

DRAFT CONCEPT NOTE
AWEPA SEMINAR

**“Managing Africa’s Natural Resources
Towards Achieving the Millennium Development Goals”**

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While evidence of the progress of Africa towards attaining the Millennium Development Goals is mixed, there is growing concern about the adequate management of the continent’s abundant natural resources. It is reasonable to state that whether Africa will meet its development objectives, prior and post the 2015 target of the MDGs, a lot will depend on how it manages the proceeds of its natural resources. This AWEPA Seminar aims at addressing this question. From a parliamentary perspective, how can Africa improve the management of its natural resources towards achieving the Millennium Development Goals? This Concept Note, after providing some background on this subject, outlines the core functions of parliament in relation to natural resource management, the need for parliamentary strengthening and why AWEPA can play a role and finally describes the format and objectives of this seminar.

AWEPA’s Millennium Development Goals Programme aims at strengthening parliamentary capacity in Africa in legislation and oversight towards the achievement of the MDGs. It focuses on the empowerment of the international parliamentary institutions such as the Pan-African Parliament and the Regional Parliamentary Bodies in Western, Central, Eastern and Southern Africa. The programme is based on the belief that “Parliaments provide the enabling environment for achieving the MDGs and are at the forefront of fighting for improved livelihoods and access to basic services”, as stated by the UN Secretary General Ban Ki-moon. Among the programme’s main areas of focus are the eradication of extreme poverty and hunger (MDG1) and ensuring environmental sustainability (MDG7).

Millennium Development Goals: How Africa is Fairing

With less than three years to the 2015 target date, it appears that the objectives of the Millennium Development Goals (MDGs) will be largely met. Despite the global financial crisis and economic downturn, projections suggest that the global poverty rate will fall to 15 per cent, well under the 23 target, by 2015 and progress is also registered in education, health and access to basic services.¹ However, these broad results are spread unevenly across regions and hide important disparities. As an example, MDG 1, which aims at halving the proportion of people living in poverty and hunger, would be achieved mainly thanks to economic growth in emerging economies such as China, India and Brazil.

In sub-Saharan Africa progress has been slower and it appears less likely that all the objectives will be reached. Current trends suggest that sub-Saharan Africa will not meet the objective of halving hunger by 2015.² Disparities exist also within Africa. In some

¹ United Nations 2011. The Millennium Development Goals Report. New York.

² *Ibid.*

countries, such as Ghana and Ethiopia, it is probable that most objectives will be met. In other countries only some of the objectives may be reached as a result of economic growth, political will and resources oriented primarily at certain sectors, such as health and education. Still, in other countries ravaged by or recovering from conflict (Somalia, the DRC) it is possible that few or none of the Millennium Development Goals are attained. Thus the United Nations and UNDP are encouraging African countries and donor organisations to increase their efforts and coordination in order to reach the Millennium Development Goals. Without a major push in the remaining years, many goals will likely be missed, particularly in the poorer regions of Africa. In parallel, consultations, including with parliamentarians, are underway to rethink and redefine the objectives for the period following 2015.

Africa's Natural Resources: Opportunity or Curse?

But, what is the relationship between the MDGs and natural resource management? The most obvious association is the financial one. Efforts to reach the MDGs require significant financial resources. Africa is very well endowed with natural resources, including oil, diamonds, gold, iron, cobalt, uranium, copper, bauxite, silver, but also timber and many others. An estimation that can only be very rough suggests that the value of Africa's natural resources amounts to close to USD 50 trillion dollars.³ If we consider a broader definition of natural resources that includes water, land for agriculture, and other resources, then this figure could be even much higher.

If well managed, it is clear that natural resource endowments offer great opportunities for achieving high levels of growth and development. The improved management of natural resources could allow for greater investment in economic and social sectors and strengthen social protection schemes for the poorest and most vulnerable. It could reduce dependency on foreign aid, contributing to strengthening national institutions and policy prioritisation for medium- and long-term development. Indeed, one can reasonably put forward that whether Africa will meet its development goals, prior and post the 2015 target of the MDGs, a lot will depend on how it manages the proceeds of its natural resources.

However, in Africa, resource-rich countries have often not taken full advantage of their potential natural resource wealth to promote development. In some circumstances, it appears even that they have been outperformed by their resource-poor counterparts.⁴ There may be a problematic link between natural resource endowment and economic growth and development, some authors even talking of a "resource curse". In macroeconomic terms, an economy that is too dependent on natural resource rents may be confronted with the problem termed "Dutch disease". In this circumstance, resource exports cause a country's currency to appreciate and make its other export activities uncompetitive, such as labor-intensive manufacturing activities. The high volatility of natural resource revenues, as a result of global fluctuations in commodity prices, is one further aggravating factor to their appropriate management. Thus, it has been observed that the cases whereby natural resource wealth is a catalyst to prosperity are an exception rather than the rule in Africa.⁵

³ Africommodities, available at <http://www.lesafriques.com/produits-de-base/la-valeur-des-ressources-naturelles-pays-par-pays-2.html?Itemid=308&articleid=16892>, last accessed 19/07/2012

⁴ Ndikumana L. and K. Abderrahim 2009. "Revenue mobilization in African Countries: Does Natural Resource Endowment Matter?" African Economic Conference. Addis Ababa.

⁵ Collier P. 2008. "The Bottom Billion. Why the Poorest Countries Are Failing and What can Be Done About It". Oxford.

From a political perspective, natural resource abundance is susceptible of worsening governance. Not only can primary commodity dependence increase the risk of conflict and war, but high resource revenues may also distort investment spending, which can directly impact development objectives such as the MDGs. The State does not need to invest in social sectors to collect taxes, as its financing is ensured through natural resource revenues. Furthermore, an abundance of resource rents can alter the functioning of democracy, including electoral competition, by letting in the politics of patronage.⁶ Some yet consider this problematic link tenuous and certainly not a fate.⁷ The bottom-line is certainly that in resource-rich countries the focus on governance and transparency is all the more important.

Sound Natural Resource Management for Inclusive Growth and the MDGs

Improved political and economic governance is essential to diversify an economy dependent on one sector and direct investment towards other activities, which are more labour intensive, such as manufacturing and services, resulting in economic growth which is sustained, less volatile and inclusive. Improved governance is essential for the exploitation of natural resources to be environmentally sustainable to the benefit of current and future generations. Furthermore, improved governance is essential for an equitable distribution of wealth originating from natural resources and the protection of the poor and most vulnerable, and thus to attain the Millennium Development Goals. Similar considerations on the need for improved governance are also relevant to countries highly dependent on aid revenues.

In a similar way, the exploitation of forestry resources, without sufficient regulations and control, represents a severe environmental threat (MDG7), requiring an efficient system of governance for its sustainable management. In the case of agriculture, which represents over ten per cent of economic activity in sub-Saharan Africa, one of the key subjects of current debate and concern is the grabbing of vast areas of land in Africa by foreign investors, multinationals based in the high-income countries, but also by States with massive natural resource needs, such as China and India. Oftentimes, vast areas of land are ceded without a transparent process, leaving broad control to operating companies who don't necessarily consider the value add to the country in terms of revenues, jobs, etc. One current initiative coordinated by South African MP Professor Ben Turok aims at identifying ways to enhance value addition in Africa from the continent's mineral and commodity resources, by favouring the transformation of resources in Africa, and reducing manufactured imports.

International trade and the relationship between African countries and the importers of natural resources in the developed world are also a central question of debate. For instance the high import duties imposed by Europe on value-added products, compared with unprocessed raw material which essentially is duty-free, represents a significant obstacle for adequate natural resource management and economic diversification.

Good and Democratic Governance: Parliaments are Key

Public officials of resource-rich countries have the responsibility to manage natural resources and the revenues stemming from their extraction for the greatest social and economic benefit of their citizens and future generations. This requires careful

⁶ *Ibid.*

⁷ Kenny C. "What resource curse".

http://www.foreignpolicy.com/articles/2010/12/06/what_resource_curse?page=0,1, last accessed 19/07/2012

consideration at each step taken along the way – from the discovery of the resources in question, through to the destination of the resource proceeds towards different investment priorities and distribution of benefits amongst the citizens and communities concerned. This is not only true for the governments concerned, but also for the elected representatives of the people.

Legislation, Oversight and Representation for Improved Natural Resource Management

The three core functions of Parliament – legislating, overseeing the executive branch and representing constituent interests – are crucial along the entire natural resource management chain.

Through legislation, Parliament can develop an enabling environment for sustainable and accountable natural resource management, aimed at ensuring collective national interests. It can create incentives for private sector investment and trade. Given the economic importance of natural resources and the potential detrimental impacts that their exploitation can inflict on citizens, strong regulations in relation to labour, health and safety, corporate tax structures, land, the environment and human rights must be firmly embedded in the countries concerned. Through policy and legislation Parliament can promote the destination of revenues towards productive economic activities and social objectives. Through their law-making function, parliaments can also adopt international standards and best practice, for instance turning into law the Extractive Industries Transparency Initiative (EITI) or the Natural Resource Charter⁸.

In the case of the oversight of natural resource management, parliaments are a key institution of accountability. They can engage in monitoring and evaluation of government policies. By effectively using oversight tools such as question period, conducting public hearings and inviting people to testify before committees, legislators can help make sure that natural resource exploitation is managed well. Representatives can oversee the different stages of the resource chain, from the decision to extract or exploit, to value addition, the destination of revenues, ensuring transparency and open public debate. Using its influence on the budget process – power of the purse – parliament can guide economic policy and orient resources towards countering Dutch disease and economic diversification.⁹ Of course parliaments themselves and their members are far from immune from the politics of patronage. Thus the rules of electoral competition, parliamentary functioning, and broader regulation must promote transparency and avoid conflicts of interests within parliament itself.

Through their representation function, parliamentarians are to exercise strong outreach to their constituents and ensure their participation in the public process. Public hearings, interviews with the media and other outreach methods, can serve to raise public awareness about the exploitation of natural resources and the problems it may lead to. This is particularly relevant for the communities in the vicinity of extraction or other exploitation activities, who often bear the highest economic, environmental and social costs. According to international standards, affected communities should be left better off as a result of resource extraction in their areas and parliamentarians and local representatives have a responsibility to ensure these are adhered to. Parliaments are

⁸ <http://naturalresourcecharter.org/>

⁹ This section draws from Professional Development Programs for Parliamentarians and their Staff. “Parliament and Extractive Industries” Learning Module. See: <http://www.parliamentarystrengthening.org/extractiveindustriesmodule/index.html>

also uniquely positioned to act as a bridge between the government, private sector and civil-society.¹⁰

African parliaments to be strengthened

While a country's government is ultimately responsible for the way in which natural resources are managed, the previous paragraphs explained how parliaments are to strengthen these decisions through effective legislation, oversight and representation, with a view to protect national collective interests and well-being.

However, in many cases parliaments and parliamentarians in Africa lack the capacity to adequately exercise these functions. They often lack the technical capacity, especially when first elected, to review existing legislation, international standards and best practices and intervene accordingly. The information available to them is insufficient, making oversight challenging, provided there is a genuine political will to exercise oversight on the government action. Governments do not always state clearly how the revenues from natural resources are allocated and the companies operating are equally often not sufficiently transparent. Research units in African parliaments are generally understaffed and under budgeted. The media is not necessarily of support to parliamentarians and citizens, as most countries in Africa have not adopted a freedom of information law, which limits the public availability of information and hinders effective public participation. Furthermore, parliaments in Africa face severe financial constraints to properly exercise their functions, especially in exercising outreach activities vis-à-vis their constituents, as this requires more significant resources.

Thus African leaders and the international community can do more to strengthen the capacity of parliaments in ensuring sound natural resource management, which can in turn contribute strongly to achieving the Millennium Development Goals.

ACTIVITY FORMAT AND OBJECTIVES

This seminar entitled will bring together African and European MPs, members of Africa's Regional Parliamentary Bodies, public officials, representatives from international organisations and the donor community, AWEPA members, experts and staff, to discuss ways to improve natural resource management in Africa and how parliamentarians can play a role in ensuring that the benefits of the continent's resource endowment accrue to Africa itself.

In a first session participants will discuss the state of affairs of natural resources in Africa, the location and value of reserves, recent developments, such as discoveries, etc. A discussion on the issues concerning natural resource management will follow, the problems encountered in relation to the exploitation of resources, the destination of proceeds, contracts with multinationals and foreign governments, trade agreements, environmental concerns, also in light of new players such as China and India.

The second part of the seminar will focus on potential solutions to the identified problems mentioning current initiatives towards this aim. In particular the discussion will concentrate on the role that parliaments are to play to strengthen their legislation, oversight and representation functions in relation to the better management of natural resources. Parliamentarians, both African and European, will debate and exchange ideas

¹⁰ *Ibid.*

on what specific actions are to be taken. Special attention will be dedicated to the role of Regional Parliamentary Bodies, the benefits of regional integration and cooperation as regards natural resource management.

The Seminar will be hosted by the Italian Chamber of Deputies and will benefit from the participation of Italian MPs, members of the sub-Committee on the Millennium Development Goals, which is part of the Foreign Affairs Committee of the Italian Chamber of Representatives. Public officials from the Italian Ministry of Development Cooperation will also participate.

Rationale for AWEPA Involvement

AWEPA has close to 30 years of experience working in partnership with parliaments in Africa, to strengthen their institutional capacity in exercising their core functions of legislation, oversight and representation. It believes that strong parliaments in particular and good governance, transparency and accountability in general, are essential requisites for Africa's development and ultimately, its stability, peace and prosperity. It has acquired broad experience working with parliaments on several thematic areas critical to Africa's sustainable growth and development, such as agriculture, natural resources, climate change and more broadly the MDGs.

In light of the above and with its broad member base of current and former parliamentarians from European parliaments, and its close and long-lasting parliamentary partnerships in Africa, AWEPA is ideally positioned to facilitate a dialogue in an area of growing importance for Africa and with direct links to Europe such as the management of natural resources. AWEPA's technical and thematic expertise working with parliaments at a national and regional level and its capacity to bring together MPs and other players from Africa and Europe serve well to convene an enriching parliamentary dialogue and support concrete parliamentary actions to strengthen the management of natural resources, with a view to attaining the MDGs for a stronger and more prosperous Africa.

EXPECTED RESULTS

- To raise awareness among African and European MPs on the issues relating to natural resource management in Africa;
- To promote a strengthened legislative, oversight and representation role of parliaments in relation to the management of natural resources;
- To strengthen regional parliamentary cooperation in Africa and between Africa and Europe on the management of natural resources;
- To raise awareness in the donor community on the importance of concerns relating to natural resource management;
- To identify concrete actions African MPs can take to strengthen national and regional management of natural resources;
- To identify ways whereby European MPs, as influential leaders in resource-importing states, can support their African peers in their actions to strengthen their capacity to improve national resource management.
