



Reversing the resource curse: Advancing good natural resource governance for inclusive growth and sustainable development in Southern Africa

By **Sikhululekile Mashingaidze and Stephen Buchanan-Clarke**

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Executive Summary

The International Energy Agency's Medium-Term Gas Outlook in late 2023 notes that "Africa accounted for nearly 40% of new natural gas discoveries globally in the past decade, mainly in Mozambique, Mauritania, Senegal and Tanzania. However, socio-political instability and security issues make Africa a high-risk environment for the gas industry. This results in a gap between the potential and the actual gas production projects under development." Nonetheless, the Agency forecasts natural gas production growth of 10% (higher than current levels) by 2026. It had only grown by 2.5% from 2011 to 2021, and currently accounts for roughly 6% of global production.¹ Asian and Middle Eastern markets' demand will continue² while African governments will bet on Liquefied Natural Gas (LNG).

In the longer term, it is critical to phase out fossil fuels due to their exacerbation of global warming and health and environmental risks. Given the imperative for lower-carbon growth trajectories, demand for oil, gas, and coal will likely peak in 2024. Governments and mining investors' negotiations and contracts should safeguard

local populations through ecologically sensitive, responsible mining. Communities' voices are critical to decision-making from project inception to ensure revenues usher in broad-based growth and increased domestic energy security.

In 2022, Good Governance Africa (GGA), with support from the Southern Africa Trust (SAT), explored critical issues surrounding LNG exploration and development in Southern Africa in the context of climate change.³ This intelligence report is a consolidation of key lessons from these LNG projects' impact on local communities in Mozambique's Cabo Delgado; South Africa's Eastern Cape, and Zimbabwe's Cabora Bassa Basin. Together, these three cases illustrate both the promise and perils of LNG mining in Africa.

1 International Energy Agency.(2023).Medium Term Gas Report. Available: <https://iea.blob.core.windows.net/assets/f2cf36a9-fd9b-44e6-8659-c342027ff9ac/Medium-TermGasReport2023-IncludingtheGasMarketReportQ4-2023.pdf>

2 Economist Intelligence Unit. (2023).

3 Buchanan Clarke, S. and Mashingaidze, S. (2023). Balancing Africa's energy security needs amid the climate crisis.Good Governance Africa. Available: <https://gga.org/balancing-africas-energy-security-needs-amid-the-climate-crisis/>

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Call to Action

African governments should urgently review, update, and optimally implement Agenda 2063⁴, the Africa Mining Vision (AMV)⁵, and the Southern African Development Community's (SADC) Protocol on Energy (1996)⁶ and its supporting plans⁷ towards promoting responsible mining⁸ that aligns with the comprehensive climate change agenda and mining communities' welfare.

Impact

Meaningful consultation with mining communities can lead to win-win partnerships that are in the long-run interests of both African governments and investors as a sense of inclusivity can foster trust, build a stable environment for business and ultimately avert conflicts and the resource curse.

Informed reinvestment by better informed governments and mining investors can entrench life transforming developments in communities' education, health, youth employment, road infrastructure and service delivery among other sustainable development needs.

Recommendations

Review, update, and optimally implement Agenda 2063, the AMV and the SADC Protocol on energy and its ensuing plans and strategies in alignment with the broader climate change and responsible mining agenda.

Continental, regional, and national policies and protocols should correspond with local-level community development plans.

For Environmental, Social and Governance (ESG) best practice, mining investors should engage in context-sensitive community consultation, supported by state institutions that incorporates diverse, regular members of the host communities in all-inclusive stakeholder mapping processes.



Figure 1: Map of case study areas

4 African Union Commission. (2015). Agenda 2063: The Africa we want. African Union Commission. Available: <https://au.int/en/agenda2063/overview>.

5 African Union. (2009) Africa Mining Vision. African Union. Available: https://au.int/sites/default/files/documents/30995-doc-africa_mining_vision_english_1.pdf.

6 Southern African Development Community. (1996). Protocol on energy in the Southern African Development Community. Southern Development Community. Available: https://www.sadc.int/sites/default/files/2021-11/Protocol_on_Energy1996.pdf

7 Southern African Development Community. (2012). Regional Infrastructure Development Master Plan: Energy Sector Plan. Southern African Development Community. Available: <https://www.sadc.int/sites/default/files/2021->

8 Mashingaidze, S. (2023)

Give primacy to the host communities' Free, Prior, Informed and Continuous Consent.

Partnership agreements should clearly outline inclusive community engagement, effects and benefits throughout the project cycle, with clear and binding ESG deliverables from the onset that entrench transformative reinvestment in education, health, youth employment creation, road infrastructure and service delivery among other sustainable development needs.

Mining investors and companies should address the information disconnect observed in project communities by ensuring that host communities are informed of the nature and scope of exploration and production agreements entered into; the likely socio-political, economic and environmental impact of the projects; as well as just restitution and inclusion measures where families face the risk of exclusion and/or displacement.

Oil and gas exploration and production should not come at the expense of other viable and sustainable investment alternatives.⁹

Governments should negotiate for relevant business partnerships that provide the necessary technical support for enabling alternative projects to LNG extraction, and businesses should fully support governments towards this end as responsible development partners.

Institute binding legal frameworks and mineral extraction legislation with deterrent consequences. Good governance practices and clear separation of powers would protect public institutions' discharge of duties from the overriding interference of politicians and the elite. This will also go a long way towards building credible and secure property rights regimes that attract responsible investment.

Southern Africa's Energy Outlook

Regionally, the Southern African Development Community's (SADC) Protocol on Energy (1996)¹⁰, the Regional Infrastructure Development Master Plan¹¹ (2019) and ensuing strategic plans¹² offer a useful roadmap for tangible energy development objectives for sustainable energy infrastructure development. Continentally, Agenda 2063¹³ and the Africa Mining Vision (AMV)¹⁴ are an ideal framework for African governments' integration and cooperation towards advancing a responsible mining¹⁵ agenda aimed at averting the resource curse.

However, implementation is critical and should be informed by meaningful consultation of host communities that binds governments and investors to translate revenue from mining projects into re-investment in tangible community needs such as access to secure energy. The SADC Protocol on Energy (1996) underscores the centrality of energy access to the region's integration and economic growth and calls on member states' cooperation on a wide spectrum of energy development interventions. The region lags behind in access on the continent, with only 32% of rural residents with access to energy.

Only 50% of the region's residents, compared to North Africa's 100%, have access to electricity. Investment in the region's energy sector remains constrained by 'lack of funding, slow migration to cost-reflective tariffs, inadequate project preparation, challenges with Power Purchase Agreements, and absent regulatory frameworks.'¹⁶

Increasing energy access and ending energy poverty in the region is critical to entrenching sustainable economic growth and social upliftment for the region's growing populations. This pursuit, however, must be balanced with the all-important quest to transition to clean energy sources and combat global warming. The region is endowed with

9 For example in agriculture or aquaculture.

10 Southern African Development Community. (1996). Protocol on energy in the Southern African Development Community. Southern Development Community. Available: https://www.sadc.int/sites/default/files/2021-11/Protocol_on_Energy1996.pdf

11 Southern African Development Community. (2012). Regional Infrastructure Development Master Plan: Energy Sector Plan. Southern African Development Community. Available: https://www.sadc.int/sites/default/files/2021-11/Regional_Infrastructure_Development_Master_Plan_Energy_Sector_Plan.pdf

12 These include the SADC Energy Cooperation Policy and Strategy(1996); the SADC Energy Action Plan (1997); the SADC Energy Activity Plan (2000); the Regional Infrastructure Development Master Plan and its Energy Sector Plan (2012); Regional Energy Access Strategy and Action Plan 2020 to 2030; the Renewable Energy and Energy Efficiency Strategy and Action Plan 2016 to 2030; the SADC Industrial Energy Efficiency Programme and the development of the Regional Gas Master Plan.

13 African Union Commission. (2015). Agenda 2063: The Africa we want. African Union Commission. Available: <https://au.int/en/agenda2063/overview>.

14 African Union. (2009) Africa Mining Vision. African Union. Available: https://au.int/sites/default/files/documents/30995-doc-africa_mining_vision_english_1.pdf.

15 Mashingaidze,S. (2023)

16 Southern African Development Community. (2012).

an abundance of hydrocarbon resources whose exploitation however runs contrary to this urgent pursuit for low-carbon economic growth. Southern African countries are faced with a difficult set of energy policy decisions which will ultimately impact their development trajectories for decades to come.

In what he terms the ‘energy trilemma’, Good Governance Africa’s Obisie-Orlu underscores the interplay and importance of prioritising energy security, energy equity, and environmental sustainability for any country’s future energy policy. He underscores the importance of “investing in robust infrastructure development for power generation, distribution, and transmission while implementing effective regulatory systems”. These, he argues, are central to the politics of the energy transition and energy policy in Africa. In her Intelligence Report, GGA’s Busisipho Siyobi looks at mechanisms that will be integral to facilitating increased private sector investment into grid-connected renewable energy generation in South Africa.¹⁷

SADC LNG discoveries, exploration and development

Africa is a vital part of the global energy supply network and is estimated to hold around 10% of the world’s proven gas reserves. As the global energy crisis intensifies, more so after the Versailles Declaration¹⁸, the continent is on the path to becoming a global energy powerhouse. In 2022, the continent exported approximately 42 million tons of LNG – or around

5.7% of global LNG exports. Although historically, Algeria and Nigeria have been the largest African exporters of LNG, the past decade has seen significant natural gas discoveries across the continent, with approximately 40% of all natural gas discovered worldwide between 2010 and 2020 being in Africa.¹⁹ Most of those discoveries were located in Sub-Saharan Africa. The SADC region itself is not only home to abundant transition minerals, but eight out of its 16 countries are potential and/or active LNG exporters. These include Angola²⁰, Botswana²¹, the Democratic Republic of Congo²², Mozambique²³, Namibia²⁴, South Africa²⁵, Tanzania²⁶ and Zimbabwe²⁷. Angola is a good example, documented to have untapped oil and gas resources estimated at nine billion barrels of proven crude oil reserves. It also has 11 trillion cubic feet of proven natural gas reserves and currently produces approximately 1.16 million barrels of oil per day (bpd), but hit as high as two million barrels of oil per day (bpd) by 2010. The petroleum industry is key, and accounts for almost 75 percent of the country’s revenues. It records an estimated 17,9 billion cubic feet of natural gas production from associated oil. Yet Angola has not unleashed the full potential of its hydrocarbon sector.²⁸ Angola is characterised by chronic poverty and inequality.²⁹ Good Governance Africa’s Director of Research, Dr Ross Harvey, cautions how Angola³⁰, ranked at 148 on the 2019 Human Development index, is a warning that in the absence of structural democratic reform, a country’s abundant natural resource wealth does not automatically translate to broad based economic development.

17 Obisie Orlu, V. (2023). Africa’s Energy Trilemma: Regulatory reforms and effective power market systems are crucial for addressing Africa’s energy deficit. Good Governance Africa. Available: <https://www.gga.org/maximising-the-impact-of-the-renewable-energy-independent-power-producer-procurement-programme-reipppp/>; Siyobi, B. (2023). SA’s REIPPP – Where to from here? Good Governance Africa. Available: <https://www.gga.org/maximising-the-impact-of-the-renewable-energy-independent-power-producer-procurement-programme-reipppp/>; Africa’s Energy Transition – What is best for the Continent. 2023. Africa in Fact. Issue 66. Available: <https://africanfact.com/product/aif-issue-66/>

18 International Energy Agency. (2022). The Versailles Declaration. International Energy Agency. Available: <https://www.iea.org/news/versailles-statement-the-crucial-decade-for-energy-efficiency>

19 Baskaran, G. & Robinson, Q. (2023). Natural gas can deliver energy justice and climate progress in Africa. Centre for Strategic and International Studies. Available: <https://www.csis.org/analysis/natural-gas-can-deliver-energy-justice-and-climate-progress-africa#:~:text=The%20continent%20is%20home%20to,the%20world%20natural%20gas%20reserves.>

20 The World Bank (2023). The World Bank in Angola. The World Bank. Available: <https://www.worldbank.org/en/country/angola/overview>

21 Stoddard, E. (2023, January 22). Botswana’s mining cadastre reveals hydrocarbon scramble in iconic Kalahari game reserve. The Daily Maverick. Available: <https://www.dailymaverick.co.za/article/2023-01-22-botswanas-mining-cadastre-reveals-hydrocarbon-scramble-in-iconic-kalahari-game-reserve/>

22 International Trade Administration. (2022). Democratic Republic of the Congo - Oil and Gas. International Trade Administration. Available: <https://www.trade.gov/country-commercial-guides/democratic-republic-congo-oil-and-gas>

23 Mozambique LNG. (Undated). About Mozambique Liquefied natural gas project. Mozambique LNG. Available: <https://mzlng.totalenergies.co.mz/en/about-mozambique-liquefied-natural-gas-project>

24 Wilson, T. (2023, August 27). Could Namibia be the next oil frontier?. Financial Times. Available: <https://www.ft.com/content/6e34f11a-63a5-472a-9a17-ebb70e76f6e7>

25 Africa Oil Week (2024). Africa Oil & gas project watch: Southern Africa. Africa Oil Week. Available: <https://africa-oilweek.com/Articles/africa-oil-gas-project-watch-southern-africa>

26 Stanbic Bank (2022). Tanzania LNG: A Macroeconomic Study. Available: https://www.stanbicbank.co.tz/static_file/tanzania/Common%20Content/Downloadable%20Files/LNG_MacroReport.pdf

27 Invictus Energy. (2024). Invictus delivers two basin opening gas discoveries in December quarter. Invictus Energy. Available: <https://www.invictusenergy.com/wp-content/uploads/2024/01/61191824-1.pdf>

28 International Trade Administration. (2022). Angola Country commercial guide. International Trade Administration. Available: <https://www.trade.gov/country-commercial-guides/angola-oil-and-gas>

29 The World Bank. (2023). The World Bank in Angola. The World Bank. Available: <https://www.worldbank.org/en/country/angola/overview>

30 Harvey, R. (2021). How the resource curse has played out in Namibia and Angola. Good Governance Africa. Available: <https://gga.org/how-the-resource-curse-has-played-out-in-nigeria-and-angola/>

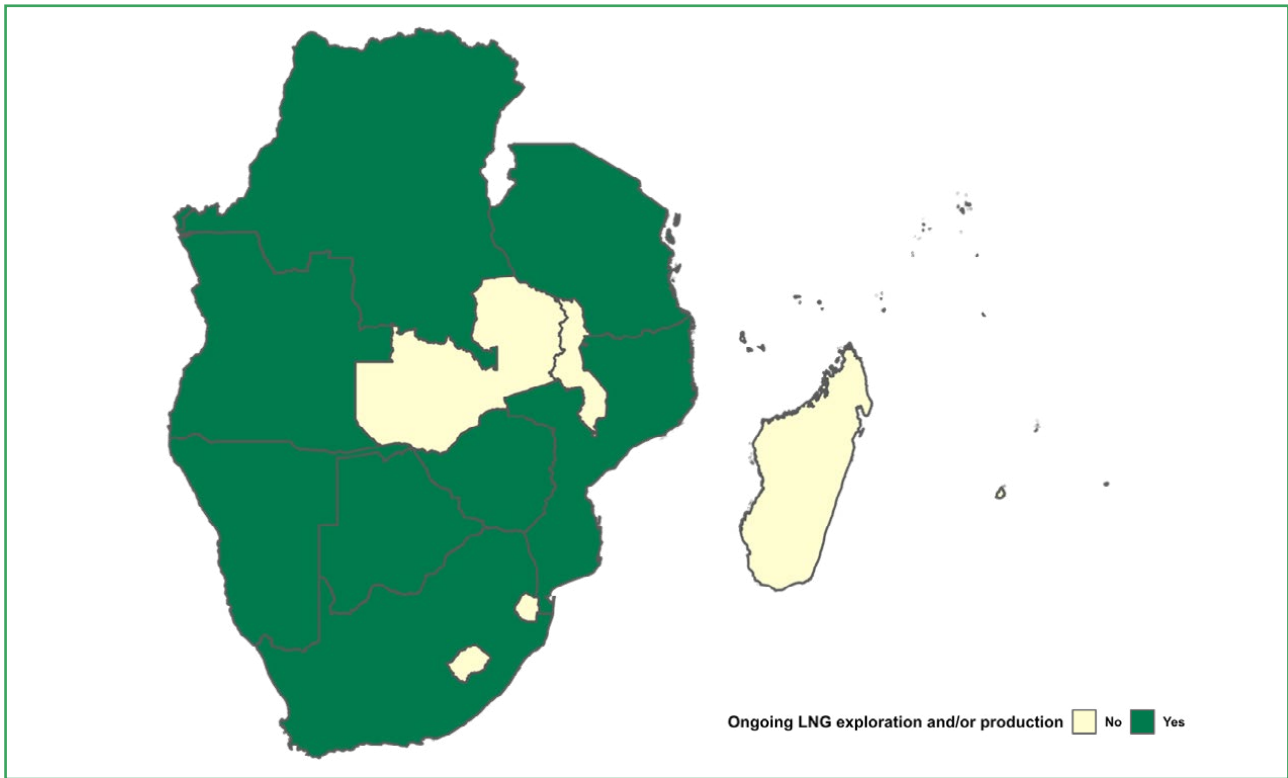


Figure 2: LNG extraction status by SADC country

Reversing the curse

African states' governments are faced with an urgent undertaking to ensure that revenue from investments in the continent's resource-rich communities feeds into the national fiscus and further translates into inclusive growth and sustainable development. It remains the continent's greatest challenge that communities that are host to some of the world's most profitable multi-national mining projects, are the poorest. Some, like Mozambique's Cabo Delgado, are presently engulfed in conflict, for which LNG discovery and development was a contributing factor.³¹

Neethling's (2021)³² analysis of this Cabo Delgado conflict highlights the multiplicity of factors that fuel the insurgency at whose core is pushback against exclusion. Paying heed to communities' socio-economic development needs is critical, and this can only be better appreciated through governments' and mining investors' meaningful consultation with communities. This is foundational to sustainable business operations and would go a long way in setting the continent

on the path to pre-empting the civil unrest and consequent resource-based conflicts that can result from communities' pushback to their exclusion³³, poverty, and inequality.

The 2004 World Bank Group's Extractive Industries Review³⁴ argues that "extractive industries can contribute to sustainable development when projects are implemented well and preserve the rights of affected people and if the benefits they generate are well used."

But what does this mean in practice? Firstly, this means that the continent's leadership should strive for inclusive, transparent, and accountable corporate and political governance buttressed through strong, effective institutions and policies. GGA's research findings in the South African Shell case are instructive. The interdict granted by the Makanda High Court, after pressure from interested and affected parties in the South African Shell³⁵ case, highlights the importance of good, responsive governance. Due to "discrepancies and shortcomings in legislation governing the environmental management of mining, the seismic survey was legally

31 Institute of Security Studies.(2022).Putting Mozambique's resource curse back on the agenda. Institute of Security Studies. Available: <https://issafrica.org/pscreport/psc-insights/putting-mozambiques-resource-curse-back-on-the-agenda>.

32 Neethling, T. (2021). Conflict dynamics in Mozambique's Cabo Delgado Province. African Centre for the Constructive Resolution of Disputes. Available:<https://www.accord.org.za/conflict-trends/conflict-dynamics-in-mozambiques-cabo-delgado-province/>

33 Neethling, T. (2021). Conflict dynamics in Mozambique's Cabo Delgado Province. African Centre for the Constructive Resolution of Disputes. Available:<https://www.accord.org.za/conflict-trends/conflict-dynamics-in-mozambiques-cabo-delgado-province/>

34 The World Bank. (1995). Striking a better balance-The World Bank Group and Extractive Industries: The Final Report of the Extractive Industries Review. The World Bank. Available: <https://documents1.worldbank.org/curated/en/961241468781797388/pdf/300010GLB.pdf>

35 Siyobi, B. (2023).The wild cost of oil exploration. Good Governance Africa. Available: <https://gga.org/the-wild-cost-of-oil-exploration-operation-shell/>

disputed on the basis that it did not obtain environmental authorisation in terms of the National Environmental Management Act (NEMA).³⁶

Secondly, consultation of local populations must not be a top-down, tokenistic, tick-box exercise. Both government and mining companies should engage in inclusive, bottom-up interactions with a genuine commitment to better understand host communities’ culture, needs, hopes, anxieties, and expectations.

While consultation processes in the research areas were carried out in both the Zimbabwean and South African cases, it was largely with traditional and other high-level community leaders. In such contexts, a culturally aware and sensitive engagement process should deliberately strive to hear directly and regularly from regular community members.

In both the South African and Zimbabwean case studies, community members affirmed that their leaders’ opinions were deemed sufficiently representative by the exploration company, a flawed process that overlooks the diverse and unique needs of a community. In the Shell case, research revealed an unconstitutional approach in which “the monarchs were the only community leaders that were consulted... because community members were not considered”.


Such disregard breeds resentment in local populations whose resources are appropriated, contaminated and livelihoods destroyed in service to these mining projects. Further to this, the LNG projects present new layers of vulnerability to host communities, aggravating climate shocks and environmental degradation. Part of the measures to avert the resource curse should aim to minimise these adverse effects before, during and phase out of the projects.

Lastly, in all the research communities engaged in this study, communities anticipate effective and equitable revenue sharing that should translate to improved services, infrastructure and quality of life. Business leaders will strengthen their bottom lines in the long-run by heeding this expectation and taking it seriously.

Conclusion

Energy is central to economic prosperity and the extractives sector is a critical partner in expanding the economic opportunities for resource rich communities. However, extraction must be founded on effective and transparent management³⁷, and equitable distribution of a country’s revenue from its natural resources for the wellbeing of the local populations. Agenda 2063 and the Africa Mining Vision already offer a roadmap for Africa to take advantage of the increased demand for its abundant natural resources.

African governments, individually and as an Organisation of African Unity (OAU) bloc and other Regional Economic Communities (RECS)³⁸, have a duty to build back trust among Africa’s citizens. They can initiate this through transparent negotiations for legally binding mining investment contracts. These should be optimally integrated into development policies at all levels and designed to ensure that revenue from all mining investments is steered towards tangible and sustainable broad-based development and good environmental governance.

Signature:	
Approved by:	Dr Ross Harvey
	Director of Research and Programmes at Good Governance Africa
Date:	12 February 2024

36 Republic of South Africa.(1998).National Environmental management Act. Republic of South Africa. Available:https://www.gov.za/sites/default/files/gcis_document/201409/a107-98.pdf

37 Institute of Security Studies.(2022)

38 African Union.(Undated) Regional Economic Communities. African Union.Avaliable:<https://au.int/en/recs>



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