RESOURCE WEALTH AND RAW MATERIALS BOOM

CHALLENGES FOR GOVERNANCE AND DEVELOPMENT IN SUB-SAHARAN AFRICA

Bernd Althusmann / Angelika Klein / Stefan Reith

Dr. Bernd Althusmann is Resident Representative of the Konrad-Adenauer-Stiftung in Namibia and also represens the Foundation in Angola.

Dr. Angelika Klein is Resident Representative of the Konrad-Adenauer-Stiftung in Uganda.

Stefan Reith is Resident Representative of the Konrad-Adenauer-Stiftung in Tanzania.

CURSE AND BLESSING OF RESOURCE WEALTH

The political agenda of all states of Southern Africa involves socioeconomic issues such as working conditions and the minimum wage, efficient education and healthcare systems, the development of pension systems, women's and equality issues, the impacts of climate change and energy security, as well as sustainable agriculture to feed the countries' populations. There are also fundamental discussions taking place about the extent to which the state should be present in the different areas of people's lives. In addition, the issue of natural resources and the relevant economic and industrial policies represent some of the major challenges for development policy in the countries of Sub-Saharan Africa.

Articles in the international press about the economic boom in Africa range from enthusiastic in tone, which paint a picture of the African Lion, making reference to the outstanding growth rates of many African states in the last few years, to more reflective articles, which put a critical spotlight on the dependence of most of the "Lions" on their raw material exports. The way the mineral resources are dealt with, the production conditions and the interests of numerous external actors continue giving rise to questions regarding the likely impacts on the African countries. A closer examination shows numerous internal conflicts in these countries (as well as cross-border conflicts) are due (exclusively) to the competition to secure resources. Whether the nominal economic growth and booming raw material exports go hand in hand with developmental progress and growing prosperity for wide swathes of the population in the respective countries depends to a large extent on how the governments exploit this potential and on how they deal with it politically. Alongside the euphoria surrounding envisaged economic benefits, there are concerns about the negative impacts of oil production. The problems of the so-called "raw material economies" are well-known. In many cases, they belong to the least prospering economies. They suffer from the fact that a certain kind of wealth actually produces poverty, and abundant resources tend not to generate sustainable growth but "immiserising growth" (paradox of plenty). However, states and societies are not passive victims of the "resource curse", which suggests helpless surrender. Instead, they can break the "curse" through purposeful and early intervention and generate development opportunities.

In the course of the "Dutch disease", investments concentrate on the raw materials sector which experiences a greater economic surge. Jobs in the traditional sectors are destroyed, and the risk of inflation rises.

One of these phenomena is known as the "Dutch disease"[1] which first occurred in the Netherlands in the 1960s, when the Groningen natural gas field was developed. This phrase summarises the way in which a country rich in raw materials can develop into a rentier state. The export of raw materials and high commodity prices generate a considerable influx of foreign currencies. As a result, the domestic currency becomes overvalued and other exports become more expensive, reducing the competitiveness of the economy with devastating consequences for agriculture and industry. Investments concentrate on the raw materials sector which experiences a greater economic surge than other sectors. Jobs in the traditional sectors are destroyed, wages and prices are driven up, and the risk of inflation rises. In addition, the high commodity prices promise high bond yields. This undermines incentives for investments in other industry sectors. In the end, rentier economies evolve that are not underpinned by labour, production or entrepreneurial initiative. Instead,

1 | Cf. "Dutch Disease", in: Erwin Dichtl and Ottmar Issing (eds.), *Vahlens Großes Wirtschaftslexikon*, Vol. 1, Munich, C.H. Beck, 1993, 2nd ed., 480; Christine Ebrahim-zadeh, "Dutch Disease: Too much wealth managed unwisely", *Finance and Development*, Vol. 40, No. 1, 2003, http://www.imf.org/external/pubs/ft/fandd/2003/03/ebra.htm (accessed 27 Jun 2014).

they are characterised by a high level of dependence on the raw material. Because that is the exclusive focus of the economy, there is less diversification, and consequently, value creation in the country declines. Unemployment, on the other hand, increases. This is because oil production absorbs only few domestic workers. Usually, the technical staff comes from abroad, is highly specialised and well paid. This results in an unequal income and wealth distribution with the familiar political and social implications.

Table 1
State expenditures on education and the military

Country	Public spending on education, total (in per cent of government expenditure)	Military expenditure (in per cent of central government expenditure)
Angola	8.9	13.8
Namibia	23.7	9.8 (2011)
Uganda	13.5	10.0
Tanzania	21.2	4.7
Botswana	18.6 (2009)	7.6
Ghana	21.2	1.2 (2011)
Sub-Saharan Africa (developing only)	18.1	6.6

Sources: The World Bank, "Military expenditure (% of central government expenditure)", http://data.worldbank.org/indicator/MS.MIL.XPND.ZS (accessed 27 Jun 2014); The World Bank, "Public spending on education, total (% of GDP)", http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS (accessed 27 Jun 2014).

When income and wealth are distributed among a limited number of people, it is accompanied by a concentration of power. The revenues from selling the raw materials make "free" funds available to the government. Consequently, it will be less reliant on taxing its own population, and the principle of "no taxation without representation" is no longer effective. People are included less and less in political processes, and they become increasingly estranged from the government. Democratic structures are weakened, institutions are undermined, and accountability and oversight decline. The worse a system is at guaranteeing checks and balances, the less the need for the government to be accountable. Furthermore, corruption generates a new mode of distribution. As a result, authoritarian power structures become entrenched, and the executive neglects social areas while investing in status projects to demonstrate its power as well as in the military. This is because the flow of money offers the governing elites the opportunity – and increasingly the need – to secure their power militarily. Thus, reserves of natural resources and their exploration can exacerbate existing conflict potential or create new tensions and conflicts, up to and including civil war and war.

The states in Sub-Saharan Africa are approaching the issue of resources and the abundance of raw materials in very different ways. Observers usually point to Botswana and to Ghana – with some reservations – as positive examples, which demonstrate that by employing intelligent policies it is possible to handle the exploration of resources – particularly diamonds in Botswana and oil and gold in Ghana – in such a way as to allow considerable numbers of the population to benefit. In these two countries, profits from the raw materials sector have enabled the governments to expand public services, for instance in the education and healthcare sectors, and furthered job creation and poverty rate reduction. In the Petroleum Revenue Management Act (PRMA), Ghana created a legally regulated fund in 2011, which oil-extracting companies contribute to. Those funds were then used to improve the country's infrastructure and invested in a useful manner into important projects in Ghana.[2] Ideally, the utilisation of these funds should involve various social groups such as Churches and religious communities, trade unions and the media, thereby increasing the acceptance of proposed projects among the population through an independent monitoring body (Ghana's Public Interest and Accountability Committee) and ensuring credibility. The population

In Botswana and Ghana, profits from the raw materials sector have enabled the governments to expand public services in the education and healthcare sectors, and poverty rate reduction.

2 | Cf. Efam Dovi, "Ghana's 'new path' for handling oil revenue. Seeking to avoid the ill effects of Africa's resource 'curse'", *Africa Renewal*, Jan 2013, http://un.org/africarenewal/magazine/january-2013/ghana's-'new-path'-handling-oil-revenue (accessed 19 Jun 2014).

had already been involved in the drafting of these legal regulations.[3]

Ghana uses a similarly transparent approach in the area of mining, specifically gold mining. According to the responsible government department, transparency and investment security are being established in the mining sector through comprehensive recording and documentation of the raw material reserves and their exploration, thus preventing corruption and creating fast decision-making processes.[4] Added to this is a high level of corporate responsibility for employees' working conditions the companies take seriously. This contributes to a social balance between citizens, the state and businesses, the like of which does not exist in other countries of Southern Africa.[5] In Ghana, long-term social interests of the different levels of society are given greater consideration in connection with the mining of the raw materials and are reconciled with the interests of the state. Although there remain some imbalances in terms of income distribution, and remote areas poor in raw materials in particular battle with great poverty, the country appears to have succeeded in making a good start in letting the population gain some benefit from the revenues from raw material sales.[6]

Botswana's strategy regarding raw material extraction, and in particular the trade in diamonds, is similar to Ghana's approach. The Pula Fund collects the revenues and the associated foreign exchange receipts for the purpose of improving the country's infrastructure and education services.[7] In Botswana, a largely guaranteed rule of law

3 | Cf. Mohammed Amin Adam, "Petroleum Revenue Management Bill Promises Greater Transparency and Accountability", 7 Mar 2011, http://ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=204394 (accessed 19 Jun 2014).
4 | Cf. Carina Borralho, "Resources Minister on Ghana's mining potential", *Creamer Media's Mining Weekly*, 11 Apr 2014, http://miningweekly.com/article/resources-minister-on-ghanas-mining-potential-2014-04-11 (accessed 19 Jun 2014).
5 | Cf. Paul Yankson, "Gold mining and corporate social responsibility in Ghana", *Development in Practice*, Mar 2010, 354-366.
6 | Cf. Nathan Andrews, "Community Expectation from Ghana's New Oil Find: Conceptualizing Corporate Social Responsibility as a Grassroots-Oriented Process", *Africa Today*, Jan 2013, 69.
7 | Cf. Michael Lewin, "Botswana's Success: Good Governance, Good Policies and Good Luck", in: Punam Chuhan-Pole and Manka Agwafo (eds.), *Yes, Africa Can: Success Stories from Dynamic Continent*, The World Bank, 2011, 81-90.

and a transparent decision-making process secure ownership and democratic participation where the utilisation of profits made from resources is concerned.[8] Traditional consultative institutions, known as *kgotla*, underpin this participative practice; through these institutions, which offer the right to be heard and to be involved in the decision-making, the government seeks a consensus with the population regarding resource use.[9] It remains to be seen whether this combination of broad citizen participation and securing or strengthening the common good through mineral resources will be sustainable in the long term, particularly once the resource reserves begin to dwindle. For the foreseeable future, Botswana has proved to be more farsighted than others by utilising resources for its people and not against them. Other African countries should take heed and follow its example.

Angola and Nigeria with their vast oil reserves as well as the DR Congo with its abundant raw materials are considered epitomes of corruption and mismanagement and alarming examples of failure. In these countries, raw materials have caused serious distribution conflicts. While a small elite continues to enrich itself and consolidates its own political and economic powers, the countries' people are suffering from the consequences of ruthless exploitation of the mineral resources. Each country will have to answer the question of whether natural resources become a curse or a blessing for itself. The discussion on how abundant mineral resources can contribute to sustainable development is in full swing not only in international development cooperation but also in the partner countries. The countries of Angola, Namibia, Uganda and Tanzania, chosen as examples here, differ in both their starting situation and their outlook.

The discussion on how abundant mineral resources can contribute to sustainable development is in full swing not only in international development cooperation but also in the partner countries.

NAMIBIA – GETTING READY FOR THE RAW MATERIALS BOOM

At first glance at least, Namibia is considered one of the politically most stable countries in Southern Africa. It has been governed by the South West African People's

8 | Cf. ibid., 82 et seq.
9 | Cf. ibid.

Organisation (SWAPO) without interruption for 24 years. The next presidential elections are scheduled for November 2014, and it is highly likely Prime Minister Dr Hage Geingob will follow President Hifikepunye Pohamba in his office. The opposition parties are not yet well enough established, with frequent disputes within the parties and divided opinions on which objectives to pursue in opposition to the government. Although roughly two and a half times as large as Germany by territory, with a population of 2.3 million Namibia is a small country in terms of demography. However, its importance within the African Union (AU) has been increasing, due mainly to the positive economic as well as social developments in recent years. There is at least one objective which the people with government responsibility and the opposition share, namely to become more independent of the large neighbour South Africa.[10]

With a population of 2.3 million Namibia is a small country in terms of demography. However, its importance within the African Union is on the rise.

Observers view the increasing emancipation of the Namibian economy from existing dependencies as a new model for other African countries, which do not wish to revert to times of atrocious conflicts based mostly on ethnic or religious differences. Namibia does, in fact, have the right credentials to serve as a model for the countries of Southern Africa. It is not without good reason the World Bank classified Namibia as an upper middle-income country and no longer as a developing country as far back as 2011.[11] Namibia is therefore ready to embark on the road to becoming an industrialised country, a goal described as achievable by 2030 in the government's National Development Plan.[12] However, official statements also reflect the government's worry the EU, Germany and the UN would "punish" the country in terms of international development

10 | Cf. Thomas Scheen, "Namibia schickt sich zum Aufstieg an", *Frankfurter Allgemeine Zeitung*, 13 Jun 2014, http://faz.net/-gqg-7qe81 (accessed 26 Jun 2014).

11 | The annual per capita income was 4,267 U.S. dollars in 2011, corresponding to the purchasing power of 6,825 U.S. dollars. Cf. Transformation Index BTI 2014, "Namibia Country Report", Gütersloh, Bertelsmann Stiftung, 2014, 17, http://www.bti-project.de/reports/country-reports/esa/nam/index.nc (accessed 1 Jul 2014).

12 | 2030 is the target date for this goal, namely to belong to the group of industrialised countries besides South Africa as well as reducing unemployment to five per cent. See also *National Development Plan 4: Vision 2030*.

aid for the progress it makes in democratisation and development. As a result of the new income category, Brussels alone will reduce its payments due from the 11th EU Development Fund for 2014 to 2020 from the previously planned over 138 million euros to just under 68 million euros in order to improve the targeting of its development cooperation funds.[13] The socioeconomic or class-related discrepancies in the population, however, have only changed marginally according to the Transformation Index of the Bertelsmann Foundation (BTI). It is the governing black elite who has benefited most from the upturn to date, seeing its prosperity increase further at the expense of the poorer sectors of society.[14] Has Namibia not made as much progress as assumed?

Table 2
Population figures and GDP per capita in Sub-Sahara Africa in 2012

Country	Total population in 2012 (in million)	GDP per capita in 2012 (in U.S. dollars)
Angola	20.8	5,482
Namibia	2.3	5,786
Uganda	36.4	551
Tanzania	47.78	609
Botswana	2.0	7,238
Ghana	25.4	1,605
Sub-Saharan Africa (developing only)	911.5	1,629

Sources: The World Bank, "Population (Total)", http://data.worldbank.org/indicator/SP.POP.TOTL (accessed 27 Jun 2014); The World Bank, "GDP per capita (current US$)", http://data.worldbank.org/indicator/NY.GDP.PCAP.CD (accessed 27 Jun 2014).

13 | Comment by author: EU data from minutes of a meeting with the EU delegation in Namibia in February 2014.
14 | Cf. n. 11, 5.

Natural Resource Industry in Namibia

Without the country's abundance of natural resources and relying purely on foreign aid, the achievements made in the economy and in the social democratisation process since 1990 would probably not have been possible. Namibia is currently the fourth-largest producer of uranium worldwide, and it is assisted in its efforts to consolidate this position particularly by China. Approximately one third of global uranium deposits are believed to be located in Sub-Saharan Africa.[15] It is therefore no surprise that there are plans for the construction of the country's first nuclear power station to improve energy security and reduce its dependence on imports. The government in Windhoek has been pursuing this project actively to become less dependent on oil and electricity supplies from neighbouring countries, particularly South Africa. The future of the energy supply is significant for the country's future development, as are the mineral resources, which are state property according to the constitution. However, their exploration is predominantly in the hands of foreign companies, most of which operate internationally.

A dependent energy sector: Namibia's President Hifikepunye Pohamba (l.) and his Prime Minister Hage Geingob (r.), here with South Africa's President in 2012, aim for becoming less reliant on energy imports from their neighbouring country. | Source: Elmond Jiyane, Republic of South Africa, GCIS .

15 | Cf. CIA World Factbook, http://indexmundi.com/namibia/economy_profile.html (accessed 23 Apr 2014).

Besides smaller and quite dynamic mining companies digging for copper, zinc and lead as well as other minerals, the Namibian raw materials industry consists mainly of international companies, such as De Beers, Anglo American, the French nuclear company AREVA, the Australian Paladin Energy and Rio Tinto as one of the globally largest mining companies, which predominantly mine for diamonds and uranium, as well as gold in smaller quantities. These companies contribute some 20 per cent to Namibia's GDP and directly employ over 14,000 people.[16] According to the latest figures from a 2013 study of the labour market, the workforce only accounts for some two per cent of the working population (690,019). But the supplying and processing industries dependent on the raw materials are of enormous significance for the labour market.[17] Furthermore, the raw material extraction industry (including ores), which is capital-intensive and susceptible to price fluctuations on the world market, generates some 53 per cent of foreign exchange receipts for the national budget. In addition, it makes significant contributions to state revenues as a result of a combined tax, licensing and levies policy.[18]

International mining companies contribute some 20 per cent to Namibia's GDP and directly employ over 14,000 people.

In its efforts towards the goal of black economic empowerment pursued by many states in Southern Africa, Namibia founded the state-owned resource extraction company Epangelo. In April 2011, the government declared diamonds, gold, coal, copper, uranium and rare earths to be strategic resources. It stated mining licences would in future only be granted to companies in which the state had a majority stake, which is also why a strategic majority would always be secured in cooperation projects with foreign investors.[19] However, the government's attempt to strengthen its hold on the resource extraction industry besides the energy, transport, finance and water supply

16 | Cf. Robin Sherbourne, *Guide to the Namibian Economy 2013/14*, Windhoek, John Meinert Printing, 2014, 163.
17 | Cf. Namibia Statistics Agency, *The Namibia Labour Force Survey 2013 Report*, Mar 2014, 66, http://nsa.org.na/files/NLFS%202014_Final_with%20bleed%20and%20crop%20marks.pdf (accessed 25 Jun 2014).
18 | Cf. Robin Sherbourne, "Ten things everyone in Namibia should understand about the mining industry", Insight Namibia, Mining brief, Nov 2011, 2-13.
19 | Cf. Sherbourne, n. 16, 170.

sectors has only had limited success. According to Sherbourne 2011, the country obviously lacks the technical as well as financial wherewithal to conduct the resource extraction successfully in collaboration with domestic companies alone. However, Sherbourne confirms the Namibian economy is steadily diversifying and the raw materials industry, agriculture and the public sector together account for over a third of GDP. Added to this is the resource-based manufacturing industry with some 14.4 per cent.[20] This economic diversification demonstrates once again the development of the domestic processing industry will be of enormous economic significance for Namibia by strengthening the domestic labour market. Securing participation for the country's common good can likely only be achieved through a strengthening of the direct processing of raw materials within the country, which would ultimately also benefit the weak labour market.

Hunting for oil: Namibia is heavily investing in test drillings. Non-profitable plants like that one in Kunene, become abandoned. | Source: Stuart Turner, Fiver Löcker, flickr ©①③.

Consequences of Resource Deposits

The abundance of natural resources is reflected in the national budget and represents a major revenue source for Namibia, although it is not altogether clear whether this has had a positive effect on the situation of the population and who the main beneficiaries are. The results to date paint a mixed picture. According to the National Statistics Agency, the economy has enjoyed positive growth rates since 1990 (apart from 2009, the year of the global

20 | Cf. Sherbourne, n. 18, 7.

Despite a positive growth rate, unemployment remains high and the country far away, from a viable strategy to combat youth unemployment.

financial crisis, and 2011 due to the nuclear accident in Fukushima), ranging between 5.7 and 5.2 per cent since 2012 with the inflation rate ranging between 6.5 and 5.2.[21] Unemployment, however, continues to be high, with different figures being quoted (according to official government statistics it was some 30 per cent compared to 51.2 per cent according to the CIA World Factbook 2012). At 42 per cent, official youth unemployment seemed to be lower in 2013 than in previous years, but realistically, it was probably still above 50 per cent, as the official statistics do not cover a sizable number of adolescents, and almost three quarters of the unemployed were adolescents and young adults aged 15 to 34.[22] A look at the national budget shows, of the total budget, which equates to some 4.3 billion euros, 37 per cent account for the social, education and healthcare sectors, while the proportion for the fight against unemployment is only a little over three per cent of the total budget at 129 million euros.[23] Namibia is nowhere near making the fight against unemployment a priority, let alone devising a sustainable strategy against the high level of youth unemployment.

While the state has increased its investments into school education, pupil achievements are lagging behind expectations. Although increasing numbers of girls and boys start out on a school career, the number of pupils dropping out of secondary education is high. For years, some 40 to 50 per cent of pupils have been leaving junior secondary school after Year Ten at the latest without gaining any qualification.[24] This diminishes their prospects in the labour market, particularly in sectors where higher-level qualifications are required. For many families, letting their children carry on at upper secondary level and beyond is economically not feasible. According to official government figures on the labour market for 2013, almost 42 per cent of the 483,405 households had a monthly income of less than

21 | Cf. n. 17, 9.
22 | Cf. ibid.
23 | Republic of Namibia, Ministry of Finance, "Estimates of Revenue, Income and Expenditure. 01 April 2014 to 31 March 2017", http://www.mof.gov.na/documents/57508/508375/Esimate+and+revenue+2014_2015+final.pdf (accessed 4 May 2014).
24 | Cf. Republic of Namibia, *Annual Report of the Ministry of Basic Education, Sport and Culture*, 2001, 40.

1,000 Namibian dollars (some 70 euros); with the average household consisting of over four persons, this equates to approximately 240 Namibian dollars per person (some 17 euros).[25] Most families were living either on a subsistence basis in the mostly rural areas of the country or – uniquely in Southern Africa – on legally guaranteed old-age benefits (from the age of 60, people receive a statutory pension of 600 Namibian dollars a month, approximately 43 euros). The rural population is still suffering from poverty, hunger and social problems.[26] With living costs rising steadily, particularly due to energy prices, pensioners find it hard to survive on this income. It seems therefore poverty among senior citizens is widespread, because the number of people relying on pension payments or subsistence farming among the households that have a monthly income of over 1,000 Namibian dollars is almost negligible. Only some four per cent of households in Namibia have a monthly household income exceeding 10,000 Namibian dollars (some 714 euros).[27]

The rural population is still suffering from poverty, hunger and social problems. With living costs rising steadily, pensioners find it hard to survive on their legally guaranteed benefits.

Conclusion on Namibia:

It comes as no surprise, at second glance, Namibia turns out to be a country of great differences. The economic upturn is limited to a small part of the population. A middle class is developing only slowly among the black population, and it wishes to protect its status. It is therefore no surprise either that according to the Gini coefficient (measuring unequal distribution within a society) Namibia has been the country with the highest level of income disparity for years. According to the 2014 BTI, over 51 per cent of the population live below the poverty threshold of two U.S. dollars a day.[28] During the current election year, government officials are stressing that high unemployment is the main cause of the high poverty rate and remains Namibia's greatest problem. One solution could be to strengthen and expand the training provision for vocational qualifications modelled on the German dual vocational training system. While Namibia has made a start with a type of

25 | Cf. n. 17, 42.
26 | Cf. "Interesting moves", *Insight*, Apr 2014, 14.
27 | Cf. n. 17, 42.
28 | Cf. n. 11, 25.

apprenticeship penalty payable by companies and plans to develop eight vocational training centers, what has been achieved to date does not bode well for the current approaches. However, the demand for young workers with technical and practical skills is high. Sherbourne believes the provision of basic and further vocational training is essential to allow the production industry for processing raw materials inside the country to be expanded speedily.[29] But there are also other problems affecting the country coming under the political spotlight, such as the working conditions in the mining operations. Punctually on 1 May 2014, President Pohamba and Prime Minister Geingob declared these were unacceptable and called upon the mine operators to demonstrate greater responsibility. Inhumane working and living conditions were against the constitution, which is why the Wages and Salaries Commission, specially set up to deal with the issue, would have to make greater efforts to deal with the subject of the minimum wage.[30] Only a few weeks earlier, a study had reported an increased cancer rate among mine workers.[31]

Currently, however, there is another resource making the headlines besides the mineral resources already being extracted, which has produced a rapid boom in other countries: oil. A report from April 2014 stated a Spanish oil company, collaborating with the state-owned Respol Namibia, was drilling once again for economically viable oil reserves in Walvis Bay. According to the report, the Namibian company and its partners are investing over a million Namibian dollars a day in the exploratory drilling after Namibia had already been gripped by oil fever last year, although the volumes of oil the Brazilian company HRT had found were too small to be commercially viable.[32] Whether and when this endeavour will prove to be beneficial to development

29 | Cf. Sherbourne, n. 16, 254.
30 | Cf. Faith Sankwasa, "Workforce must be upskilled – Pohamba", *Nambian Sun*, 2 May 2014, http://namibiansun.com/government/workforce-must-be-upskilled-pohamba.65437 (accessed 27 Jun 2014).
31 | Cf. "Rössing under fire over toxic claims", *Namibian Sun*, 6 May 2014, http://namibiansun.com/business/rossing-under-fire-over-toxic-claims.65544 (accessed 27 Jun 2014).
32 | Cf. Merja IIleka, "Spanish company starts drilling for oil in Namibia", *Namibian Sun*, 16 Apr 2014, http://namibiansun.com/business/spanish-company-starts-drilling-for-oil-in-namibia.65074 (accessed 27 Jun 2014).

remains to be seen. Namibians are therefore looking with interest across to the neighbouring country of Angola.

ANGOLA – SOBER AWAKENING AFTER THE RAW MATERIAL RUSH?

Angola has not only been governed for decades by President Eduardo Dos Santos but also by the black gold, with significant repercussions for politics, the economy and society.

Thanks to its oil reserves, Angola, almost ten times as large as Namibia with a population of 21 million, has become increasingly richer, yet when looking at its society as a whole, also poorer. The country has been governed for decades by the black gold, with significant repercussions for politics, the economy and society. With respect to empirically established progress in the areas of democratic development, free-market structures and the quality of political decision-making, the BTI ranks Angola 97th out of the 129 investigated countries.[33] For some 35 years, the country has been autocratically governed by President Eduardo Dos Santos, last backed by a 71.5 per cent majority of the Movimènto Popular de Libertação de Angola (People's Movement for the Liberation of Angola, MPLA) in the 2012 elections. Besides the only sizable opposition party União Nacional para a Independência Total de Angola (National Union for the Total Independence of Angola, UNITA), which gained 18 per cent of the votes, the Convergência Ampla de Salvação Nacional (CASA-CE), has established itself as a third force with six to seven per cent of the votes.

While Namibia has received the largest volume of development aid of all Southern African countries over the years since 1990 according to the Federal Foreign Office,[34] Angola has rejected offers of foreign assistance apart from a few exceptions. However, this can hardly be the reason for such discrepancies between two neighbouring countries. Namibia and Angola have a shared history in the freedom struggles of the MPLA in Angola and SWAPO in Namibia. These parties now have a clear governing majority in the

33 | Cf. Transformation Index BTI 2014, "Angola Country Report", Gütersloh, Bertelsmann Stiftung, 2014, 1, http://www.bti-project.de/reports/country-reports/esa/ago/index.nc (accessed 1 Jul 2014).
34 | Cf. Federal Foreign Office, "Namibia", http://auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Namibia/Bilateral_node.html (accessed 4 May 2014).

respective country. But Angola was hampered in its development by the civil war between UNITA and the MPLA, which exacted a huge toll of lives in the period following the country's independence from Portugal in 1975.[35] It was only after the end of this conflict in 2002 – after the UNITA leader Jonas Savimbi was killed – that the country, which had suffered large-scale destruction, began to make great strides in its recovery. The catalyst of economic growth is no doubt the country's seemingly inexhaustible wealth of natural resources.

Angola's Economic Force

Angola is the second-largest economy among the states of the Southern African Development Community (SADC), whose influence is increasing due to its economic and military potential. According to Human Rights Watch, this is one of the reasons why Angola is leading or in overall charge of numerous AU missions.[36] To date, only a small portion of the population has been able to benefit from the numerous natural resources – oil, diamonds, minerals, as well as coffee and spices. Most Angolans live in precarious circumstances. As in Namibia, all mineral resources are state property, and the same applies to land. While Angola ranks slightly above average among the countries in Southern Africa with a per capita income of 5,930 U.S. dollars, two-thirds of the people live below the poverty line of two U.S. dollars a day. An abundance of the population are said to be excluded from the labour market. The publicly accessible tertiary education sector does not offer an adequate number of slots at public universities.[37]

While Angola ranks slightly above average among the countries in Southern Africa with a per capita income of 5,930 U.S. dollars, two-thirds of the people live below the poverty line of two U.S. dollars a day.

It is said that while the country received 13 billion U.S. dollars of foreign direct investments in 2009, one of the highest rates among the African countries, there is still

35 | Cf. Hidipo Hamuntenya, "Namibia and Angola: Analysis of a symbiotic relationship", in: Anton Bösl, Andre Du Pisani and Dennis U Zaire (eds.), *Namibia's Foreign Relations*, Windhoek, John Meinert Printing, 2014, 81.
36 | Cf. Human Rights Watch, "Angola", *World Report 2014*, 3, http://hrw.org/world-report/2014/country-chapters/angola (accessed 4 May 2014).
37 | Cf. n. 33, 18.

widespread poverty, a concentration of economic power among a small group of influential politicians and military personnel, as well as a high level of corruption.[38] "In the Doing Business Index of the World Bank, the country was ranked 179th out of 189, with a particularly bad ranking in the 'Enforcing Contracts' category. Ranked 153rd out of 175, Angola does not fare well in the 2013 Corruption Perceptions Index of Transparency International either."[39] The poverty rate (taking two U.S. dollars a day as a threshold) is at 67.4 per cent,[40] in spite of the abundance of oil, which is deemed to be virtually inexhaustible, and Angola being the second-largest oil producer in Africa behind Nigeria. According to recent press reports, crude oil production rose from 800,000 barrels a day in 2003 to over two million barrels a day in 2008 and is still at 1.8 million barrels a day in 2014.[41] "Angola's political economy is dominated by two holdings representing the interests of the state in raw material extraction, namely the oil company Sociedade Nacional de Combustiveis (SONANGOL) and the diamond company Empres Nacional de Diamantes de Angola (ENDIAMA). The oil sector alone accounts for 95 per cent of exports, approximately 80 per cent of state revenues and 55 per cent of GDP."[42] The state further secures its interests by holding a stake of at least 51 per cent in all oil producing companies via the state-owned SONANGOL. Presumably, this also applies to the French company Total, which accounts for some 30 per cent of oil production in Angola. Today, France is the third-largest investor in Angola, although relations between Luanda and Paris have cooled since a scandal involving the illegal arms trade in the 1990s.[43] The North-American corporation Texaco and the British-Dutch Shell and MobilOil dominated oil

Crude oil production rose from 800,000 barrels a day in 2003 to over two million barrels a day in 2008 and is still at 1.8 million barrels a day in 2014.

38 | Cf. Hamuntenya, n. 35, 104.

39 | Inge Hackenbroch, "Aufbruch im Barrel-Paradies Angola", *Germany Trade and Invest*, 5 May 2014, http://www.gtai.de/GTAI/Navigation/DE/Trade/maerkte,did=1005586.html (accessed 27 Jun 2014).

40 | N. 33, 2.

41 | Cf. "Angolan Leader visits France after years of frosty ties", *Global Post*, 29 Apr 2014, http://globalpost.com/dispatch/news/afp/140429/angolan-leader-visits-france-after-years-frosty-ties (accessed 27 Jun 2014).

42 | Peter Meyns, *Angola: Politische Kurzanalyse (PÖK)*, Duisburg University, 2012, 5 et seq.

43 | Cf. n. 41.

production in Angola for years in the early days.[44] Through exports to China, Russia and the USA alone, over 48 billion euros were invested in Angola in 2012, and thanks to the oil, the country has experienced annual economic growth rates up to and above ten per cent over the last ten years. Today Angola's GDP is the fifth-biggest in Africa,[45] which may explain the temporary assignment of central negotiating positions within the AU.

A tank ship of the state-owned oil company SONANGOL: Assumingly, the state holds 51 per cent of the company to preserve its interests. | Source: Peter Kaminski, flickr ©①.

Impact of the Oil Boom on the Angolan Population

According to Human Rights Watch, most Angolans live in informal settlements without legal protection. Angola's laws neither adequately protect people from forced eviction nor enshrine the right to adequate housing.[46] The hope for better living conditions drives increasing numbers of people from rural areas into the outskirts of urban centers, most notably the capital Luanda, whose population has swelled to five million – i.e. one quarter of the entire population. Furthermore, strategic land grabbing by the

44 | Cf. Manuel Ennes Ferreira, "Realeconomie e Realpolitik nos recursos Naturais Em Angola", Relações Internacionais, Jun 2005, 74.
45 | Cf. "Still much too oily. Angola badly needs to diversify its one-dimensional economy", *The Economist*, 12 Apr 2014, http://www.economist.com/news/middle-east-and-africa/21600693-angola-badly-needs-diversify-its-one-dimensional-economy-still-much-too-oily (accessed 27 Jun 2014).
46 | Cf. n. 36.

government and the military to secure access to resources drives ever-increasing numbers of people into highly substandard living conditions. This year will be the first time a countrywide census is being held, which could become the basis for a more comprehensive policy approach by the government in Luanda. To date, there is neither a coherent tax system nor a system of levies that could form the basis for developing a viable civil society. While oil accounts for 60 per cent of GDP and 95 per cent of exports in Angola according to the 2014 BTI, the gulf between rich and poor is widening. Large numbers of the population in Luanda are living in townships without access to electricity, drinking water or a sewage system, and social security systems only exist in a rudimentary form. There are neither state systems for preventative healthcare or for combating unemployment, nor is there a state old-age benefit system such as that in Namibia. Only a few state-owned companies such as the oil producer SONANGOL offer their employees any social provision. In addition, the companies in the oil industry predominantly employ foreigners.[47]

To date, there is neither a coherent tax system nor a system of levies that could form the basis for developing a viable civil society.

This is a disturbing picture of the current state of affairs considering the wealth in mineral resources, which is benefiting only a minority – a result of the activities of the ruling elites, which is still being accepted without protest in most countries of Southern Africa. However, the proliferation of the new social media will encourage the desire for participation, particularly among young people with an education. There are initial indications of this, but the state is either ignoring or making efforts to suppress them. Added to this is the fact that the dominance of oil and the continuing lack of economic diversification are having a negative impact. Falling oil market prices will not fail to affect Angola's growth rate in the future. Back in 2008, experts were already warning about oil revenues declining drastically by 2025.[48] That scenario is slowly but surely approaching reality. Thanks to fracking, the USA will export more oil than it imports from OPEC for the first time in 2014, which cannot fail to have an impact on the second-largest oil producer in Africa. If that comes to pass,

47 | Cf. n. 33, 23.
48 | Cf. Augusta Conchiglia, "Reiches Land mit armen Leuten", *Afrika Süd*, Mar 2008, 27.

Angola's dependence on Chinese credits worth billions to finance its oil production is likely to develop into a further disadvantage to the country's economy.[49]

Street life in Luanda: Hoping for better living conditions, more and more people from the rural areas move to the outskirts of the urban centers. | Source: Moisés.on, flickr ©①.

Conclusion on Angola

The rather contrary aspects of Angola's social and particularly economic situation described above were meant to illustrate the fact that resource wealth alone cannot guarantee a prospering economy or the population's participation in it. On the contrary, despite significant progress in terms of the diversification of an oil-dependent economy, the gap between a small elite of very rich people and an urban and rural population sliding further into poverty is growing steadily.[50] Widespread corruption and bribery in all spheres of life are making progress more difficult. The sudden rapprochement with Western partner countries such as France appears to indicate that dependence on oil is only a matter of time.[51] Visits to Angola during the last two months by German Foreign Minister Steinmeier, U.S. Secretary of State Kerry and the Chinese head of government Xi suggest the country is redefining its role within the world and within Africa. The increasing feeling of uncertainty about the future of the raw materials business indicates the

49 | Cf. Franz Nestler, "Die schöne neue Ölwelt von Saudi-Amerika", *Frankfurter Allgemeine Zeitung*, 15 Apr 2014.
50 | Cf. n. 33, 3.
51 | Cf. n. 41.

need for a change of course in domestic politics in Angola. Sectors such as banking, telecommunications, raw materials processing and the food industry are growing and creating new jobs less dependent on oil. Living costs for rents and food in Luanda, probably the most expensive city in the world next to Tokyo and London, are, in fact, slowly coming down.[52] Whether this is a first sign of the end to the raw materials boom in Angola remains to be seen. One thing is certain: competition in the African oil market is on the increase.

OIL IN UGANDA: PROSPERITY FOR ALL OR WEALTH FOR THE FEW?

Another state besides Namibia and many other countries in Southern Africa where new oil exploration is taking place is Uganda. The foreign oil industry there announced it would soon be producing 1.7 million barrels a day and create 100,000 to 150,000 new jobs in the industry.[53] Like many other African countries, Uganda is also remarkably rich in natural resources. How to handle this potential has become the focus of attention in a debate within society, which became more intense when oil was discovered several years ago. How can one avoid making mistakes in raw materials extraction and make effective use of the opportunities from the beginning to make sure the resource wealth will benefit not the pockets of a few but the common good?

Learning from Mistakes

Uganda is aware of the dangers and wants to do a better job. The country is far from being a raw materials economy like Angola. In spite of notable progress in the private and services sector, for instance, the agricultural economy is still dominant. Some 70 per cent of the population work in this sector, which contributes approximately one quarter of the country's GDP. Oil exploration is in the very early stages. Apart from testing and research, not one drop of oil has flown so far. Although the oil reserves in the west of the country near the border to the DR Congo, which had long been suspected, were

Oil exploration is in the very early stages. Apart from testing and research, not one drop of oil has flown so far. Problems in terms of infrastructure and technology explain the delay.

52 | Cf. n. 45.
53 | Cf. *New Era*, 2 May 2014, 15.

confirmed in 2005/2006, the start of production is dragging on. Envisioned is now 2016, and it is likely full production capacities will not be reached until 2022. There are various reasons for the delays. These are in part due to challenges in terms of infrastructure (the majority of the reserves are not located on a coastline but in the depths of Lake Albert in a remote region where the entire infrastructure has yet to be developed). The extraction also faces massive technical difficulties. The oil is highly viscous and will need to be transported in heated pipelines, which are expensive and will need to be constructed in the first place. The construction of a refinery is similarly complex and costly.[54]

For a long time, one of the main issues was no legal regulatory framework had been developed. Although the government in Kampala presented a National Oil and Gas Policy (NOGP), which provided guidelines for the production modalities and revenue distribution, this did not constitute the definite legal framework. In the meantime, expectations and impatience have risen, and the population is increasingly calling for the government to follow Ghana's example, for instance. While oil there was discovered later than in Uganda, namely in 2008, production began as early as 2011. But what appears to be a disadvantage may potentially turn out for the best. Uganda seems to have taken the time to create the best possible conditions for a sustainable resource production intended to benefit the common good. This requires decisions to be made on the basis of reliable information and in line with best-practice models as well as the experiences of others to avoid falling into the familiar traps. Experts and politicians publicly agree the correct economic strategies must be developed and implemented in good time to maximise oil production and the hoped-for benefits it entails and to avoid negative impacts.

54 | The construction of a local refinery is now underway, which will be more profitable to Uganda and more beneficial to the domestic economy than the export of crude oil. However, for cost reasons, the refinery will be built on a smaller scale than originally envisaged. Plans do exist for it to be complemented by the construction of a pipeline for export to Kenya. This strategy will benefit the international oil companies operating in Uganda much more than originally intended.

Uganda has plenty of natural resources: In order to distribute the revenues from the extraction of commodities such as copper or cobalt, like here at the Kilembe Mine in the country's southwest, a legal framework is necessary. | Source: Gunnar Ries, flickr ©①⑨.

Economic Policy Strategies

Uganda is seeking guidance from Norway amongst others in this area, and it plans to adopt that country's fund model, a model that is intended to benefit future generations. This Norwegian Petroleum Fund is managed by an asset manager (who is advised by an ethics officer), independent from political interference. The fund manager decides how the export revenues are to be invested. The only fixed stipulation is that 60 per cent are to be invested in bonds and 40 per cent in (ethically unproblematic) shares. In its NOGP, Uganda has expressed its intention to set up such an independently managed "Generation Fund" with defined investment criteria. Further principles include: transparent flow of funds through external monitoring mechanisms (for instance via a body corresponding to the Ghanaian Public Interest and Accountability Committee), distribution of profits based on criteria of sustainable development and the common good, as well as the involvement of and a clear role for civil society and the media, including the associated public accountability. The regulations set out in the NOGP appear exemplary, and the government seems to have done its homework. The entire document is devoted to serving the higher goal, namely "to use the country's oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society".

Even issues of environmental protection (some of the oil reserves are located in a national park) and human rights are reflected in the policy. It calls upon oil companies to adhere to international standards and to invest in further training for the local population, thus creating new jobs.

Not only human habitat is endangered, if the extraction of resources does not follow environmental standards. Many of Uganda's national parks such as the Murchison Falls National Park north-east of Lake Albert, are located near potential oilfields. | Source: Michell Zappa, flickr ⓒⓘⓢ.

However, a gap soon became apparent between theory and implementation, and the realisation of the NOGP was under threat from the very beginning because of established practices. This was reflected in press reports, which involved headlines such as: "Dirty deals", "Treacherous Dream", "The Hunt for Oil on Lake Albert" and "Uganda Must Be Protected from its Oil". The main problem is endemic corruption. Uganda is one of the most corrupt countries in the world, ranked 140th out of 177 in the corruption index of Transparency International for 2013. And the oil wealth is likely to elicit further greed among the powerful and even exacerbate corruption. In 2011, for instance, three of the country's most powerful politicians were accused of having banked a total of 100 million U.S. dollars in bribes from the British oil company Tullow Oil and the Italian oil company ENI. Foreign Minister Sam Kutesa, Prime Minister Amama Mbabazi and former Energy Minister (and subsequent Interior Minister) Hillary Onek are said to have assisted the oil companies in obtaining licencing contracts and extraction rights and performed lobbying activities for that purpose.

However, they still occupy high-ranking political offices today. The findings of a specially established investigation committee came to nothing. Its final report complains about a lack of information and cooperation, which is why the investigations did not show any results.

The way the contracts between the oil companies and the government originated is just one of the numerous examples of the lack of transparency. Although the NOGP demands openness in this area, the government refused to publish the so-called Production Sharing Agreements (PSAs) for years. It did not even inform Parliament. Only when "leaked" versions were making the rounds were they finally published. Although there is now legislation in force committing the government to disclose its dealings, it is still trying to keep a veil over its activities. If Uganda were to join international transparency initiatives, as has been announced repeatedly, this might counteract the government's tendency to secrecy, but this has yet to take place. One instrument that has proved to be promising in terms of creating transparency is the Extractive Industries Transparency Initiative (EITI).[55] This initiative to ensure general standards of transparency and accountability in resource extraction pursues the disclosure of contracts above all. Without details on the agreed payments, there is no proper basis for facilitating public monitoring and for ways of curbing corruption. Although international donors, including the World Bank and Norway, Uganda's bilateral donors under the DC heading of "oil management", are demanding Uganda join the EITI, this has not happened to date. Consequently, assurances by the Ugandan government that it would join the initiative, as those recently voiced by Energy Minister Irene Muloni in 2014 on the occasion of the EITI conference in Kampala, remain purely lip service. Mutual monitoring – or even just communication – of governments, companies, investors, civil society and international organisations to allow monitoring of the payments from the oil business is still lacking.

Despite all this, some progress has been made in defining the legal framework that builds on the NOGP of 2012. After years of wrangling and intensive debates in Parliament,

55 | Cf. Extractive Industries Transparency Initiative (EITI), http://eiti.org (accessed 27 Jun 2014).

corruption scandals and dashed hopes of the population, two laws have now been ratified, and a third is in the drafting stage. The first law, The Petroleum Exploration, Development and Production Act (adopted by Parliament on 7 December 2012), regulates oil production itself, the second one (The Petroleum Refining, Gas Processing and Conversion Act of February 2013) subsequent processing. The bill for the third law (Public Finance Bill of December 2013) deals with the distribution of the oil revenues. Although this invalidates the main accusation by the population, but also particularly by the oil companies, progress on production is slow because the legal framework is not in place, the results have been rather unsatisfactory. In principle, the NOGP provides a solid basis for the content of the respective legislation with its goals of poverty reduction and value creation as well as the demand for "high standards of transparency and accountability in licensing, procurement, exploration, development and production operations as well as management of revenues from oil and gas". But there are numerous shortcomings. The Mining Act of 2012, for instance, provided for the creation of a "super-ministry" for oil-related matters with sole authority for granting or refusing extraction licences. The ministry is also conducting the negotiations over oil contracts behind closed doors, which makes transparency more difficult and facilitates corruption. One of Parliament's main demands, namely for its participation in these decisions, has thereby been explicitly excluded.

The Mining Act of 2012 provided for the creation of a "super-ministry" for oil-related matters with sole authority for granting or refusing extraction licences.

Furthermore, while the second law envisages the creation of an independent Oversight and Regulation Commission, the government intends to define and fill the posts at the top management level, which basically means the authority loses its independence. Critical voices described this as similar to "handing over an ATM (cash) machine to the President".[56] Similarly, the bill for the third law contains weaknesses and loopholes. Although it foresees the establishment of the Generation Fund, covers arrangements for the distribution of the revenues and also mentions

56 | Cf. Elias Biryabarema, "Ugandan lawmakers pass oil bill, worry about corruption", Reuters, 7 Dec 2012, http://mobile.reuters.com/article/worldNews/idUSBRE8B60ZP20121207 (accessed 27 Jun 2014).

measures to reform the public finance sector, it is silent on penalties for the misuse of public funds and does not spell out any concrete sanctions. As a whole, the bill would thereby concentrate too much decision-making power in the executive, excluding parliamentary participation. The separate account at the Bank of Uganda, into which the payments from the oil companies to the government were supposed to flow (this also as a result of the advice from Norway), has still not been set up. At the same time, the government is reluctant to disclose the flows of payments from the oil sector; the precise figures are still not in the public domain. It is very likely, the purchase of Russian fighter jets in April 2011, for example, was funded by revenues from the oil sector.

Distribution Conflicts

Another issue causing similar disagreements is the regional distribution of revenues and participation by local communities and districts. The government considers oil a "national resource", while local communities in the proposed extraction areas are demanding a share of their own. They are also hoping for prosperity and growth, particularly through the development of infrastructure and job creation. However, they also fear the negative effects such as the loss of land rights, an excessive influx of external workers, and the destructive impact on the environment.[57] Some of these fears have already been realised. There have been ethnic tensions and distribution struggles, particularly in the Kingdom of Bunyoro in Western Uganda. Two of its four districts to the east of Lake Albert contain oil reserves. In 2009, the King invoked a colonial agreement dating back to 1955, in which the British administration had guaranteed the Kingdom part of the revenues from the extraction of natural resources.[58] As traditional institutions only play a cultural and representative role in Uganda and do not exercise public administration functions, they were not given any consideration in the NOGP.

Ethnic tensions and distribution struggles have particularly flared up in the Kingdom of Bunyoro in Western Uganda. Two of its four districts to the east of Lake Albert contain oil reserves.

57 | Cf. Peter Girke and Mathias Kamp, "Ölförderung in Uganda – Strategien, Chancen und Risiken", KAS Country Report, 09/2009, 8, http://kas.de/uganda/de/publications/17426 (accessed 27 Jun 2014); *Daily Monitor*, 18 Mar 2009.

58 | Cf. *New Vision*, 18 Apr 2009.

This has aggravated the already tense situation even further. Expectations of a lucrative oil business have fuelled old ethnic resentments between the indigenous population and incoming minorities, mainly in relation to land rights issues and political dominance. A leaked internal memo from the President, in which he considers restricting the political rights of the non-indigenous population in Bunyoro, has added fuel to the fire.[59] These impending ethnic tensions and distribution struggles are threatening the country's internal stability. Although the West-Ugandan Kingdom has since distanced itself from its demand to receive 12.5 per cent of the oil revenues (and seeing the Public Finance Bill which has now been published classifies the kingdoms as equal to the districts and promises them seven per cent of the revenues), the struggle for land rights is ongoing. Disputes about land use, evictions and the rural exodus as well as inadequate compensation by oil companies are in full swing. The situation in the traditional employment sectors, which are under threat of collapse, is similarly concerning. Sectors particularly affected include fishing on Lake Albert as well as agriculture, but also salt mining in the Kibiro salt mine, for instance. These issues involve not only economic repercussions but also the loss of indigenous identity and traditional ways of life. There have also been reports on human rights violations and breaches of law in the area.[60] Cultural differences and disputes over places of cultural significance are further adding to the debate. The Waraga area in the Hoima district, for example, is a place of cultural significance for the Banyoro, as it includes the burial place of an important king of the 11th century. However, it is located in the oil production territory of Tullow Oil, and access to the site has since been restricted or prohibited. This has elicited protests from the followers of the Kingdom, who see their

Disputes about land use, evictions and the rural exodus as well as inadequate compensation by oil companies are in full swing and jeopardise stability at home.

59 | Cf. "[Ugnet] Fw: Wikileaks: M7 MIXES TOXIC BREW OF ETHNICITY AND OIL IN W. UGANDA", 12 Oct 2011, http://mail-archive.com/ugandanet@kym.net/msg27292.html (accessed 27 Jun 2014); Girke and Kamp, n. 57, 8.

60 | Cf. Francis Mugerwa, "Oil discovery changes land use in Bunyoro", *Daily Monitor*, 12 Sep 2013, http://www.monitor.co.ug/SpecialReports/Oil-discovery-changes-land-use-in-Bunyoro/-/688342/1988974/-/ar4iuf/-/index.html (accessed 27 Jun 2014).

cultural heritage jeopardised as they are being obstructed in conducting their traditional rituals.[61]

Agriculture prevails: About 70 per cent of the population pursue agricultural activities, thus contributing almost 25 per cent to Uganda's GDP. | Source: Neil Palmer, Centro Internacional de Agricultura Tropical (CIAT)

The potential for conflict is not only rising within Ugandan society but also beyond the country's borders. Disputes with the neighbouring country of the DR Congo, which have been simmering for some time due to suspected as well as actual mutual interference through support for rebel groups in the respective countries, have repeatedly brought the two states to the brink of war. The oil reserves are exacerbating the situation, because some of them are located on both sides of the Ugandan-Congolese border underneath Lake Albert, the precise course of which is still in dispute. Although the neighbours have come closer on some points (for instance with a joint approach against the Lord Resistance Army (LRA) and a cooperation agreement on oil extraction in March 2009), new provocations are still flaring up (for instance in the dispute over the small island of Rukwanzi, which is divided into a Ugandan and a Congolese part and serves as a basis for oil exploration teams).[62] The joint study intended to finalise the demarcation of the

61 | Cf. "Bunyoro Kingdom Demands Unlimited Access to Waraga Oil Field", *Uganda Radio Network*, 12 Feb 2013, http://ugandaradionetwork.com/a/story.php?s=58367 (accessed 27 Jun 2014).
62 | Cf. Girke and Kamp, n. 57, 10.

border is still awaiting completion; arbitrary definitions – and therefore future conflicts – are pre-programmed.

Consequences for the Environment and Natural Habitats

However, not only human habitats are endangered, biodiversity is as well. Ten of Uganda's 22 national parks and wildlife sanctuaries are located in oil production areas. Besides numerous NGOs, the responsible Ugandan National Environment Management Authority (NEMA) has also confirmed the environmental problems and negative consequences of the drilling activities for some time.[63] The government in Kampala has already spelt out the dangers in the NOGP. It promises, for instance, to ensure the extraction activities should be conducted in a manner to "protect and preserve" the environment and biodiversity. It also proposes various plans, including strategies to disseminate the institutional framework for environmental protection, to perform "capacity building" with the monitoring officer, to commit the oil companies to engage in environmental protection and to "leave the sites as they were found".[64] However, there is a lack of both technical and HR resources to put the proposals into practice. There are neither plans for a systematic recording of environmental violations, nor any legal tools or a willingness to actually apply sanctions in order to enforce compliance by the oil companies. All in all, one gets the impression the development of oil extraction will not succeed in bringing many benefits. Instead, numerous people's livelihoods may be destroyed, not even to mention long-term ecological damage and the potential for conflict. Even before the oil has begun to flow, the "resource curse" appears to have already set in with respect to both the political and economic impact. This is reflected in increasing levels of bribery and corruption as well as a feverish

Environmental risks: There are neither plans for a systematic recording of environmental violations, nor any legal tools to apply sanctions to enforce compliance by the oil companies.

63 | Cf. Will Connors and Nicholas Bariyo, "Uganda Seeks to Reconcile Oil, Nature", *The Wall Street Journal*, 29 Apr 2010, http://wsj.com/news/articles/SB10001424052748704464704575208020866845024 (accessed 27 Jun 2014).

64 | Cf. Republic of Uganda, Ministry of Energy and Mineral Development, Petroleum Exploration and Production Department, "Environment Management in Uganda's Oil and Gas Sector", http://www.petroleum.go.ug/page.php?k=curnews&id=11 (accessed 27 Jun 2014).

mood among a population that is affected by uncertainty and estranged from the government. People are already convinced they will lose out.

Uganda in the Raw Materials Trap? Political Will Is Essential

It is currently difficult to gauge which direction the development will take. Uganda is at a crossroads. Rather than lip service, it will take actual implementation of political guidelines to determine whether the impact of resource wealth will be positive or negative. It is once again evident that legislation alone is not sufficient. Countries rich in natural resources, where there has been a positive development, demonstrably share some of the following prerequisites: a desire for stability and growth, highly skilled technical experts and advisors, a strong social community to involve the population and moderate the political debate, as well as efforts to establish effective, legally binding sanctioning mechanisms to create transparency where public utilisation of funds and the associated prioritisation are concerned.

At first glance, conditions do not look too bad in Uganda. After many years of civil war and internal conflicts, the desire for peace and development is there. The public administration – a legacy from the British colonial era – is relatively effective, and there are facilities to educate experts for the oil industry as well (appropriate training and university courses have been set up). Uganda has a multi-party system with a growing, vibrant civil society and dedicated media, which are following the debate about how to deal with the oil with a critical eye. The current parliament has also gained in clout and is showing a far greater self-assurance than its predecessor. At the same time, the country is split along ethnic and regional lines, corruption is rife, there are insufficient funds to finance the above-mentioned courses (or the funds are not being invested appropriately) and there is a dearth of reliable facts and figures. The government is taking most decisions in back rooms without bringing the relevant interest groups or stakeholders together. There are many individual discussions – but no differentiated public discourse examining the subject comprehensively and

The government is taking most decisions in back rooms without bringing the relevant interest groups or stakeholders together.

objectively. The necessary flow of information is not forthcoming, which encourages rumours and speculation and fuels mistrust between the government and the population as well as the private sector. The monitoring bodies that have been set up or exist (such as the above-mentioned oil administration authority as well as the media and Parliament) need information to function and therefore depend on the goodwill of the executive, which seems all-powerful.

The greatest concerns are not so much about the inadequate flow of information or the weaknesses of the NOGP regulatory framework but about the implementation of the latter. When various other countries failed to reap the benefit from their opportunities, it was not because they had no rules or information, but because they failed to apply them. Uganda demonstrates that any plan is only as good as its implementation. President Yoweri Museveni has put oil production at the top of his personal agenda, as indicated by the fact that he has granted his oil ministry – and therefore himself – the right of co-determination in all matters. The executive is trying to exert its influence. What is there to stop them? Why should authoritarian governments wish to relinquish their hold on raw materials and thereby their power? How can corruption be fought, if those who are meant to conduct this fight are themselves corrupt and benefit from it? All best practice models, such as the Norwegian Generation Fund, remain without impact if the political will to apply them does not exist or cannot be enforced. Nor will transparency mean anything, if the disclosure of ills does not result in changes in behaviour and procedures. Also required are the rule of law and sanctioning mechanisms, not only to monitor the implementation but also to demand it and to at least be able to enforce the political will if it is not there in the first place. Resource wealth is neither a curse nor a blessing. The considered utilisation of a resource such as oil does, however, require particularly intelligent policies and institutional circumspection. It is poor governance that brings this wealth into disrepute. Uganda might prove another case in point.

All best practice models, such as the Norwegian Generation Fund, remain without impact if the political will to apply them does not exist or cannot be enforced.

RESOURCE WEALTH IN TANZANIA – RAW MATERIAL EXPORTS AS ENGINE FOR DEVELOPMENT?

Like many of its neighbouring states, Tanzania is also rich in mineral resources. The country has large gold and diamond deposits, and it is the only country to mine commercially for the rare precious stone tanzanite on a large scale. Added to this are coal, nickel and rare earths. In recent years, large natural gas reserves have been discovered, particularly off the coast in the south, and there are also indications of oil deposits. But it is not yet clear whether these are suitable for commercially viable extraction. Tanzania is, however, about to begin the commercial extraction of large uranium deposits.

Gold Mining – Missed Opportunities and Conflicts

The mining sector is currently dominated by nine large mines, six gold mines and one mine each for diamonds, coal and tanzanite. But it is gold mining that plays the main role, accounting for 90 per cent of Tanzanian mineral exports, for over 40 per cent of goods exports and for 3.5 per cent of Tanzanian GDP (2012).[65] According to these figures, Tanzania is the fourth largest gold producer in Africa behind Ghana, South Africa and Mali. In 2012, gold exports were worth 2.2 billion U.S. dollars. However, state revenues from the gold mining only amounted to approximately 360 million U.S. dollars, which at least represented an improvement on the previous year by almost 60 per cent.[66] The discrepancies between the profits of the mining groups, the revenues of the Tanzanian state and the participation by the local population have been subject of heated discussions for years. As far back as 2007/2008, a delegation of Christian and Muslim dignitaries visited the gold mining area in the northwest of Tanzania, having been alerted by cries for help from the region. There had been reports of massive environmental destruction, land grabbing as well as displacement of local people and small-scale hill farmers in the mining territory of a large international mining group. With the assistance

The discrepancies between the profits of the mining groups, the revenues of the Tanzanian state and the participation by the local population have been subject of heated discussions for years.

65 | Cf. EITI, "Tanzania", http://eiti.org/Tanzania (accessed 14 May 2014); Policy Forum, *Tanzania Governance Report 2012: Transparency with Impunity*, Dar es Salaam, 2013, 48 et seq.
66 | Cf. Policy Forum, n. 65, 49.

of experts, a report was drawn up and published soon afterwards under the title "A Golden Opportunity: How Tanzania is Failing to Benefit from Gold Mining", initiating an intensive debate in the country.

The extraction of gold: Tanzania's people still do not benefit from the country's gold resources which are primarily exploited by transnational corporations. | Source: John Louis, flickr ©①.

The report stated that the Tanzanian population was not benefiting from the gold boom, as the legislation provides strong tax incentives to the multinational groups. According to the report, Tanzania exported gold worth 2.5 billion U.S. dollars from 2003 to 2008, while the government only received 21.7 million U.S. dollars per year from the groups (less than ten per cent a year) from taxes and levies. The report further estimated due to the low levies, tax exemptions and tax evasion, the government had missed out on at least 400 million U.S. dollars of revenue. In addition, some 400,000 small-scale hill farmers were displaced, losing their livelihood in the process.[67] The report identified three serious problems in gold mining: the very low tax revenues for the state, the lack of state monitoring and oversight and the closely associated corruption, and finally, the fact that the local population in the mining area not only had failed to benefit in many cases, but had even become poorer.[68]

67 | Mark Curtis and Tundu Liss, "A golden opportunity: How Tanzania is failing to benefit from gold mining", *Africa Files*, 18 Oct 2008, http://africafiles.org/article.asp?ID=19218 (accessed 27 Jun 2014).
68 | Cf. ibid.

In response to public pressure, the Tanzanian government modified the investor-friendly legal framework from the 1990s. The new Mining Act (2010), however, did not result in the hoped-for substantial increase in revenues, because existing contracts usually extended over the entire extraction period of a mine and could not be renegotiated. In addition, the government was still lacking the technical capacity to oversee and monitor the quantities actually extracted and the corresponding profits of the groups. An analysis of the six largest gold exporters compared to the tax revenues of the Tanzanian government puts the tax revenues at 6.1 per cent for 2009/2010 and at 9.8 per cent for the following year.[69] Even though the currently available figures for 2012 indicate a clear upward trend with respect to state revenues, the discussion remains heated.

There is also an ongoing conflict between the mining groups and the local population in the mining territory. The mining groups complain about illegal incursions into the mining areas, theft and vandalism. The population accuses the mining groups of environmental destruction as well as massive water and air pollution. One of the large gold mines run by African Barrick Gold in the North Mara Region is permanently in a virtual state of emergency. Security services and the police are involved in regular clashes with illegal intruders. The local small-scale hill farmers claim their right to the land, while the mining groups refer to government contracts, which grant them sole mining rights. There have been several shootouts with fatal consequences. Government representatives frequently blame the ills on the investors without admitting their own failure to act appropriately, for instance when concluding contracts or when resolving land issues. The mining groups, for their part, complain about the government being fundamentally hostile to investors and about the tax authorities arbitrarily determining taxes and levies. However, the authorities do not have the required monitoring mechanisms at their disposal either.

69 | BDO East Africa, *Tanzania Extractive Industries Transparency Initiative*, Third Reconciliation Report, Jun 2013, 6.

Mining in the North Mara Region: Due to conflicting interests of local farmers, who claim land property rights, the government and extraction companies, the region often witnesses unrest. | Source: Plenty's Paradox, flickr ©Ⓘ$.

It appears EITI membership at least is helping to make the entire issue of the equitable distribution of the profits from gold mining more transparent. Since December 2012, Tanzania has been fulfilling all EITI standards and is thereby one of currently 27 countries worldwide who can boast "EITI compliant" status. The revenues the government is achieving from mining as well as the taxes and levies paid by the mining groups are therefore made transparent and reconciled in annual reports. While this is bringing some objectivity to the debate, many other problems persist, such as pollution, the issue of the land rights of the local population, a lack of jobs and inadequate social support for the population. Because even if the contribution the mining groups make to the Tanzanian national budget increases, this does not necessarily mean the government will reinvest these funds in social programs or in improved education and healthcare provision for the population.

Natural Gas Boom – New Opportunities for a Surge in Development?

Large natural gas reserves have been discovered off the Tanzanian Coast in recent years (currently estimated at up to 47 billion cubic feet), which could make the country one of Africa's leading gas exporters in the near future. There is a great deal of interest from international investors. The energy groups, including Statoil and the BG Group, are forging ahead with exploration activities and are planning the construction of a gas liquefaction plant in the south of the country (Mtwara). The Chinese government is further financing the construction of a 532 kilometer pipeline from Mtwara to Dar es Salaam, where the gas is then to be used partly for electricity generation and partly for export, with a soft loan of 1.2 billion (!) U.S. dollars. The news of the increasingly successful gas explorations have caused high expectations among the population in the impoverished south of Tanzania, which are being fuelled by the government, in part intentionally.

The successful gas explorations have caused high expectations among the population in the impoverished south of Tanzania, which are being fuelled by the government.

The news of the impending commercialisation of the gas reserves, and particularly the construction of the pipeline to Dar es Salaam, initially led to peaceful mass protests by the local population in 2012 and 2013, who demanded an equitable distribution of the expected revenues and a stronger consideration of the interests of local citizens. The demonstrators' main demand was for previously promised development projects in the region to be implemented before the start of the pipeline construction. Local leaders and propagandists accused the government of wanting to extract the gas and transport it to Dar es Salaam without adequately sharing the benefits with the region, which had suffered neglect for decades.

Confirmation of the pipeline construction by Minister Sospeter Muhongo in a speech in the Tanzanian parliament in May 2013 – it was telling that the radio transmission of the parliamentary debate was interrupted in the Mtwara region at this point – resulted in unrest. Instead of giving consideration to the arguments of the protest movement and involving critics in the communication and decision-making processes, the government decided to have the police and the military quash the demonstrations by force. There were massive human rights violations, deaths and injuries. Human rights organisations also documented cases of looting, rape, abduction and torture by the security forces. Police duties were subsequently performed by the military, which equates to an unofficial state of emergency. Independent journalists are still being obstructed in their work and cannot report from the region freely. In July 2013, leading politicians from the opposition party Chama Cha

Wananchi (Civic United Front, CUF), who intended to collect evidence of the human rights violations on the ground, were arrested by the military and subjected to serious physical abuse for days.[70] The national CUF chairman Ibrahim Lipumba documented the events in detail in an article in the country's largest English-language daily newspaper *The Citizen*, warning of the first signs of a "failing state" in Tanzania.[71] Although Lipumba has since also delivered his protest formally in a meeting with the Tanzanian President Jakaya Kikwete, investigations about the events came to nothing. Those responsible among the security forces were neither identified nor prosecuted.

The situation has since calmed down, but remains tense. The military presence prevents public protest and unrest. The construction of the pipeline from Mtwara to Dar es Salaam is proceeded according to plan and is expected to be completed within a few months. With support from the energy groups and the international community, the government is, in fact, now making efforts to address the concerns and criticisms of the population. It has initiated a dialogue with representatives from the religious communities and other civil society groups. In addition, tentative efforts are being made to set up vocational colleges and training courses to give local personnel the skills required in the natural gas sector. In April 2014, President Kikwete announced the legal basis for oil and gas extraction would be redrafted by the end of the year. The aim is to ensure a fair share for the population as well as an equitable partnership between the state and private investors. Whether it will prove possible to learn from the mistakes made with gold mining and reconcile the justified interests of international investors, the Tanzanian government and the local population in a transparent and fair process remains to be seen. Local entrepreneurs, who are currently feeling excluded and are demanding participation in the gas sector, will play an important role in this.

70 | Cf. "Shock of Mtwara torture", *The Citizen*, 20 Jul 2013, http://www.thecitizen.co.tz/News/-/1840392/1920690/-/efte9qz/-/index.html (accessed 27 Jun 2014).

71 | Cf. Ibrahim Lipumba, "INSIGHT: Symptoms of early stages of failed state now appears in our midst", *The Citizen*, 13 Jul 2013, http://www.thecitizen.co.tz/Business/INSIGHT---Symptoms-of-early-stages-of-failed-state-now/-/1840414/1913460/-/8t8fqt/-/index.html (accessed 27 Jun 2014).

The Government of Tanzania is facing criticism: The opposition party Civic United Front and its party leader Ibrahim Lipumba, here at a UNU-WIDER Conference in 2010, have documented human rights violations during protests against the construction of a natural gas pipeline. | Source: The United Nations University World Institute for Development Economics Research (UNU-WIDER) .

Uranium Mining – a Very Risky Business

In mid-2012, the UNESCO World Heritage Committee granted Tanzania's request to split off a small section of the Selous Game Reserve, which is classed as a World Heritage Site, to facilitate uranium extraction there. According to the Tanzanian NGO CESOPE, there are currently 46 Tanzanian and international companies conducting uranium exploration activities in the country.[72] Large uranium deposits have been discovered not only in the south but also in the country's interior close to the capital Dodoma (near Bahi), which the international mining groups wish to begin developing in the near future with the government having given its consent. Experts assume the volume of uranium ore deposits in the Bahi region alone amounts to 14 million tons. While investors and the government are pushing ahead with the process to grant extraction licences, environmental protection activists are warning about the devastating consequences of uranium mining.

72 | CESOPE advocates the population be properly informed and speaks out against commercial uranium mining being started up in Tanzania. Its director, Anthony Lyamunda, has already been put under pressure several times by the state authorities because of his critical engagement. Civil Education Is the Solution for Poverty and Environmental Management (CESOPE), http://cesopetz.org (accessed 15 May 2015).

There has already been some water pollution as a result of the exploratory drilling in Bahi, and the local population has complained about damage to their health. The list of critics of the planned uranium mining is therefore long. The environmental activist and prominent opposition politician Tund Lissu is complaining about the lack of a government information policy. He explained Tanzania has neither the technical nor the financial resources nor the expertise to deal with the aftermath of uranium mining.[73] Critics such as Lissu accuse the government of pushing ahead with uranium extraction projects in secret without keeping either the local population or Parliament informed about the plans and the state of development. Some critics even assume ore has already been extracted and sold for some time under the mantle of exploration. But the Tanzanian government appears to be determined to enter into the lucrative business of uranium extraction. The Energy Minister batted away all concerns and declared that the National Nuclear Regulatory Authority would ensure all international standards would be adhered to. The environmental and health risks were under control and appropriate safety precautions were being taken. According to local environmental activists and experts, however, even the exploratory drilling has caused considerable pollution of land, air and waterways due to a disregard for all safety standards. In addition, the negative experiences from gold mining do not suggest the authorities have the will or technical expertise to monitor strict guidelines and standards or to enforce them. Studies also indicate the economic benefit from uranium extraction and export can in no way justify the enormous risks and the costs involved.[74]

Critics accuse the government of pushing ahead with uranium extraction projects in secret without keeping neither the local population nor Parliament informed about the plans.

Outlook

In the case of Tanzania, it is not yet possible to give a conclusive answer to the question about the extent to which the use of the natural resources can make a positive

73 | Quoted (in translation) from Ute Schaeffer, "Armes reiches Tansania", *Deutsche Welle*, 11 Nov 2011, http://dw.de/p/12lt2 (accessed 15 May 2014).

74 | Cf. Howard Smith, Damas Mbogoro and Augustino Mwakipesile, *Economical and Ecological Research of Bahi Swamp. Final Report*, CESOPE, Dodoma, Dec 2010, http://yumpu.com/en/document/view/9100754/economical-and-ecological-research-of-bahi-swamp (accessed 27 Jun 2014).

contribution to the country's economic development. In any case, the way the government has dealt with the protests against the pipeline in Mtwara and its uncompromising stance towards the critics of uranium mining suggest it is not prepared to take the concerns and needs of the local population into consideration in the political decision-making process. In addition, there is a justifiable concern that the revenues from the raw materials sector will not benefit the general population but only a small social elite in the country. Rising state revenues do not necessarily mean social services will be developed and state investments in the education and healthcare sectors, for instance, will be increased. The budget draft presented to Parliament in May 2014 envisages 70 per cent of expenditure to go on running costs – the majority on salaries and wages. Consequently, the scope for investments in infrastructure, i.e. railways, roads, water and sewage systems as well as electricity networks, is relatively small. In the past, a large proportion of the national budget has been used to prop up a state bureaucracy that is inefficient but loyal to the party that has been in government for a long time.

The budget draft presented in May 2014 envisages 70 per cent of expenditure to go on running costs. Consequently, the scope for investments in infrastructure is relatively small.

The exploitation of the natural resources can only lead to developmental progress if the associated revenues and their utilisation are made transparent and discussed in the public arena. The EITI initiative is a step in the right direction. But it will also require stronger democratic monitoring mechanisms and institutions at the state level (parliament, audit office, anti-corruption authority, etc.) and at the civil society level as well as an informed population, which demands its rights in a peaceful and democratic manner. A democratic culture, the rule of law and good governance are prerequisites to the resource wealth in the country to be used to the benefit of the population at large. Another requisite is an intelligently crafted political framework that gives equal consideration to the interests of investors, the government and the local population. Besides ensuring fairly shared profits, clear environmental, health and safety standards must be developed, monitored and enforced. In this respect, Tanzania is still in the early stages, as gold mining and uranium exploration have shown. There is a lack of expertise, technical capacities and political will to actually implement standards set forth in writing.

Nevertheless, there are some positive tendencies apparent, which provide some hope that past experiences may contribute to a positive learning curve. The recently initiated dialogue with civil society in Mtwara and the intensive public debate about the nature of a national gas policy indicate that mistakes made in gold mining will not be repeated during gas extraction. Advisors are recommending the government conduct these discussions proactively rather than merely responding to pressure from the opposition and from a civil society that is becoming increasingly more self-assured. However, in a country which has in practice been governed by the same party since its independence in 1961, this rethinking process will take some time to show forth results. Observers therefore assess the outlook for the Tanzanian raw materials sector and its repercussions for the country's development with a mixture of scepticism and optimism.

CHALLENGES POSED BY RESOURCE WEALTH REMAIN

In the medium to long term, the question of the resources and the industries depending on them in the countries of Sub-Saharan Africa will become one of the continent's central issues. A large number of current conflicts relate to their distribution, their protection and their benefit to the respective countries and their populations. These resources – be they oil in Angola and Uganda, uranium in Namibia, gold in Ghana, diamonds in Botswana or natural gas and precious stones in Tanzania – represent both opportunities and risks for Sub-Saharan Africa. Whether Africa will in fact become a continent of opportunities – as many maintain – or one of missed opportunities will ultimately depend on whether the governments will conduct themselves in a responsible, transparent and forward-looking manner in handling the existing raw materials and the revenues from them. Today, average annual growth rates for Africa are already well above five per cent. Population growth continues and other development challenges remain: fundamental problems such as hunger and poverty, widespread high unemployment particularly among the young, inadequate education systems and a lack of healthcare services. Pressure on those exercising governmental power to act is increasing as people are asking what benefit raw materials actually bring to a country if profits bypass the great majority of the mostly poor population and flow into the pockets of a few influential people involved in the business or out of the country. The feeling of impotence or injustice where the distribution of resource profits is concerned is likely to increase rather than decrease, because, while people have become better informed through social media and the calls for transparency and participation have become louder, greater knowledge does not necessarily go hand in hand with greater influence to bring about change.

What should an intelligent strategy for the future therefore look like to prevent a slide into a raw materials economy? When conducting a comparative analysis of the countries of Namibia, Angola, Uganda and Tanzania including a brief look at Ghana and Botswana, you can see which factors are important for the sustainable handling of a country's own resources. Above all, good governance and a focus on the common good are essential to deal with the social issues that resource wealth entails in a manner to ensure an equitable participation by all. The distribution of profits must be handled in a way to ensure living conditions improve as a result. This can, for instance, be affected via a fund model. Broad popular participation and transparent resource extraction licencing procedures can help to eliminate the roots of corruption, the scourge of resource wealth. The leading government figures and the transnational extraction companies bear a large responsibility in this area.

Broad popular participation and transparent resource extraction licencing procedures can help to eliminate the roots of corruption, the scourge of resource wealth.

Although only few countries have so far committed themselves by entering into mostly independent transparency agreements such as EITI, this may well represent a promising approach; ultimately, however, public accountability remains a voluntary commitment. Out of the SADC states, only Mozambique, Zambia and Tanzania have joined so far, while the Democratic Republic of the Congo has had its membership suspended. Namibia, Angola and Uganda have not joined the transparency initiative to date for a variety of reasons, although it has been endorsed by the World Bank and donor countries. One glance at the SADC states in their entirety shows, however, only few countries rich in raw materials wish to become involved in independent monitoring of the granting of licences and the distribution of raw materials profits. Instead, most countries are strengthening state control through tax and licence granting procedures, or by decreeing a majority public stake in the so-called strategic resources as in Namibia, for instance. For the majority of countries in Southern Africa the resource issue is, after all, not just a material issue, but also a question of survival of strategic, power-related importance for the people in government, in which their reputation and influence abroad play a part as well.

Parliamentary monitoring represents another component in preventing predatory exploitation of resources.

The role of the parliaments and their monitoring function with respect to their governments represent another component in preventing predatory exploitation of resources and its repercussions, which requires strong parliaments at national and local level to champion the interests of the local population in a self-assured manner. Finally, international standards as well as conditions imposed by the World Bank or industrialised buyer countries on the importation of raw materials from the countries of Sub-Saharan Africa are an indirect, yet in some cases also effective means of exerting pressure, particularly on the raw materials economies, which are mostly governed in an autocratic or totalitarian manner. In the long term, immiserising growth does not benefit anyone, because it entails the risk of becoming mired in or sliding into crises and conflicts. However, there are different and conflicting interests at work here, pursued by the mostly globally operating resource extraction companies, by Western industrialised countries and by states such as Brazil, Russia, India and South Africa (BRICS). This complex scenario makes it unlikely it will be possible to produce rapid positive change.

In terms of development challenges for the future, there remains the question as to whether the responsible governments will succeed in shaping social cohesion in a manner that is sustainable and focused on the common good so raw materials are less likely to cause crises and conflicts and more likely to provide opportunities for solving numerous social problems. Specialist expertise, good infrastructure as well as good governance are central factors for extracting resources in line with the country's best interests and using them to the benefit of the country as a whole and its entire population.[75] To date, Southern Africa is not suffering a resource crisis thanks to its raw material reserves and the revenues obtained from them. There is, however, a persistent crisis of trust in the economies that mostly rely on one raw material, such as oil in Angola. Should the impression prevail that only a few are benefiting from the raw materials industry while the majority of the population lives below the poverty line, further distribution struggles seem inevitable, which would jeopardise the respective country's stability or even that of entire regions. Added to this is frequently an artificial or even state-decreed lack of an alternative to exploiting the raw materials to secure power and influence.

One can also not ignore people's increasing sensitivity to the need to manage the impacts of climate change and of environmental pollution caused by the raw materials industry. The poorest people suffer the impacts most acutely. An ever increasing number of people are, therefore, becoming politically engaged and recognising the force civil society represents. The protests against the construction of pipelines, such as those in Tanzania, or the demands for environmental conditions to be placed on oil production in Uganda are indications of this change. In addition, the working conditions in the resource extraction sectors will determine whether the respective country will experience peace or unrest. Some countries already favour broad society participation in the profits from raw materials as well as economic diversification. In the raw materials industry itself, there is also an increasing awareness of the precarious situation of the employees, which has resulted in some dedicated operating models being devised, for instance for the mine workers in Namibia. To gain the approval of the entire population for resource extraction will ultimately depend on the credibility and transparency of the package of measures regulating it. Only then can the resources of Southern Africa truly turn into a blessing.

75 | Cf. Andrews, n. 6, 57.