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### THE CHALLENGES AND OPPORTUNITIES OF USING AFRICA'S PETROLEUM AND MINERAL RESOURCES FOR POVERTY ALLEVIATION

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**ABSTRACT:** *The near total dependence of the world's economy on oil, gas and mining has translated over time to increased revenue for countries and continents rich in these resources, as the world continues to depend on them for the supply of these resources and even for a very long time to come. African countries have in this wise amassed huge revenue from these resources. This ordinarily should translate to economic growth and improvement in the standard of living in the African Continent, but the structural deficiencies in the regulatory and economic framework in African countries provide a leeway for corruption and lack of transparency over revenues accruing from these resources, leaving in their trail, hunger, poverty, conflicts, wars, human right abuses, stagnated development and a decimated populace all in the midst of abundant revenue from these resources. This has further brought about the challenges of 'Dutch Disease' and the lack of human capital development in the continent, which has made Africa continuously dependent on foreign aid for its social and economic development. Today Africa is on the cusp of a large oil boom from the Gulf of Guinea to the Mediterranean coast line, and a large mineral boom from the South to the North of Africa presenting good opportunity for Africa's economic growth and development. But the challenge today is on how to create a policy and framework environment, for turning Africa's petroleum and mineral wealth into viable post-natural resource economies, aimed at poverty reduction and human capital development. This paper reviews the above issues with a view to finding solutions to the problems, and suggesting ways by which the opportunity offered by Africa's Petroleum and Mineral wealth can be used to overcome the challenges of economic growth, thereby fostering poverty alleviation and political stability.*

**KEY WORDS:** Poverty Alleviation, Economic Growth, Petroleum and Mineral Wealth, Corruption, Dutch Disease, Political Conflict, International aid, Transparency

## **1. INTRODUCTION**

The world's economy today depends largely on the extractive industries for its sustenance, and this has translated in large measure to increased revenue for

continents and countries rich in these resources, (Nwete 2004). The revenue from these resources should naturally, lead to economic growth and improvement in the standard of living in resource rich (RR) countries. But Africa remains a paradox, being a continent with Petroleum and Mineral (P&M) wealth and, at the same time, has the greatest number of the world's poorest people. Investments and revenues accruing from its P&M resources have over the years not improved the standard of living of Africa's poor, but have rather left in their trail sustained misery, political conflicts (Wantchekon, 2004), wars, hunger, poverty, stunted economic growth, environmental degradation, and human rights abuse. These negative attributes arising from P&M wealth (the 'paradox of plenty' or 'resource curse'), has led to 'Dutch disease' (Karl, 1997) and the crowding out of the tradable sector of the national economy of many RR African countries.

It has been thought that Africa's P&M wealth will help to break the cycle of poverty and underdevelopment plaguing the continent (Garry and Karl, 2003) but this appears not to be so. Rather much of Africa especially the RR states have been plagued by corruption, poor governance and economic decay creating a whirlwind of suffering among its people. As a result, Africa largely depends on international development aid, despite the fact that what is generated from its P&M if well accounted for and managed, can tackle the problems of poverty and underdevelopment in the continent, thereby contributing to economic growth and stemming the tide of civil and political conflict (See table 1), which most often are fuelled by a scramble to control these resources (Ross, 2003; Darimani, 2005). The P&M wealth has led to innumerable conflicts and vicious wars in Africa (Ross, *ibid*; Lwanda, 2003)-see table 1, leading to massive looting both by the political elite and 'rebels', and a life of misery and poverty is consequently visited on the populace, particularly women and children (turned to child soldiers). This has also exacerbated the Sudanese conflict, making it difficult for any meaningful UN sanction to be applied to Sudan. China's investment of over \$8 billion in the oil sector, and arms supply to Sudan (Durrant, 2006) has been responsible for this.

**Table 1: Natural Resource Fuelled Conflicts in Africa**

Country	Dates- year started	Natural Resource
<b>Algeria</b>	<b>1992</b>	<b>Oil and Gas</b>
<b>Angola</b>	<b>1975</b>	<b>Oil and Diamonds</b>
<b>Chad</b>	<b>1980</b>	<b>Oil and Uranium</b>
<b>Congo Brazzaville</b>	<b>1993</b>	<b>Oil</b>
<b>Congo- DR</b>	<b>1993</b>	<b>Copper, Cobalt, Coltan,</b>

		<b>Diamond, Gold, Uranium</b>
<b>Liberia</b>	<b>1989</b>	<b>Diamond, Iron, Rubber</b>
<b>Sierra Leone</b>	<b>1991</b>	<b>Rutile</b>
<b>Sudan</b>	<b>1983</b>	<b>Oil</b>

Adapted from Lwanda, (2003) oil is also behind the continuous conflict between ‘militants’ and security agents in the Niger Delta region of Nigeria

The bloodshed, misery and poverty engendered by illicit/blood diamonds in Africa for instance led to the initiation in Southern Africa, of the UN backed Kimberly Process Certification Scheme. Aside this, lack of transparency in the tender and bidding process for P&M acreages, and the mismanagement of huge revenue from the resources has also ensured the diversion of public funds into private pockets, and left the people reeling in abject poverty and want. (Eigen-TI, 2004; Eshelby, 2004) The result is poor or negligible investment in social infrastructure and basic services, and the erosion of human capital development, while the continent reels under the burden of external debt and has had to rely on external aids and IDA for the basic necessities of life especially in times of grave national crisis, drought or famine.

Furthermore, economic and social growth in most of the RR African countries has been quite dismal (Ross, *ibid*) due to the above reasons. Thus most African countries suffer high level of economic hardship and poverty with low GDP, and are in the low and lower-middle-income countries group by World Bank (WB) ranking (WB, 2006). The educational and health systems in these countries remain in a state of decay, while social services like electricity and access to fresh water supplies are either poor or non existent; unemployment remains at its highest peak. The poverty of Africa’s people, its economic decay and underdevelopment have become a celebrated issue around the world, from NGOs (World Vision, 2006), to the UN, leading to the signposting of Africa’s poverty at the 2005, G8 Gleneagles summit. This state of affairs prompted Thabo Mbeki earlier on in 2002, to call for assistance to end Africa’s humiliation as “an object of charity” (BBC, 2006). But despite this, Africa cannot live on the charity of the G8 (AlGathafi, 2005) or international aid.

What has been responsible for this poor state of affairs in Africa? Colonialism and slave trade are always blamed as the beginning of Africa’s march to poverty and underdevelopment, but the fact remains that African countries have trailed behind other countries like Australia and New Zealand that were also subjected to colonial over lordship (Oluwatuyi, 2004) Though colonialism and slave trade had a role to play in decimating Africa’s wealth and human population, they are

not the reason behind Africa's present poor state of affairs. Rather the structural deficiencies in the regulatory and economic framework in many countries promote an incompetent and predatory leadership that breeds poor governance, weak social structure and the absence of rule of law, which provide a leeway for corruption and lack of transparency and accountability over revenue accruing to state coffers. For instance the government of Chad amended in 2005, its Petroleum Revenue Management Law, to reduce its poverty alleviation obligation under the law (Blustein, 2006).

It is not acceptable that Africa should continuously depend on aid from international donors to alleviate poverty and sustain economic growth in the continent, while revenue generated from its resource wealth are continuously plundered and mismanaged. It's the failure to address issues of this nature that has found Africa where it is today. Africa and its leadership need to create a policy and framework environment, for turning its P&M wealth into viable post-natural resource economies, aimed at poverty reduction and human capital development. This paper examines the above issues within the context of the failures and successes of African states in this respect, with a view to providing a basis for the initiation and development of more efficient and effective policies on good governance, transparency, accountability, management and monitoring of resource revenue, and the enactment of P&M resource extraction laws that promote social justice and development, backed up by political will, to ensure economic growth, political stability and poverty alleviation in the continent.

The paper first addresses the issue of P&M wealth in Africa, to provide a useful basis for analysing how this wealth can contribute to poverty alleviation in Africa. This is followed by an analysis of Africa's poverty and its challenges. The next section then looks at the prospect and opportunities of overcoming the challenges, while the last section concludes with suggestions on how to use the P&M wealth to sustain economic growth and break the circle of poverty in Africa, putting it on the road to achieving the MDGs.

## **2. AFRICA'S PETROLEUM AND MINERAL WEALTH**

The African continent enjoys relative abundance of P&M resources and remains an important player in the international oil market, producing about 10% of the world's total oil output (Nwete, 2006). Improvement in offshore technology for oil exploration and production, and insecure supplies from Middle East has also attracted much attention to Africa. Thus the continent especially the Gulf of Guinea has become the centre piece of international oil and gas E&P activities and Africa is today on the cusp of a large oil boom spanning the Gulf of Guinea to the Mediterranean, attracting an annual investment of over \$200 million to the petroleum industry alone. Its mineral wealth also spans the South and the North

of the continent presenting good opportunity for Africa's economic growth and development.

It is estimated that African governments will receive over \$200 billion in oil revenues over the next decade (Garry and Karl, *ibid*). This estimate was based on an oil price of less than \$40 dollars a barrel but putting into consideration the current price of about \$70 a barrel, the amount would be over \$300 billion. Thus the money received by RR African countries more than triples the amount of annual international aid to the continent which in any case has been on the decline- the UK government had pledged to increase its aid to Africa to \$1.79billion a year by 2005/06 (Benn, *ibid*). Nigeria is estimated to have received over \$340 billion in oil revenues in the last 40 years (Garry and Karl, *ibid*) This year alone it will receive more than 10% of this amount going by the current oil price. These figures do not include the stolen revenue. Nigeria is said to have lost about \$400 billion from oil revenue to bad leaders (Adebowale, 2006). Angola's new deep-water production is projected to generate over \$7 billion dollar annually (Nwete, 2004) in addition to other sundry income that accrues to the government from other fields in the country. This amount, based on a price benchmark of \$18-20 a barrel, will be about \$28 billion in consideration of the current oil price. Oil and diamonds are said to be the twin pillars of Angola's wealth and its poverty (Paivi, 2005; Nwete, 2005). This is the story of all RR African countries with few exceptions-see table 2.

Africa has also been a target for mineral exploration from pre-colonial times, and this continued well into the last decade; between 1997 and 1998, Africa was only second to Latin America as the favoured destination for mineral exploration. It has since then continuously attracted about 15% of total global investments for mineral exploration (Foster, 2000). According to Pegg (2003), Africa's vast petroleum and mineral wealth have long been prized by its leaders, coveted by colonialists and exploited by governments and industries alike.

**Table 2: P & M Producing Countries in Africa and 2005 HDI Ranking**

Country	HDI Ranking
<del>Senegal</del> Mali	<del>106</del> 106
<del>South Africa</del>	<del>126</del> 126
<del>Liberia</del> Sudan	<del>NA</del> 177
<del>Libya</del> Nigeria	<del>58</del> 168
<del>Mali</del> Sierra Leone and P	<del>174</del> 180
<del>Mauritania</del> Senegal	<del>152</del> 183

Country	HDI Ranking		
		<b>Uganda</b>	<b>144</b>
		<b>Zambia</b>	<b>166</b>
<b>Algeria</b>	<b>103</b>	<b>Zimbabwe</b>	<b>145</b>
<b>Angola</b>	<b>160</b>		
<b>Benin</b>	<b>162</b>		
<b>Burundi</b>	<b>169</b>		
<b>Botswana</b>	<b>131</b>		
<b>Cameroon</b>	<b>148</b>		
<b>Central African RP</b>	<b>171</b>		
<b>Chad</b>	<b>173</b>		
<b>Congo (Brazzaville)</b>	<b>142</b>		
<b>Congo DR</b>	<b>167</b>		
<b>Cote d'Ivoire</b>	<b>163</b>		
<b>Egypt</b>	<b>119</b>		
<b>Equatorial Guinea</b>	<b>121</b>		
<b>Gabon</b>	<b>123</b>		
<b>Gambia</b>	<b>155</b>		
<b>Ghana</b>	<b>138</b>		
<b>Guinea</b>	<b>156</b>		
<b>Guinea-Bissau</b>	<b>172</b>		
<b>Kenya</b>	<b>154</b>		

Source: <http://www.infoplease.com> and the UNDP Human Development Report 2005. Some other countries in Africa not included in this table like Ethiopia, Eritrea, Madagascar etc still possess some quantity of hydrocarbons and minerals. The fact that most of the countries shown in table 2 are under the 3 digit list in the HD Index shows that P & M wealth has done little to improve economic growth and human development

The magnitude of Africa's natural resource wealth can also be seen from the fact that (AlGathafi, *ibid*; Pegg, *ibid*):

- ❖ 50% of the world's gold reserves are in Africa,
- ❖ 25% of the world's uranium resource are in Africa
- ❖ 95% of the world's diamond are in Africa

- ❖ 33% of chrome reserves are in Africa
- ❖ 33% of cobalt is in Africa
- ❖ 65% of the world's cocoa production comes from Africa.

The irony is that African countries treat natural resources as a patrimonial inheritance and therefore vests its ownership in all the citizens including unborn ones. For instance the Angola law N0. 13/78 of 26<sup>th</sup> August 1978 vest ownership of these resources on the citizens, but contrary to these provisions, the revenue from these resources are treated as the inheritance of a few- the political elite. Though there has been disagreement among development scholars, over the relationship between resource extraction, economic growth and poverty reduction, the fact remains that there have been positive cases in Botswana, Norway, Malaysia and elsewhere in Asia and South America, and where this has not been so, it has not been as bad as it is in Africa. The disturbing record of RR countries in Africa to date, however suggests that Africa's resource boom can only have a positive impact on poverty alleviation and economic growth, if urgent and significant changes occur in the policy environment for natural resource development, revenue management, and IDA. The alternative for Africa's poor would be quite disastrous (Garry and Karl, *ibid*)

### **3. THE CHALLENGES OF POVERTY IN AFRICA**

Poverty in Africa is manifested in the form of low and unpredictable wages, and lack of access to social services like good and quality health care delivery system, qualitative education, fresh water supplies, sustainable electricity supply, good and decent transport, clothing, food and decent shelter. Abject poverty is the lack of access to any form of these. Poverty denigrates the human person and denies him the right to live and think as a rationale being, inhibiting him from achieving his full potential. The majority of Africans are caught between the misery of poverty and abject poverty. The images of Africa's poverty are shown daily on television sets across the world by the international media, and NGOs soliciting aid to help Africa's poor with clothing, food, health, shelter and education.

The hope placed in resource wealth by the African poor is endless: As they watch mines being excavated for minerals, rigs being installed and new pipelines running through their communities, they are assured that following on the heels of these activities would be jobs, healthcare, and food, new schools with books, electricity and water supply(Garry and Karl, *ibid*). But the hope is usually turned to disillusionment as these are never provided. It is estimated that over 300 million Africans live on less than \$1 a day (Akukwe, 2005; Benn, *ibid*). The war in Angola displaced about 4.3 million people in need of humanitarian assistance, prompting the UN in 2003 to appeal for \$384 million for humanitarian aid and development. But Angola was capable of providing this sum from its oil revenue (Garry and Karl, *ibid*). Preventable diseases from

cholera to river blindness, ravages Africa while HIV/AIDS remains one of the greatest scourges on the continent- Africa bears the brunt of the global AIDS epidemic having lost 13 million of its people to the disease, while over 26 million people are living with the disease (Benn, *ibid*; UN, 2006). Tables 3 and 4 tell the story of Africa's poverty.

**Table 3: UNDP: HDI Ranking Reflecting Africa's Poverty**

<b>"Least Liveable" Countries, 2005</b>			
1.	Niger	11.	Congo, Dem. Rep. of
2.	Sierra Leone	12.	Zambia
3.	Burkina Faso	13.	Malawi
4.	Mali	14.	Tanzania
5.	Chad	15.	Côte d'Ivoire
6.	Guinea-Bissau	16.	Benin
7.	Central African Republic	17.	Eritrea
8.	Ethiopia	18.	Angola
9.	Burundi	19.	Rwanda
10.	Mozambique	20.	Nigeria

Source: *Human Development Report, 2005*, United Nations. Web: [hdr.undp.org](http://hdr.undp.org)

The significant thing about the table is that all the countries considered to be the worst place to live in the world are in Africa. This puts Africa on the forefront of poverty and lack of economic growth.

Pregnant women in Africa are 100times more likely to die in pregnancy/childbirth than their counterparts living in the UK (Benn, *ibid*). The child mortality rate in Africa remains one of the world's highest while the number of school enrolment continues to decrease. Poverty is driving Africans away from their homelands to Europe and America in search of the fabled greener pasture, as there is no assurance of employment at home.

**Table 4: Africa's MDGs Challenge:**

**UN Development Millennium Goals- Progress up to September 2005**

- a- No progress or a deterioration or reversal
- b- Target not expected to be met by 2015 if prevailing trends persist
- c- Target expected to be met by 2015 if prevailing trends persist
- d- Target already met or very close to been met

Index	Sub-Saharan Africa	South Asia	Latin America and the Caribbean
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<b>Reduce extreme poverty by half</b>	a	c	b
<b>Reduce hunger by half</b>	b	b	c
<b>Reduce mortality of under 5yr olds by 2/3</b>	a	b	c
<b>Measles immunization</b>	a	b	d
<b>Halt and reverse spread of HIV/AIDS</b>	a	a	b
<b>Halt and reverse spread of Malaria</b>	a	b	b

Source: United Nations. A dismal picture of Africa's MDG challenge- general result: no progress/deterioration and reversal

RR African countries continue to occupy unenviable positions as the most corrupt and poorest countries. 34 African countries are ranked under Heavily-Indebted Poor Countries (HIPC) index. The WB, in 1988 estimated that the cost of providing safe water supplies in Nigeria's rural and urban areas within 20 years was \$4.3 billion. This amount is nothing compared to the over \$400 billion stolen from oil revenue (Adebowale, *ibid*), and public fund squandered on white elephant projects (Obadinah, 2005). The problem and challenges of Africa's poverty constantly attracts world attention, (Blair's Africa Commission) and the contradiction it presents in terms of poverty in the face of resource wealth, led to the Publish What You Pay (PWYP) campaign and the Extractive Industries Transparency Initiatives (EITI) both of which seek to enthrone transparency and proper management of natural resource wealth in developing countries, as a way of making the resources beneficial to the greater percentage of the population. The WB action in Chad was geared towards the same direction. Rather than embracing the PWYP which requires extractive industries to compulsorily publish net payments made to resource owning governments, as a condition for being listed on international stock exchanges and financial markets, and for attracting funding for energy and mining projects from IFIs and other MCAs, countries in Africa are rather embracing the EITI which is voluntary and depends more on peer pressure (Nwete, *ibid*). The challenges of poverty in Africa can only be overcome if the resource owning governments in Africa become accountable over the resource revenue by exercising the political will to address these issues.

#### 4. OPPORTUNITIES FOR POVERTY ALLEVIATION

The huge P&M wealth, coupled with very high commodity prices, offer Africa opportunities more than any other time in its history, to overcome its poverty

and backwardness and foster economic growth and political stability. The revenue from these resources has never been greater in the history of the continent. Africa's economy is estimated by a recent report of the OECD to have grown by about 5% in 2005, and there is much expectation that it will grow better in the subsequent years (The Economist, 2006). This growth has largely been attributed to the increasing global hunger for oil, minerals and other commodities (Ibid). The soaring prices of oil and mineral, and other commodities, all of which have seen an astronomical increase in prices of up to 90 % for oil and 70% for minerals and other commodities since 2000 (Ibid), have brought much revenue to government coffers, but other factors like debt relief, regional initiatives like NEPAD and other efforts being made for Africa at the international level (Agbana, 2006; Musunka, 2005), have all combined to usher in economic growth of about 15% in Angola, and 6% in Uganda etc.

Constant monitoring by the International Civil Society has put the eyes of the world on the continent and as result, efforts are being made (on the surface?) to ensure transparency of resource revenue by adopting the EITI template. The WB and IMF's HIPC initiative saw to the granting of debt relief to 25 African countries last year, and this has brought some measure of relief to the economy. The number of resource induced conflict in Africa continues to decrease by the day and Angola, Sierra Leone and Liberia are gradually breathing a fresh air of peace while elections have recently been held in Congo. These have all brought in fresh hope and as a result FDI to Africa was about \$18 billion in 2004, tripling the annual average of FDI into the region since the 90s (The Economist, *ibid*). But these efforts have not been enough to reduce the poverty level in Africa and set the continent on the path of achieving the MDGs- see table 4. For instance real income per person in Africa rose only by 25% between 1960 and 2005 but went up in East Asia by about 34 times faster within the same period (*ibid*). The amount of foreign aid to Africa has been on the decline but corruption continues to increase. This has brought about doubt as to whether African leaders will spend the windfall from the high resource prices wisely, to provide the basic things of life for its citizens while ensuring economic growth that will cushion the effects of any future dip in the prices of oil, minerals and other commodities.

Will African leaders invest their windfall into human capacity development and the productive sector of the national economy? According to UNCTAD, Africa's export of manufactured goods only managed to rise to less than 6% a year since 1980 (*ibid*). Oilfields and mines have little economic linkages hence create very few jobs but the revenue they generate can be ploughed into other sectors of the economy to create employment opportunities. Unfortunately the absence of investment supporting structures and research centres in the continent has also led to huge capital flight from the continent (AGAO, 2001). The P&M sectors are technologically driven hence almost all the equipment used in the industry are

imported from abroad. The money stolen from the revenue accruing from these resources by local elites, are also transferred abroad and either used to purchase houses or kept in foreign bank accounts. Only a small percentage of the earnings from the P&M wealth are re-invested in the continent.

There can't be any meaningful economic growth or development in this circumstance while the ability to tackle poverty alleviation is greatly reduced. Mauritius, Cape Verde Islands, Botswana, Namibia, Ghana, Seychelles Island are the few countries in Africa noted as being able to meet a significant part of the MDG (The Economist, *ibid*). Economic growth and poverty alleviation will be a mirage without development, because development facilitates democracy by improving living standards which breeds political tolerance, and helps elites voted out of office to continue at least a life of minimal comfort (John, 1997), thereby reducing the urge to cling to power, and political conflicts. Development also enlarges the middle class- the chief support of democratic institutions (*Ibid*). The fact that P&M account on the average for about 50% of GDP in RR African countries, shows its importance to the economy and the fact that its mismanagement portends serious economic and social consequences for the continent. P&M wealth must therefore be used for industrial development in Africa to stem the tide of political conflict, economic hardship and poverty. Africa must therefore use this period to initiate efforts utilizing its vast P&M wealth to *"educate its people and make them healthier, to nurture local businesses, to expand irrigation, to build roads, and lay on water and electricity;"* (The Economist, *ibid*) to provide employment and housing, and accountable and honest government; to open the doors of participatory democracy and create a stable polity, to give its people the deserved responsibility of holding governments accountable, and opportunity of access to justice even against the leadership.

#### **4. THE WAY FORWARD**

Addressing the above problems require a serious rethink of the policy and legal environment under which these resources are exploited, supported by political will on the part of the government to drive and implement the needed reforms. It is imperative that for progress to be made in this respect the following issues need to be addressed: IDA and debt relief to RR countries should be tied to transparency of resource revenue and the implementation of legislation-backed EITI. Thus resource extraction laws should be amended to allow for more transparency and accountability in the process. There is also the need to enact resource revenue management and information laws to ensure that revenue from the resources are well managed while, giving the citizens the opportunity of access to information on the revenue from the relevant government agencies, as well as access to the courts in the event that they are not satisfied with the process. Treating issues of this nature as issues of public interest and bringing

them under the purview of public interest litigation will go a long way in initiating the culture of public participation and the protection of public interest in resource extraction, while ensuring that government becomes accountable to the people. The political will to implement the laws and an independent and fearless judiciary are however necessary for this to work.

The policy framework for P&M extraction and revenue sharing should also provide for an annual commitment of not less than 10% of resource income to the provision of social infrastructure and poverty alleviation projects particularly in the rural areas for the next 20 years. This can be done in conjunction with other development agencies or the WB under counterpart funding schemes. This amount will go into direct provision of basic things like roads, public schools, water, electricity, health centres and the building of agricultural projects, cooperatives, and trading schemes that will empower the people. For instance excess oil revenue accruing to the Iranian government has enabled it to recently plan for the provision of 300,000 new housing units and the maintenance of energy subsidy amounting to about 10% of GDP (Durrant, *ibid*). RR countries in Africa can afford to do this especially for the poor and those that have been displaced by war and conflicts. The policy framework must also make mandatory, capacity building and investment in SMEs in rural areas, which can be carried out through NGOs and other interest groups. This will imbue the people with skills capable of helping them overcome the challenge posed by poverty, and can be done under a PPP arrangement. Examples abound in this respect from the Angola Enterprise Programme developed in 2002 between Chevron/Texaco, the UNDP and the Angolan government to support the growth of small business and development in Angola. The initiative makes investments which contribute to:

(1) improving the overall enabling environment for micro business development; (2) expanding the supply of credit to micro and small businesses; (3) redirecting the offer of vocational training towards the real demand of the market; and, (4) introducing pilot models of business development service providers as well as business incubators (UNDP Angola, 2006).

The initiative aims at substantially contributing to creating employment and income generating opportunities under the government's national poverty reduction strategy (UNDP Angola, 2006). Earlier on in 1997, the Ambriz Artisanal Fishing Project was initiated and was co-funded by BP-Amoco (US\$ 800,000) and the Equator Bank (US\$ 50,000) to support the establishment of a fishermen association in the municipality of Ambriz, Luanda (*Ibid*). If this kind of initiative is replicated in all mining and oil provinces in Africa it will accelerate poverty alleviation and economic growth.

Tackling corruption in the P&M sector as a special case must be embarked upon by the government. This is because the nature and magnitude of corruption in the sector affects every other part of the economy. The wealth in this sector drives the economy of almost all the RR countries in Africa, so what happens in this sector affects every other sector. For this reason corruption in the sector must be tackled independently of others efforts to tackle corruption generally. It is estimated that corruption annually costs Africa's economy over \$148 billion, which is about 25% of Africa's GDP; this increases the costs of goods by about 20% (Transparency International, 2005) making it more difficult for the poor to have access to them. Corruption remains the biggest threat to Africa's development. There is need therefore for a standard setting on the issue of corruption in resource extraction in particular and in the economy as whole, otherwise the revenue from the resources will not be utilised transparently to drive other sectors of the economy. The African Union's Convention on Preventing Corruption and Related Offences which came into force on 5<sup>th</sup> August, 2006 is therefore a welcome development.

The sad thing however is that the Convention has been ratified by only 15 out of 53 countries in Africa (AU, *ibid*). And among those that have failed to ratify it include P&M producing countries like Angola, Botswana, CAR, Chad, CDR, Equatorial Guinea, Gabon, Guinea-Bissau, Liberia, Mauritania, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone, Sudan, Zambia, Zimbabwe etc. It is also of vital importance that extractive industries publish what they pay to governments as this will prevent opaque accounting in the resource sector and ensure that government uses the revenue from this sector for economic growth and poverty alleviation. International agencies and donor governments should insist on inserting and implementing a non-bribery clause in all projects in the sector. The policy environment for resource extraction should encourage local content and value addition in the industry especially the upstream sector-African goods and services must be utilized to a certain degree to drive the upstream sector of the industry. This will promote technological revolution and the building of necessary economic linkages; it will encourage re-investment in the economy especially in the area of manpower training, engineering and fabrication yards, research and consultancy, which will provide the necessary catalyst for creating a technological backbone that, will drive other sectors of the economy, thereby creating needed jobs and boosting economic growth. Norway owes much of its industrial success today especially in the oil and gas sector to its foresight in this direction (Noreng, 2004).

A natural resource fund can be established as an interventionist measure for direct poverty alleviation purposes. Certain percentage of the money accruing from the resources should be channeled into the fund on annual basis and this can be used to provide basic social infrastructures including the initiation of

projects that provide wider access to education. Such fund can also be channeled into modernizing agriculture, and building new infrastructure like railways, ports, roads, bridges, provision of electricity etc. The gain in this is the additional investment it will attract from the private sector thereby contributing to economic growth. The Nigeria petroleum trust fund was modeled after this fashion but could not deliver sustainable benefit due to bureaucracy and nepotism. The government can also create a stabilization fund for saving the excess fund accruing from skyrocketing prices of oil, mineral and other commodities. This will insulate the government and the economy from revenue shocks arising from the volatile and unpredictable nature of oil and mineral prices. This has actually been done in the past but governments have always been known to dip their hands into the fund to address needs that are not in line with the setting up of the fund, or embarking in spending spree during period of low prices, leaving it without any money to cushion the economy and protect the poor (Roba, 2006). This means that there must be a measure of fiscal prudence for the fund to have any positive impact on the economy. The fund can be used to drive the economy in periods of low resource and commodity prices thereby encouraging economic growth. But the fund can only work where the government is also committed to economic reforms which encourage investment in the non-minerals and oil sectors of the economy to reduce dependence on oil and minerals and encourage economic diversification and growth.

#### **4.1 Conclusion**

The challenges of overcoming the problems are quite enormous but the leadership still has the opportunity of emancipating the continent from years of poverty, economic hardship and political conflict by the prudent use of the enormous resource wealth that abound in Africa. This can be achieved through a change in the policy and legal environment for the exploitation of these resources, and the use of the revenue accruing from them, backed up with the political will to run a transparent and accountable government, driven by the desire to change the landscape of poverty and economic hardship that has become the hallmark of the continent.

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