

Speech by Dr K. Paul Fokam at the at the Expert Roundtable "Resource Governance in Africa in the 21st century", Berlin, March 26-28, 2007

I. Introduction

From 1884 to 1885, the major European powers met in Berlin to decide over the partition of Africa in order to avoid clashes in their rush for the continent's resources. Soon after the end of colonialism in most African countries during the cold war, the continent became a theatre of conflicts and bloody struggles because of its strategic position and richness in strategic resources. During these periods, Africa's natural resources were exploited without reserve. The benefits of the exploitation for Africa are mixed.

Since the early 1990s, a new interest in Africa has been building up. There is a new struggle for positioning on the continent. The rivalry is mostly between the Western developed countries and emerging countries, especially China and India. While Western powers are striving hard to consolidate and expand their grip on the continent's natural resources, emerging countries are resolutely striving to gain grounds in the same sector.

This new rush will certainly put a greater strain on Africa's resources. It is therefore timely and necessary to reflect on means and ways to protect the continent's interest in this new context.

We have chosen to proceed through a series of questions which necessarily lead us to proposals on how Africa can henceforth catch up on the rest of the world and play a crucial role in global progress through its vast natural and, most especially, energy resources.

II. Why is Africa so attractive?

Africa's attractiveness in pre-colonial times and the colonial era was largely attributed to her vast resources: animal products, valuable minerals, fertile soil – and human workforce which could be exploited without restrictions.

Despite the horrible performance of African economy in general and most African countries in particular over the past decades, the continent is generally considered to have vast natural wealth. A few figures suffice to illustrate Africa's richness in energy resources.

i. Petroleum:

Resource	World Reserve

Oil	9.5%
Natural Gas	12%

Source: TOTAL and www.africawecare.org

ii. Minerals:

Resource	World Reserve
Coal	7.5%
Cobalt	90%
Copper	13%
Diamond	11%
Gold	50%
Iron Ore	3%
Manganese	64%
Phosphates	50%
Platinum	40%
Uranium	30%

Source: www.africawecare.org

iii. Hydroelectric Power Supply

Resource	World Potential
Hydroelectric Power Supply	40%

Source: www.africawecare.org

iii. Forestry:

Resource	Frontier Cover (HECTARES)
Forest	17%

Source: www.afrol.com

III. How much has Africa gained from the exploitation of her resources?

Africa is rich in natural resources. Yet, the continent has not been able to effectively harness this ample potential in the past. Even a casual observer will easily notice that, but for a few exceptions, resource-rich countries in Africa are among the poorest and most dependent countries in the world. It is common knowledge that some of the bloodiest wars on the continent have been fought in mostly resource-rich countries.

It is no secret that Africa is the most indebted continent on earth. Poverty is the most visible characteristic of the continent. In the 21st century, basic infrastructure, communications, education, healthcare and potable water are still pressing issues in Africa, though her resources have been exploited for years and are still being exploited. The gross majority of Africans continue to live on less than US\$ 1 per day and to languish in powerlessness, helplessness and hopelessness as they are locked in a vicious circle of poverty. The situation may be better depicted in the following terms:

- AIDS/HIV kills approximately 3.2 million people in sub-Saharan Africa every year mostly for lack of access to anti-retroviral treatment
- One in 16 African women dies during childbirth
- One in 6 African babies dies before their first birthday
- Millions of Africans, adults and children, die every year of the most preventable and commonest illnesses like malaria and tuberculosis
- Millions of African children are deprived of education for reasons such as shortage of schools or lack of money to pay school fees
- Existing schools in Africa are ill-equipped, poorly, and short-staffed
- Unemployment on the continent runs as high as 75%
- Pessimism and very low morale run rampant among African youths many of whom are now willing to run away from the continent at any cost

- There are currently 18 million internal refugees in Africa
- Many African countries still depend on Western charity organisations for food

Obviously, it would definitely be cynical and heartless to even think that Africa has benefited in any mentionable manner from the extraction of her energy resources over the years. Rather, the continent's misery has worsened with the intensification of the extraction of her resources, which seem to be more of a curse than a blessing.

IV. Why has Africa benefited little from the extraction of her resources?

The blame for what can be called the "African paradox" is shared. African governments and the mostly foreign concerns exploiting the continent's resources are responsible for cheating the continent of proceeds from the exploitation and sale of its resources.

1. African Governments: Though the blame for the ruthless plunder of Africa's natural resources is shared, the ruling class of the continent carries a larger part of the blame.
 - *Corruption.* The management of energy resource-generated revenue is opaque. Most of such money as the exploiting companies accept to pay the state finds its way into the foreign bank accounts of African leaders. The mass of African populations are excluded from the proceeds of the exploitation and sale of their continent's rich resources. For instance, during the rule of Mobutu Sese Seko of Zaire (1965-1997) millions of diamonds were exported via the state owned company **Gecamines** at invoice prices as low as \$8.55 per carat (way below market price). The difference between the invoice price and the price achieved on the true value of the stones was deposited in Mobutu's offshore accounts.
 - *Short-sightedness.* While all petroleum experts are unanimous over the fact that in 15 or 20 years oil will become scarce and therefore very expensive, and that major countries are striving to grab as much of such resources as possible to ensure their supply in the future, African leaders seem oblivious of the danger facing them. For example in a country like Gabon whose oil wells will likely run dry in ten years, spotting is relentless. Within the Congo Basin, between 1980 and 1995, an area about the size of Jamaica was cleared each year (1.1 million hectares). Since 1957, two thirds of Gabon's forests have been logged, are currently being logged, or were slated for logging as logging concessions in 1997.

Unfortunately, there has been no noticeable improvement in the standard of living of the common man in that country.

- *The Lack of resource-management skills and strategy.* No university in Africa offers strategy as a full-fledged discipline. Indeed, Africa is practically invisible on the world research map as it accounts for less than 1.0% of the world's research and development effort. Investments in technological acquisition and innovation are extremely low. This impairs its capacity to utilise and transform its natural resources and limits possibilities for forward and backward linkages.

There is therefore no framework or mechanism for strategic planning, preparation and reflection on profitability, judiciousness and sustainability as concerns the extraction and management of Africa's natural resources in general. As it was the case during the cold war period, Africa is once more unable to benefit from the strategic importance offered it by the new appetite for its resources.

Again, the only mining schools on the continent are in South Africa. Indeed, few universities across the continent offer courses that indicate governments' will to build and enhance African knowledge and capacities in the extraction and transformation sectors. Little wonder that in most African countries woodwork and wood transformation are still rudimentary and that mineral extraction at industrial level is mostly in the hands of foreign companies.

Indeed, few, if any, African countries have a national policy for the management of their natural and energy resources. This has created a chaotic environment and makes it difficult for Africa to capitalise on the comparative advantage its richness in natural and energy resources gives it.

In Africa, for every 28 trees cut down only one is planted. Almost 6.8 million square kilometres of Africa were originally forested. Only 520 hectares are still left today. Over 90% of West Africa's original forest has been lost. During 1990 and 1995, the annual size of total deforestation in Africa was about 0.7%. This lack of restraint is practised in all sectors. One wonders what future generations will inherit.

2. Foreign Extracting Companies. The capitalistic and unbridled manner in which these companies have been exploiting and are still exploiting Africa's resources also accounts for the "African paradox". Most foreign companies extracting timber, oil or minerals in Africa are so unscrupulous and less concerned with the well-being of the continent. They are ready to go to all lengths to lay their hands on its natural resources and make the utmost profit. In August 2006 US based oil major Chevron was forced to concede

that it and consortium partner Petronas jointly owed the government of Chad US\$450 million in unpaid back taxes. In 2006 Shell Petroleum Development Corporation, after extensive denial and litigation, including a failed appeal to the Federal Inland Revenue Commissioner and the Court of Appeal, was forced to settle a disputed tax liability amounting to US\$17.8 million owed to the Federal Inland Revenue of Nigeria.

From the foregoing, it is obvious that the energy resources of Africa have been seized by the continent's ruling class and their foreign accomplices. If nothing is done to stop this conspiracy, Africa will definitely miss out on the vast opportunities of development and strength its resources offer it and will remain a marginalised continent forever.

V. Can Africa Refuse the Exploitation of her resources?

As it is, the exploitation of Africa's natural resources is necessary and unavoidable for at least three reasons:

1. *They constitute a driving force for Africa's development.* A fair share of Africa's revenue is generated from the exploitation and sale of its natural resources. For example, 6% of Africa's GDP comes from the extraction and sale of forest products.

Although the advent of a knowledge-based society has illustrated that the availability of natural resources alone does not constitute a comparative advantage, if Africa harnesses scientific knowledge and promote greater resource diversification and a natural resources-driven-sustainable development approach, it can use its rich resources base as a springboard for its renaissance.

2. *They must be exploited for domestic consumption.* Local consumption of natural resources is quite high. More than 50% of African households still depend on wood for fuel. Moreover, Africa's automobile pool is on the increase. Its petrol needs are therefore on the increase.
3. *They make Africa strategically important.* Because of her natural resources, Africa can significantly influence world balance of power. It is obvious that the next superpower will be the one with the greatest access to strategic resources. Given that Africa is relatively rich in such resources, it will be decisive as concerns the shift of power.

VI. How can Africa benefit perpetually from the exploitation of her resources?

Africa will benefit from her resources only through a responsible exploitation of them. This means taking measures to guarantee a sustainable extraction of oil,

mineral, timber and other forest products. This initiative must involve three parties.

1. The State: To effectively play their role in ensuring the judicious and profitable extraction of Africa's resources, African Governments must proceed as follows:

- I. A capable state that observes and practices good governance, and creates and nurtures conditions for dynamic comparative advantage particularly through removing infrastructural deficiencies and enhancing institutional capacity.
- II. Promotion of World Class Education and research. This involves providing top class education in the areas of resource extraction and management, investing in technological and scientific research as well as acquiring, adapting and internalising technological competence.

We believe science and technology play crucial roles in any process affecting the exploration, utilisation and conservation of natural resources. Hence the need to harness this capacity to meet the projected higher needs for these resources, associated with future development and population growth, as well as their conservation for future generations. Not only that they provide the cutting edge for exploiting known resources, but also provide basis for new knowledge of potentials. As new techniques will result in reduced costs per unit of output, they would also help ensure the sustainability of development and thereby contribute to averting the otherwise ominous prospects of depletion of/or serious degradation of natural resources which, if it occurs, would seriously impair future growth and development.

- III. Similarly, in the area of energy, technological advances could be targeted in particular to ensuring most economic approaches to exploiting existing sources and exploring new sources as well as intensification of efforts to render non-conventional energy sources more economical and dependable.
- IV. Establishing a policy environment that is friendly to domestic development as well as suitable for creating conditions that attract foreign investors to locate in and operate from Africa.

2. The role of foreign investors

- i. Encouraging technology transfer. This is possible only as foreign investors increasingly accept to transform commodities on the spot.
- ii. Encouraging the emergence of local skilled labour. This consists in strengthening human capital. Foreign investors should consider training Africans in specialised fields with a view to employing them upon graduation.

3. The role of regional and international bodies

- i. Promoting regional integration (African Union). This implies the recognition that African countries could only make a viable competitive economic space through strengthening regional integration arrangements, where common goals could be pursued, policies streamlined and institutions harmonised and strengthened.
- ii. Monitoring. These institutions should also play a vital role in reinforcing the compliance with existing regulations in the extraction sector such as certification and other bans.

VII. Must the interests of the emerging powers be taken into consideration?

The interests of the emerging powers, especially China, ought to be taken into consideration as concerns all initiatives to ensure sustainable resource management in Africa for the obvious reason that those countries need resources to sustain their growth.

It is certain that if the resource sector in Africa is open to free competition and that all preferential ties with former colonial powers are discarded by African governments there will be transparency in the award of concessions. This will prevent extracting companies from willingly resorting to any form of corruption; the more so because even companies from emerging countries will have equal access to resources.

VIII. How can existing initiative for sustainable resource governance be strengthened?

Some of these initiatives like the Kimberly initiative concerning diamonds from war torn countries have achieved remarkable results. However, most of them remain weak.

The very first reason is because these initiatives are little known. Therefore they need wider promotion and publicity.

Another reason is that these initiatives are not binding. Most African governments and extracting companies do not feel bound by such initiatives because they do not

possess a mechanism for the enforcement of their decisions. Consequently, it will be necessary to think of endowing the existing initiatives with more power.

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