



African Good Governance Network (AGGN)

Africa's Wealth of Resources, Blessing or Curse

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Samuel B. Mabikke**

E-mail: mabikkes@gmail.com Tel: +49 174 286 5034

Chair of Land Management, Technische Universität München

Munich, GERMANY



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** Samuel B. Mabikke is a Doctoral Candidate at the Centre of Land, Water and Environmental Risk Management at the Technische Universität München. He has made several contributions in the field of natural resources governance with a special focus on land and water governance. He is currently the Secretary General of the African Good Governance Network (www.aggn.org), created in early 2007 under the auspices of the former German Federal President, Horst Köhler.

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Acronyms

CENTAL	-	The Centre for Transparency and Accountability in Liberia
FAO	-	Food and Agriculture Organization of the United Nations
LDI	-	Liberia Democratic Institute
LMI	-	Liberia Media Initiative for peace and development
TNC	-	Trans National Corporations
UNDP	-	United Nations Development Programme

1 Introduction

I thank all the organisers of this conference, in particular – the Hanns Seidel Stiftung and Asko Europa Stiftung for inviting me to share my views on this critical issue of Africa's Wealth of Resources and how best we can make these resources a blessing for the people of Africa rather than a curse on the continent. It's hard to precisely conclude that Africa's resources have been a blessing or a curse due to various schools of thoughts about this critical issue.

1.1 Africa, a continent blessed with 'milk and honey'

Many African countries are blessed with oil and mineral wealth that has the potential to transform their economies. Ideally the development of these resources can be a blessing for the entire continent. But historically, those resources have often proved to be a curse than a blessing especially to the majority of the citizens in these African countries. Partly of cause of this curse is attributed to the leadership crisis facing many countries on the African continent.

Leadership implies critical management of critical resource endowments in a country. Governance and leadership crises in Africa are reinforced by the inability of leaders to identify, sieve and apply relevant development policy options and theories as proffered by World Bank, IMF and other development institutions and agencies. He who wears the shoe knows best where it pinches (Iheriohanma & Oguoma, 2010). There is the get - rich - quick mania in Africa, especially among the political leaders. The inordinate ambition for wealth accumulation is an offshoot of corrupt practices which are aspects of underdevelopment. An African also appears to be happy stealing from one side of his pocket and transfers the 'loot' to the other side of his pocket and congratulate himself for a job well done (ibid, p.414).

These corrupt tendencies are very common in the land, oil and mineral sector of many developing countries. Resource – rich countries in African are plagued by political and commercial corruption, social inequality and the instability that results from systems that fail to meet the basic rights of its people. A continent that is rich in natural resources like oil, gas, diamonds and other extractive resources, is made poor by the human errors that are fed by greed (Coleman, 2011).

2 Why a 'Resource Curse'?

The discovery of natural resources leads to concentration of wealth in hands of a few – powerful officials in governments and those directly involved in drilling, mining and resource exploration (like International Oil Companies). The discovery of these resources hence becomes a blessing only to these few while it excludes the majority from any benefits. It's upon this ground that it has been commonly referred to as the "resource curse"

The resource curse, developed by renowned economist Paul Collier, has crippled many African nations since their independence. Cases like Angola, Sudan, the DRC, Gabon, Equatorial Guinea, Sierra Leone, Liberia, and several others, have endured the hardships brought on by the presence of highly sought after raw materials, notably oil and precious gemstones (Mbabazi, 2009). Among the major causes of Africa's resource curse include but not limited to; lack of strong legal and political institutions, presence of multiple power groups (actors), dictatorial and repressive governments among others. All these causes stem from weak governance that exists in many African states today.

2.1 Weak Legal and Political institutions

Strong legal and political institutions play an important role in the development of any country. Unfortunately most resource-rich countries of Africa are characterised by weak governance, outdated laws and weak institutional capacity. Outdated laws create a conflict of interest within the agency responsible for managing the sector (Global Witness et al, 2011). Because of the nature of the political system where power is concentrated in the ruling families, the legal system and other institutions especially economic have been either weak or marginalized (Abbas, 2009).

2.2 Presence of Multiple Power Groups

In most African countries, there are several actors involved in the oil and mineral sector. These groups may include governments, Transnational Corporations, NGOs, and Donor Agencies among others. All actors exert a certain degree of power and multiple interests. As one of the sovereign authorities, the government is, undoubtedly, the primary actor in the country's oil and mineral sector. For example, from licensing companies to developing national policies, the government of Uganda is the most influential and crucial actor. With this power, however, comes a level of great responsibility¹. If power is misused, the likely benefits from the resources can become a curse to the entire nation as the wealth from the oil and mineral sector concentrates in the hands of a few powerful officials.

2.3 Dictatorial and Repressive Regimes

Most African countries have experienced dictatorial regimes that cling to power, so that they monopolise collection of resource wealth. Many studies have demonstrated a causal relationship between natural resources and authoritarianism, finding that natural resources negatively impact democracy. Authoritarianism arises due to one-party dominance combined with weak rule of law. This incites the opposition to use non-constitutional means to compete for political power. In response, the incumbent pre-empts this move by repressing or banning the opposition party. However, when the rule of law is strong and political power is less concentrated, and distribution of resource rents is properly monitored by an independent agency, the incumbent's advantage is largely mitigated (UNDP, 2010). Generally speaking, all the factors behind the 'resource curse' in Africa are attributed to weak governance.

¹ Mbabazi, op. cit

3 Break the Curse - Improve Governance

Governance is the way in which society is managed and how the competing priorities and interests of different groups are reconciled. Governance is concerned with the processes by which citizens participate in decision-making, how government is accountable to its citizens and how society obliges its members to observe its rules and laws (FAO, 2007). Failure in governance has adverse impacts for the society.

3.1 Good Governance, why it's very important?

Good governance means that government is well managed, inclusive, and results in desirable outcomes. The principles of good governance can be made operational through equity, efficiency, effectiveness, transparency and accountability, regulatory quality and rule of law, control of corruption as well as sustainability, subsidiarity, civic engagement, security and political stability (ibid, p.6).

Unfortunately, many African countries that are rich in natural resource are suffering from weak governance. One of the major characteristic of weak governance is corruption. This is exacerbated by lack of transparency and accountability among governments and Transnational Corporations (TNC) that are directly involved in the oil and mineral sector. Much of the corruption associated in oil and mineral sector happens at the beginning of the process – right when contracts are awarded to oil companies, or the oil services companies that increasingly construct and run oil infrastructure in Africa (Taylor, 2008).

In most countries, the agreements signed between governments and TNC involved in oil and mineral development are hidden and treated with top secrecy from public and sometimes the parliament. The failure of governments and oil firms from disclosing what should be public information such as cost of oil exploration, environmental impact assessment as well as incident reports partly explains why violence in these countries is inevitable especially when the local populations in resource –rich areas feel excluded by governments from benefiting from the resources.

In order to suppress opposition, government forces and armed groups have vied for control of resources, with the proceeds from their sale funding more weapons, which prolongs the violence. Examples include bloody conflicts in DR Congo, Liberia, Ivory Coast and Sierra Leone which have all been partly funded by the sale of blood diamonds (Tutton, 2010). It's widely believed that in African resource- rich countries where good governance is taking a firm root, resource wealth can lead to economic growth and poverty reduction. Countries like Botswana with its diamond wealth and mineral- rich Ghana have proved that Africa's wealth of resources can be a blessings and not a curse. Countries like Uganda that have recently found huge oil deposits should learnt from these success stories to avert past mistakes.

4 Conclusions and Policy Recommendations

Africa is a continent that is blessed with a wealth of resources including copper, diamonds, gold and oil. This wealth could be a source of prosperity that could redeem the continent from debt burdens, bad aid and foster development. Despite the enormous potential that can arise from wealth of its resources, poverty remains firmly entrenched in many African countries. Resource – rich countries have experienced several conflicts resulting into forced immigration of people, death and destruction of property and the environment mainly due to bad governance. With exception of a few countries like Botswana and Ghana which have benefited from good leadership, functioning democracy and competent legal and political institutions, they have proved that natural resources can be a blessing rather than a curse on the African continent.

Monies for Africa's natural resources must be directed into the right pockets and not padding Transnational Corporate greed. Companies must publish what they pay foreign governments. In order for governments to be transparent, they should disclose agreements and all laws regarding minerals to the public. Greater access to information such as the cost of exploration and environmental impact statements must be accessible to all stakeholders.

African governments need to establish transparent, inclusive and independent institutions/agencies that should strictly revise contract allocation process develop comprehensive reforms and carry out adequate planning. A set of new laws should be developed and obsolete ones revised in order to protect the institutions responsible for managing the oil and mineral sector.

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