Foreword

Sustainable natural resource management has the potential to transform economies of resource-rich countries in Africa. Envisioning the future of economic growth in Africa, the African Development Bank is focusing on equity, inclusiveness, the preservation of natural capital, and the creation of decent jobs, especially for youth and women. Almost all fragile states have abundant natural resources that can serve as a foundation for employment and macroeconomic development; however, these states often lack the capacity to effectively transform those resources into sustained economic growth, good jobs, and the achievement of the Millennium Development Goals. Moreover, natural resources are often strongly linked to conflict and fragility, from diamonds financing conflict in Sierra Leone to the control of oil fields as a key tension between South Sudan and Sudan.

The Bank mobilizes significant resources for development projects in African fragile states. Between 2008 and 2011, the Bank disbursed over US$1 billion through the Fragile States Facility (FSF) alone. This is a small portion of Bank lending to fragile states, which also includes support through the African Development Fund and other mechanisms, such as the Congo Basin Forest Fund, the African Water Facility, and the African Legal Support Facility, which are administered by the Bank. On average between 2011 and 2012, the Bank was among the 10 largest donors of official development assistance in 13 of the 19 fragile states eligible for funding under the Bank’s FSF. Among five of these 13 African fragile states, the Bank was among the top five donors. This funding has been distributed to a wide array of development initiatives, including natural resource management initiatives. For example, the funds help fragile states transparently manage resource revenues, increase agricultural production, and expand access to water.

The Bank has developed the Flagship Report for government officials, members of civil society, private sector actors, Bank staff, and other development partners working in African fragile states. The Report posits that fragility is a continuum, and many states that are not fragile experience tensions, localized conflict, and other pockets of fragility. African states experiencing these localized challenges can use these techniques and approaches to build resilience. Accordingly, the African experiences in this report are also relevant to fragile states globally.

The Flagship Report seeks to build resilience in African fragile states by charting a course toward a more effective and conflict-sensitive natural resource management. It builds on many innovative Bank projects and experiences by Regional Member Countries (RMCs) and other development partners. The Flagship Report is part of a series of comprehensive efforts to improve Bank programming in fragile states by considering fragile states’ contexts, supporting national peacebuilding and statebuilding, and increasing conflict sensitivity in Bank programming.

The report is the product of extensive consultations with Bank staff, officials from African fragile states, representatives from development partners, and stakeholders from civil society and the private sector. It focuses on how fragile states, the Bank, and other development partners can more effectively harness natural resources to address the causes and drivers of state fragility. It identifies key challenges and approaches to natural resource management that African fragile states and development partners have tailored to address these challenges. The Flagship Report emphasizes core principles that are particularly important where weak governance, lack of capacity, and other challenges require more focused attention beyond what is needed in other developing country contexts.

The Bank is proud to build on its collaboration with African fragile states and other RMCs as they leverage their natural capital to support inclusive economic growth as part of the national peacebuilding and statebuilding process.
Introduction

1.1 Fragility, Conflict, Resilience, and Natural Resources

Drawing from a general consensus on classification of countries where fragility is a dominant development challenge, 20 African states were listed as fragile in 2014 (see box). Central to the focus of many development efforts in most fragile states are resilience, peacebuilding, and statebuilding. This is largely due to the fact that fragile states experience development challenges more acutely than other developing countries, and they have the farthest to go to meet the Millennium Development Goals. Globally, 65 percent of people who lack access to safe water and 60 percent of people without adequate nourishment live in fragile states.

Fragile states are disproportionately likely to be affected by conflict. Almost 80 percent (15 out of 19) of African fragile states have experienced armed conflict in the last 20 years, with 11 countries experiencing armed conflicts in the last 10 years. Conflict, in turn, increases state fragility. To break the conflict cycle and build resilience, fragile states must address the causes and drivers of conflict when designing and implementing strategies for statebuilding.

Nineteen African states were listed in the FY 2013 Harmonized List of Fragile Situations: Angola, Burundi, Central African Republic (CAR), Chad, Comoros, Congo, Côte d’Ivoire, Democratic Republic of the Congo (DRC), Eritrea, Guinea, Guinea-Bissau, Liberia, Libya, Sierra Leone, Somalia, South Sudan, Sudan, Togo, and Zimbabwe. These states—with the exception of Angola and Libya—were eligible for funding through the Bank’s Fragile States Facility (FSF). Djibouti and São Tomé and Príncipe were also eligible for FSF funding based on their classification as fragile states in previous years. The figures in this report focus on those countries that were eligible for FSF funding in FY 2013.

Fragility is fluid, and the list of fragile states changes each year. Twenty African states are listed in the FY 2014 Harmonized List of Fragile Situations. Many of the countries are the same; however, Angola, Djibouti, São Tomé and Príncipe, and Guinea are no longer listed as fragile, and Madagascar, Mali, and Malawi have been added to the list.

For the purpose of this report, the term “African fragile states” refers to FY 2013 FSF-eligible countries. However, it is worth noting that due to the limitation of the CPIA approach and the recognition that fragility as a critical development challenge that neither respects borders nor is limited to a category of countries, the new Bank Group Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019) offers a broader perspective by focusing on “fragile situations”.

Fragile States Classification

For operational and resource allocation purposes, the Bank uses a classification approach agreed by Multilateral Development Banks in 2008. The approach defines fragile states based on harmonized Country Policy and Institutional Assessment (CPIA) ratings calculated by the Bank and the World Bank. The CPIA measures economic management, structural policies, policies for social inclusion and equity, and governance. Fragile states are defined as those countries that have either “a) a harmonized average CPIA country rating of 3.2 or below, and/or b) the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years.”

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product (GDP) growth comes from natural resource extraction, and commodities (generally unprocessed) make up over 80 percent of the continent’s export earnings. At least 70 percent of the labor force in Burundi, the Central African Republic (CAR), Côte d’Ivoire, and the Democratic Republic of the Congo (DRC) work in agriculture, fishing, or pastoralism.

Many fragile states are resource rich. Oil, gas, and minerals are key exports for CAR, Chad, Congo, Côte d’Ivoire, DRC, Guinea, Sierra Leone, South Sudan, Sudan, and Zimbabwe. Six of the 19 African fragile states have oil and gas deposits that they are currently exploiting, and companies are currently exploring for new reserves in six more countries. At least 14 African fragile states have deposits of gold or diamonds, and two others are currently being explored for gold deposits.

While natural resources represent great opportunities that fragile states can leverage to support socioeconomic development, they also pose significant challenges. Over the last 60 years, in any particular year, between 40 and 60 percent of ongoing internal armed conflicts have been linked to natural resources. Natural resources contributed to the cause or financing of at least 14 conflicts in African fragile states. The financing of conflict with natural resources includes both familiar conflict resources, such as diamonds and timber in Sierra Leone and
Liberia, and less familiar resources, such as charcoal, bananas, and fish in Somalia.\textsuperscript{15} Competition and competing claims over scarce resources such as land, grazing areas, and water sources have given rise to localized conflicts in many African fragile states,\textsuperscript{16} while struggles for control of oil and other valuable resources have fueled national and international conflicts.\textsuperscript{17} Because decisions related to natural resource management are made at every level of government, conflicts related to natural resources are diverse in form and scale from one context to another. Community-level allocation of natural resources can give rise to local clashes. National-level decisions, such as policies on land ownership or large-scale concessions, can lead to more widespread tensions and conflict. In the same vein, regional conflict can arise from mismanagement of transboundary natural resources. Finally, countries recovering from resource-related conflicts are more likely to relapse into conflict, and relapse twice as quickly as countries recovering from other types of conflict.\textsuperscript{18}

Natural resources can play three key roles in fragile states: (1) natural resources can be an asset for peacebuilding and statebuilding; (2) natural resource management practices can be a contributing cause of conflict; and (3) natural resources can be a source of financing for conflict. The drivers that lead to natural resource-related conflicts include competition over scarce resources, poor resource governance, and transboundary dynamics.\textsuperscript{19}

1.2 Conflict Sensitivity and Peacebuilding and Statebuilding Goals

Conflict sensitivity and the use of natural resources to support national peacebuilding and statebuilding strategies are key themes of this report due to the close connections between fragility, conflict, natural resources, and resilience. These themes build on the findings of the 2012 evaluation of Bank activities in fragile states, which found that further analysis is needed of “the all-important political context and the drivers of conflict and fragility” and that explicit links are needed between Bank programming and national peacebuilding and statebuilding objectives as a way to reduce the risk that Bank interventions in fragile states could fail or even do harm.\textsuperscript{20} Conflict sensitivity is “the ability of an organisation to (a) understand the context in which it is operating, (b) understand the interaction between the intervention and that context, and (c) act upon that understanding in order to avoid negative impacts and maximise positive impacts on the conflict.”\textsuperscript{21} On the other hand, peacebuilding and statebuilding are “reinforcing processes that support the building of effective, legitimate, accountable and responsive states.”\textsuperscript{22}

It is therefore critical to ensure that all Bank activities in fragile states, including natural resource-related activities, are conflict sensitive and support peacebuilding and statebuilding. In its current approach, the Bank includes within peacebuilding and statebuilding goals (PSGs) those activities that support (1) livelihoods and economic development, (2) governance, (3) basic services, and (4) security.\textsuperscript{23} This approach builds on the Bank’s active participation in efforts led by the Organisation for Economic Co-operation and Development (OECD) and the International Dialogue for Peacebuilding and Statebuilding, and the commitment of the Bank and eleven fragile states to the New Deal for Engagement in Fragile States, also known as the Busan New Deal.\textsuperscript{24}

1.3 The AfDB Group and Development Partner Engagement

The Bank has a strong record of supporting African fragile states in their effort to address fragility and build their resilience, and has committed to scaling up the assistance in these states.\textsuperscript{25} It has supported a broad range of natural resource–related initiatives, including projects related to water supply, agriculture, forestry, and joint management of shared waters. The Bank’s Ten Year Strategy prioritizes inclusive growth and a gradual transition to green growth over the next decade.\textsuperscript{26} The Bank has partnered with the African Union (AU) and the United Nations Economic Commission for Africa (UNECA) to develop strategic guidance for natural resource management, including the African Mining Vision, the Framework and Guidelines on Land Policy in Africa, and Africa Water Vision 2025.\textsuperscript{27} International institutions and development partners such as the OECD, World Bank, the United Nations Environment Programme (UNEP), and the European Union (EU) have also highlighted the importance of improving natural resource management in building resilience in post-conflict and other fragile states. A number of policy frameworks and research publications are increasingly emerging on natural resource management in many post-conflict and fragile states. This Flagship Report stands out among these international efforts because it is the first report that focuses exclusively on fragile states in Africa, articulates an African vision for managing natural resources in fragile states, and highlights specific strategies that can be used to manage natural resources to build resilience. The Report draws from the experiences of the Bank and other partners in proffering long-term solutions crucial for effective natural resources management.