on building attractive long term investment climate and robust fiscal regime.

Likewise, to reduce illicit financial flow and tax avoidance, the international system should close ranks and promote a new global tax system with an international action plan to remediate abusive tax planning and opaque company structures.

There must be restoration and strengthening of governance such that the idea of a social contract where citizens and government take complementing responsibility and work together to ensure the protection and growth of society must take centre stage in governance. This will mitigate most of the resource-oriented crises we experience. The people must be given a sense of belonging in natural resource governance to avoid conflicts

Resource-rich countries must endeavour to develop a knowledge-based economy because, in the 21st century, knowledge rather than natural resources is the greatest capital. Today the richest man in on earth, Bill Gates, has nothing to do with natural resources, he sells software, a product of creativity and which is the essence of knowledge. This is also true of Aliko Dangote, the richest black man in the world and Africa. We have to make a total paradigm shift to knowledge, by investing heavily in human capital development, especially education. Usman (2015) Usman maintains that a knowledge-based economy is one where the generation and utilization of knowledge contribute to a significant part in economic growth and wealth creation.

In addition, countries yet to adopt and implement EITI alongside other regional and global standards and regulations should do so immediately to strengthen transparency and accountability.

Extractive industries must adhere to laws of host countries; shun corrupt tendencies, contribute to the development of their hosts and preserve the environment. This will guarantee peace, stability attainment of set goals of all stakeholders. Resource-rich nations must endeavour to develop home grown technology to enable them to explore and exploit their resource rather than depending on foreign technology. Instead, such partnership has led to enslavement and over-dependence.

It is time for resource-rich nations to adopt communalism with emphasis on common ownership of means of production. Omorovie (2014). According to Omorovie, communalism, as opposed to individualism and consumerism, is rooted in African sense of family that is extensive, cooperative, integrative and altruistic and excludes no one. I support Omorovie's position because this takes its roots to Julius Nyerere's Ujaama (African Socialism) where the premium is on the brotherhood of sharing of life and resources. This will guard against greed and ensure that everyone is given a pride of place in the scheme of things thus reducing conflict and constant wars, as well as, the winner takes it all mentality that has permeated our social fabric.

More so, the government in resource-rich countries must ensure the maintenance, exploitation, and development of other resources such as land, seas, forests and other biodiversity. This neglect has led to these resources being hijacked by rebels, militants and other criminal elements

Finally, there is a need for effective management with priority for conflict prevention, fighting corruption, and promoting sustainable development. African government must develop national strategies under which natural resources could be developed, including fiscal policies, contractual agreements and tax regimes, Anan (2013).

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Conclusion

There is no doubt that Africa is richly endowed, but these resources have not been fully utilized to the advantage of citizens due to a plethora of challenges, one of which is bad leadership. Efforts have been intensified to mitigate these challenges, and recommendations have also been made as to the way forward. Let me say that what we need now is the political will by our leaders to copy the examples of Botswana, Norway, Texas in the USA and Saudi Arabia. Good governance structure and institutional framework as well as looking inward for are key. We have heard so many sermons on resource governance; what we need from our leaders is action; that way we can build a continent that we all can be proud of devoid of hunger, poverty, starvation, conflicts, and wars, etc.

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