

NATURAL RESOURCE REVENUES AND POVERTY REDUCTION

**Paper Prepared for Africa Local Government
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Outline

- Natural Resources in Africa
 - Africa's natural resources
 - Contributions to national development
 - GDP
 - Revenues
- Poverty
 - Definition
 - Levels in Africa
 - Using Natural Resources Revenue to Reduce Poverty
- Ghana as a Case

Natural Resources in Africa

- African mineral reserves rank 1st or 2nd for:
 - Bauxite
 - Cobalt
 - Diamonds
 - phosphate rocks
 - platinum-group metals (PGM)
 - vermiculite, and
 - zirconium

2005 Share Of World Production From Africa

- bauxite 9%
- aluminium 5%
- chromite 44%
- cobalt 57%
- copper 5%
- gold 21%
- iron ore 4%
- steel 2%
- lead (Pb) 3%
- manganese 39%
- zinc 2%
- cement 4%
- natural diamond 46%
- graphite 2%
- phosphate rock 31%
- coal 5%
- mineral fuels (including coal) & petroleum 13%
- uranium 16%

2005 Strategic Minerals And Keys Producers:

- Diamonds: 46% of world share: Botswana 35%; Congo (Kinshasa) 34%; South Africa 17%; Angola, 8%
- Gold: 21% of world, share : South Africa 56%; Ghana, 13%; Tanzania, 10%; and Mali, 8%.
- Uranium: 16% of world, share : Namibia 46%; Niger 44%; South Africa less than 10%.
- Bauxite (for aluminium): 9% of the world, share as: Guinea 95%; Gana 5%.

2005 Strategic Minerals And Keys Producers:2

- Steel: 2% of world share: South Africa 54%; Egypt 32%; Libya 7%; Algeria 6%
- [Aluminium](#): 5% of the world, share as: South Africa 48%; Mozambique 32%; Egypt 14%
- Copper (mine/refined): 5%/ of world shared: Zambia 65%/77%; South Africa 15%/19% ; Congo (Kinshasa) 13%/0%; Egypt 0%/3%
- Platinum/Palladium: 62% of world share: South Africa 97%/96%
- Coal: 5% of world share: South Africa 99%.

Poverty

- Definition of poverty:
 - Has been faces, many definitions.
 - It can be described as the deprivation of economic, political, social, and livelihood choices.
- Levels of poverty

What Are The Means To Reduce Poverty?

- One way to reduce poverty is to increase assets of the poor, this will help them manage vulnerabilities.
- Studies of Ethiopian pastoral farmers suggest that those with larger herds are more able to escape from poverty traps.
- Acquisition of land banks, e.g. Kwabre District Assembly in Ashanti Region acquired a 100-acre land for distribution to the youth.

GHANA

- Profile
- Natural Resources in Ghana
- Types of Natural Resource
 - The law on ownership of natural resources

Profile of Ghana

- Population:
 - 23,887,812
 - growth rate of 2.4%.
 - People per square km. 88
- Life expectancy 60yrs.
- Main exports:
 - Gold, cocoa, timber, tuna, bauxite, aluminium, manganese ore, diamonds, horticulture.
 -



Energy Resources

- Electricity- 11%: (47% including 17% of rural population has access to grid electricity)
 - Irregular generation due to changing rainfall patterns
- Hydro Carbons.
 - Petroleum products represent 29% of energy consumed.



Energy Resources -2

- Bio mass – wood, charcoal
 - provides 60% of fuel
 - wood fuel and kerosene are main source of energy for rural communities
 - have a negative impact on health of women and children.
- Wind
- Solar

Poverty Trends in Ghana

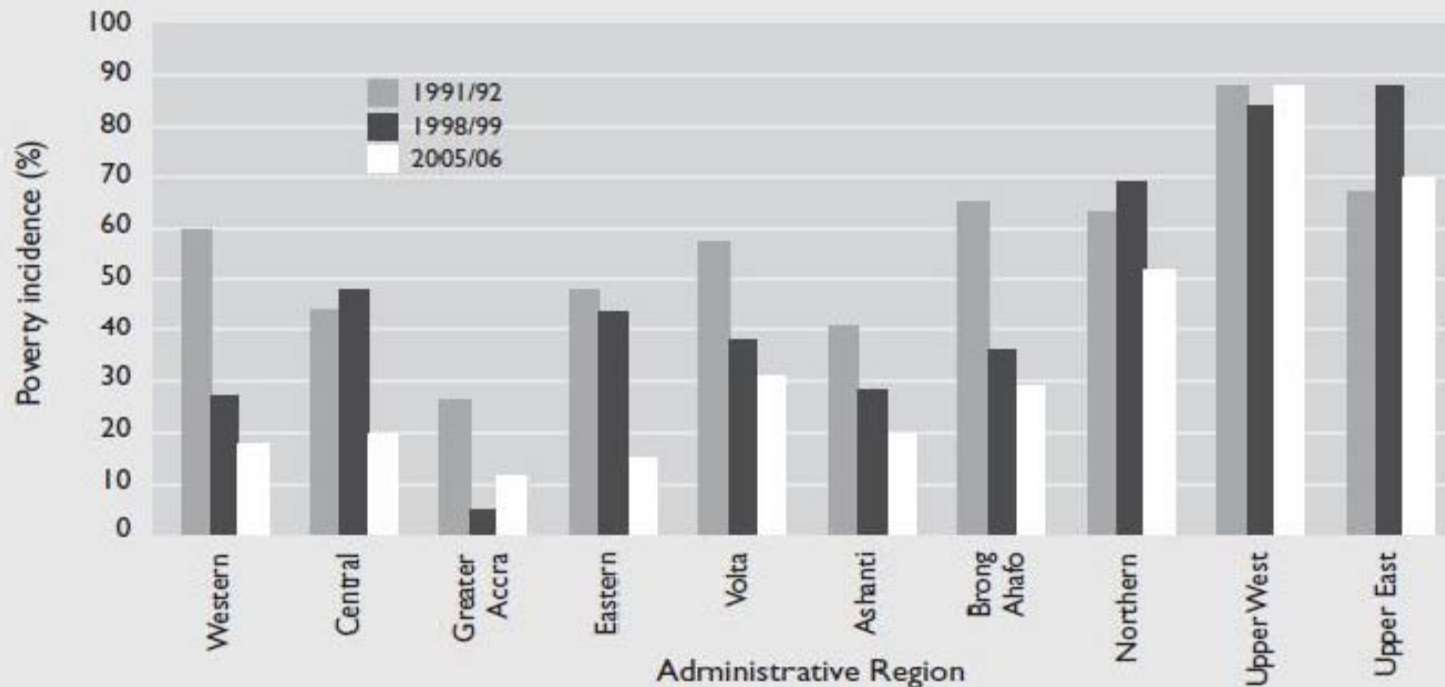
- Poverty incidence fell from 39.5% in 1998/99 to 28.5% in 2005/06
- Natural Resource Revenue and Poverty in Ghana
- Revenue from Natural Resources
 - Types of revenue
 - Collection
- Revenue Disbursement
 - The Law

Labour Statistics for Large Scale Mining

Type of Labour Year	2006	2007	2008
Expatriate Staff	363	356	408
Ghanaian Senior Staff	3,291	2,734	3,211
Ghanaian Junior Staff	15,088	16,150	15,098
Total Labour	18,742	19,240	18,717

Poverty Incidence By Region

Graph I. Poverty Incidence by Administrative Region*



Source: Pattern and Trends of Poverty in Ghana, 1991-2006, Ghana Statistical Service, April 2007.

* Poverty incidence is calculated based on an upper poverty line.

Total Merchandise Exports (US\$) by Mining Sector

Exports	Unit	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gold	US\$' Mill.	702	618	689	830	840	946	1,367	1,278	2,246
Diamonds	US\$' Mill.	12	21	21	23	26	36	31	28	25
Bauxite	US\$' Mill.	13	16	15	11	9	16	23	20	22
Manganese	US\$' Mill.	29	37	29	29	29	37	41	33	53
Total Minerals Exports	US\$' Mill.	756	691	754	894	905	1,035	1,462	1,358	2,346
TOTAL EXPORTS	US\$' Mill.	1,936	1,867	2,064	2,297	2,704	2,802	3,365	3,241	5,181.9
All Minerals Exports/TOTAL EXPORTS	US\$' Mill.	39%	37%	37%	39%	33%	37%	43%	42%	54%

Source: Minerals Commission 2010

Communities, Natural Resources and Development

- Employment in the Mining Sector
- At end of 2008 provided 24, 000 jobs for Ghanaians in the formal sector
 - i.e. direct jobs with operating mines and mine support service companies.

- Employment in the Timber Sector
 - Timber Exports
 - Angola, Australia, Belgium, Germany, Italy, USA
- Tarkwa - Gold
- Obuasi - Gold

Formula for Mineral Revenue Distribution

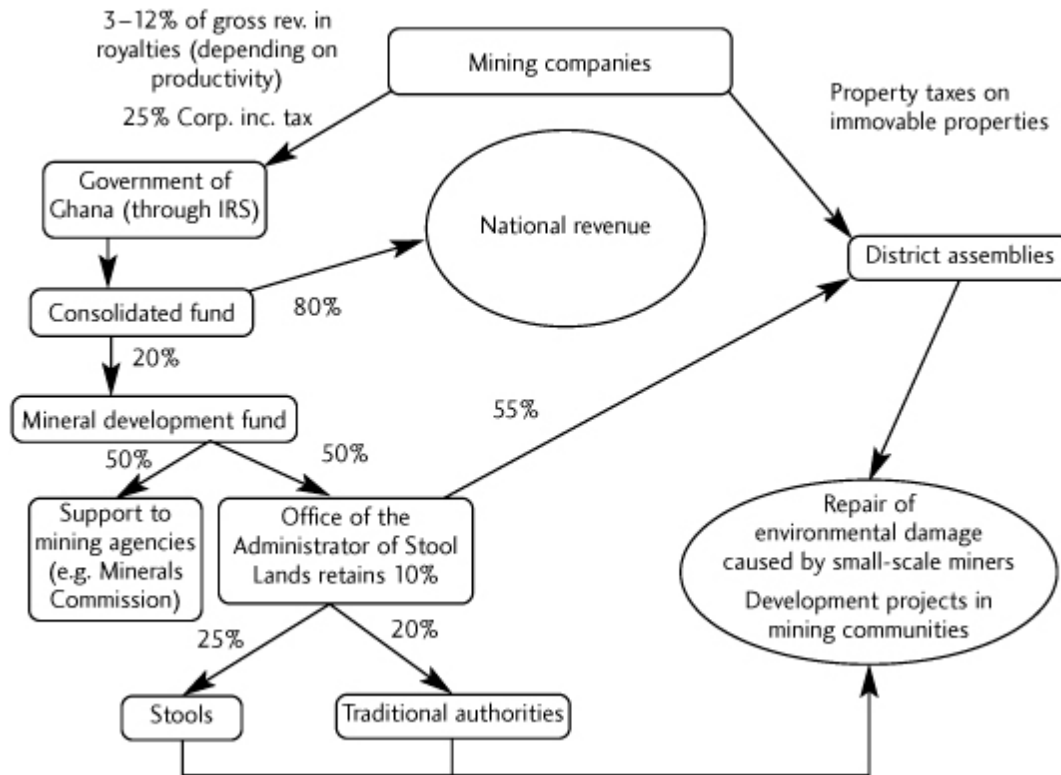


Figure 1 Distribution of mining royalty among stakeholders

Source: Botchie et al. (2007).

Artisanal Mining

- Introduce Slides
- Employment
 - Small Scale Mining (SSM) generated about 500,000 jobs.
 - About 500,000 to a million benefit directly or indirectly from the activities of SSMs.
- Environmental Impacts
- Introduce Slides
- Legislation
- Policy issues/Review of Current Legislation

Challenges

- Focus of central government on revenue accumulation.
- Limited political interest in sharing more revenue with natural resource origin communities
- Lack of accountability and expenditure prioritization (planning and budgeting) among local authorities.
 - Stool Land owners
 - Traditional Council
 - District Assembly

Challenges-2

- Degradation of forest from mining, logging and fires
 - 1990- 2000: Ghana lost an average of 135,400 hectares of forest per year; rate of deforestation is 1.82%.
 - 2000-5: rate of forest change increased to 1.89%.

Conclusion

- Countries with history of strong central government, there is little revenue for local authorities to use for local development.
- Communities are small, isolated and not politically powerful
- Revenues have not impacted poverty reduction in communities
- Environment is being degraded by individual firms, small scale miners, local poor, etc.

Recommendations

- More commitment to poverty reduction on the part of government, Local authorities, development partners and Brentton Woods Institutions
- Emphasis on equity to balance the current ideological focus on efficiency
- Increase civil society involvement and empowerment of local communities
- Stronger oversight by existing agencies; e. g. EPA, planting of fuel wood, taxation of charcoal, subsidy of LPG

Thank For Your Patience

