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# UNDERDEVELOPMENT AND NATURAL RESOURCE ABUNDANCE IN AFRICA 

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## Underdevelopment and Natural Resource Abundance in Africa

It is common knowledge that the African continent is very richly endowed with vast natural resources. These resources range from agriculture to fossil fuels and solid minerals. Ironically also, 38 of the 43 countries designated as the poorest, are African countries. There is therefore enormous potential wealth from these natural resources along with abject poverty in many countries. Some researchers have even suggested that natural resources are a curse rather than a blessing on countries because empirically, the countries that have shown the fastest rate of economic transformation and technological progress have not been historically endowed with significant natural resources. Japan, South Korea, and much of Europe did not develop on the basis of exploiting natural resources. In fact, the resource - starved countries seem to have made much more rapid progress than their counterparts with significant natural endowment.

Latin America showcases countries such as Chile and Mexico which had vast natural resources but whose economic transformation has not been better than other counties that are less endowed. Brazil on the other hand has vast natural resources but that has not enabled it to match South Korea with little natural resource.

On the African continent, there are several countries with vast natural resources, but which are still in the league of poorest of the poor countries Nigeria, Angola, Namibia, Sierra Leone, Liberia, Zambia, Democratic Republic of the Congo are examples. There are countries that are strife - torn and war ravaged, where explanation for continued underdevelopment can plausibly be the absence of peace. However, this does not explain everything. One would normally expect that rich natural endowment would bestow certain unique comparative advantage and be the basis for rapid transformation. Most of the countries of the Middle East and North Africa are oil dependent. So much crude oil has been exported that the various economies have been transformed and the standard of living of their populations sufficiently raised to break them away from poverty. Notable
among these are Saudi Arabia, Kuwait, Iraq, Iran, the United Arab Emirate, Jordan, Libya, Morocco and Algeria. One could say of these countries that crude - oil was responsible for their transformation. For them, natural resources were more - or - less sufficient to bring about economic transformation.

One then must ask why countries such as Nigeria, Angola (rich in oil and other minerals) Sierra Leone (with vast deposits of diamond) Zambia, and the Republic of the Congo with their vast copper resources have failed to make a dent on poverty. On the other hand, Botswana is a middle income country mainly on the basis of a small population, vast territory, and enormous livestock resources and the export of diamonds. Does this have any lessons for Africa? What did Botswana do right which Sierra Leone did not do? Why were countries of the Middle East able to break with poverty purely on the abundance of crude oil while Nigeria, Namibia, Angola, and Mozambique are still rated poor after several decades of political independence?

Obviously, more is required than just resource endowment. However, is it possible to get a handle on the critical complements of resource endowment for sustainable development to take place in Africa? What are the specific requirements? This paper explores this issue. In section I, we make a brief survey of the resource endowment of African countries, and the trend of trade in these resources. Section II examines the other natural resources of the continent apart from minerals. In Section III we examine the relative position of the African continent in the context of world development. In the final section we draw some conclusions and raise issues that require focused empirical research in order to shed more definitive light on the place of resource endowment in economic development.

## SECTION I AFRICA: A CONTINENT OF MINERAL WEALTH

Africa is truly a continent of plenty with particular reference to its mineral resource endowment. Of 28 important mineral resources, Africa has significant proven reserves in 17 of these. The continent has significant proven reserves of coal, cobalt, copper, chromium, diamond, natural gas, gold, iron ore, lead, manganese, mercury, nickel, petroleum, phosphate rock, platinum, uranium and vanadium. It has dominant reserves of chromium ( $95 \%$ ) platinum ( $89.3 \%$ ) manganese ( $79 \%$ ) phosphate rock ( $72.5 \%$ ) vanadium ( $47 \%$ ) gold ( $44 \%$ ) diamond ( $46.1 \%$ ) cobalt ( $31.5 \%$ and uranium ( $32.5 \%$ of the world's proven reserves). See Table 1, for the summary of Africa's mineral reserves in comparison to world reserves in the 17 minerals in which it has significant reserves and in which it is an important producer.

In addition, Africa has $8.4 \%$ of the world's petroleum reserves and $4.4 \%$ of its natural gas. A few parts of Africa have shown reserves of tin, nitrogen in ammonia, potash, salt, sulfur, molybdenum, tungsten, titanium, silver and zinc. These are, however, not a significant proportion of the world's known reserves.

As impressive as Africa's mineral wealth is quantitatively and qualitatively, little of it is being processed in Africa. The bulk of this mineral wealth is sold as unprocessed primary raw materials of the industries of the rest of the world. Very little value is being added on the continent with the exception of gold, and diamond, which is mined and processed by a few big mining interests in South Africa.

In Table 2 the geographical spread of Africa's major mineral reserves are shown. That Table shows that the Republic of South Africa dominates the African scene in this respect, as twelve of eighteen different minerals listed occur in abundance in South Africa. South Africa is the dominant location of the world's gold deposits (although it is known to occur in Sierra Leone, Liberia, Namibia, Ghana and Ivory Coast), manganese, chromium, platinum and vanadium. Botswana is dominant in diamonds with close to $40 \%$ of the world's production of the resource. South Africa, Central African Republic and the Democratic Republic of the Congo are important producers of diamond also. Namibia, Niger and South Africa are dominant producers of uranium.

Morocco and Western Sahara are responsible for over $63.4 \%$ of the world's reserve of phosphate rock. With South Africa accounting for about $7.5 \%$ it seems clear that the bulk of the world's deposits of phosphate rock are shared by those two African countries.

South Africa is also the singular exception to the norm of merely extracting minerals from Africa and processing these in the rest of the world. This seems to be one of the significant explanations of Africa's underdevelopment. The rest of the African continent does not share in this mineral wealth to any significant extent. Africa could benefit from processed primary products such as refined petroleum, Liquefied Petroleum Gas (LPG) non - ferrous metals, leather goods, laminated lumber and particle board; pulp and paper. However, what is occurring at present is that the bulk of Africa's primary exports are in their raw state with little or no value added.

## SECTION II: BEYOND MINERALS

Africa's natural endowment goes beyond its mineral resources. It is the second largest continent with an area of $30,217,000$ square kilometers. Of this, $2 \%$ or $60,4340 \mathrm{~km} 2$ is inland water. The 1990 population estimate shows that it has $647,518,000$ people about $12.5 \%$ of the world's population.

Africa has the world's largest contiguous desert, the Sahara Desert, occupying more than $25 \%$ of the continents' total land area and lies to the north of the equator which divides the continent in two. It has two other desert areas, the Namib and the Kalahari Deserts, which lie in the southwestern portion of the continent.

The three most important rivers of Africa are the Nile, the Congo and the Niger. Africa has many freshwater lakes, the largest being Lake Victoria the reservoir of the Nile. Lakes Tanganyika and Nyasa are the largest of the string of lakes formed by Africa's two rift valley systems. Other important rivers are the Benue, Zambezi, and the Orange. These six rivers and their tributaries account for most of the drainage area of the continent.

## FOREST RESOURCES

It is estimated that only $6 \%$ of the African continent is arable while nearly $25 \%$ is forested or wooded. These forests especially in the savanna regions of the south and east and north are home to a wide variety of big - game animals. Many African countries have established very rich game parks that attract sizable tourism. Notable among these are Kenya, Tanzania, Uganda, Zambia, and South Africa. Although game parks exist in other parts of the continent, these are much less developed than those of eastern and southern Africa. Table 4 gives a picture of Africa's forest resources. It can be seen that the largest forest resources are in Tanzania, the Central African Republic, Zambia, Angola, Cameroon, Congo, Gabon, Mozambique, Madagascar, Nigeria in that order of size. However, Africa also has the world's fastest rate of deforestation. This rapid rate of deforestation and the small size of arable land exacerbates the subsistence nature of African agriculture. Very few countries in Africa have developed their forestry, although many export their lumber for foreign exchange. The export of lumber and the dominant use of its forests as fuel wood accounts for the high rate of deforestation.

## Africa's Agricultural Resources

Agriculture is still the most important sector of the economies of Africa, employing between $85 \%$ and $60 \%$ of the gainfully employed. Farming is still both traditional and predominantly subsistence. African agriculture is dichotomized into food and cash crops. The food crops include sorghum, millet, wheat, rice, sweet potatoes, potatoes, barley, maize, cassava, yams, bananas, and plantains. The cash crops, are sugarcane, tomatoes, groundnuts, cotton, cocoa, coconut, palm oil, olives, pineapples, oranges, tea, coffee and sisal.

Temperate and subtropical crops are also grown in the northern, southern, and the highlands of eastern Africa, such as wheat, barley, grapes, apples and green beans. The development of horticulture for the export of flowers is growing in a few countries including Kenya, South Africa, Zimbabwe and Zambia. This is high technology Agriculture that requires heavy capital outlay.

Over one quarter of the continent is rangeland and marginal pasture lands with large animal resources including cattle, sheep, goats, pigs, donkeys, camels, and the water buffalo. Dairy cattle is largely exotic to the African continent. Much of the dairy cattle is imported from New Zealand, Australia and Europe. Ethiopia and Botswana account for nearly half of the continent's cattle and ruminant population.

Much of Africa still needs an agrarian revolution as many countries have a large food deficit and have to import food. Table 5 gives a picture of the primary exports to African countries, while Table 6 gives some indication of the fish and animals resources of African countries. Yields of most crops are typically lower than have been attained in other parts of the world. Table 7 gives the typical yields of the main crops grown in Africa.

Much of Africa's agricultural problem could be solved if greater effort is exerted on harnessing its water resources and expanding its irrigation. At present the proportion of farm under irrigation is insignificant in most countries. There is also a wide variation in the fresh water resources per capita on the continent. Countries with vast water resources do not seem to have utilized this to promote sustainable agriculture. Table 8 gives current estimates of these fresh water resources.

## SECTION III: AFRICA IN THE CONTEXT OF THE WORLD DEVELOPMENT

In any meaningful discussion of Africa's development, it is important to recognize that there are certain parts of the continent that do not conform to the pattern observable in the bulk of the continent. In particular, South Africa and most of North Africa are marked by difference from what is generally referred to as Sub - Saharan Africa. Of 62 countries classified by the World Bank as low-income countries, 39 or $62.9 \%$ are in Sub - Saharan Africa. Five of the 60 countries classified as lower middle income countries are in Sub Saharan Africa. Six other African countries are classified as upper - middle-income countries, out of 39 such countries world - wide. Only Reunion Island falls in the category of a high - income country. A summary of that classification is given in Table 9.

In contrast none of the countries of North Africa falls into the category of low-income country. Four of the six countries fall in the lower middle income group while the remaining two are in the upper - middle income league.

Apart from income, Sub - Saharan Africa paints a dismal picture when other indicators of well - being are compared. It has the highest prevalence of mortality for children under 5 years, (147 in 1996), the lowest life expectancy at birth ( 51 and 54 years for males and females respectively in 1996); the highest adult illiteracy rate ( $34 \%$ males and $53 \%$ females of people 15 years and above in 1995).

When we focus attention on production, one of the striking characteristics of Sub Saharan Africa is poor agricultural and manufacturing productivity. With a low proportion of arable land, SSA also is the region of the fastest rate of desertification. It has the lowest percentage of irrigated farming ( $4 \%$ in 1994-96) as compared to the average of $19.8 \%$ for low and middle-income countries in the same period. (See Table 10). Its manufacturing seems to have gone into decline as some researchers term it "de industrialization". Manufacturing value - added averages $16 \%$ for Sub Saharan Africa, the lowest of all the regions of the world.

Clearly, therefore Africa's rich endowment of natural resources does not seem to have raised the welfare of its people. In making this generalization, one must point to the exceptions - South Africa and Botswana. We saw the dominance of South Africa in terms of mineral wealth, and the distinct diamond resource of Botswana.

Gabon is the third country with rich oil wealth and small population. These three countries combine extensive resource endowment with small relative population. But it
is instructive that only South Africa has a developed manufacturing sector comparable to other parts of the world.

Africa's resource endowment is not a sufficient pre - requisite for economic transformation for most other countries apart from the three countries (Botswana, Gabon, and South Africa). Mauritius, which falls in the category of upper middle income country, is a clear example of a country that deliberately chose the increasing return activity of manufacturing, even when it had no significant natural resource endowment. It is a small island with a population of one million in 1997 and a GNP per capita of $\$ 3,800$ compared with the SSA average of $\$ 500$ in the same year.

Clearly, most African countries do not have the extensive resource endowment that is comparable to the oil wealth of Saudi Arabia or other countries of the Middle East; South Africa, Botswana and Gabon are exceptions, but even these countries only rank among the middle income countries. For economic transformation to take place in any significant measure, the bulk of African countries must look beyond the mere export of extractive minerals or primary agricultural products. There must be a deliberate investment in processing of these primary products to add value to them if only to stem the perpetual slide in the terms of trade of unprocessed primary products.

## What Africa Must Do

The available evidence is that Africa is richly endowed with vast natural resources. These include extensive solid mineral wealth and some fossil fuels. It is also endowed with vast animal resources. Its soil is mostly arid, with only $6 \%$ of it being arable.

The mineral wealth is not evenly distributed. Botswana owns most of the diamonds while the Republic of South Africa accounts for the bulk remaining solid minerals. Several African countries are endowed with petroleum and natural gas but this is not on the scale of occurrence either of the Middle East or Venezuela where countries have depended on oil wealth for their economic transformation. The bulk of Africa does not have the benefit of its mineral endowment. Other countries with significant mineral endowment include: Gabon, Algeria, Morocco, Libya, Egypt, Tunisia, Niger, Sierra Leone, Ghana, Cameroon, Nigeria, Namibia, Mozambique, Guinea, Senegal, Central African Republic, Democratic Republic of the Congo, and Republic of Congo, and Angola. These countries could use their mineral wealth to transform their economy by going beyond the mere extraction and export as primary products. They will need to add value to these in order to fully benefit from the endowment.

The resources are also not on a scale that would warrant exclusive reliance on them for economic development, or well - being, the exceptions being Botswana, Gabon, and South Africa.

Africa's agriculture is the most backward in the world. It is largely subsistence, rain fed, and susceptible to the vagaries of the weather (droughts and floods). It is the least irrigated and is threatened by rapid deforestation. Its manufacturing is in decline and the most important indicators of the quality of life place Africa (especially Sub - Saharan Africa) at the bottom of the ladder of welfare.

Africa's development must focus on:
a) Resuming its manufacturing and de - emphasizing its primary export activity
b) Transforming its agriculture through more irrigation and better practices
c) Upgrading its infrastructure, especially access roads, transportation, communication and energy
d) Accessing available technology for the various sectors of its development.
e) Taking steps to access the breathtaking developments in the information technology in order to ensure Africa's participation in the New World Order.
f) Exploiting the exploding development in Information Technology to become participants in telecommunications and Computer Revolution.

Some elaborate of the first two issues seems necessary in response to concerns raised by two reviewers of an earlier draft.

## Resumption of Manufacturing in Africa

The sub title indicates that Africa was once dynamic in its manufacturing. Many African countries had rates of manufacturing growth comparable to those of the newly industrialized countries. Much has been written on why Africa's industrialization was aborted. This paper is not on recounting these failures. We shall only summarize some of the most common reasons given. These are:

- Policies were merely enunciated but never implemented, monitored, nor evaluated, so that contractual obligations were never enforced;
- African countries for the purpose of accumulating technological capabilities did not pursue infant industry and import substitution policies; rather they were used to underwrite investors' risks.
- Import substitution was not geared to generating local competition among producers and were rarely implemented with a timetable for phasing out; this resulted in protective measures being permanent and lack of competitiveness
- Exports were not the focus of import substitution so that the sequential learning that characterized the NICs was not replicated with African countries
- African countries displayed a dismal record of very bad public governance coupled with a high level of corruption - economic macroeconomic management was very bad and the wrong product and process niches were chosen
- Educational systems were neither utilitarian nor responsive to the needs of the productive sectors of the economies

The problem with enumerating the causes of Africa's aborted industrialization is that it gives the impression that once the identified problems are solved, industrialization will follow. It is much easier to enumerate the problems than to solve them. More serious, many of the measures that African countries implemented poorly in the past are no longer available to them as a result of new rules of international trade.

In spite of the problems, however, African countries can resume manufacturing by insisting on raising the value - added of their unprocessed primary products. How this is done will vary from country to country. A focus on food security on the basis of local resources by improving value - added in the entire food chain could coushion the fierce competition that liberalization and globalization imposes.

## Agricultural Transformation

African agriculture can be transformed if deliberate efforts are focused on high value products and expanding irrigation. Horticulture products such as flowers have been suggested. This is an activity with high knowledge intensity. It requires operational, managerial, technical and logistical competencies that must be properly planned and executed, quite apart from the financial resources needed to break into that activity. It is, however, not impossible. It is a serious high technology activity - which illiterate subsistence farmers cannot undertake unaided.

It is necessary to de - link African agriculture from the vagaries of irregular rainfall, floods, pests and diseases by increasing irrigation and intensifying the interaction between research and the farmers.
Table 1
IMPORTANT MINERAL RSOURCES OF AFRICA IN THE CONTEXT OF WORLD RESOURCES
(Data are for 1991 unless otherwise stated)

|  | ${ }_{\text {reld }}$ |
| :---: | :---: |
| 96.3 | 96.5 |
| 28.6 | 68.5 |
| 92.0 | 89.2 |
| 60.3 | 4.6 |
| 53.9 |  |
| 99.4 | 94.4 |
| 70.9 | 55.5 |
| 97. | 95.8 |
| 77.6 | 21.0 |
| 89. | 98.8 |
| 93. | 96.9 |
| 94. | 96. |
| ${ }^{77}$ | 27.5 |
| 51.6 | ${ }^{10.7}$ |
| 67. |  |


MINERAL RESERVES IN MILLION METRIC TONS $\cdots$
PETROLEUM EXPORTS (Thousands of metric tons)
1988
15750
8104
7038
200
7895
58431
1530
23464
42620
4284
African Development Indicators 1994-95


Cleaver 1993．A Strategy to Develop Agriculture in Sub Saharan African and a focus for World Bank．
World development report 1998／99
African Development Indicators $1994-95$

Sources：
INCOME FROM THE PRIMARY PRODUCT TRADE






FISHERIES AND ANIMAL RESOURCES 1996 （10，000\＄）
HIDES AND SKINS

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 IMPORTS




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FAO year book 1996，Vol． 50 pp． 331 － 348
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IMPORTS
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COUNTRY





Table 9
INCOME
GROUP
SUB GROUP EAST WEST EAST SOUTH EASTERN
SUMMARY CLASSIFICATION OF ECONOMIES BY INCOME AND REGION 1998
MIDDLE EAST \＆
NORTH AFRICA
NORTH AFRICA AMERICA
$m \stackrel{\infty}{\infty} \sim \infty$ r
VISY TVYLNAT dNV gdOyna

REST OF
EUROPE
TVYLNG）
radoyil
㤩
ASIA

- in +
$\pm$
ヘ か－へ
CROPLAND AND IRRIGATION IN AFRICAN AGRICULTURE per Capita
1994－96
 0.20
1979－81

1994－96




공Nㅇㅇㅇㅇ Decrease－
1979－81

$$
\cong
$$



Irrigation land \％of
Cropland Increase or

$1980 \quad 1995$－or＋




ong Republic Cote dIvoire Egypt，Arab Republic器

Gabon
 Kenya 웅 Malawi

是 Mauritius Morocco Mozambique Namibia ．물 Rwanda Sierra Leone㘶 Tanzania Togo
Tunisia
Uganda

숭

| EAVY OIL RESOURCES OF THE WORLD* |  |
| :--- | :--- |
|  |  |
| PROVEN RESERVES |  |
|  | UNDISCOVERED RESOURCES |
|  |  |
| 18.1 |  |
| 0.7 | 23.6 |
| 4.2 | 4.9 |
| 277.9 | 1.6 |
|  | 13.0 |
| 1.6 | 3.2 |
| 8.0 | 0.2 |
| 0.3 | 0 |
| 6.9 | 20.6 |
| 115.4 | 22.1 |
| 3.6 | 0.6 |
| 3.7 | 3.6 |
| 9.2 | 0 |
| 49.6 | 93.4 |

CUMULATIVE PRODUCTION TO 1985

10.1
0.4
1.2
12.6
0.2
0.8
0.1
5.2
31.5
0.4
2.3
0.3
65.1
REGION

* In billion barrels.
Table 14
Region


