

EDITORIAL COMMENTS

INVESTMENT AND GOVERNANCE OF AFRICA'S RESOURCES: ECONOMIC DIVERSIFICATION FOR DEVELOPMENT

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It is with great pleasure that we present Volume 8 Issue 1 of Nigeria's *Journal of Sustainable Development Law and Policy* – a Special Issue on *Investment and Governance of Africa's Resources: Economic Diversification for Development*. This Special Issue brings together contributions from leading academics and practitioners who are engaged in implementing initiatives relating to investment and governance of the extractive industry in Africa and the Middle East.

The start of the new millennium has witnessed a new scramble for Africa's resources. In the span of a decade, both the volume and value of minerals, metals and oil have grown dramatically. In some cases, the costs of certain metals (such as copper) have more than tripled in value, with the average cost for most minerals and metals at least doubling. The market has also witnessed an almost exponential rise in global oil prices. Similarly, despite almost decades of sustained economic growth, with many countries achieving 5 per cent (or more) GDP growth per annum over the last decade, this has not translated into a significant increase in jobs, with unemployment rates within the largest population group – the youth – at the same levels today as they were in 2000. While all of this has generated massive profits for host governments and the international extractive industry, the developmental needs of many African countries, in which many of these natural resources are to be found, remain as stark as ever.

Proportionately, Africa has the highest number of people living in extreme poverty. In all the areas examined and measured by the Millennium Development Goals, although significant improvements in some areas have been made, Africa remains far behind the rest of the developing world in its progress towards therealization of these targets. Despite extensive reserves of oil and natural gas, an abundant wealth of minerals and metals, many on the continent continue to suffer extreme levels of poverty, inadequate health and education services, and poor infrastructure. In sum, the global commodity

boom that has induced a new scramble for Africa's natural wealth has so far done little to improve the quality of life for those to whom these resources belong. Importantly, and often omitted from the debate, is that one day the mines will be empty, the last barrel of oil will be pumped, and the windfall profits will remain significant only as a historical fact.

While the natural resource boom has sustained continued prosperity and growth within the economies of Africa's traditional "partners" (i.e. the USA, the EU and Japan), it has also fuelled the economic development of emerging markets, such as China and India. Stated simply, the abundant natural resource wealth of Africa has done more for those living off the continent than it has for those living on it. Put another way, the developmental and economic benefits of the African extractive industry have better served the needs and interests of external actors, sustaining a pattern of exploitation that, tragically, can be defined in centuries.

The State of Qatar has typically been an economy heavily reliant on oil and gas. These natural resources have been managed effectively to bring prosperity to the country. The Qatari government is looking to diversify its economic base, and the vast commodity base that Africa holds offers an opportunity to strategically invest in the continent. As a hub located in the Middle East and the North Africa region, Qatar has a distinctive potential to assume a role as a prominent investor in African resources, as well as a crucial intermediary for international investors and governments. As a state with expertise on sound governance in converting natural resource wealth to beneficial economic growth, Qatar has a platform to engage the regional and global interest in African resources effectively to simultaneously address increasing global commodity demand as well as the crucial sustainable development of Africa.

The Need to Sustain and Enhance the Debate

From the perspective of African stakeholders and some foreign partners, there is an increased recognition of the need for better governance practices in relation to the extractive industry. Many African leaders have come to recognize that how the continent's resources are managed and exploited is critical to their ability to enhance both state and human security and to ensure sustainable development. By default, this is an admission that the natural resource wealth of Africa must better serve the interests and needs of the African people. It is an admission that the pattern of exploitation must change and a new economic relationship paradigm must be forged on national, regional, and international levels.

However, while profits from the extractive industry have reached record heights, the opacity of the governance systems that manage how revenue is generated, allocated, and used, remains a serious obstacle. Various national, regional and international initiatives, such as the Extractive Industry Transparency Initiative and Publish What you Pay, have sought to address and remedy this by promoting greater stakeholder inclusion and revenue transparency. The complexity of this sector has served to hamper effective national, unilateral action, and regional initiatives have thus now come to the fore. Within a globalized economy, where issues relating to finance and revenue transcend traditional notions of state sovereignty, the states' claim to independence is increasingly tenuous. Any comprehensive approach to reforming the governance of the extractive industry must have this notion as its central, operative tenet. The important role of the African Union and other regional bodies is critical, particularly in its ability to formulate a common vision and set shared standards. Initiatives such as the African Mining Vision and the establishment of the African Minerals Development Centre, based in Addis Ababa, Ethiopia, as well as the potential for a central information and investment centre in Qatar, are prime examples of this regional approach.

The articles in this Special Issue divide themselves very neatly into two distinct components: (a) present current initiatives and progress; and, (b) current and international thinking on governance and the extractive industry. In other words, this Special Issue focuses on what is currently being done and what ideas shape the discourse. In paper 1, Elem Tepecikliglu discusses how for many years, engagement with African countries was given secondary priority in Turkish foreign policy which began to change in the late 1990s. This was a result of expanding foreign policy options, with African countries now viewed as offering Turkey new prospects for foreign policy diversification and an opportunity to enter new markets. In paper 2, Liu Haifang notes that China's presence has had positive spillovers for Africa growth in the past decade, but it would be an exaggeration to analyse Africa's weak performance only through a prism of China. She argues that Africa has been important for China's going global strategy, but it goes way beyond just the resource sector.

Paper 3, by Kojo Busia and Charles Akong, presents a dynamic, innovative framework for analysing policy change in the extractive sector in Africa, based on the power in ideas and interests' networks. The paper analyses the binding political economy constraints African governments should overcome at the global, regional and country levels to implement the transformative ideas of the AMV. Fantu Cheru, in paper 4, examines the extent to which Qatar can strategically deploy its "soft power" to enable African countries fully develop their extractive sector and embark on a process of

industrialization. He points to how Qatar can take the lead in support of the development of mineral processing industries in Africa through public-private partnerships, and experience sharing in terms of the management of natural resources given Qatar's track record in this respect.

In paper 5, Tim Shaw examines evolving perspectives and debates through the lens of the 21st century. It identifies the unexpected and unprecedented range of transnational governance initiatives that have been proposed since the turn of the century. Blair Rutherford, in paper 6, identified how land held in some sort of customary arrangements, which is the type of legal setting for most African land users, entails a whole set of different problems. In particular, a significant problem identified in this paper is the identification of "the community" itself, as there is often nested land rights to most such land and land-based resources, constituted in part through different overlapping or contested forms of governance mechanisms.

Karolina Wener, in paper 7, highlights the fragile state of post-conflict governments focusing on the delicate balance between attracting foreign investment and fighting corruption and poverty in environments already susceptible to recurring violence. She argues that understanding the levels of governance and goals of actors involved can contribute to unraveling the curse. Kobena Hanson, in paper 8, evaluates the extent to which Africa is establishing a new, more complex, evidence-based, more participatory, and coordinated vision of natural resource management (NRM). He argues that while the broad capacity development of all actors (i.e., investors, civil society, locals, and government) is desirable for effective NRM, it is usually unrealistic in the timeframe of resource exploitation priorities and processes, and given the other needs that prevail in the African context.

Franklyn Lisk's paper ascribes significant macroeconomic policy and regulatory roles to the state with respect to leveraging Africa's extractive sector for economic development and transformation linked to the creation of more productive and better jobs. He argues that in terms of development strategy, African governments should use resource wealth to foster inclusive and diversified economic growth and promote industrialization including agribusiness, while at the same time addressing skills mismatch in the labour market which acts as a constraint on access to current and future formal sector employment opportunities.

George Kararach, in paper 10, argues that the continent needs to address important policy questions: what natural resource governance policies and frameworks are necessary to enhance development prospects in a sustainable way? What are the broad-brush trends in the global economy that Africa needs to pay attention to to achieve the sustainability agenda? He argues that natural

resources and global volatility will continue to influence the debates around Africa's development agenda for decades to come. In paper 11, Elias Ayuk and Rebecca A. Klege review the importance of the extractive sector to selected African countries. They identify sources of global volatility that affect the sector and further attempt to establish the factors that drive the volatility-growth nexus.

In paper 12, Ben O'Bright attempted an examination of the shifting dimensions of Qatar's international relations strategies primarily with African states, focusing particularly on its current use of, and the potential for, soft power. It began with a comprehensive overview of soft power, including its historical origins, definitional boundaries, associated tools and mechanisms, and the concept's pragmatic problems and limitations. In paper 13, Cristina D'Alessandro develops an analysis of fluid, multiscale, and networked governance. This governance is a multifaceted and complex mechanism of interaction and management, in which numerous stakeholders are involved and with a fundamental environmental dimension. The Special Issue wraps up with paper 14 which explores legal and policy frameworks for addressing environmental and social challenges associated with extractive investments in Nigeria.

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With gratitude to members of the editorial team and our external reviewers who volunteered their time and intellect to enhance the quality of the articles selected, we invite you to turn the pages of the Issue and embrace the wealth of information and knowledge therein.

If you have any questions, comments, or concerns, please do not hesitate to send them to us via: info@ogeesinstitute.edu.ng

Yours truly,

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