Sovereignty over natural resources: An African perspective

Despite huge natural resources, Africa has relatively failed to progress. External pressures on the sovereignty of African states, together with the necessary lack of appropriate internal mediating structures for effective sovereignty, means that the continent's problems will not be easily solved.

George Gelber

George Gelber is CAFOD's Senior Policy Advisor, a published author and specialist in development and aid policy.

The relative failure of many African countries has long been a perplexing problem. Many African countries have been unable to convert valuable natural resources into an improved standard of living for their citizens. Wealth, in the form of great natural resources, has more often than not been a curse and not a blessing. Oil and minerals have caused conflict and war, encouraged corruption, stifled initiative and enterprise, overvalued currencies, and weakened the links of accountability between governments and their citizens. Such underdevelopment reflects both the failure of those in power to discharge the responsibilities of sovereignty and the external pressures on the sovereignty of these countries.

In 2002, at the World Summit for Sustainable Development in Johannesburg, Tony Blair launched the Extractive Industries Transparency Initiative. The purpose was to persuade both companies and governments to be open about the revenues flowing from oil and minerals into state treasuries and thereby to stem diversion into secret bank accounts and private pockets. One trigger for this initiative was a report on Angola in which Global Witness, a British NGO, detailed vast corruption and lack of transparency in the oil and gas industry. Human Rights Watch calculated that $4.2 billion disappeared from government coffers between 1997 and 2002.[1]

In 2006 Mo Ibrahim, who made a fortune, measured in the billions, setting up mobile phone networks in Africa, established the Mo Ibrahim Foundation. Its centrepiece is the Prize for Achievement in African Leadership, which is awarded each year to an African president or prime minister who has served his (they are all men so far) country exceptionally well, has demonstrated a good record on corruption and who has stepped down after his constitutional term of office, voluntarily or because he has lost an election or he was constitutionally barred from running for a successive term. The prize is worth $5 million over ten years and $200,000 a year for life thereafter. The reasoning behind the prize was that, in offering a generous life-time income, it removes the need to resort to corrupt practices to build up a personal retirement fund. It is telling that in 2008 the distinguished committee which awards the prize could find no worthy prize winner.

In moving to address the resource curse both Tony Blair and Mo Ibrahim were attempting to address a problem which is as old as European and American contact with Africa. The beginning was the slave trade. Then came colonisation and the Conference of Berlin in 1884 at which European powers drew arbitrary lines across the face of Africa. This was followed in the years after the World War II by rapid and often disorderly decolonisation – sometimes this was peaceful, as in Tanzania, Zambia, Ghana and Nigeria, and sometimes the outcome of bitter and prolonged conflict, as in Angola, Democratic Republic of Congo and Kenya. The sins of the past weigh heavily on Africa and it is important to acknowledge them but they give little guidance as to what is to be done now to ensure that African countries can achieve the same level of development as Asia and Latin America.

Africa's failure to progress has taken a terrible toll in unnecessary deaths and blighted lives. With about half its population living on or below the $1.25 a day poverty line and nearly a third of its population classified as under-nourished, sub-Saharan Africa has the highest proportion of people living in extreme poverty and experiencing hunger. Progress towards the Millennium Development Goals is sluggish. Even when economic growth picks up, it does not necessarily benefit the poor because the distribution of wealth and income is so unequal. According to the World Bank, 'In Sub-Saharan Africa, the $1.25 a day poverty rate has shown no sustained decline over the whole period since 1981, starting and ending at around 50 percent. In absolute terms, the number of poor people has nearly doubled, from 200 million in 1981 to 380 million in 2005. However, there have been signs of recent progress; the poverty rate fell from 58% in 1996 to 50% in 2005.'[2] African countries, with per capita incomes per head similar or higher than those of East Asian countries in 1960, have been left behind. East Asian countries, with China in the lead, are now the workshop of the world, exporting high-tech goods, increasingly capable of innovation in their own right and now beginning to supplant Western countries as major investors in Africa.

Great wealth in the form of oil or minerals can, however, be put to good use. But when such wealth is the raison d'être of a country's existence it is much harder. Norway, with its oil fund, is a shining example of how to manage oil wealth. But Norway's political institutions evolved long before the oil beneath the North Sea was discovered. Another example is Botswana which was blessed with the outstanding political leadership of Sir Seretse Khama. He came to power in 1966 as the first post-independence president before the diamonds, which have made Botswana a middle-income country, were discovered at Orapa and led by personal example, setting up an independent civil service and robust constitutional guarantees. Botswana, however, is not without its problems – it is one of the most unequal countries on earth and has one of the highest rates of HIV and AIDS.

Dependence on earnings from natural resources has other consequences, less blatant than conflict or corruption, but also damaging. 'Dutch disease' is the term used to describe appreciation in the value of a currency caused by revenues from natural resources (or aid). This makes imported goods cheaper and makes it more difficult for domestic industries to compete. Production for the domestic market wanes and does not attract entrepreneurial talent and initiative. At the same time the skill profile of the labour force shifts from manufacturing to service sectors and trade. Natural resources do not last forever so when they run out, a country will find it itself ill-adapted to compete in the global economy.

Aid

Aid is another form of unearned wealth which, unless carefully used, can have much the same effects as mineral wealth. Indeed, a number of economists and writers have called for a drying up of aid to Africa on the grounds that it causes corruption, saps initiative and makes politicians beholden to donor countries rather than to their own citizens. The most recent of these is Dambisa Moyo,[3] a Zambian woman who has worked for both Goldman Sachs and the World Bank. She has been a popular figure on current affairs shows because her opinions chime with those of so many people in Europe and the USA who think that aid is a waste of money and makes a bad problem even worse. Identifying the problem, however, is not the same as identifying the solution and making it work. There is no guarantee that, as aid dries up, politicians will mend their ways and citizens will hold them to account. And there is no doubt, even if this were to be the final outcome, that those least responsible for their countries' difficulties would suffer most and many lives would be lost or blighted, as aid-supported services and programmes were withdrawn.

Traditional Western aid donors have a chequered record. During the cold war, aid was handed out to political allies on the basis of 'my enemy's enemy is my friend'. Dictatorial regimes were supported by the USA on the basis of their anti-communist credentials alone – Ferdinand Marcos in the Philippines, President Suharto in Indonesia and Joseph Mobutu Sese Seko in Zaire (now the DRC).

If there were not more such leaders in Africa it is because, even for the Soviet Union, Africa was far away and at the end of a long, difficult supply chain.

In the 1990s, after the end of the cold war, Western governments and institutions, especially the World Bank and the IMF, tried arm-twisting to get African governments to mend their ways. This was politely known as conditionality and, even more politely, as the Washington Consensus – a series of rules about sound economic management. Loans, desperately needed by debt-burdened African governments, came with strings attached. However, it is one thing to sign an agreement and it is quite another to implement it in the face of entrenched vested interests, including those of political clients and cronies. The second tranche of many World Bank loans was not paid because the conditions attached to them had not been met.

There are multiple reasons for Africa's failure to progress and these are somewhat different for each country – the mode of colonisation; rapid decolonisation and the mismatch between inherited institutions and local culture; poor infrastructure; the failure to diversify from the low-value primary exports given trade preferences by former colonial powers; and conflict. Today, African countries are over-represented in the lists of 'fragile states', countries still wracked by conflict like Somalia and countries emerging uncertainly and nervously from conflict like Burundi. The lists are different, depending on who draws them up, but African countries figure far too prominently on all of them.

Notes

1. Human Rights Watch, *Transparency and Accountability in Angola – An Update* (New York, April 2010).

2. The World Bank, *Overview: Understanding. Measuring and Overcoming Poverty* (Washington: The World Bank Group, 2009).

3.Dambisa Moyo, *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa* (New York: Farrar, Straus and Giroux, 1999).

4. BBC Science and Environment, 29 August 2009. http://news.bbc.co.uk/1/hi/8213884.stm Accessed 1/10/2010.

5. World Bank, *World Development Report 2008: Agriculture for Development* (Washington: The World Bank, 2007), p. xiii.

6. Paul Collier; *The Politics of Hunger: How Illusion and*

Although sub-Saharan Africa as a region is lagging behind, its land, oil and minerals are making it an increasingly popular destination for foreign investment, especially from non-traditional investors, like China, keen to ensure a stable flow of raw materials for the industries powering its extraordinary economic growth. African countries, in turn, are showing enviable rates of economic growth, but this is not necessarily being turned into corresponding levels of poverty reduction. But today many African countries do have the opportunity to take advantage of the high prices being paid for their natural resources to make a real impact on poverty.

Land

Oil and minerals are not the only natural resources of interest to foreign investors. African land and its ability to produce food, is also attracting their attention. The 2008 food crisis, which caused riots in developing country capitals across the world, came as a shock, and a reminder that the global food system is held in balance by a complex web of supply and demand on five continents, influenced by weather, the price of inputs, stocks and speculation.

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Greed Fan the Food Crisis (Foreign Affairs, Vol. 97, No. 6; November/December 2008).

7. *The impact of a minimum 10% obligation for biofuel use in the EU-27 in 2020 on agricultural markets* (European Commission – Directorate-General for Agriculture and Rural Development – Note to File (AGRI G-2/WM D 2007 – March 2007.

The food crisis prompted a wave of re-examination of the food system. Analysts started to peer into the future and predicted a world in which high prices and food shortages become the norm. A year ago the government chief scientist, John Beddington, was predicting a 'perfect storm' for 2030 when several different factors would come together to create food shortages and high prices and consequent civil strife: the world's population is expected to rise from 6 to 8 billion (33%); demand for food will increase by 50%; demand for water will increase by 30%; and demand for energy will increase by 50%.[4] To this one must add the uncertainty caused by climate change which this year has caused drought and forest fires in Russia and catastrophic floods in Pakistan.

The sovereign wealth funds and state-backed corporations of countries which are, or expect to be, net food importers, and which have the necessary financial resources, are purchasing or leasing land in poorer countries in order to ensure that they will have secure access to the arable land and the water they will need to feed their own populations in years to come. Much of the land acquired or leased by these countries, which include China, Saudi Arabia, South Korea and the Gulf states, is in Africa – 50 million hectares, twice the land area of the UK, according to one investigation.

The food crisis added urgency to the already rekindled interest in food security. In 2005 the Department for International Development (DFID) published a policy paper on agriculture, arguing that 'A major change in agriculture's performance in the world's poorest countries is possible and must be achieved if millions of people are to escape poverty.' This was followed in 2008 by the World Bank's World Development Report titled 'Agriculture for Development' which in the foreword, the bank president, Robert Zoellick, said: 'In much of Sub-Saharan Africa, agriculture is a strong option for spurring growth, overcoming poverty, and enhancing food security. Agricultural productivity growth is vital for stimulating growth in other parts of the economy. But accelerated growth requires a sharp productivity increase in smallholder farming combined with more effective support to the millions coping as subsistence farmers, many of them in remote areas.'[5]

But it is far from clear that small farms will win out in the contest for investment in agriculture. Professor Paul Collier[6] has called for African countries to open themselves to large-scale commercial farms, deriding as romantics those who see a future for small farmers – whom he prefers to call peasants. Collier says that global food availability could increase substantially if African countries were to welcome large commercial farmer companies, if the EU were to strike down its ban on GM crops and produce, and if the United States were to stop subsidising ethanol produced from corn (maize). Lifting the GM ban in the EU would stimulate research into crops grown in Africa, would raise productivity, and would do away with African governments' fears that cultivation of GM crops would shut them out of their most important export market. The ending of US subsidies for ethanol would return millions of acres to food production, reducing upward pressure on food prices. It has been calculated that by 2015 US farmers will be planting 30 million of acres with corn – a third of the current total acreage under corn – to produce over 12 billion gallons of ethanol. The EU is also promoting biofuels: if it is to meet its target of biofuels providing 10 per cent of all transport fuel needs by 2020, the area under biofuels in the EU would have to increase from the current 1.2 million hectares to 17.5 million, 15 per cent of the EU's arable land[7] – although it would be wrong to assume that all of this land would be diverted from food production. Many powerful corporations agree with Collier, not necessarily about subsidies, which they like when they can get them, but about the superiority of large-scale farming.

Conclusion

Sovereignty of the natural resources remains a key concern in the development of Africa. One of the main questions is: who will benefit from the continent's rich natural resources? Will it be the continent's poor or the already wealthy elite? If poverty, starvation, disease and high unemployment are to be eradicated then African leaders and governments must act responsibly and be held accountable by their citizens.

In 2006 the Department for International Development published its third white paper, Making Governance Work for the Poor, with the message that unless developing country governments achieve a threshold of honesty, competence and commitment to poverty reduction, then aid will underperform or even have counter-productive effects. The same can be said of the revenues from extractive industries which in most countries dwarf the flow of aid. Weak institutions and political systems buckle under the weight of these resources.

Oil and diamonds and conflict in Angola

Just over ten years ago Global Witness wrote two reports about Angola: *A Rough Trade* (1998) investigated the diamond trade and *A Crude Awakening* (1999) on the oil industry. The major part of the diamond trade was in the hands of the rebel movement, UNITA, while oil, mostly in offshore deposits, was in the hands of the government. The income from these two great natural resources maintained a 27 year civil war which cost half a million lives and only came to end in 2002 with the death of Jonas Savimbi, the leader of UNITA. In the mid-1990s the Economist Intelligence Unit estimated that UNITA's income from diamonds was $550 million a year. At the end of the 1990s, it was calculated that the government was receiving between $1.4 and $2.7 billion a year from the oil industry, accounting for 75% of all government tax receipts. With military spending taking 36% of the government budget, oil companies were contributing up to $700 million to the military and the war.[*]

While this vast wealth was flowing into Angola, the country ranked 142 out of 160 in the UNDP's Human Development Index, with over 80% of the population living in absolute or relative poverty and a maternal mortality rate of 1,824 per 100,000 live births. One observer commented that international oil companies were paying vast sums into a black hole: 'This is like paying gangsters for a particular service. The rulers of Angola participate in "legal theft". Just because the oil revenues are being paid into structures set up by the leaders, which makes them technically legal, does not make them morally defensible.'

In Angola oil and diamonds enabled rival political factions to continue fighting long after the population was exhausted. Diamonds were the resource that fuelled the civil war in Angola and the multiple riches of the Democratic Republic of Congo are a continuing cause of conflict.

Conflict not only halts development, it sets it back by decades. Nothing is worse. And Africa has had more than its fair share. Professor Paul Collier has calculated that the regional and national cost of a single civil war is $64 billion, exceeding the yearly national income of most African countries.

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[*] Global Witness, *A Rough Trade: The Role of Companies and Governments in the Angolan Conflict* (London, Dec 1998); Global Witness, *A Crude Awakening: The Role of Oil and Banking Industries in Angola's Civil War and the Plunder of State Assets* (London, Dec 1999).