

The Economic Commission for Africa (ECA) is the African arm of the United Nations secretariat.

With headquarters in the Ethiopian capital, Addis Ababa, the ECA's primary mandate is to promote the economic and social development of the region. In that context, it works closely with the African Union Commission, the African Development Bank and the Regional Economic Communities (RECs) to advance the regional development agenda.

Africa's development challenges are surmountable, and as a United Nations regional commission, with a full body of international experts, working on promoting a range of policy initiatives, the Commission is well positioned to assist its member States and their development partners in determining priorities and addressing critical issues.

The ECA's work is focused on the following thematic areas: *achieving the Millennium Development Goals*—strategies to promote growth and reduce poverty; *integrating for development*—regional integration is key to overcome inherent limitations in Africa's small and fragmented economies; *promoting the application of science and technology for development* and *strengthening institutions and capacity development*—the creation of capable states, institution building, and improved governance.



Natural Resource Management

Africa is home to a **large percentage** of the globe's deposits of platinum, gold, chrome, **diamonds, vanadium and cobalt.**

For many countries, natural resources represent a **large part** of their export revenues.

But how well is Africa **using its wealth for present** and future generations?

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Background

Exploiting and harvesting natural resources is one of the most important economic activities in many African countries. However, their contribution to broad-based economic development has been varied. As a result, the management of these resources, the range of issues associated with them, and especially the revenues accrued by their exploitation have been under considerable public and political scrutiny. Increasingly, partners and stakeholders are demanding a paradigm shift in the exploitation and management of natural resources.

A new approach

New development paradigms call for improved social and economic contribution from the natural resources sector, as well as environmental stewardship, and new and evolving governance systems. This includes policies, legal and regulatory frameworks to facilitate equitable participation by local businesses, communities, women and other stakeholders in mining activities, as well as tools to improve the distribution of revenues - derived from royalties, income taxes, land taxes, and lease rents, among others.

The challenges

The use of natural resources holds difficult to manage features, posing daunting public policy challenges. Resources may be finite and unevenly distributed; they are location-specific and must be exploited where they occur and at the right time. Natural resource wealth is also transient; many operations are capital-intensive rather than labour intensive. And, there can be long-lasting political, social, economic, cultural and environmental consequences to the exploitation of minerals.

To achieve sustainable development in the context of non-renewable resources (such as minerals) Africa must use the wealth it creates as an engine of growth and development and sustain it long after resources have been depleted. Relevant to most African natural resource-rich countries, the challenges are: creating viable, integrated and diversified natural resources sectors throughout the value chain; sustaining wealth without compromising other forms of land use; environmental, social and cultural considerations; and ensuring an enabling environment that encourages mineral wealth creation.

Investing transient natural resources revenues to ensure lasting wealth is also key: deciding how much ought to be saved; how much should be invested and in what area. Distributing benefits equitably; balancing and managing conflicting local and national-level concerns and interests; and deciding what form the allocation should take to promote broad-based growth is yet another key concern.

African nations must enable sound systems of governance and a stable macroeconomic policy, which curbs rent-seeking and corruption; addresses issues such as Dutch Disease and externalities such as unstable commodity prices, while enhancing public interest in wealth conservation.

Policy Options

Africa's natural resources can launch the continent into industrialization. Strengthening the capacity of governments to regulate the sector, enforce laws, and monitor activities on the ground is paramount to promote change. A reasonable share must go to affected local communities; with keen attention to developing their capacity to engage in meaningful negotiations. Transparency and efficiency in the management of revenues paid to various governmental departments is an important part of the natural resources policy agenda. Still at the early stages of implementation, mechanisms for addressing these issues have significant potential for public benefit; government capacity constraints in this sphere must be addressed.

The integration of the natural resources sector into national and regional economies remains a challenge for most of Africa. Achieving effective integration requires long-term planning and investment strategies, including schemes for financing local ventures, legal measures to promote the procurement of local goods and services, and fiscal incentives to encourage local processing and value addition of natural resources.