



**NATURAL RESOURCE GOVERNANCE AND
HARNESSING NATURAL CAPITAL IN SUB-
SAHARAN AFRICA**

**CULJ
ISSN 2957-8647**

**Volume 1
pp. 85-102
August 2022**

www.cavendish.ac.ug

Email: secretaryculj@cavendish.ac.ug

Odaghara Chidinma Therese Ph.D*
and
Robert Alex Wabunoha**

Regardless of the massive population, huge natural capital reserve and remarkable development gains by some countries, Africa as a continent still faces overwhelming sustainable development challenges. The development situation in Sub-Saharan Africa is further exacerbated by prevalent governance challenges that have led to serious environmental degradation and pollution. It appears that the huge potential of natural capital in Africa has not been effectively harnessed to stop environmental degradation and create wealth for the people. One of the key drivers of sustainable development and harnessing of the region's huge potential in natural capital is strengthening the natural resource governance framework. The paper considers practical aspects of natural resource governance as a possible African solution to effective harnessing of the natural capital wealth in the continent. It asserts that natural resource governance at both national and regional level can be a pragmatic means to harness natural capital in Africa. Effective harnessing of natural capital could leapfrog the region's progress in expanding her economies, creating jobs, achieving food security, combating climate change, enhancing productivity of its ecosystems and achieving a more inclusive society.

Keywords: Natural capital, Natural resource governance, Sub-Saharan Africa

Background

* Dr. Odaghara is a Technical Aid Corp (TAC) Volunteer of the Federal Government of Nigeria serving as Senior Lecturer at Faculty of Law, Cavendish University Uganda.

** Robert Alex Wabunoha is an environmental lawyer and a Specialist in environmental governance, among others. He holds a Master's Degree in Law (LLM) from Makerere University, Kampala and currently works as Regional Environment Governance Coordinator, UNEP, Nairobi, Kenya

As the world's second-largest continent, Africa holds a huge proportion of the world's natural capital; both renewable and non-renewable. According to the African Development Bank, about 30 % of the world's mineral reserves are in Africa.¹ The continent has 8 % of the world's natural gas reserves, 12 % of the world's oil reserves, 40 % of its gold, and 80 to 90 % of its chromium and platinum.² The largest reserves of cobalt, diamonds, platinum and uranium in the world are located in Africa. In addition, Africa holds 65 % of the world's arable land and 10 % of internal renewable fresh water sources. The continent is home to the second largest tropical forest in the world; the Congo rainforest; and to some of the highest annual rainfall, in the heart of the Congo basin. These resources constitute the continent's natural capital, which is critical to financing development.³

It is, however, most often referred to as a poor continent because despite the rich natural capital wealth available to the continent and its population, and irrespective of the remarkable development gains by many countries in Africa; most States in the continent still face overwhelming sustainable development challenges. It is estimated that in 2021, 490 million people in the region live under the poverty line of 1.90 PPP \$ / day.⁴ Nations in Sub-Saharan Africa, are currently with the highest level of poverty and consequently with the lowest level of socioeconomic development, frequent violence, excessive degree of unrest and low standard of living.⁵ Sub-Saharan Africa remains in economic terms a poor continent with the largest population of poor people in the world- 389 million (41.0 %).⁶ The poverty situation in the region is further exacerbated by issues such as poor utilization of natural capital wealth, environmental

¹ African Development Bank -African Natural Resource Center Report, 2 Catalyzing growth and development through effective natural resources management,

<https://www.unep.org/regions/africa/our-work-africa>,

<https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/anrc/AfDB_ANRC_BROCHURE_en.pdf>
accessed 22 July, 2022

² African Development Bank -African Natural Resource Center Report, 2 Catalyzing growth and development through effective natural resources management,

<https://www.unep.org/regions/africa/our-work-africa>,

<https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/anrc/AfDB_ANRC_BROCHURE_en.pdf>
accessed 22 July, 2022

³ See <http://web.unep.org/sites/default/files/amcnen6/k1601618.pdf> accessed 19 December 2021

⁴ UNCTAD 2021

⁵ World Bank Report 2020

⁶ See. Christiaensen et al. (2016)

degradation and pollution created by harmful impact of, among others, extractive activities on the environment and poor agricultural practices. Despite placing pro-poor economic growth and environmental sustainability at the heart of economic policies, planning systems, legal frameworks and institutions of many states in sub-Saharan Africa, poverty remains a challenge. The region remains one of the most vulnerable continents with deepening poverty levels and worrying trends of poor natural resource management.⁷

In light of the continent's huge deposits of natural resources, one of African Union's fundamental targets towards a prosperous continent characterized by environmentally sustainable and climate resilient economies and communities is natural resource governance⁸ Therefore, seeking to move affected states in the continent past development challenges, in January 2015, the African Union Heads of States and Government adopted the *Agenda 2063* document which serves as Africa's fifty-year shared vision and roadmap towards achieving an "integrated, prosperous, and peaceful Africa..."⁹ The document seeks to implement an African solution to Africa's development challenges recognising that the future Africa wants is in the hands of Africans, and shall be driven by Africans. The document elaborates this roadmap through seven aspirations, which are further divided into goals, priorities, targets, and indicative strategies. One of the aspirations of *Agenda 2063* is that Africa shall become a prosperous continent based on "inclusive growth and sustainable development;" attained by achieving "environmentally sustainable and climate resilient economies and communities."¹⁰ Stakeholders in public and private sectors routinely talk about the importance of natural capital and ecosystem services. Scientific research has also advanced significantly, and new institutions are emerging. Yet, the operation of businesses and governments in Africa has not witnessed dramatic change, especially compared with the scale and urgency of the challenge posed by poor governance of natural capital. Effective management of natural capital is currently constrained both by a lack of knowledge and information concerning natural capital, and by the failure to interpret and use the existing information in management decisions.

⁷ The UN Development Program lists 46 of Africa's 54 countries as "sub-Saharan," excluding Algeria, Djibouti, Egypt, Libya, Morocco, Somalia, Sudan and Tunisia.

⁸ Agenda 2063 sets out seven aspirations for "The Africa we want". The natural capital gateway falls under aspiration 1: "A prosperous Africa based on inclusive growth and sustainable development", and the concept of harnessing natural capital cuts across most of the priority areas, targets and key actions and milestones of the aspiration.

⁹ African Union, 'Agenda 2063 The Africa We Want: Framework Document' [2015] 5 <<http://agenda2063.au.int/en/sites/default/files/Framework%20Document%20Book.pdf>> accessed 16 January 2022

¹⁰Ibid

One of the key drivers of sustainably harnessing natural capital wealth and attaining Agenda 2063 in Sub-Saharan Africa is a strengthening of the governance framework to facilitate implementation of an African solution. Harnessing natural resources involves recognising the need for rules to govern the rights and responsibilities of government, private companies, and citizens. These rules are the legal frameworks which rests inside a broader set of rules that govern the organization and affairs of all relevant stakeholders in the context of natural capital wealth. It is these broader set of rules that constitute natural resources governance. A well-designed Natural Resource Governance (NRG) framework should provide rules for the corporate sector, the public, relevant state institutions and behavior of public officials in the sector. The fiscal terms governing payments between companies and the state; government’s strategy for managing revenue; environmental management; relationships between extractive projects and host local communities; and access to justice for members of the public, as well as public information disclosure and accountability must also be provided for in such framework.¹¹

Natural assets have different intrinsic values and are subject to national jurisdiction and sovereignty, this paper attempts to decipher the state of NRG in sub-Saharan Africa. It suggests that discussions surrounding NRG is apt because of the dire need for Africa as a continent to shift from exports based on raw materials to inter-mediate and finished products in order to maximize the benefits of its natural capital. We suggest that the framework for NRG should rest on values. This implies that laws and policies on natural resources would include provisions that buoy up national investment in sustainable harnessing of environmental assets through sustainable industrialization, value addition and reversing natural capital losses. Such framework is likely to include provisions on developing and strengthening private and public partnerships for harnessing natural capital. Already development literatures identify the development of a pragmatic NRG framework that promotes accountability, efficiency and transparency in the management of natural capital wealth in Africa as critical.

Justification for Enhancing Natural Resource Governance Framework

¹¹ Legal Framework Navigating the Web of Laws and Contracts Governing Extractive Industries , NRG Reader March 2015, https://resourcegovernance.org/sites/default/files/nrgi_Legal-Framework.pdf accessed 20 May, 2022

In the first Summit for Sustainability in Africa held in 2012, ten African countries met to determine how African nations and their investment partners can understand, manage and value natural capital to support and improve human well-being. The nations agreed that they were caught in a trend of resource exploitation that was not sustainable. They agreed that natural capital should be considered when reporting and developing practices, policies and programs. The summit produced the Gaborone Declaration, “to ensure that the contributions of natural capital to sustainable economic growth, maintenance and improvement of social capital and human well-being are quantified and integrated into development and business practice.” By understanding and promoting natural capital for all its citizens the African region has started to find the right developmental concepts and aim to adopt a better governance agenda for the natural capital.¹² These meetings and declarations on natural capital all clearly point to the fact that there is a broad consensus that sustainable use of Africa’s natural capital would help achieve sustainable development, poverty reduction and the proposed sustainable development goals while promoting peace and stability in the region.¹³

The Eighth African Development Forum, the 2014 joint annual meetings of the Economic Commission for Africa, the Conference of African Ministers of Finance, Planning and Economic Development and the African Union Conference of Ministers of Economy also recognized the importance of natural capital for the achievement of Africa’s development goals. The Gaborone Declaration for Sustainable Development in Africa, adopted in May 2012, specifically referred to natural capital, with Article 1 calling for integrating the value of natural capital into national accounting and corporate planning and reporting processes, policies, in agreed efforts.

The African position on the United Nations post-2015 development agenda identifies natural resources governance as one of the substantive issues of importance to Africa and represents a consensus on Africa’s key priorities, concerns and strategies to be reflected in the outcomes of the post-2015 negotiation process. It highlighted the developmental issues that countries of the continent want prioritized in the post 2015 development agenda. It is based on a wealth of information collected and collated from national and regional stakeholders (the executive and legislative arms of Governments, the private sector, civil society organizations, youth associations,

¹² Boit, (2017) Can natural capital drive progress for Africa, <http://isosgroup.com/natural-capital-africa/>, accessed 20 December 2021

¹³ AMCEN 15 Document <http://web.unep.org/sites/all/themes/Amcen6/AMCEN15Docs/AMCEN-5-3-Natural%20capital-background%20paper-Advance.pdf> accessed 27 March 2022

women's groups, trade unions and academia), African multilateral institutions and selected pertinent United Nations entities.

Demands for natural resources increase due to rapid economic growth, increase in population rate, and competition over natural resources; placing enormous stress on the environment with diverse repercussions for society. The stress placed upon the environment from natural resources creates permanent damage to the ecosystems and livelihoods of members of local communities that depend on the environment for sustenance. The ultimate consequence is that the struggle to control natural resources becomes a potential trigger for conflict. If managed well, however, natural resources are a positive force for industrial and technological advancement which presents opportunities for economic growth. Sustainable use of Africa's natural capital will promote poverty reduction and the achievement of the proposed sustainable development goals while promoting peace and stability in the region.

Inclusive and sustainable industrial development, which calls for sustainable consumption and production paradigms, should be the bedrock of Africa's development if it is to achieve resilient and inclusive economic growth. Generally speaking, promoting the sustainable use of the continent's natural resources and biodiversity, including land and water, and putting in place the capacity needed for value addition to ensure inclusive growth, enhanced labour productivity and structural transformation for the continent's economic and social transformation is what Africa needs to feature in the future it wants. However, there is a growing concern that exploitation of natural resources and biodiversity base in the continent is not fully translating into value-adding activities and inclusive growth, adequate employment opportunities and enhanced economic returns for the continent.

Therefore, it is imperative for the natural resource governance framework in Africa to be fashioned into pragmatic instruments that respond effectively to the current challenges. NRG seeks to create a platform upon which decision makers at all levels can set, adopt and apply standards and guidance to make better and equitable decisions for the use and management of natural resources. For instance, the NRGF developed by the IUCN is an example of a governance framework that distils key best-practice elements of effective and equitable governance relevant to conservation and natural resource management.¹⁴ The framework which is designed as a

¹⁴ See n. 10

repository for knowledge on natural resource governance and as a basis for a range of applications to be understood and adapted to support national efforts to harness natural capital wealth in a pragmatic way.

Possible Strategies for Building a Natural Resource Governance Framework

Two questions are of utmost significance in the process for building a pragmatic governance framework for natural resources in a state. Firstly, what should the essential components of such a governance framework be? Secondly, how should such governance framework be fashioned to ensure that natural capital wealth is harnessed sustainably without depleting the resource base? The ten principles laid out by the International Union for Conservation of Nature and Natural Resources (IUCN) attempts to address the second question as it highlights key factors which could serve as a pragmatic guide for an effective governance framework. The principle of inclusive decision-making and respect for tenure rights for instance, suggest that natural resource policies and practices should be based on the full and effective participation of all relevant actors, with particular attention to the voice and inclusion of rights-holders and groups at risk of marginalization.¹⁵

The Natural Resource Governance Framework (NRGF) is a flagship of the IUCN knowledge basket co-convened between the union's Commission on Environmental, Economic and Social Policy (CEESP) and the Global Programme on Governance and Rights (GPGR).¹⁶ It is an initiative created for the purpose of providing a robust, inclusive, and credible approach to assessing and strengthening natural resource governance, at multiple levels and in diverse contexts. Its goal is to set standards and guidance on natural resource governance for decision makers at all levels.

The NRGF principle of recognition of and respect for diverse cultures, knowledge and institutions suggests that natural resource governance should be grounded in sound and diverse forms of knowledge and respect for the relevant diverse cultures, values and practices. It also calls for devolution as decisions are taken at the lowest possible level appropriate to the social and

¹⁵ *ibid*

¹⁶ Springer, J et al, NRGF Conceptual Framework. Gland, Switzerland: IUCN and CEESP, An Introduction to the IUCN Natural Resource Governance Framework (NRGF), https://www.iucn.org/sites/dev/files/content/documents/introduction_to_the_nrgf_version_1_july_2019.pdf accessed 20 June, 2022.

ecological systems being governed, with particular attention to empowering the roles and authority of host indigenous peoples and local communities. To ensure that natural resource governance is effective, public participation should go beyond the typical state driven approach by highlighting the central role of members with particular rights and/or reliance on natural resources in decision making. Inclusive decision-making implies a horizontal process in which power dynamics are re-balanced and the views of groups at risk of marginalization are clearly taken into account in decisions regarding natural resource governance, including through appropriate representation. There should also be the establishment of an overall vision of desired environmental and social outcomes that allows for adaptation in response to learning and changing conditions. Also actors extracting natural resources should be accountable for the environmental impact and social effects of their activities. It is also expected that actors and stakeholders should have the means necessary to carry out sustainable management and governance activities, which include the equitable sharing of benefits generated from natural resources.

Ultimately, all the principles should flow from the values-based approach which urges stakeholders to consider internalizing certain specific values as a means to boost NRG. The approach support values such as recognition and respect for tenure rights; especially customary, collective rights of members of host local communities as an important principle that should be included in the NRG framework for states in Africa. Recognizing tenure rights of local communities contributes strongly to effective and equitable natural resource governance by enabling local stewardship of lands and resources, providing a foundation for sustainable livelihoods, and contributing to the fulfillment of human rights and cultural survival.

The question of what could constitute the essential components of a pragmatic natural governance framework can be addressed using devolution, and subsidiarity through collaborative governance. These are fundamental values which could be incorporated into the content development of the NRG framework. Devolution has been defined as “a process by which state control over the use of natural resources is gradually and increasingly shared with local communities”. In the present context, devolution is closely linked to the principle of subsidiarity, by which decisions are taken at the lowest possible level. Devolution and subsidiarity are key elements that create flexible and adaptive processes for decision-making and management of natural resources. The focus on

devolution further reinforces the rights-based approach to natural resources governance, as members of the local community; through their representatives, are practically engaged in decision making with respect to the extractive activities on their environment. Collaborative governance keeps gaining ground in the environmental law realm as policy makers increasingly postulate that the public and /or stakeholders should be actively involved in decision-making, policy formulation and implementation so as to enhance the legitimacy of NRG and maintain environmental sustainability in local host communities. However, the socio-economic and environmental issues posed by extraction of natural resources raises critical questions on the feasibility of collaborative governance as a regulatory tool. This is because in light of the complexity associated with harmful extractive activities, collaborative governance can be dismissed as a fashionable cliché that lacks the capacity to provide effective environmental governance. Notwithstanding the challenges, collaborative governance has always existed in different forms since the inception of human civilization. Therefore, it is relevant to fashion a framework for natural resources governance which integrates devolution and the subsidiarity principle. Where these principles are built into NRG, issues relating to access to justice, differentiated actions for specific situations of vulnerable groups, social and environmental accountability will be catered for in the legal and institutional frameworks required.

Prospects

Africa has the capacity to re-engineer its economic models in different sectors to emphasize on value addition be it in agricultural production, mining and the extractives, or trade in forest and wildlife products.¹⁷ Most countries now have a NRG framework which should ordinarily give these countries in sub-Saharan Africa the platform to shift from exports based on raw materials to intermediate and finished products in order to add value and maximise on its natural capital. However, these frameworks are besotted by limitations. There is a need to have the legal framework for NRG rest on values. These would include provisions that buoy up national investment in sustainable harnessing of environmental assets through sustainable industrialization, value addition and

¹⁷ Progress Report Of The Commission On The Africa 2063 Agenda, https://au.int/sites/default/files/newsevents/workingdocuments/12582-wd-agenda_2063_e_0.pdf, accessed 21 December 2021

reversing natural capital losses. Such framework is likely to include provisions on developing and strengthening private and public partnerships for harnessing natural capital.

An adaptive governance for ecosystem management is suggested as better suited for the governance of natural capital. It employs a social–ecological systems approach. Adaptive governance refers to flexible and learning-based collaborations and decision-making processes involving both state and non-state actors, often at multiple levels, with the aim of adaptively negotiating and coordinating the management of social–ecological systems and ecosystem services across landscapes and seascapes. Adaptive governance develops capacity to manage multiple ecosystem services and respond to ecosystem-wide changes and enabled collaboration across diverse interests, sectors, and institutional arrangements. They all spanned local to international levels of decision making, thus representing multilevel governance systems for managing natural capital. After defining central concepts, the report highlights the important elements and stakeholders that should be included in the legal governance of natural capital to suggest a path to accelerate progress toward sustainable development of natural capital in Africa.

In the past, some scholars had attributed the challenges associated with NRG in Africa to the fragmented regulatory approach to environmental governance,¹⁸ while others pointed to the absence of a centralised legal framework to lay out sweeping environmental provisions and insist on compliance.¹⁹ This paper, however, considers the challenges in NRG as part of the consequences of a weak framework at national and regional level. We therefore argue that to enhance natural resources governance, emphasis should be placed on enhancing the legal governance framework of natural capital. The paper argues that states bedeviled by poor governance of natural resources should consider a holistic enhancement of the key elements of NRG which is law, policy and institutions. States must begin to review extant methodologies and approaches to natural resource governance. Governments should undertake a review of the existing laws, strengthen them to facilitate value addition and sustainability as well as be disposed towards enforcement and implementation of the laws relating to NRG irrespective of conflicting interests and perspectives.

¹⁸ Bodansky & Hey, (eds) *The Oxford Handbook of International Environmental Law* (Oxford, 2007)87.

¹⁹Olowu D., ‘Environmental Governance and the Accountability of Non-State Actors in Africa: A Rights- Based Approach’ (2007) 32 *South African Yearbook on International Law*, 265

Similarly, with respect to policy making, principles that promote collaborative governance and public participation in decision making must also be promoted. It is through the promotion of collaborative governance, that general public awareness on the interdependence of nature and people can be boosted. In the same vein, while developing solid evidence linking decisions to impacts on natural capital and ecosystem services, and then to human well-being, interdisciplinary science of the value of natural capital and ecosystem services should be encouraged in all educational institutions, as these are key practices to integrate natural capital and ecosystem services into everyday decision-making.²⁰

Placing natural capital and ecosystem services into a broader decision-making context is necessary to effect large-scale transformations in policies, practices, and investments. Government decision makers and the public need to recognize that nature provides valuable services that should be factored into land use decisions to help society make better choices about economic growth.²¹ Governments need to develop and implement policies that provide incentives for private landowners to make decisions commensurate with valuing not only their own private returns, but also social returns to their land. Governments also need to increase our efforts to measure and quantify the services of nature to assist government and individuals to make more efficient land use decisions. A number of federal and provincial government agencies, non-governmental organizations, and individuals are trying to value nature, but their activities are uncoordinated, and no one agency has the budget to undertake this task.

In the context of transiting to a more resilient Green Economy and Green Investment, a key challenge is to turn this recognition into regional and national actions that will help to harness the full potential of Africa's rich natural resource endowments and to employ the competitive advantage offered as an engine for inclusive economic growth. The United Nation's new Sustainable Development Goals (SDGs) integrates the three pillars of sustainable development (social, economic, and environmental) but the true test lies in implementation.

Government of states in Africa must improve their efforts to measure and quantify the services of nature so as to make efficient natural resources use decisions. In addition to this, states must begin

²⁰Guerry, A.D., et al. "Natural capital and ecosystem services informing decisions: From promise to practice." *Proceedings of the National Academy of Sciences* 112.24 (2015): 7348-7355.

²¹See <http://web.unep.org/africa/15th-ordinary-session-amcen> accessed 20 December 2021

to assume active roles in handling issues relating to renewable resources, and areas within their jurisdictions which are particularly rich in biodiversity. States must also ensure that environmental services which constitute public good, are accurately evaluated. Synthetic indicators should be introduced as a guide to sustainable development policies, and concrete objectives should be set for the purpose of strengthening environmental accounting systems and statistical agencies so that degradation of natural resources can be thoroughly accounted for across Africa.

To promote NRG in Africa, the international community should consider the transfer of technology from North to South and South to South, especially in agriculture as a matter of exigency. Therefore, states should incorporate green economy practices into their policies, planning, budgeting processes and programmes as proof of commitment towards the realization of NRG in Africa. In other words, states should seek to develop strategies, incentives and promotional programs that increase the flow of ecosystem services and ensure the sustainable use of land, energy and water, to mitigate pollution, promote green businesses and enhance environmentally friendly household practices, for gradual transition to a green economy.

Government should take a strong leadership role by creating a national task force to fund and coordinate the comprehensive measurement of baseline data on the state of African countries' natural capital, estimate its loss over the past decades and ensure sustained measurement into the future. A national task force to fund and coordinate these activities could help supply the data and analysis badly needed now by decision makers. Government are encouraged to support natural capital governance in their biodiversity related efforts by offering targeted, specific guidance material (handbooks, online guides etc.) and capacity development platforms and programmes, including aspects such as development and implementation of biodiversity strategies and measures and integration in policy-making, planning and management procedures.²²

Apart from the efforts from central and federal governments, local and regional authorities should also actively get involved in multilevel governance of natural capital. Local and regional authorities may choose to establish or further develop their local and regional biodiversity strategies and action plans. Governments may foster implementation of an appropriate and enabling multilevel governance framework by establishing coherent mandates, roles and responsibilities across all governmental levels as well as coherent and integrated sectorial policies

²² See The Value of Natural Capital in Settled Areas of Canada
http://www.cmNBC.ca/sites/default/files/natural%2520capital_0.pdf accessed 20 December 2021

for local and regional authorities to perform. This ultimately flows to residents, local communities and private landowners.²³

At international level, there is a need to create international voluntary guidelines for corporate sustainability disclosure. Such guideline will provide voluntary disclosure of natural capital use, impact and conservation measures in annual reports to shareholders and stakeholders. The further loss of biodiversity will irretrievably damage the natural capital and biodiversity of counties, impoverish livelihoods and undermine the goal of creating the green economy outlined in Vision 2030. Taking action now to incorporate natural capital planning into the county policy, planning and budgeting process will increase the productivity of natural resources, ensure their sustainable use and conserve states in Africa unrivalled natural heritage underpinning its economy.²⁴

The implementation of innovative financing and resource mobilization initiatives for Africa together with the consolidation of existing partnerships is crucial. Domestic resource mobilization must be improved by ensuring financial deepening and inclusion and strengthening tax structures, coverage and administration, carrying out fiscal reforms, encouraging public-private partnerships, and deepening capital markets. In order to achieve the sustainable development goals, the need for finance to implement African development programmes and determine how to mobilise funds is therefore a pertinent issue.

Policy innovation and market standards are emerging to ensure that the financial system supports inclusive, environmentally sustainable economic development to create a nexus between rules governing the financial system and sustainable development. Capital flows need to be redirected towards critical priorities and away from assets that deplete natural capital. Capital market efficiency can be improved by considering natural resource constraints and environmental degradation that can lead to “hidden” risks such as potential devaluation of assets and lower than anticipated cash flows. Integrating the value of natural capital factors into credit risk assessments aims to develop a more systematic approach to embed consideration of natural assets at the heart

²³ Towards Including Natural Resource Risks in Cost of Capital, State of play and the way forward, Natural Capital Declaration, 2015 <http://www.unepfi.org/fileadmin/documents/NCD-NaturalResourceRisksScopingStudy.pdf>

²⁴ Houdet, et al ., 2015 Kenyas Natural Capital Policy Brief for County Decision Makers Policy Brief No. 2, <http://dSPACE.africaportal.org/jspui/bitstream/123456789/35564/1/Biodiversity-Atlas-2.pdf?1> accessed 31 May, 2022

of the financial system in order to catalyze a shift in business models towards sustainable production and consumption.²⁵

The United Nations Environment Programme (UNEP) established an Inquiry into the Design of a Sustainable Financial System in 2014 to advance design options that would deliver a step change in the financial system's effectiveness in mobilizing capital towards a green and inclusive economy. UNEP's guidance on Sustainable Banking recommends that risk departments in financial institutions consider introducing environmental and social risk management systems and measure the environmental footprints of operations. The IFC's program supports financial institutions in emerging markets in improving their environmental and social risk management practices, and aims to ensure that their lending to economic activities does not come at the cost of human well-being, natural resources, and vital ecosystems.²⁶ The OECD is developing guidance to clarify potential approaches for applying due diligence for responsible business conduct in the financial sector. Equator Principles Financial Institutions require clients seeking finance for projects adverse environmental and social risks or impacts to conduct an assessment process to address relevant environmental and social risks and impacts of the proposed project.

The assessment process should address compliance with relevant host country laws, regulations and permits covering environmental and social issues. In countries with evolving technical and institutional capacity to manage environmental and social issues, the assessment process should evaluate compliance with the then applicable IFC Performance Standards on Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety Guidelines.²⁷ The IFC Performance Standards on Environmental and Social Sustainability were revised in 2012, with Performance Standard 6 on Biodiversity Conservation and Sustainable Management of

²⁵ UNEP (2016) Sustainable Finance: A critical analysis of the regulation, policies, strategies, implementation and reporting of sustainability in international finance, https://wedocs.unep.org/bitstream/handle/20.500.11822/7446/Sustainable_finance_A_critical_analysis_of_the_regulation,_policies,_strategies,_implementation_and_reporting_on_sustainability_in_international_fin.pdf?sequence=2&isAllowed=y, accessed 22 December 2021

²⁶ See <http://www.ifc.org/wps/wcm/connect/cd2f00004fd331498d69ef0098cb14b9/ESRM-Factsheet-Final.pdf?MOD=AJPERES> accessed 2 December 2021

²⁷ See http://www.equator-principles.com/resources/equator_principles_III.pdf, http://2xjmlj8428u1a2k5o34l1m71.wpengine.netdna-cdn.com/wp-content/uploads/2014_report_on_progress.pdf accessed 20 December 2021

Living Natural Resources emerging as the global finance industry benchmark for biodiversity and ecosystem services (BES) management. Under the Equator Principles, quantification of environmental impacts is only required for GHG emissions. Banks generally consider natural capital issues to some extent as part of environmental and social risk management in lending, while investors can see natural capital as a subset of environmental, social and governance issues in responsible investment. Natural capital can be seen as a subset of environmental and social factors that can be material to financial institutions, mainly by their allocations of capital to companies through loans and investments or premiums as part of insurance contracts. Policymakers and regulators are urged to step in and clarify that fiduciary duty requires investors to take account of environmental and social issues in their investment processes, in their active ownership activities, and in their public policy engagement.²⁸

Central banks, financial regulators, finance ministries and financial market should work together and set up standard setters, such as accounting standards, credit rating and indexes and voluntary initiatives. These standard setters can bring about the emergence of a coherent framework which will advance policy options and ultimately deliver a step change in capital allocations towards sustainable development that meets the needs of the present without compromising the needs of future generations.²⁹

Banks and investors rely extensively on company disclosures to evaluate environment related financial risk. Company quantification of natural resource use and pollution impacts are largely guided by the Global Reporting Index (GRI) sustainability reporting guidelines. Increasingly, large companies and organizations are creating transparency reports and making considerable strides to building local communities through skills transfer and investment. With a handful of reporters in Angola, Botswana, Cape Verde, Egypt, Kenya, Mauritius, Morocco, Nigeria and Zimbabwe, it is expected to see a domino effect – with many more organizations and nation states following suit. As environmental, social, and governance reporting becomes more commonplace, the corresponding monitoring systems will improve. The public will grow accustomed to transparency and will demand it. With more transparency and community engagement, NRG will definitely

²⁸ See UNEP Inquiry, *The Financial System We Need, Aligning the Financial System with Sustainable Development*, October 2015

²⁹ *Ibid*

improve to the continent's benefit.

Ecosystem accounting is a tool that can significantly help to make better decisions on natural capital. Measuring the amount of natural capital is an essential first step in helping society to make better decisions about land use and economic activity. It is vital that nature's 'value' is made more visible in the economy – by measuring it and fully accounting for it in government, business and consumer decision-making. Ecosystem accounting techniques aim to aggregate information to produce statistical results, especially at the national level. They help to reflect the contribution of ecosystems to well-being at the national level, thereby ensuring these values are taken into account in policy decision-making. It aims to organize ecosystem data within an internationally recognized framework while also providing guidance for integration within economic data. Such a framework allows a range of indicators to be constructed to complement the current set of predominantly economic indicators. Valuing and accounting for nature's benefits and reflecting them in decision-making is a crucial part of global conservation efforts, alongside more traditional conservation work (such as the designation and management of protected areas and the establishment of environmental regulations).³⁰

There are already some mechanisms adopted to promote natural capital accounting around the world. The World Bank's Wealth Accounting and Valuation of Ecosystem Services initiative is working to expand national economic accounts to include the value of ecosystem services and natural capital.³¹ The Inter-American Development Bank, through its Biodiversity and Ecosystem Services Program, aims to integrate ecosystem services into infrastructure investments. For all loans, the International Finance Corporation requires assessment of ecosystem service impacts in its environmental impact assessments. Similarly, the United Nations has advanced the accounting of ecosystem services and natural capital. The Statistics Division has created experimental ecosystem accounts as part of the revision of the System of Environmental and Economic Accounts. The Inclusive Wealth Report provides information for 140 countries on changes in

³⁰ See <http://sustainableflows.com/wp-content/uploads/2014/07/What-Natural-Capital-disclosure-for-integrated-reporting-Synergiz-ACTS-2014.pdf> accessed 20 December 2021

See also, Accounting for Natural Capital in EU Policy Decision- Making in EU Policy Decision-Making; A WWF Background Paper on Policy Development

³¹ See www.wavespartnership.org/sites/waves/files/documents/WAVES_2014AR_REV_low_FINAL.pdf , accessed 20 December 2021

natural capital over the past 20 years.³² The UN System of Environmental-Economic Accounting, a highlighted in section III, represents a direct effort to set up an internationally recognized framework for ecosystem and environmental economic accounting. The World Bank's Wealth Accounting and Valuation of Ecosystem Services partnership directly supports the implementation of Environmental-Economic Accounting, whilst also helping to develop methodologies for measuring ecosystem services.³³

Conclusion

Irrespective of the complex challenges in harnessing natural resources wealth, sustainable development for states in Africa lies in building pragmatic natural resources governance framework. Natural resources governance is possible with legal and institutional frameworks that are fashioned to not only meet environmental and economic interests but achieve enforcement and implementation. However, the presence of relevant legal and institutional frameworks cannot automatically translate to a successful NRG. The effectiveness of law to enhance natural resources governance is subject to the dynamics of governance in the policy arena. The mere existence of formal laws by no means leads to their intended effects. From our analysis of NRG in most African states, laws often remain unimplemented, or they are selectively implemented, or sometimes rendered impossible to implement.³⁴ Beyond the need to build a pragmatic legal framework that bolsters proper utilization and management of natural capital wealth; there is the need for the political will to engineer a new continent where natural capital wealth is dully harnessed using both the law and key institutions.

Strong legal and institutional frameworks foster the people's confidence in the system. An independent judicial system creates massive opportunities for economic growth and development as foreign and local investors can make corporate decisions to invest capital, comfortable in the knowledge that the principles of fairness, openness, and immunity from improper influence are synonymous with the judiciary. Similarly, strong institutional frameworks have the potential to serve as platforms for rapid progress as they implement the law and serve as focal points for value

³² IHDP-UNU and UNEP(2014) The Inclusive Wealth Report 2014 (Cambridge Univ Press, Cambridge, UK)

³³ WAVES Annual Report 2013.

³⁴World Bank Development Report 2017

addition to natural capital and lead to wealth creation. Harnessing natural capital leads to diversification of economies, investing in sustainable environmental entrepreneurship creates jobs, mobilizing international support to enable Africa strengthen its capacity to sustainably harness her natural capital.

Since COVID pandemic was declared by the World Health Organisation on 11 March 2020, the entire globe has been battling with the aftermath. The pandemic has had huge impact on national and international efforts and movements in profound ways and that of natural resource governance is no exception. That notwithstanding, moving forward, governments must make decisions that prioritise sustainable harnessing of natural resources while preserving fairness and due process. There is a need to create and maintain strong institutions that engage and support individuals, communities, businesses, nongovernmental organizations, governments, and international organizations to incorporate natural capital and ecosystem service information into policy and management. Sustainable harnessing of natural capital could leapfrog Africa's progress in expanding her economies, creating jobs, achieving food security, combating climate change, enhancing productivity of its ecosystems and achieving a more inclusive society. A better legal governance of natural capital in Africa will help to make value addition to natural capital and lead to wealth creation.