



Preface

by

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The global political economy is in a period of profound restructuring and reordering, exacerbated by the simultaneous rise of the BRICS countries and decline of the PIIGS of the euro zone, which have now been joined by Cyprus. Jan Nederveen Pieterse (2012, 2–3) indicates that “twenty-first century globalization is markedly different from twentieth century globalization . . . New trends in the twenty-first century are the rise of the global South, the growth of South-South relations in trade, energy and politics, and the growing role of emerging societies and sovereign wealth funds.” In early 2013, PricewaterhouseCoopers suggested that “China is projected to overtake the US as the largest economy by 2017 in purchasing power parity terms and by 2027 in market exchange rate terms. India should become the third ‘global economic giant’ by 2050, a long way ahead of Brazil, which we expect to move up to 4th place ahead of Japan” (PwC 2013, 1). Hence the focus of the latest *Human Development Report* by the United Nations Development Programme—the rise of the South.¹

In 2011, participants at the first Ottawa Forum hosted by the North-South Institute (NSI) started with such assumptions to analyze and anticipate multilateral development cooperation in a changing global order. Then NSI president and CEO Joseph Ingram (2011, 10) highlighted several evident “paradigm shifts,” among them economic and power shifts toward emerging economies, growing public debates on the respective roles of public and private sectors in generating sustainable growth, and the unprecedented growth in demand for natural resources. Two years later, given the BRICS countries’ continuing impact on the demand for and price of energy and minerals, NSI held its second Ottawa Forum on the myriad development issues surrounding the governance of natural resources, particularly for Africa’s development. Chatham House recently produced a telling report titled *Resources Futures* which asserted that “collaborative governance is the only option”: “Investment in the environmental and social resilience of developing economies will be critical to long-term resource security . . . [E]merging economies such as China, India and Brazil must become partners with the OECD . . . New modes of engagement also become critical as the centres of key decision-making on resources become diffused beyond traditional powers” (Lee et al. 2012, 8–9). Participants at the second Ottawa Forum, several of whom have contributed to NSI’s present *Canadian International Development Report*, assessed significant and emerging issues, natural resource sector regulations, political, economic, and social impacts, and transnational initiatives in hope of making this option a reality.

In anticipation of the final discussions on the post-2015 development framework next year, NSI’s report privileges and juxtaposes African countries and Canada as key

¹ See UNDP (2013).

players in the emerging governance of natural resources. Africa is set to grow faster than any other region for at least the rest of this decade, facilitated by burgeoning foreign direct investment (*The Economist* 2013). The expanding literature on African agency is downplaying inherited dependency (Brown and Harman 2013) and indicating that the currently emerging economies will become dominant by mid-century (Ward 2012). Canada, on the other hand, is one of the global leaders in natural resources, including energy and agriculture, identified by Chatham House (Lee et al. 2012). As these and other key players move forward, the governance of natural resources is becoming increasingly transnational rather than intergovernmental (VanDeveer 2013).

Mining and extractive sectors constitute significant and progressively more important generators of exports and tax revenues for many African countries, as demonstrated by a March 2013 special report in *The Economist* titled “Emerging Africa: A Hopeful Continent.”² These sectors hold enormous potential to finance the rapid infrastructure development and private sector-led socio-economic development projects that are needed for sustainable broad-based economic growth and poverty reduction. Hence the advocacy for “developmental states” by the United Nations Economic Commission for Africa, which has so far led to the articulation of the evolving Africa Mining Vision that was adopted by heads of state at a 2009 African Union summit and is linked to the Mining Policy Framework tabled to the United Nations Commission on Sustainable Development in 2011 by the 48-member Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (UNECA 2011). The Africa Mining Vision and its associated Action Plan form the most complete framework for collaborative governance on a continent with 54 national governments and abundant natural resources.

Africa is endowed with some of the most sought-after natural resources in the world. It has 300 million hectares of potential land for rain-fed agriculture (Ahlenius 2006) and 80 transboundary rivers and lake basins, including 17 large catchment areas exceeding 100,000 square kilometres each. With respect to minerals, the continent holds roughly 60 per cent of the world’s diamonds, 40 per cent of its phosphate, and 30 per cent of its cobalt reserves, just to name a few. From 2000 to 2011, natural resource extraction constituted a major component of real gross domestic product growth in over 15 resource-rich African countries, including over half of all growth in Equatorial Guinea, Ghana, and the Democratic Republic of the Congo (IMF 2012, 65). With high commodity prices and the rise of emerging economies, in particular the BRICS countries, driving multinational mining companies to implement more ambitious investment strategies, increased attention in African countries, Canada, and elsewhere

² See *The Economist* (2013).

is now being directed to harnessing Africa's resources for development (*The Economist* 2013).

Canadian-owned mining companies have been at the forefront of foreign investment and exploration in Africa since the early 1990s, with Canadian mining assets on the continent being the second most valuable in terms of region at over \$22.2 billion in 2012, only behind those in South America (Natural Resources Canada 2014). The energy and metallic minerals sector comprises the second largest component of Canadian foreign direct investment, with approximately \$30 billion worth of mining investment in Africa. Mining companies registered on Canadian stock exchanges are present in over 35 African countries, representing the fifth largest source of investment in the sector behind Australia, China, South Africa, and India.

In Africa in particular, an abundance of natural resources could be the key factor to poverty alleviation and lasting prosperity. Since the mid-1990s, more than 40 African countries have substantially changed their mining legislation in order to attract more foreign direct investment. These changes have helped facilitate the deregulation and privatization of natural resource sectors. However, poor resource management can result in wasteful use of human capital, the exploitation of the resources on which societies' livelihoods are based, and in extreme cases political instability and violence at both national and regional level (Buckles 1999). Additionally, with the rise of the BRICS countries as significant investors in Africa, climate change, population growth, and often competing public and private sector interests, the continent is experiencing heightened competition for its land, water, oil, and mineral resources (Brown and Harman 2013).

From the perspective of African stakeholders, effective natural resource governance is increasingly regarded as the key determinant of Africa's economic growth and future investment opportunities, especially if official development assistance volumes continue to decline. The Africa Mining Vision stands as a continental policy response to collectively improve natural resource governance. African leaders have come to recognize that the manner in which the continent's resources are managed and extracted fundamentally affects their abilities to mobilize more domestic resources, contribute to sustainable economic and social development, and enhance both state and human security. Given a changing global order distinguished by growing South-South relations, an understanding of Africa's governance of natural resources and the way in which this governance is likely to evolve is of greater importance than ever—especially for emerging economies seeking to invest in the continent.

A consistent and continually evolving innovative and inclusive approach to the governance of natural resources is required if foreign investment and private sector

activities are to support sustainable development and contribute to peace, security, and political stability in Africa. Clear objectives for all stakeholders must include the improvement of transparency and accountability, promotion of free, prior, and informed consent protocols, reinvestment of natural resource revenues into social services and poverty reduction for local mining communities and the larger populations of host countries, and diversification of economic development in resource-rich African countries. Given the scope of challenges and complexity of the underlying issues, an improved analytical framework for understanding the changing linkages between traditional and emerging private sectors, local communities, corporate social responsibility and free, prior, and informed consent practices, and host governments is necessary. This topical *Canadian International Development Report* can help delineate such an approach, these objectives, and this analytical framework.

Going forward, mutual learning about the governance of natural resources among actors from both the North and South and renewed multilateralism are essential. The Africa Mining Vision contains valuable insights for Canada and Canada could share important relevant information and analyses with African countries. Regarding multilateralism, Canada could set an example by following Norway to become an Extractive Industries Transparency Initiative Compliant country while also encouraging African, Asian, and Latin American countries to implement the standard. Indeed, now that the European Union is replicating and extending the reporting regime of the Dodd-Frank Act of the United States to include “conflict minerals,” there is a danger that Canada will be left behind despite its earlier advocacy for the Kimberley Process on conflict diamonds. Both old and newer forms of enlightened multilateralism are needed now more than ever.³

³ For a discussion on emerging forms of multilateralism, see Besada and Kindornay (2013).

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