# BIG TABLE 2007

## CONCEPT NOTE and ISSUES PAPER

### *" Managing Africa's Natural Resources for Growth and Poverty Reduction"*

**Introduction**

The exploitation and harvesting of natural resources, as defined in Box 1 below, continue to be the dominant contributor to the gross domestic product of many African countries. This is partly due to the considerably large unexploited reserves of these resources in the region and also to the low level of industrial development of the countries. However, the contribution of these resources to pro-poor growth and progress towards the targets of the Millennium Development Goals (MDGs) has generally been adjudged to be sub-optimal. As a consequence, the management of these resources, and the range of issues associated with them, especially the revenues accruing from them have been under considerable analytical and political scrutiny. The question increasingly being asked is if new and innovative approaches to managing Africa's natural resources wealth and the revenues that they generate can make a demonstrable difference in the continent's fight against poverty and under-development. The answer to this question should be an unequivocal "yes". But, this depends on leadership, the international environment and a deepened analytical and policy focus on the issues that have characterized natural resources harvesting and management. It depends on a deliberate attack on the challenges arising not only from the manner in which the resources have been managed, but also from the nature of the resources themselves.

**Box 1: Defining Natural Resources**

Economists define natural resources as the "gifts of nature". They are generally broadly classified into two main groups, renewable and non-renewable natural resources. Renewable natural resources include land, water, forestry, wildlife, fisheries, and biodiversity while non-renewable natural resources include fossil fuels like oil and gas, metallic minerals like gold and platinum, and non-metallic minerals, such as gypsum and clay. There are also natural resources such as wind, tidal and solar energy that are non-depletable. Other natural resources such as air and water sustain life. This group of resources is often associated with scarcity and human survival. Some economists go further to classify natural resources according to whether or not they are easily lootable (e.g. diamonds), controllable, concentrated in one location or diffuse, or sensitive to intensive foreign interests such as oil and gas, therefore prone to inviting conflict.

Sources: Derived from Steele, P. (2004), UK Government (2005); UK Commission for Africa (2005); and Basedau (2005)

The objective of this Concept Note is to present for discussion the challenge of effective natural resources management in Africa with a view to developing an actionable agenda for improved outcomes. It begins with a brief background on the rising dependence in Africa on minerals extraction, following which it presents the challenge of natural resources management. It goes on to discuss strategies for harnessing natural resources for development and ends with a number of Issues to be discussed at the Big Table Forum. The warrant of this Concept Note is mostly limited to non-renewable natural resources, mostly fossil fuels and metal ores due to the very broad range of natural resources and the issues associated with them. Notwithstanding, there is discussion of renewable resources where necessary.

**Background**

Recent assessments[1] of progress towards the targets of the Millennium Development Goals (MDGs) present evidence that Africa needs substantial scaling up of financial resources in order to reach the targets. Although in the Outcome Document of the International Conference on Financing for Development (the Monterrey Consensus) developing countries committed to intensify efforts to mobilize resources from domestic sources while the major industrial countries committed to scale up overseas development assistance (ODA), a commitment reaffirmed at the G-8 Summit in Gleneagles, Scotland, the financing shortfall in Africa remains significant. Since the scope for domestic resource mobilization in most African countries is low because of the low level of domestic savings, enhanced exploitation of natural resources is seen as the best option. As a consequence, most countries in the region are intensifying their reliance on the exportation and exploitation of their natural resources as a means for financing their development. A number of countries – Uganda, Sao Tome and Principe, and Mauritania – have recently joined or are in the process of joining the league of oil economies. Tanzania is also fast becoming a minerals export economy.

In addition to dependence on minerals extraction, dependence on primary commodities export is also increasing. Africa's dependence on this set of natural resources was noted in the Outcome Document of the 2005 World Summit, which, while reaffirming the importance of commodities for financing Africa's development, also called for global, collective action to support the efforts of commodity dependent countries to restructure, diversify, and strengthen the competitiveness of the commodity sector. But, there are risks – political and economic risks – associated with heavy dependence on natural resources, especially as exports. First, commodity prices – and therefore commodities derived revenues – are very volatile because of their vulnerability to external shocks. Second, because the income elasticity of world demand for primary commodities is low, the resultant revenue accruing to commodities exporting countries is also low. Both of these factors leave resource-rich countries susceptible to lower rates of economic growth. Besides, due to the enclave and capital-intensive nature especially of natural resources extraction, it is difficult for the sector to establish linkages with the rest of the economy and create opportunities for growth. The multiplier effect of investments in the sector has been very limited.

[1] See for example the recent UN Millennium Project Report (2005) "Investing in Development", and ECA (2005) "Challenges and Opportunities for Meeting the MDGs in Africa".

**Problems and Prospects of Natural Resources Exploitation And Management in Africa**

Many problems characterize the natural resources sector in Africa and the most visible of these problems is the presence of powerful and corrupt vested interests in key sectors of the economy. Competition by these interests to appropriate the revenues arising from natural resources exploitation (as in the case of minerals) or the resources themselves (as in the case of oil blocks, land and forests) often leads to conflicts which in many cases become violent. Conflicts also arise over ownership of the natural resource itself (as in Sudan and Cabinda/Angola). Often, disputes arise over sub-regional control and distribution of resource wealth (as in the Niger Delta), leading at times to questions of the types of state (the degree of federalism), the existence of the state, or the extent of regional autonomy. Militants and ethnic militias and kidnappings arise if these conflicts are not peacefully resolved.

The problem of economic distortions that arise from increased natural resources exploitation has been extensively studied in the economics literature. The discussion often focuses on three inter-related issues: the distortion of economic incentives which often results in the "Dutch Disease"; the enclave nature of economic activities associated with natural resources harvesting; and unwise and questionable public sector investments and borrowing which ultimately leads to an unsustainable debt burden and avoidable exposure of the economy to adverse external shocks. On the enclave nature of the activities, backward, forward and lateral linkages clustered around natural resources are negligible in many African countries, with the possible exception of South Africa, due in part to the foreign ownership of the firms exploiting the resources. There is little mineral beneficiation and value addition of minerals before their export and local consumption is minimal, even in the case of South Africa. As a result, most countries are still struggling to use the exploitation of its natural resources as a springboard for economic growth and human development.

Equally important are problems such as bad governance – often associated with the presence of powerful and corrupt vested interests. Systemic corruption due to bad governance and weak institutions has been identified as a major problem in resource rich countries. Another problem is over-exploitation[2] of the natural resources themselves like timber (in Ghana and Cameroon) and fisheries; damage to oil fields and mines; gas flaring and environmental degradation. Long-term concessions have been linked with over-exploitation, as has international trade liberalization. For example, it has been argued that increased incentives for agricultural production for trade leads to land conversion and deforestation. Other problems include oil theft and illegal logging of forests, grievances over human rights abuses, and lack of corporate citizenship.

Globalization and the emergence of new global actors such as China and India as major economic powers has raised the new problem of intense geo-political competition for Africa's natural resources. For example in the minerals sector, the rapid rise of China and India has contributed to the dramatic rise in many commodities including copper and iron ore. Finally, countries recovering from war (post-conflict) or conflict that are rich in minerals and

[2] This is the "tragedy of the commons" problem eloquently analysed in Hardin (1968) and Gordon (1954). The tragedy has antic origin however. According to Ostrom (1990), Aristotle in *Politics*, Book II, ch. 3, long ago observed that "what is common to the greatest number has the least care bestowed upon it. Everyone thinks chiefly of his own, hardly at all of the common interest."

hydrocarbons face additional, special problems. There is some evidence that these countries very quickly relapse back into war a few years following a peace agreement because of misunderstandings over the ownership or distribution of revenues from resource wealth. Liberia is a good example in this regard. Special care has to be taken to ensure that resource wealth aids stabilization, reconciliation, rehabilitation, and reconstruction efforts instead of undermining peace building. Governments need to quickly establish control – which is fundamental to sovereignty – and emplace systems – transparency and accountability - that would enable natural resource wealth to contribute to peace, economic growth and poverty reduction.

**How Well Has Africa Managed Her Natural Resources Wealth?**

It is widely believed that Africa has not always harnessed its natural resources wealth in the interest of the development of the continent. The potential for natural resources driven industrialization remains largely untapped in most African countries. In addition, the level of per capita local consumption of natural resources is the smallest compared with other continents, reflecting the low level of industrialisation of the continent. This has led some commentators to characterize Africa's rich natural resource endowments as a "curse" or as a "precious bane." This has invited many proposals like the UK Government's Extractive Industries Transparency Initiative (EITI) and the Publish-What-You-Pay campaign[3] of George Soros and the Open Society Initiative which aim to address some of the problems that limit the contribution of the natural resources sector to economic growth and poverty reduction.

However, there is evidence of countries in Africa where natural resources revenues have been well managed for economic growth and social development (See Box 2). Botswana, Morocco, Namibia and South Africa are examples of countries where exploitation of natural resources has contributed to better development outcomes. Even in a country such as Nigeria where natural resources have been blamed for poor governance, it is difficult to imagine whether the development that has occurred could have occurred without oil revenues. In any case, the lesson from the successful countries is that successful harnessing of natural resources for growth, poverty reduction and social development depends in large measure on sound management practices, good governance, respect for the rule of the law and good infrastructure.

[3] The Publish-What-You-Pay Campaign aims to promote greater transparency among multinational oil and mining companies operating in poor countries. It is proposing legislation that would require publicly listed companies oil and mining companies to disclose information about payments to governments as a condition for stock exchange listing. The Campaign argues that it is easier for government officials and powerful vested interests to steal and difficult for citizens to hold officials accountable where there is no transparency. www.osi-dc.org

**Box 2: Managing Natural Resource Wealth in Africa**
A common view in the literature and in the popular press is that African countries have not in general, managed their natural resources wealth well and in the interest of their people. There is some truth in this; but there is also evidence that Botswana is not the only African success story on natural resources management and especially the revenues accruing from natural resources exploitation. A number of countries are turning the corner as a few examples illustrate. Ghana has introduced reforms to raise forestry prices and discourage over-exploitation, an adverse consequence of the government's decision in 1962 to assume responsibility for allocating forestry concessions. Namibia is developing communal lands through conservancies. With support from the World Bank, Chad had set up a futures fund to ensure inter-generational equity in the use of its oil revenue. Recent difficulties between the World Bank and the government reveal how difficult mechanisms such as this are to implement in very poor countries with urgent and competing demands. Nigeria often the poster boy for mismanaged oil wealth, used revenues from the first oil boom to reconstruct and rehabilitate its economy after the civil war of 1967-70. In 2005 owing largely to prudent management of windfall profits from rising oil and gas prices, it paid off its Paris Club debt, the first African country to do so. It has increased expenditures on infrastructure such as energy, railways, and telecommunications to provide the backbone for future growth. Countries are also better managing their disputes over ownership of natural resources such that the risk of war arising from inter-country disputes over natural resources ownership has been considerably reduced. For example, Nigeria and the island of Sao Tome and Principe recently signed an agreement (the Joint Development Zone (JDZ) agreement) to jointly develop oil reserves along their disputed boundary. Similarly, Nigeria and Cameroon peacefully resolved their dispute over the ownership of Bakassi Peninsula, known to be rich in oil, gas and fisheries, by Nigeria handing over the Peninsula to Cameroon. These are a few examples that the rest of the continent can learn from.

Thus, managed right, Africa's natural resources have the potential to serve as the continent's springboard into industrialization. Managed wrongly, especially in the context of many other non-African actors with a huge appetite for natural resources, it could retard the continent's progress for centuries. Managed well, natural resources' contribution to foreign exchange and other rents and fiscal receipts to supplement other sources of revenue will be enhanced. Their exploitation could contribute to local economic development through the provision of basic infrastructure such as roads, power grids, and dedicated ports and social services such as water, health and education.

Furthermore, judicious management of natural resources can facilitate skills and knowledge development and the building of local human and social capital as well as spur the development of industrial clusters comprising goods and service inputs sector, downstream processing and beneficiation industries, and centers of knowledge creation and innovation. In rural areas, it has the potential to create employment, attenuate rural-urban migration, and generate additional income to supplement local economies. However, all the above critically depend on Africa overcoming or managing better, the numerous challenges of the sector.

## The Challenge of Natural Resources Management

An important attribute of natural resources is that some of them are non-renewable, finite and unevenly distributed across space. The wealth that they generate is transient and vulnerable to looting and misappropriation and also raises the crucially important issue of inter-generational equity. In addition, their exploitation is often capital-intensive rather than labour-intensive and creates enclave economies that have little or no links with the wider national economy. This generates political, social, economic, cultural and environmental consequences, and, in some cases, violent conflicts that are difficult to manage and overcome.

One of the major challenges of sustainable development in the context of non-renewable resources (such as minerals) is to use the wealth it creates as an engine of growth and development and sustain it long after the minerals have been depleted. This challenge has six principal dimensions:

- The challenge of irreversibility: All natural resources-rich countries face the challenge of irreversibility of losses. A number of factors such as traditions, property rights and their enforcement, the relative costs of access to the property, preference for the present relative to the future, and the interplay of these factors determine the severity of the losses. There is thus the challenge of conservation;
- The creation challenge: Creating a viable, integrated and diversified industry throughout the value chain, and sustaining the wealth they generate without compromising environmental, social and cultural considerations, and ensuring a regulatory framework that encourages wealth creation;
- The investment challenge: Investing windfall revenues to ensure lasting wealth and deciding how much ought to be saved and how much should be invested and in what;
- The distribution challenge: Distributing benefits equitably, balancing and managing conflicting local and national-level concerns and interests and deciding what form the allocation should take to promote pro-poor and broad-based growth;
- The governance and macroeconomic challenge: Ensuring sound systems of governance and a stable macroeconomic environment that curb rent seeking and corruption, manage the adverse impacts of resource rents such as the Dutch Disease, foreign exchange rate appreciation, and commodity price volatility, and enhance public interest in wealth conservation; and
- The capacity challenge: Overcoming the above challenges depends very critically on the availability of domestic capacity. The natural resources sector is complex and complicated and requires very high-level technical and managerial capacity. This capacity is lacking in all African countries, including those that have been exploiting minerals for over 30 years. As a result, there is very little if any real domestic involvement in the sector. There is thus the challenge of building up domestic natural resources management capacity.

There is the further challenge of, at the community level, maximizing the benefits and minimizing the adverse socio-economic impacts of natural resources exploitation, including HIV/AIDS. Overall, the key and very difficult challenge for Africa is how to harvest and manage her natural resource endowments in a manner that is sustainable and that ensures inter-generational equity.

**Strategies For Harnessing Natural Resources For Development**

The contribution of natural resource wealth to growth and poverty reduction and progress towards the targets of the Millennium Development Goals can be considerably enhanced if African countries adopt appropriate strategies to effectively harness the resources. In order to do so, the challenges and problems discussed above will need to be effectively addressed and the emerging successes built upon. This will require, among others, strategic thinking and policy innovations, new management techniques, broad-based capacities and capabilities especially in science and technology, adaptation of new and emerging technologies. Four broad sets of strategies can be distinguished: economic management, governance, operational, and partnership strategies.

*Economic management strategies*

The failure of many African countries to harness their natural resource wealth for poverty reduction and economic growth is due in part to failure of economic strategy. Many countries do not have conducive economic policies that promote and encourage judicious exploitation and management of natural resources and that attenuate the boom and bust effects of natural resources wealth. A key strategy would be for countries to use their tax and expenditure policies to encourage better management of natural resources. Another strategy that could help mitigate the distortionary effects of increased revenues from natural resources wealth would be for countries to adopt effective sterilization policies to forestall unnecessary foreign exchange rate appreciation that could reduce the economy's international competitiveness.

There is also need for strategies to promote natural resources revenue stabilization. Fiscal imbalances can be reduced through greater fiscal discipline and through building enhanced domestic capacity to forecast and manage revenues, the outcome of which would be the reduction in uncertainties about the magnitude of fiscal imbalances. This would also enable the mitigation of the adverse effects of market externalities as well as the adverse macro-economic impacts of commodity price fluctuations. Finally, there are strategies to improve public sector financial management through more transparent and open accounting systems.

*Governance and institutional strategies*

Strategies to improve governance are critical for increasing the contribution of natural resources to poverty reduction and progress towards the MDG targets. These strategies relate to developing stable political institutions; good policies, laws and regulations; and a balanced fiscal regime that promotes wealth creation. In addition, to promote equity and fair distribution of benefits, there is a need to enhance transparency, accountability, over-sight and monitoring in the management of revenue flows and decentralization of revenue sharing. This requires strengthening of governance systems, building organizational and institutional capacity in sector ministries, in the ministries of finance and planning, and in local governments. Government capacity development is thus an important strategy ingredient for a more effective harnessing of natural resource wealth.

In response to new pressures for an equitable share of benefits and maximization of local impacts of natural resources harvesting there is need to develop new contractual arrangements and legal instruments to facilitate equity participation by local communities and other stakeholders. Countries also need to devise innovative mechanisms for distributing revenues at the sub-national and local levels, in order to minimize agitations and grievances and hence reduce the risk of conflict. Where possible, Affirmative Action" programs should be implemented for those whose land has been degraded by mineral resources exploitation. Strategies to speedily remediate contaminated land and polluted rivers and waterways will also be necessary.

*Operational strategies*

Operational strategies are very important. These include strategies to unbundle many industries in order to increase local beneficiation and value addition, and local procurement and outsourcing of goods and services. This would advance economic and production diversification and could result in employment creation, higher value-added rents, and wealth creation. Governments have to play a proactive role in this regard. However, tariff escalation and trade barriers can limit the extent to which local beneficiation and value addition can be done in African countries given the existing pattern of international trade.

These operational strategies are critically dependent on the development of areas such as strategic economic management, research and development (R&D) and financial, institutional and technical capacities. It is vitally important that countries strengthen their national systems of innovation to achieve competitiveness and growth to enhance their capability to produce and diffuse knowledge. This will require long-term planning and investment strategies, including schemes for financing local ventures to improve linkages between the natural resources sector and the rest of the economy; fiscal measures that promote the procurement of local goods and services; and the encouragement of local processing. Natural resources clustering offer an opportunity to maximize linkages.

*Partnership Strategies*

Partnerships – local, regional and international - are also important. Countries have to develop partnerships with local stakeholders in order to manage their natural resource wealth better and enhance their contribution to improvements in the human condition. It is imperative to forge tri-sector-partnerships involving government, the private sector and local communities and to create coalitions for change between public, private and local stakeholders to improve government, private sector and local community relations and the social and development outcomes at local level. The same applies to public participation to secure consent for government and industry actions. All this requires increased, informed and meaningful participation of local communities and other stakeholders in the decision-making and implementation of natural resources projects.

Regional partnerships are also important because many natural resources, such as oil and gas, rivers and lakes, and forests span national boundaries and wildlife, are transboundary. Regional partnerships to manage these resources can be a strategy to minimize beggar-thy-neighbour natural resources policies, and promote the exploitation of economies of scale and scope. Deepened regional integration among African countries can greatly contribute to this objective.

International partnerships are important for promotion of transparency in the natural resources sector, to combat corruption and to reduce the possibility of conflicts and to promote efficient use of natural resource wealth. Central is the development of strategies to implement and enforce international treaties, agreements, standards, and codes of conduct on improved husbanding of natural resources and improved transparency in the extractive sector. These partnerships are also important for the promotion of corporate citizenship and for reducing trade barriers due to tariff escalation in developed countries.

The strategies described above are of course general in nature. To make them relevant, they need to be tailored to the specific context of each country, taking into account capacity, local knowledge and resources – financial, technical and above all human skills and knowledge - as well as constraints. To be effective, the policies should be part of an overall ambitious national development as called for in the Outcome Document of the 2005 World Summit. This would require adequate profiling the natural resources sector and the development of a thorough understanding of the positive and negative impacts of natural resources exploitation for poverty reduction and growth.

**Issues to be discussed**

Based on the preceding discussion, the following issues are proposed for discussion at the meeting:

- **Natural resources management and the MDGs:** As pointed out in the opening paragraph of this note, inadequate financial resources is a major constraint on Africa's progress towards the targets of the Millennium Development Goals. The need to bridge the financing gap is leading African countries to intensify the exploitation of their natural resources. This is largely because the international community has fallen short of the commitments it made in the Monterrey Consensus to provide additional resources for development especially through increased ODA. But, there is a trade-off between the needs of the present and the needs of the future. Financing the MDGs through the rapid exploitation of natural resources has real costs for the future and for the environment.
    - What set of policies should countries put in place to ensure that the drive to enhance domestic resource mobilization for the MDGs through rapid natural resource harvesting neither harms nor circumscribes future prosperity?
    - How can African countries exploit their natural resources in a manner that would promote poverty reduction and sustainable development?

- **Improving governance in the natural resources sector:** The politicization of and poor, opaque management of the rents that natural resources yield have very often been linked to conflicts in Africa, leading some commentators to characterize natural resources as Africa's "precious bane". Conflicts have reduced the contribution of natural resources to the continent's economic and social development. These conflicts are associated with poor governance – political, economic and corporate and conflict. A number of initiatives such as the Extractive Industries Transparency Initiative (EITI), the Kimberley Process, the Global Sullivan Principles, and the OECD Guidelines on Multinational Enterprises have been designed to improve governance in the sector and thereby reduce conflicts. How can African countries employ the above initiatives (including the African Peer Review Mechanism) designed to in part to promote and share best practices, to ensure that the continent's natural resources are better and more accountably managed to enhance their contribution to growth with equity and poverty reduction?

- **Ensuring inter-generational equity – creating Future Funds:** An important issue in natural resources management is how to ensure that the interests of future generations are protected. Economic history provides evidence that the rise and fall of civilizations is inextricably linked not just to the vagaries of climate, but also to variations in the judicious and strategic use of natural resources, both renewable and non-renewable. A commonly proposed mechanism for ensuring this is the creation of a Future Fund or Trust Fund. Norway and Kuwait are often given as examples of countries with functioning funds. The Alaska Fund whereby what is distributed is not the oil revenue directly but the income from the Fund is also given as an example. In Africa, Botswana, Chad, Equatorial Guinea and Mauritania have established equivalent funds with different degrees of success.

- Should African countries consider the creation of such Funds? If so, what mechanisms need to be put in place to ensure that the Fund is not raided by the current generation?
- What set of policies should be put in place to ensure sustainable harvesting and utilization of natural resources in a manner that is inter-generationally equitable?

Another often-proposed instrument is partial nationalization of land and the creation of reserves. The US Federal Government, States, or smaller public jurisdictions own more than one-third of the land in the US. About one-half of the land in California and Nevada is publicly owned. The US Government prohibits oil exploration off the US Gulf Coast and in the Alaska Wild Life Reserve. Is this an option that African countries may wish to consider? What are the financing costs?

- **Improving the Value Chain:** Evidence shows that economic diversification is the essential means for African countries to increase the benefits that they get from their natural resources. Small and medium-scale enterprises can play an important role not only in natural resources harvesting, but also in enhancing the value chain. This is important for poverty reduction and for incubating entrepreneurship. This is particularly true for the case of artisanal and small-scale mining, which if properly supported can be a catalyst for rural development and natural resources cluster development.
    - What set of policies should Africa countries adopt to improve the value chain and the participation of SMEs in the natural resources sector?

- **Collective action for effective natural resources management:** Many natural resources, especially renewable natural resources, create jurisdictional externalities in that they have not respect for political jurisdictions. River Nile and River Niger both course through many countries from source to sea. Wildlife migrates across national boundaries. This makes their management very difficult and challenging and requires coordination among many countries. Unsustainable harvesting of any of these by one (country) increases future harvesting cost for all.
    - How best can African countries deepen regional integration – through the harmonization of laws and instruments, and more effective coordination of policies and programs- in order to address this problem?

- **Emerging global actors:** The global economy is in the midst of a far-reaching transformation with China, India, (Brazil, and Russia) leading the charge. Except for Russia and Brazil, these emerging major global actors are not richly endowed with crucial minerals such as oil, gas, or nickel, but they have a large and voracious appetite for these minerals to fire and secure their recent impressive growth performance. Their impact in the world's energy and metals consumption is significant. For example, China accounted for one-third of the increase in world oil consumption. In the period 2002-2005, the country accounted for 50% of the increase in world consumption of copper and aluminium, almost all the growth in nickel and tin and more than the entire rise in demand for zinc and lead. To secure its commodity needs, China is forging close trade links with commodity producers in Africa, the Middle East, Australia and Latin America. Increasingly, it looks like to paraphrase WEB Dubois, that the problem of the 21st century will be the problem of the struggle to control the world's natural resources, especially oil and gas. Africa is at the center of this struggle. If Africa's resources are harnessed properly and productively, the continent could benefit immensely from this struggle. However, if badly managed, Africa could be left worse off. But, African countries face the dilemma of the short-term need of raising financing for development through natural resources exploitation and the long-term need of future development. How should this dilemma be addressed?

- **Natural resources and the environment:** The exploitation of practically all natural resources leaves indelible, adverse marks on the environment. This has implications for the survival and sustainability of civilizations or their prosperity. Environmental degradation from natural resources exploitation is often linked to: a) poor governance and weak regulatory environment (see bullet above), and b) poverty.
    - What set of policies should countries adopt and implement to reduce the adverse consequences (desertification, deforestation, over-grazing) of poverty on the environment that is consistent with long-term development?
    - How can the international community help?

- **Ownership and participation:** Equity participation of local entrepreneurs and other stakeholders will reduce the occurrence of conflict and promote broad-based responsibility for judicious exploitation of natural resources. This would require the development of capital markets to harness domestic resources and improvement of legal and regulatory frameworks to accommodate new societal and environmental dimensions. It would also require new legislation on the part of legislatures.
    - How can domestic capacity to legislate on natural resources be improved? How can partners, the UNDP and the UN System help?

- **Capacity for natural resources management:** The pool of Africans trained in mineral resources management – from oil and gas pricing, accounting and auditing; contracting, trading, etc is very small. The adverse consequence of this small capacity pool is increasingly becoming evident in countries that recently joined the league of minerals exporters like Mauritania, Chad, and Sao Tome and Principe. There is thus a compelling need to address this capacity gap. Africa possesses a wealth of indigenous (African) environmental knowledge and natural resources management that can be tapped to bridge the capacity gap.

    - What set of policies should countries put in place to bridge the capacity gaps in the shortest possible time?

    - Is there a role here for peer learning among African countries?
    - How can indigenous knowledge contribute to filling the capacity gap?

- **Regional integration and natural resources:** Many African countries are landlocked. Many major exporters of minerals like Chad, Botswana, and Zambia pass their exports through at least one country. These exports in some cases depend critically on the state of infrastructure in the transit country, which increases their cost. For others, competitive export of minerals would depend on the building of new infrastructure for which financing is not always available. What should African countries do to improve export infrastructure? How should such infrastructure be financed?

- **Partnerships:** Partnerships are important for achieving Africa's long-term objectives in this area. It is important to examine how Africa could get the best out of negotiations with partners, develop the necessary infrastructure, promote public-private partnerships, and share benefits and regional cooperation in natural resources management, while avoiding booms and bursts.
    - How can partnerships help pursue the goal of transparency in the natural resources sector in order to totally reflect proceeds from natural resources exploitation and exportation in national accounts?
    - How can the issue of national sovereignty be best reconciled with increased international efforts to promote transparency in the natural resources sector?

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## ANNEXES

### *ANNEX 1*

### 1. Objective of the Big Table

ECA and ADB have historically provided Africa a forum for the articulation and development of policies that can advance the development of the continent. In 2000, ECA established the Big Table as an informal forum where a select group of African Ministers meets with their OECD colleagues to discuss – in an informal manner – an issue of critical importance for Africa's development. Since it was established, the Big Table has convened three annual meetings and a special session in October 2003. Deliberations at these meetings have focused on the continent's efforts towards sustained growth and poverty reduction, the critical importance of African leadership and commitment, and of the significance of mutually reinforcing partnerships between Africa and her development partners to attaining effective development outcomes.

Earlier Big Table meetings also considered the broader issue of financing development in Africa, including the importance of enhanced domestic resource mobilization, the quality and quantity of Official Development Assistance (ODA), the mix between grants, loans and debt relief, and the significance of policy coherence to improving Africa's opportunities to attaining the Millennium Development Goals (MDGs). The special session focussed on the role of the World Bank and the International Monetary Fund in Africa, in particular, on the challenge of aligning growth assumption under Poverty Reduction Strategies with the macroeconomic framework under the Poverty Reduction and Growth Facility. This meeting also discussed in some detail the need for a forward-looking strategy for achieving debt sustainability, particularly in low-income African countries.

Recognizing the need to build synergies across African regional institutions in order to more efficiently advance the African development agenda ECA and the African Development have agreed to jointly convene the Big Table. The 2007 Big Table will focus on the critical role of effective and strategic natural resources management to Africa's development and poverty reduction, a subject that has come up on several occasions, not only during all previous meetings, but also at Summits of the continent's political leaders. This subject has grown in urgency in the context of rising economic engagement of China, India, and Brazil with Africa. The theme of this Big Table: ***" Managing Africa's Natural Resources for Growth and Poverty Reduction"***- has therefore been selected to advance a dialogue on this very important issue.

Building on the extensive analytical work done by the ECA, United Nations, World Bank, International Monetary Fund, the African Development Bank, other IFIs, OECD Secretariat, and various bilateral donor institutions, the objectives of this Big Table is to reaffirm the consensus on the critical importance of effective and efficient natural resources management for economic growth and social development, especially poverty reduction in Africa and to the creation of employment opportunities.

### 2. Expected outcome

The main outcome of the Forum will be a package of interventions that could form the basis for an invigorated partnership among African governments and their citizens; the private investment community; and external partners to spur action for effective management of Africa's natural resources for the benefit of all, and for growth and poverty reduction in order to achieve the targets of the Millennium Development Goals.

### 3. Target group

The target group comprises of:

- African Ministers of Finance, National planning and Economic Development;
- African Ministers responsible for Mining, Petroleum and Solid Minerals, Agriculture and Natural Resources Development;
- Chambers of Mining and Industry;
- Development Partners including members of the EITI;
- UNDP, other UN Agencies and Funds, the WB, IMF; and
- African Private Sector, Academia and NGO.

### 4. Possible future actions

- Fulfillment of the pledge of G-8 nations to support the Extractive Industries Transparency Initiative. (Not all G-8 country has followed through on their commitment to support the EITI. Therefore a possible future action will be to follow up on this pledge with the G-8);
- An African Code of Conduct in the natural resources sector;
- Peer learning (and knowledge sharing) initiative on natural resources revenue management and natural resources development;
- A set of proposals to improve transparency in the natural resource sector;
- A set of proposals to increase the African input into on-going processes to improve transparency in the natural resources sector such as the EITI and the conduct of multinational corporations operating in Africa such as the Global Sullivan Principles;
- A set of proposals to encourage African countries to sign up to these initiatives. This is especially important for countries now on the threshold of becoming major exporters of minerals such as Uganda and Mauritania;
- A symposium on management of natural resources for sustainable development during the AfDB 2007 Annual Meeting in China;
- A joint ADB/ECA program of research on policy options. This would possibly involve the construction of several policy scenarios;
- Advocacy for a strategic approach to the harvesting of Africa's natural resources; and
- A compact between Africa, OECD countries and other stakeholders on sustainable management of natural resources in Africa.