



USING NATURAL REOURCES FOR BROAD-BASED DEVELOPMENT: HOW CAN THE OECD HELP?

Dr. Lahra Liberti
Senior Adviser on Natural
Resources
OECD Development Centre



Key points

- OECD Development Centre in a nutshell
- Main findings of the thematic chapter of the 2013 edition of the African Economic Outlook on “Structural transformation and natural resources in Africa” (in cooperation with AfDB, UNDP and ECA)
- OECD Policy Dialogue on Natural Resource-based Development



What is the OECD Development Centre?

- The creation of the OECD Development Centre was proposed by US President John F. Kennedy in an address to the Canadian Parliament in Ottawa on 17 May 1961.
- Its objective is to help decision makers in both OECD and partner countries to find policy solutions to stimulate growth and improve living conditions in developing and emerging economies.
- Unique place within the OECD and the international community with 41 member countries. The World Bank, the African Development Bank and the International Monetary Fund are all observers. The European Union also takes part in the work of the Governing Board.



41 countries, of which 24 are OECD members and 17 are developing and emerging economies.

	<u>Argentina</u>		<u>Iceland</u>		<u>Poland</u>
	<u>Austria</u>		<u>India</u>		<u>Portugal</u>
	<u>Belgium</u>		<u>Indonesia</u>		<u>Romania</u>
	<u>Brazil</u>		<u>Ireland</u>		<u>Senegal</u>
	<u>Cape Verde</u>		<u>Israel</u>		<u>Slovakia</u>
	<u>Chile</u>		<u>Italy</u>		<u>South Africa</u>
	<u>Colombia</u>		<u>Republic of Korea</u>		<u>Spain</u>
	<u>Costa Rica</u>		<u>Luxembourg</u>		<u>Sweden</u>
	<u>Czech republic</u>		<u>Mauritius</u>		<u>Switzerland</u>
	<u>Dominican Republic</u>		<u>Mexico</u>		<u>Thailand</u>
	<u>Egypt</u>		<u>Morocco</u>		<u>Turkey</u>
	<u>Finland</u>		<u>Netherlands</u>		<u>United Kingdom</u>
	<u>France</u>		<u>Norway</u>		<u>Vietnam</u>

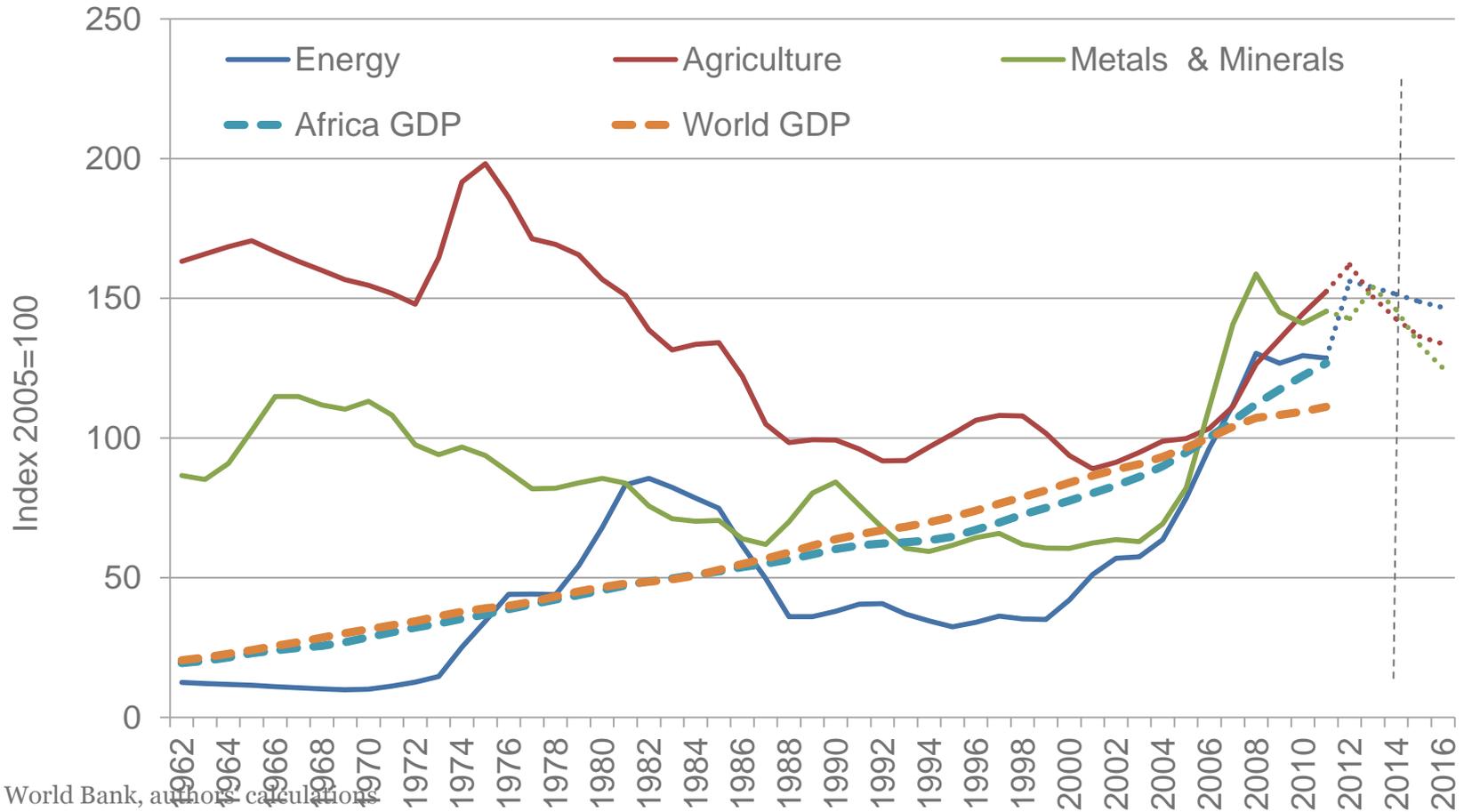


Main findings of 2013 AEO : Structural transformation and natural resources in Africa

- *Natural resources are Africa's comparative advantage*: taking together agricultural commodities, timber, metals and minerals, and hydrocarbons, natural resources have accounted for 35% of Africa's growth since 2000.
- Resource-based raw and semi-processed goods accounted for 80% of African export products in 2011, compared with 60% of Brazil, 40% in India and 14% in China.



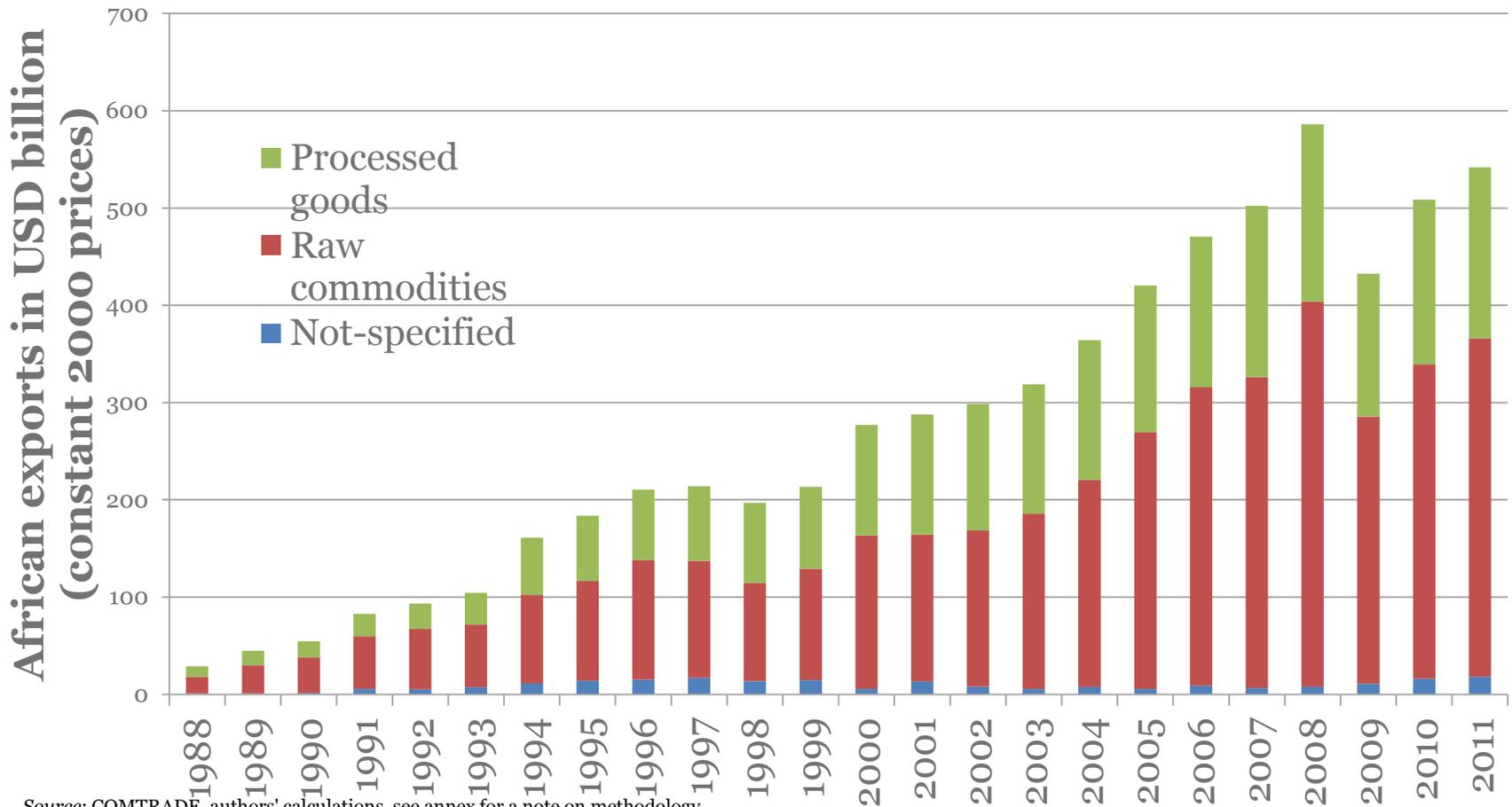
Improved terms of trade have contributed to growth by strengthening resource sectors



Source: World Bank, authors' calculations



The global natural resource boom: Africa's exports benefited but processed goods did not lose out



Source: COMTRADE, authors' calculations, see annex for a note on methodology



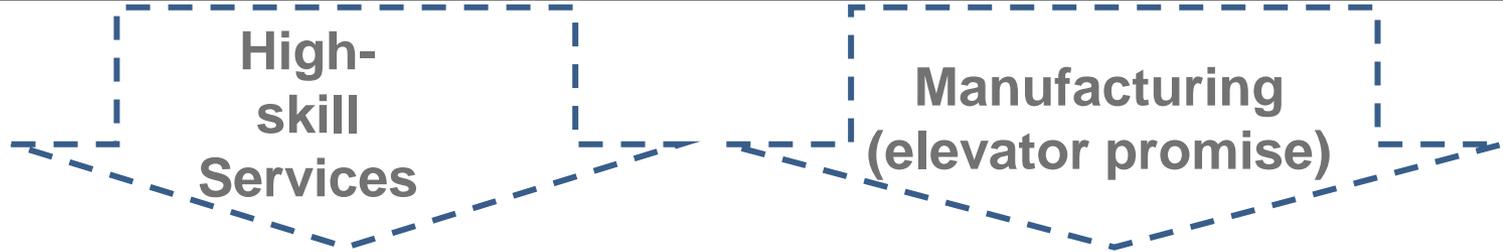
Africa is back on the map for international investment

- The high level of prices, the growing global demand for raw materials and new discoveries of mineral and energy resources create a window of opportunity for Africa's broad-based development.
- This requires policy makers to analyse the obstacles to structural change and draw lessons from countries that have built on their natural resource wealth to chart a long-term sustainable growth path



More Diversification is Necessary

Natural resources can be used to turn obstacles into opportunities



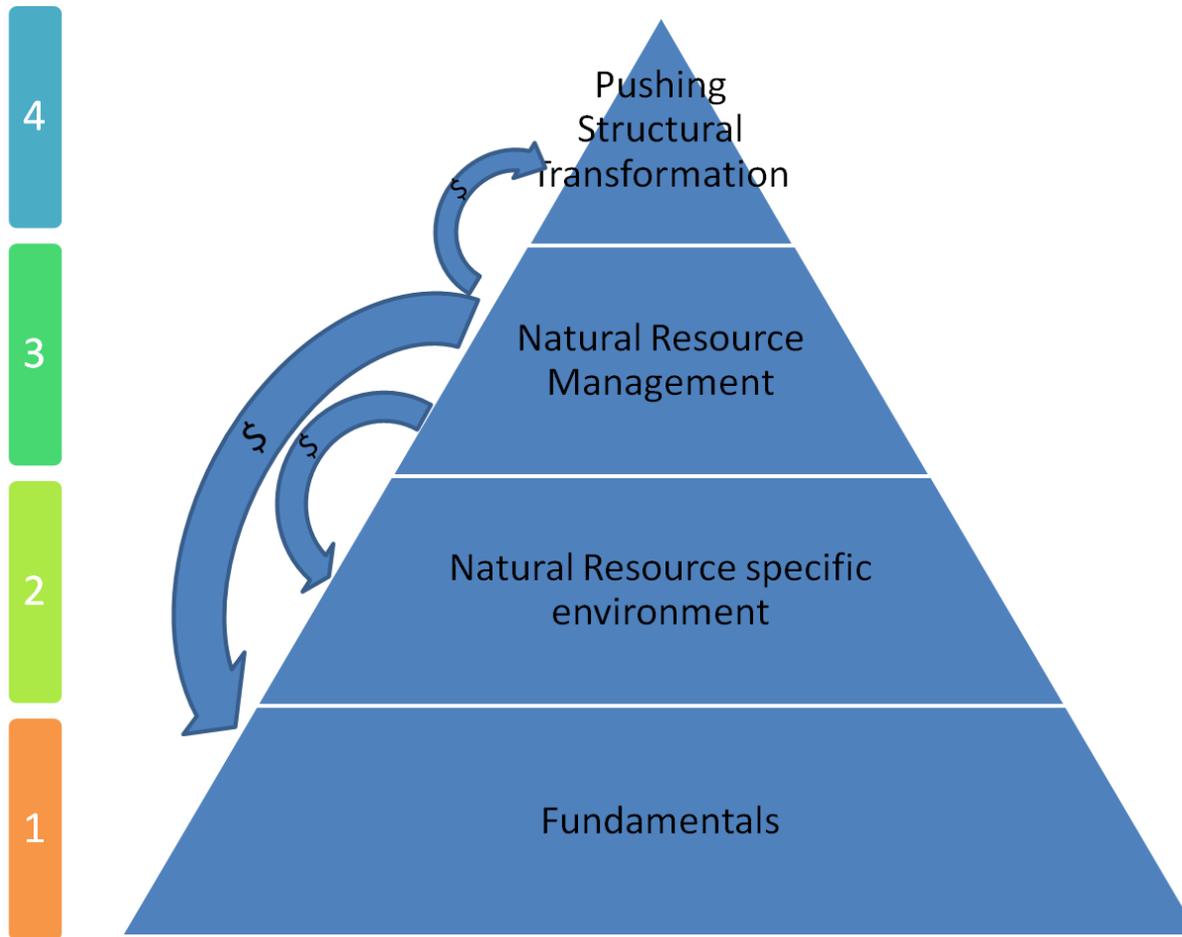
Limiting Factors:

Political instability, low-skill labour abundance; learning processes; inadequate infrastructure; productivity hurdles like small markets, access to finance, labour costs and poor public services



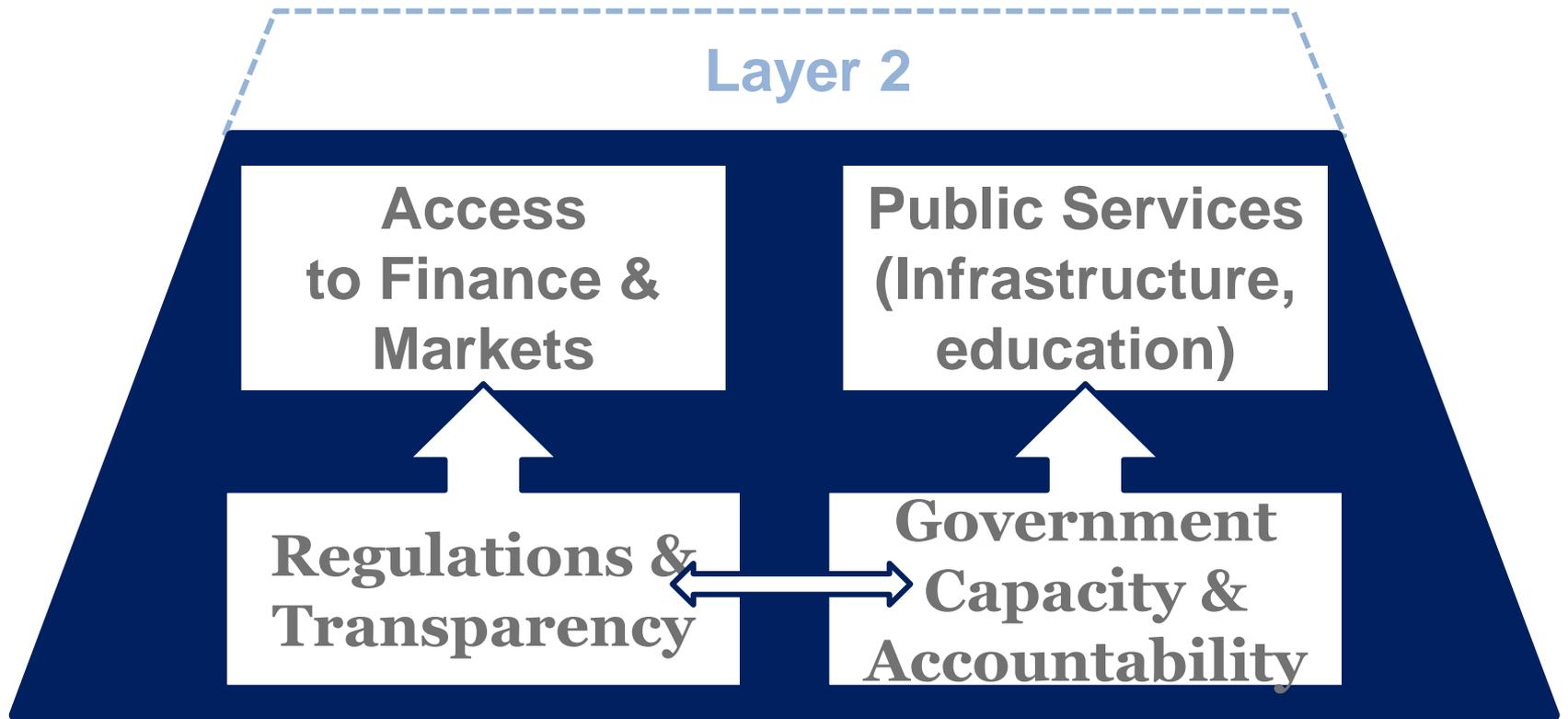


A 4-layer policy approach to harnessing natural resources for structural transformation



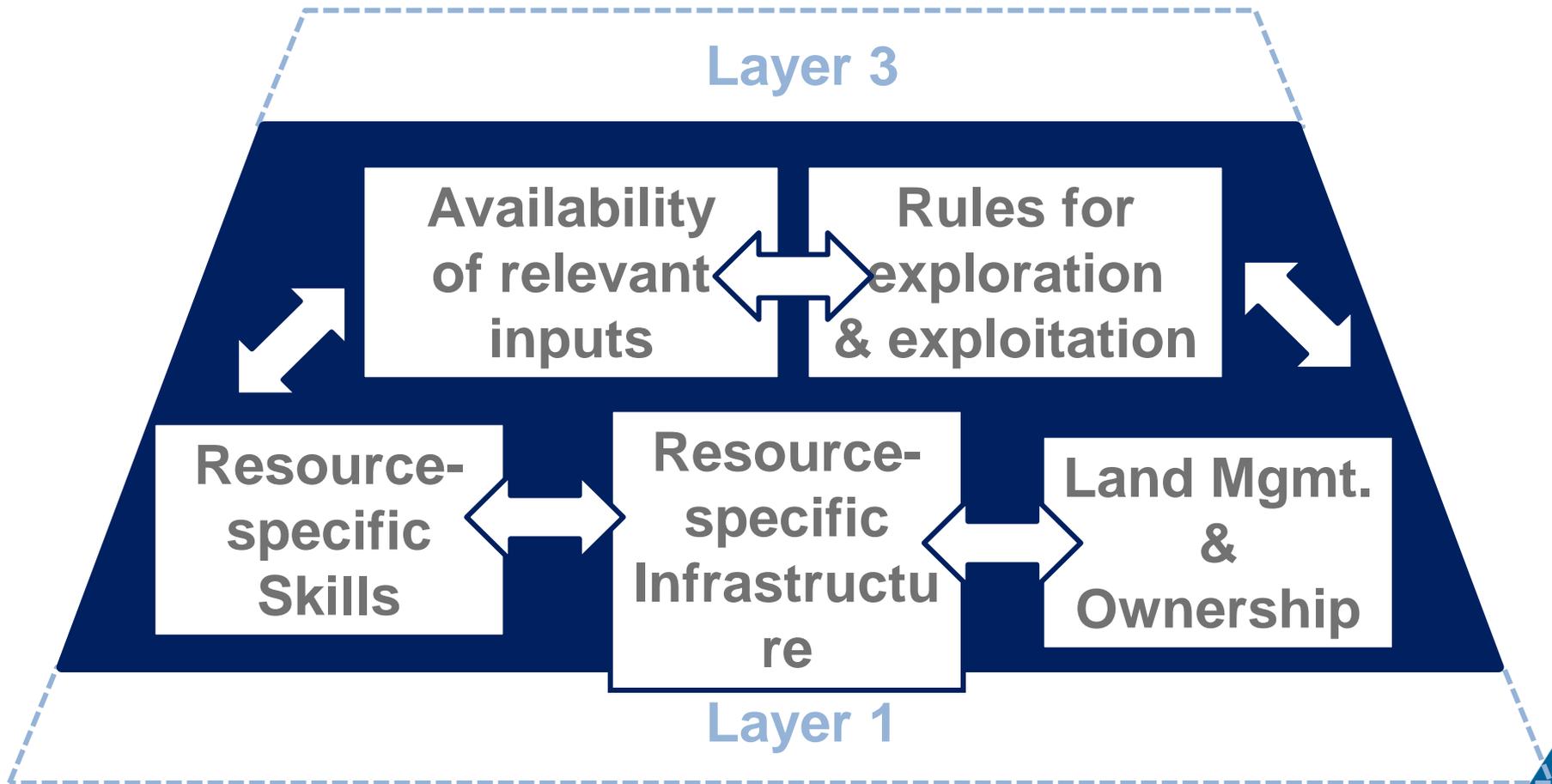


Layer 1: Laying strong foundations





Layer 2: Creating a favorable environment for resource sectors to thrive





Energy needs for metal refining & Africa's generation capacity

Country	2009 Electricity production (GWh)	2009 Energy need for refining of mining production (GWh), (bauxite, iron, copper and nickel only)	Energy requirement of base metal refining as share of total electricity output
Botswana	444	2,996	675%
Tanzania	4,628	2,583	56%
Congo, Dem. Rep.	7,830	7,738	99%
Zimbabwe	7,878	411	5%
Ghana	8,958	8,800	98%
Zambia	10,308	15,946	155%
Algeria	42,769	6,600	15%
Egypt, Arab Rep.	139,000	7,200	5%
South Africa	246,815	336,991	137%
Africa*	664,051	764,210	115%



Layer 3: Natural Resources: Managing the Challenges and Opportunities

Layer 4

Managing the impact on communities & environment

Managing Expectations

Optimising revenue resources

Managing Revenues and Volatility

Layer 2



Layer 4: Pushing Structural Transformation

**Creating
Viable
Linkages**

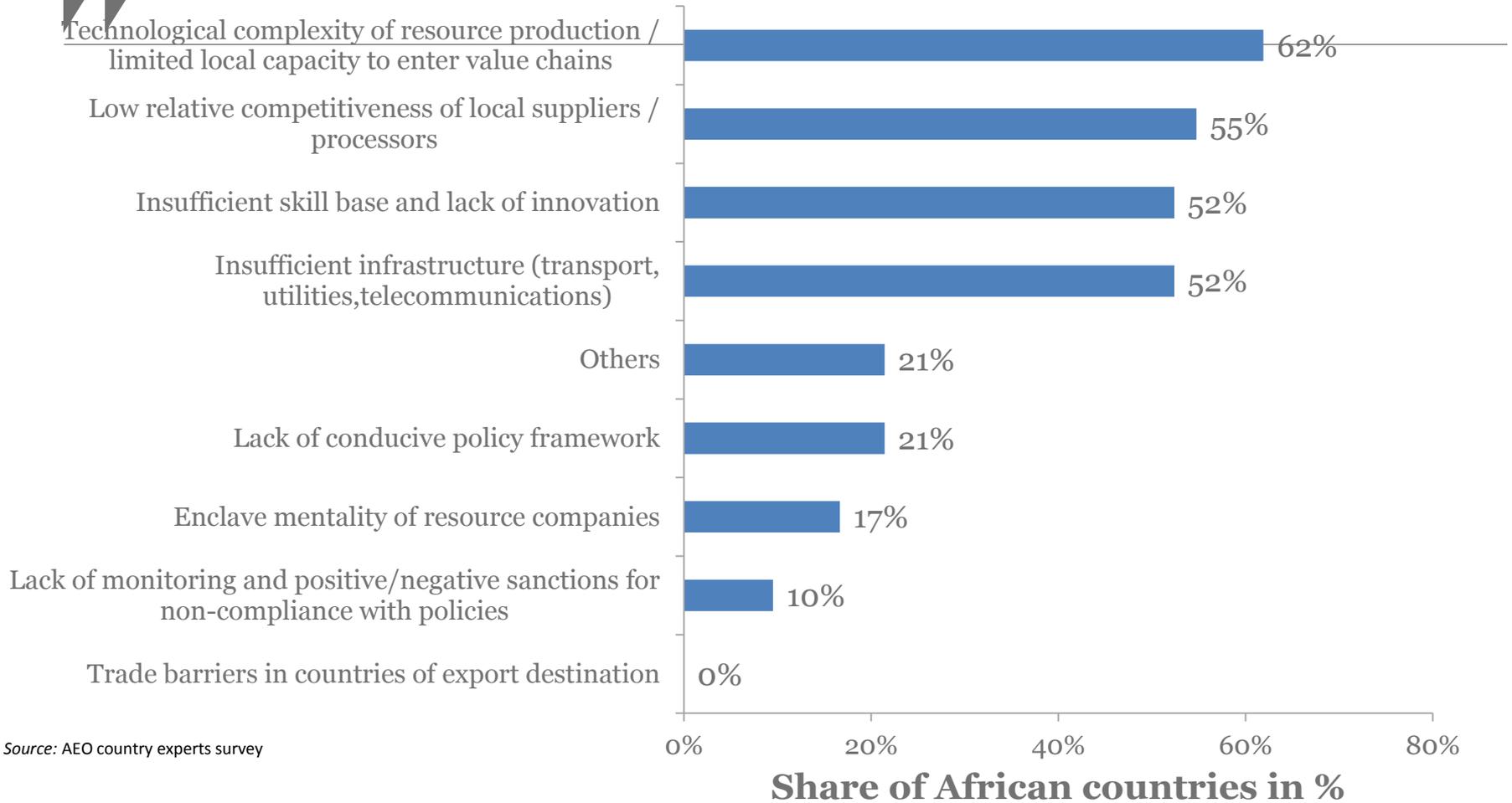
**Focusing on
Agricultural
Productivity**

**Building
Capabilities**

Layer 3



Obstacles to linkages





OECD contribution to harnessing natural resource potential for broad-based development and inclusive growth

- **What:** policy dialogue on natural resource-based development aims to identify under what conditions and how natural resources can play a transformative role and have a multiplier effect on the local economy.
- **Who:** 15-20 OECD and partner resource-rich countries participating on an equal footing.
- **How:** *Leveraging OECD's comparative advantage:* build capacity in policy making, using OECD consolidated peer-learning and peer-review methodologies.
- **Approach:** search for common ground among participating countries on areas of shared interest/common challenges; mutual understanding of countries' objectives, opportunities and constraints and learning from successful experiences and mistakes.; facilitate convergence of efforts making the most of existing initiatives
- **Intermediary and ultimate outputs:** thematic peer-reviews and comparative analysis eventually leading to operational frameworks (“how to “ thematic guides)



Expected benefits

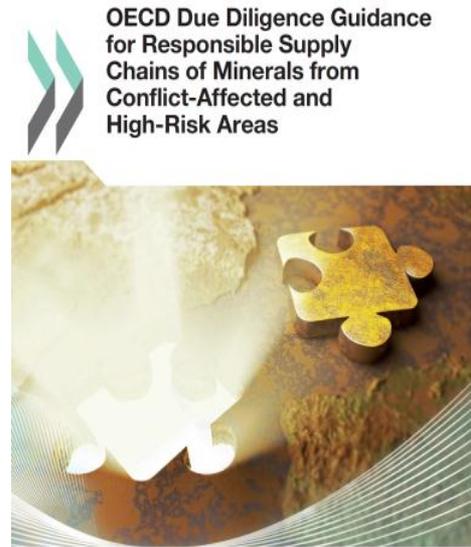
- **Common understanding of challenges** faced by participating countries as well as **building common ground on workable approaches through peer-learning and experience-sharing;**
- **Enabling** participating countries to design policies in line with their specific priorities and objectives;
- **Improving** resource-rich countries' **ability to receive an enhanced share of revenues** and **use** them to best promote **broad-based development;**
- identifying ways to **strategically coordinate with the private sector to design win-win situations** and achieve mutually beneficial outcomes, **including through market driven processes.**



Using OECD instruments as transformational tools for development

On the ground, it is estimated that at 600 mine sites in the DRC and Rwanda, industry programmes to implement the Guidance have enabled some 45,000 artisanal miners – who provide support for 225,000 dependants - to bring the minerals they dig to the legitimate market.

The UN Group of Experts on the DRC also reports that private sector due diligence efforts in the DRC and Rwanda have resulted in increased government revenues and improved government capacity to monitor the mineral sector and produce reliable data on mineral extraction and trade





Thank you

For further information, contact:
lahra.liberti@oecd.org