

https://dspace.org/

Resource rents and democratization in Sub-Saharan Africa

Ndlovu, Xichavo Alecia

2012-08-30
http://hdl.handle.net/10539/11859

Downloaded from a DSpace repository. https://dspace.org/

University of the Witwatersrand: Department of International Relations



RESOURCE RENTS AND DEMOCRATIZATION IN SUB-SAHARAN AFRICA

A Research Report Submitted to the Faculty of Humanities by:

Xichavo Alecia Ndlovu
Student No: 0703566N

In partial fulfillment of the requirements for obtaining the degree of
Master of Arts in International Relations

Under the supervision of:
Professor Rod Alence

February 2012

DECLARATION

I declare that this research report is my own unaided work. It is submitted for the degree of MA in International Relations at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any other degree or examination in any other university.



(Xichavo Alecia Ndlovu)

14 June 2012

TABLE OF CONTENTS

ACKNOWLEDGEMENTS
ABSTRACT

CHAPTER 1 - INTRODUCTION……..5

CHAPTER 2 - THE THEORETICAL APPROACH ……....8
THE "POLITICAL RESOURCE CURSE" HYPOTHESIS…….8
THE CRITICAL/REVISIONIST PERSPECTIVE……..…10
COMPETING HYPOTHESES ON DEMOCRATIZATION IN AFRICA…..13
Previous regime type
Economic development
Ethnic fractionalization
CONCLUSION ……..…16

CHAPTER 3 - RESOURCE RENTS AND DEMOCRACY: CROSS-NATIONAL EVIDENCE, 1990-2009……..…….17
CONCEPTS AND MEASURES……. ……17
Democracy
Natural resources
Control variables
THE ASSOCIATION BETWEEN RENTS AND DEMOCRACY…….22
CONCLUSION ……..…26

CHAPTER 4 - NESTED CASE STUDIES: GUINEA AND ZAMBIA, 1990-2010 ……...28
CASE SELECTION……..28
GUINEA: RESOURCE RENTS AND DEMOCRACY, 1990-2010…….29
Country overview
RESOURCES……...31
Mineral profile
Trend in rents
DEMOCRACY……...34
Political overview
Trend in democracy
The interplay between resource rents and democracy in Guinea

ZAMBIA: RESOURCE RENTS AND DEMOCRACY, 1990-2010…….38
Country overview
RESOURCES……..39
Mineral profile
Trend in rents
DEMOCRACY……..42
Political overview
Trend in democracy
The interplay between resource rents and democracy in Zambia
CONCLUSION ……..…46

CHAPTER 5 - CONCLUSION……..47
BIBLIOGRAPHY……..49

ACKNOWLEDGEMENTS

Professor Rod Alence

I am truly grateful for your patience, endless support, guidance, constructive criticism and constant feedback throughout the writing process

Dr Jacqui Ala

For your valuable comments during the proposal stage

My family

For always believing in me and for your endless sacrifices

The Department for International Cooperation of the Konrad Adenauer Foundation

For awarding me the scholarship without which this research would not have been possible

SAIIA researchers

For your valuable input and guidance

Sophia Winspear Field and Joe Resnek

For your valuable time and important contributions

My friends

For your positive energy and continuous encouragement

Thank you!!

"Continuous effort - not strength or intelligence - is the key to unlocking out potential."
Winston Churchill

ABSTRACT

The "political resource curse" hypothesis holds that countries rich in natural resources are less likely to democratize. This research report seeks to determine whether such a curse has afflicted sub-Saharan Africa during the two decades since the end of the Cold War. The possibility that abundant resources harm prospects for democratization is particularly worrying for Africa because the region is rich in minerals and oil and has had difficulty consolidating democratic institutions. Moreover, the region's resource dependence is unlikely to decline in the midst of the ongoing boom in international commodity markets. To assess the "political resource curse" hypothesis, I use a combination of cross-national statistical analysis and nested case studies. In the statistical analysis, I determine whether African countries rich in natural resources in 1990 have been any less likely to have democratized by 2009 – controlling for potentially confounding factors like prior regime type, economic development, and ethnic fractionalization. I also use the statistical analysis to identify two resource-rich countries that experienced different political trajectories – Guinea and Zambia – and then present "nested" cases of trends in resource rents and political reform within them. My central finding is that little evidence exists to support the "political resource curse" hypothesis. Resource abundance is a poor statistical predictor of democratization: the negative association in the cross-national data is weak and statistically insignificant, and it disappears entirely if Africa's five major oil-exporting countries are removed from the sample. Meanwhile, the dynamics in the case studies do not reveal any consistent link between trends in resource rents and political reform. If a "political resource curse" exists at all, it is most likely confined to major oil-exporting countries.

CHAPTER 1: INTRODUCTION

The possibility that abundant natural resources can harm prospects for democratization is particularly worrying for Africa as the region is rich in natural resources and has had difficulty in consolidating stable, democratic institutions. Furthermore, the region's resource dependence is unlikely to decline in the midst of a boom in international markets for oil and mineral exports. Thus, if the "political resource curse" exists, prospects for democracy in Africa seem bleak. Although Africa as a whole is resource rich and has historically had a weak record of democratic governance, considerable diversity exists from country to country. Some countries have an abundance of natural resources while others do not. Although democracy was almost nonexistent in 1990, Africa is now home to many democracies alongside various forms of non-democratic rule. This paper aims to clarify whether or not there is any evidence of a "political resource curse" in sub-Saharan Africa, henceforth referred to as Africa, twenty years after the "third wave" of political reform. Are resource-rich countries in Africa less likely to have established democratic institutions when compared to their resource-poor counterparts?

The "political resource curse" hypothesis emphasizes that when governments receive large amounts of revenue from external sources such as resource rents, they are freed from the need to levy domestic taxes and therefore become less accountable to the citizens they govern.[1] The most influential study for the region in support of the "political resource curse" argument was by Jensen and Wantchekon. They argue that "executive discretion over resource rents leads to less political liberalization (transition to democracy)."[2] They also conclude that, with the exception of South Africa, "the transition to democracy has been successful only in resource-poor countries."[3] Ross reports results consistent with the "political resource curse" hypothesis. He asserts that oil and nonfuel mineral wealth impede democratization, especially in low income countries.[4] Alaslaksen also finds that oil dependence is negatively correlated

[1] Ross, M (I), "The Political Economy of the Resource Curse", World Politics, Vol. 51, No. 1, 1999, p.312
[2] Jensen, N, Wantchekon, L, "Resource Wealth and Political Regimes in Africa", Comparative Political Studies, Vol. 37, No.7, 2004, p.817
[3] Ibid, p. 816
[4] Ross M (II), "Does Oil Hinder Democracy?", World Politics, Vol.53, No. 3, 2001, p. 356

with democracy.[5]

Those with a revisionist perspective contend that evidence for a "political resource curse" is weaker than it first appeared. Haber and Menaldo find that oil and mineral dependence do not promote authoritarianism in the long run, even when controlling for other factors.[6] Consistent with this perspective is the concept of a threshold advocated by Collier and Venables, in which natural resources have disastrous effects only at low levels of governance quality.[7] If governance quality is high, natural resources can have a positive effect on the democratic and economic development of a state. For Dunning, cross-national associations between resource dependence and democracy are spurious. Changes in resource rents do not seem to be associated with changes in the extent of democracy. The effects of resource rents on democracy may be conditional on specific structural factors other than natural resources.[8]

The competing perspectives indicate that there is considerable uncertainty about whether or not Africa is experiencing a "political resource curse" twenty years after the wave of political reform. Jensen and Wantchekon's influential study uses a crude measure of resource dependence and democracy scores for 1998 (latest) and does not explore the dynamics of post-1990 democratization processes. To address these weaknesses, I analyze cross-national data to determine whether countries that were resource rich in 1990, a period in which nearly all African countries were non-democratic, are any less likely to have democratized by 2009. In doing so, I use more up-to-date data on democracy and a better measure of resource abundance, distinguishing the "rent" component that is of theoretical interest from cruder measures of export value.

I control for potentially confounding factors like non-resource income, prior political regime type, and ethnic fractionalization. The cross-national data is then used to identify two resource-rich countries that have experienced different political trajectories: Guinea and Zambia. I then present "nested case" studies of these countries to analyze trends in resource

[5] Aslaksen, S, "Oil and democracy: more than a cross-country correlation?", Journal of Peace Research, Vol. 47, No. 4, 2010, p. 421

[6] Haber, S, Menaldo, V, Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse, American Political Review, 2010, p. 1

[7] Collier, P, Venables, A.J, Natural resources and state fragility, Robert Schumann Centre for advanced studies, European Report on Development, 2010, p.1

[8] Dunning, T, Crude Democracy: Natural Resources Wealth and Political Regimes: Cambridge: Cambridge University Press , 2008, p.4

rents and political reform and any potentially causal relationships between them. The nested research approach uses statistical analysis to guide the selection of cases.[9]

The main findings are that even after controlling for non-resource income as an economic indicator, ethnic fractionalization as a social indicator, and the preceding regime type as a political indicator, resource rents are a poor predictor of democratization in sub-Saharan Africa. There is no evidence of a substantial negative effect of natural resources on democracy in Africa. The negative relationship that exists is statistically insignificant, and disappears entirely if the five major oil-exporting countries are removed from the analysis. The dynamics in the case studies do not reveal a direct link between the two variables. There is no clear pattern of association between trends in resource rents and political change. The processes of political change appear not to be driven by trends in resource rents, with the possible exception of the five top oil producing countries. As resource-rich countries with varied political trajectories between 1990 and 2009, Guinea and Zambia have experienced positive democratic changes two years after the study period.

The study proceeds as follows: Chapter Two is a discussion of the theoretical approach in which I express the basic logic of the study's approach. In this chapter, I define the key variables and clarify the expected causal relationships. Chapter Three focuses on the empirical measures. This means the operationalization of the concepts and the specification of the regression models. A more focused process-tracing analysis for the two nested case studies is provided for in Chapter Four. Chapter Five summarizes the main findings of the study.

[9] Lieberman, E.S, "Nested Analysis as a Mixed-Method Strategy for Comparative Research", American Political Science Review, Vol.99, No. 3, 2005, p. 435

CHAPTER 2: THE THEORETICAL APPROACH

"A rentier state is characterized by high dependence on external rents produced by a few economic resources, not from production (labour), investment (interest), or management of risk (profit)".[10] This high level of dependence on external rents is said to negatively impact democracy. I define democracy as "a system of governance in which rulers are held accountable for their actions in the public realm by citizens".[11] Explaining how resource rents affect democratization also means clearly identifying the causes and effects between the two variables, as well as taking into account multiple external factors. In order to do this, one needs to move towards complex theory and empirical testing. The central focus of this chapter is to analyze the way in which resource rents affect democratization.

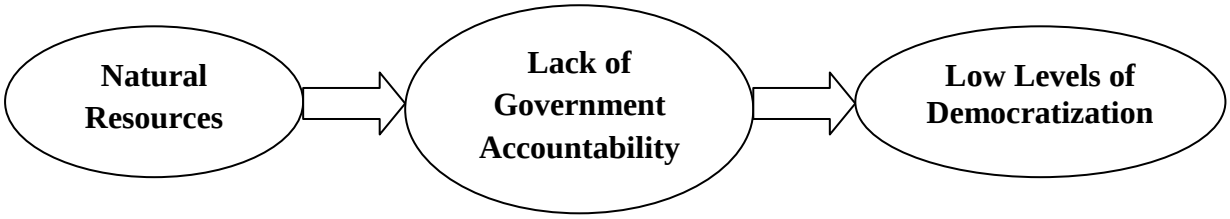
Existing literature on the research question is divided into two main schools of thought: those supporting the existence of a "political resource curse" and those with a critical/revisionist perspective.

THE "POLITICAL RESOURCE CURSE" HYPOTHESIS

There is growing concern that resource abundance may harm a country's prospects for development. For example, some studies have documented tendencies for resource-rich countries to grow more slowly, to face a greater risk of civil war, and to be more likely to be governed by authoritarian regimes, compared with resource-poor countries.[12] The "political resource curse" hypothesis focuses specifically on the association between natural resources and political regime type, stating that resource rents have a negative effect on democratization. Figure 1 presents the relationship between natural resources and democratization according to this hypothesis.

[10] Jensen, N, Wantchekon, L, Op. Cit, p.2
[11] Karl, TL, Schmitter, P.C, "What Democracy Is...and Is Not", Journal of Democracy, Vol. 2, No. 3, 1991, p. 76
[12] Sachs, JD, Warner, AM, Natural Resource Abundance and Economic Growth, Center for International Development and Harvard Institute for International Development, November 1997; Collier, P, Hoeffler, A, "On Economic Causes of Civil War", Oxford Economic Papers, Vol. 64, No. 1, January 2012; Jensen, N, Wantchekon, L, Op. Cit

Figure 1: The "Political Resource Curse" Hypothesis



The "political resource curse" hypothesis emphasizes how levels of government accountability are shaped by natural resources and, as a result, affect the prospects for broader democratization. Institutions of government accountability can include agencies such as the legislature, the judiciary, and other agencies responsible for upholding democratic rule. Natural resources can weaken institutions of government accountability or even prevent some of them from emerging. The lack of government accountability hinders prospects for broader democratization. Thus, natural resources indirectly lead to lower levels of democratization.

The most widely cited study on the issue of natural resources and democracy in Africa was by Jensen and Wantchekon.[13] They note that between 1965 and 1990, nearly all African low income countries were authoritarian and that the correlation between political regimes and resource dependence became even more evident in the 1990s.[14] Resource abundance is identified as an impediment to the establishment and consolidation of democracy after this wave. The theoretical justification for this phenomenon is that the abundance of natural resources increases competition for control of the state leading ruling parties to use resource rents and political violence to hold on to political power. Resource-poor countries such as Mali and Benin are considered examples of stable democratic governments due to more limited competition for control of state resources. Higher levels of resource rents accrue to higher levels of political support for the incumbent government and hence make it that much more difficult to achieve democratic transition.[15]

Jensen and Wantchekon test the effects of natural resources on democracy using data for 46 sub-Saharan African countries from 1960 to 1995.[16] They find strong evidence that a higher level of natural resource dependence is negatively associated with lower scores on indicators of democracy. From 1970 to 1995 countries with higher levels of natural resources tended to be more authoritarian than resource-poor countries. After the third wave, countries with a

[13] Jensen, N, Wantchekon, L, Op. Cit , p. 2
[14] Ibid, p. 818
[15] Ibid, p 819
[16] Ibid, p. 825

high level of resource dependence had reverted towards authoritarianism.[17] Nowhere was this more evident than in Nigeria. Nigeria's government became even more authoritarian when the revenue of oil as a share of GDP increased from 1960 to 1979.[18]

Consistent with the "political resource curse" hypothesis, Ross examines three causal mechanisms that might explain the link between oil exports and authoritarian rule using cross-national data for all sovereign states between 1971 and 1997.[19] These include a "rentier effect" in which resource-rich governments tax their citizens less and use high spending to ease pressures for more accountability, a "repression effect" in which resource wealth allows governments to increase their funding for internal security, preventing the establishment of democratization and a "modernisation effect" which suggests that growth resulting from the export of oil and minerals fails to bring about social and cultural changes conducive for democratization. [20]

The empirical results are at least weakly consistent with each of the hypothesized mechanisms. Collectively, the causal mechanisms provide quantitative evidence for the rentier effect and for an adapted form of the modernisation thesis. Ross concludes that oil and non-fuel mineral wealth hinders democracy. There is at least provisional support for these three mechanisms.[21] These results, he argues, are sufficient to justify the theory of the rentier state, which has long been overlooked by democratization scholars.[22]

Similarly, Aslaksen finds that higher levels of oil dependence predict levels of democracy in 156 countries between 1972 and 2002. His article shows that the relationship between oil and democracy is negative even when controlling for factors such as per capita income and education.[23]

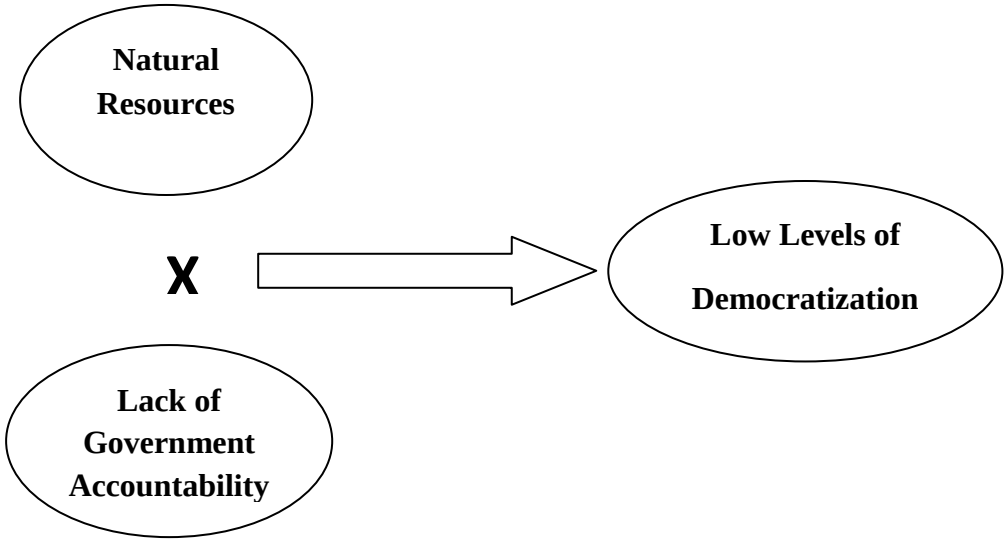
THE CRITICAL/REVISIONIST PERSPECTIVE

The critical/revisionist perspective emphasizes the role of existing levels of government accountability in determining the impact of natural resources on democratization. From this

[17] Ibid, p. 836
[18] Ibid, p. 820
[19] Ross, M (II), Op. Cit, 2001, p. 328
[20] Loc cit
[21] Ibid, p. 356
[22] Ibid, p. 357
[23] Aslaksen, S, Op. Cit, p. 421

perspective, natural resources only have a negative effect on democratization if the existing levels of government accountability are low. Conversely, if existing levels of government accountability are high, natural resources do not have an adverse effect on democratization. Figure 2 depicts the joint (interaction) effect of natural resources and government accountability (represented by "X") on levels of democratization.

Figure 2: The Critical/Revisionist Perspective



Collier and Venables advance a modified version of the revisionist perspective, arguing that while the interaction between natural resources and government accountability is important, natural resources also affect the level of government accountability.[24] They assert the existence of a threshold of government accountability. When the level of accountability is below the threshold, natural resources further undermine accountability. For example, resource abundance increases opportunities for looting from the incumbent government and increases incentives for corruption and theft. In addition, declining accountability can adversely affect prospects for democratic reform. [25] When the level of accountability is above the threshold, natural resources further enhance accountability.[26] This is because natural resources provide the financial means to improve the quality of state institutions.[27] Like the

[24] Collier, P, Venables, J, Natural Resources and State Fragility, Oxcarre Research Paper No 31, 2010.
[25] Ibid, p. 1
[26] Ibid, p. 12
[27] Ibid, p. 2

revisionists, Collier and Venables emphasize how the effects of natural resources are conditional on existing levels of government accountability; however, they also allow for the possibility that natural resources affect levels of accountability.

Using statistical modelling and detailed case studies, Dunning argues that natural resource wealth can have both negative and positive effects on democracy, albeit simultaneously. He emphasizes that natural resources have a "conditional effect" on regime type.[28] Resource rents promote either democracy or authoritarianism through different mechanisms: the first mechanism consistent with authoritarianism is that control over resource rents creates incentives for elites to suppress pressures to democratize. This is a mechanism that has been emphasized by writers in support of the "political resource curse" hypothesis such as Ross, Jensen and Wantchekon.[29] Dunning places much more emphasis on the mechanism through which natural resources promote democracy. This refers to democratic effects resulting from society's inequality. When a society has an unequal distribution of income, natural resource abundance leads to democratization because elites do not fear redistribution.

According to Dunning, both these mechanisms are at work simultaneously in countries with an abundance of natural resources. The mechanism that prevails depends on the country's level of resource dependence.[30] Countries that rely heavily on resource exports for government revenue are more likely to exhibit authoritarian characteristics as the struggle for control of these rents is a rule rather than an exception. Democratic effects will occur when the country is less resource dependent and the non-resource (private income) economy is unequal.[31] In this case, elites become wary of redistributive pressures. In contrast to writers such as Ross, Dunning considers other forms of natural resources (mineral wealth) in addition to oil.

Haber and Menaldo argue that neither the "political resource curse" argument nor the critical/revisionist perspective has convincingly explained the causal link between natural resources and democracy. Noting some of the weaknesses in the literature, they attempt to address them by observing countries prior to being resource dependent and evaluate whether increases in resource rents affected their prospects for democratic governance both on a

[28] Dunning, T, Op. Cit, p. 107
[29] Ibid, p. 19
[30] Loc cit
[31] Ibid, p. 101

country-to-country basis and across several different panels.[32] They use a time-series approach to evaluate the long term effect of resource dependence on regime types. The panel covers 168 countries from 1800 to 2006.[33] The results show that oil and mineral dependence do not promote authoritarianism in the long run even when controlling for other factors. Instead, the opposite is true.[34]

COMPETING HYPOTHESES ON DEMOCRATIZATION IN AFRICA

The aim of this section is to identify some of the factors that could obscure the causal relationship between rents and democracy.

Previous regime type

One of the most influential explanations for democratization in Africa was put forth by Bratton and Van de Walle, emphasizing the importance of previous political regime type. They compare Africa to the rest of the world as well as make comparisons between African countries. Their argument states that the character of the pre-existing regime shapes the dynamics and outcomes of political transitions.[35] This means that authoritarian leaders that have been in power over long periods of time create the rules for participation and competition in the political sphere.

Their argument is influenced by the fact that previous literature on political transition focused more on the interactions of key political actors and underestimated the influence of political institutions.[36] The transition literature has not emphasized the political institutions of pre-existing regime types because of its inherent assumption of the presence of corporatist institutions that pre-dominated the authoritarian regimes of Southern Europe and Latin America.[37] However, in Africa, political institutions have evolved within neopatrimonial rather than corporatist regimes. A neopatrimonial regime is defined as a political system in

[32] Haber, S, Menaldo, V, Op. Cit, p. 1
[33] Ibid, p. 2
[34] Ibid, p. 25
[35] Bratton, M, Van de Walle (I), N, "Neopatrimonial Regimes and Political Transitions in Africa", World Politics, Vol. 46, No. 4, 1994, p. 454
[36] Loc cit
[37] Ibid, p. 457

which the "chief executive maintains authority through personal patronage, rather than through ideology or law".[38]

Political transitions occur in Africa's neopatrimonial regimes due to factors such as social unrest caused by unequal opportunities and poor standards of living, elite breakups over access to patronage, lack of political pacts, and lack of legal rules.[39] Recognizing that not all African leaders govern in the same way, the authors explore variations in neopatrimonial rule post-independence.[40] The conditions under which African leaders consolidated power partly determined the extent of pluralism that came to embody today's existing regimes.[41] The dominant parties that emerged were able to eliminate competition and establish stable civilian one-party rule. However, in the absence of a dominant party, subsequent regimes became unstable and relied greatly on coercive measures such as military intervention to assert control.[42] Regime variants consistent with personal rule and considered as elements of neopatrimonialism include personal dictatorship, military oligarchy, plebiscitary one-party system, and competitive one-party system.[43] The remaining variants are settler oligarchy and multiparty systems and are not classified as neopatrimonial regimes.[44] Settler oligarchies are viewed as part of the institutional structures of post-colonial politics, while multiparty systems are considered to have already completed democratic transition.

Economic development

The "political resource curse" hypothesis states that resource rents have a negative effect on democracy. However, a well established body of research has shown that, all else being equal, higher per capita income in general improves prospects for democratization. This positive relationship between economic development and democracy is most closely associated with modernization theory, which asserts that industrialization, urbanization, and mass education create conditions conducive to stable, elected government.[45] This implies

[38] Ibid, p. 458
[39] Ibid, p. 466
[40] Ibid, p. 468
[41] Ibid, p. 469
[42] Ibid, p. 468
[43] Ibid, p. 472
[44] Loc cit
[45] Lipset, M, "The Social Requisites of Democracy Revisited: 1993 Presidential Address", American Sociological Review, Vol. 59, No.1, 1994; Barro, RJ, "Determinants of democracy", Journal of Political Economy, Vol. 107,

that income from resource rents has a different effect on prospects for democracy than income from the rest of the economy does.

Probably the simplest way to make this distinction is to think of an economy as being divided into two separate sectors: a resource sector and a non-resource sector. This oversimplifies in that the two sectors are interconnected, and changes in one can cause changes in the other. For example, Sachs and Warner have shown that resource-rich countries have lower levels of economic growth overall, meaning that a large resource sector may harm performance in the non-resource sector.[46] Nevertheless, in assessing the "political resource curse" it is also important to account for how income in the non-resource sector affects prospects for democracy.

Ethnic fractionalization

Although today few would stress a "deterministic" negative impact of ethnic fractionalization on democracy, Alesina, et al assert that ethnic diversity is important for the political economy of many states.[47] Using a measure of ethnic fractionalization for approximately 190 countries, they conclude that ethnic fractionalization is negatively associated with governance quality.[48] Barro finds that there is an indication that more "ethnically diverse countries are less likely to sustain democracy."[49] He describes this negative association as being as a result of the inequalities produced by ethnic diversity which make it difficult for countries to sustain democracy.[50] Easterly and Levine find that ethnic diversity is a major factor in explaining governance problems and slow economic growth in Africa.[51]

No. 6, 1999. On the applicability to Africa, see Gibson, C, "Of Waves and Ripples: Democracy and Political Change in Africa in the 1990's", The Annual Review of Political Science, Vol. 5, No. 1, 2002, p. 206-209.

[46] Sachs, JD, Warner, AM, Op. Cit

[47] Alesina, et al, "Fractionalization", Journal of Economic Growth, Vol. 8, No. 2, 2003, p. 1

[48] Ibid, p. 3

[49] Barro, RJ, Op. Cit, p. 172

[50] Loc cit

[51] Easterly, W, Levine, Ross, "Africa's Growth Tragedy: Policies and Ethnic Divisions", The Quarterly Journal of Economics, Vol. 112, No. 4, 1997.

CONCLUSION

The "political resource curse" hypothesis holds that, all else being equal, resource-rich countries are less likely to democratize. Governments which receive large amounts of revenue from external sources such as resource rents, are freed from the need to levy domestic taxes and therefore become less accountable to the citizens they govern. Other factors widely believed to influence prospects for democratization in Africa are previous regime type, economic development, and ethnic fractionalization.

I am therefore interested in determining not only whether resource abundance is negatively correlated with democratization, but whether a negative "causal" association exists even after accounting for previous regime type, levels of economic development, and ethnic fractionalization. In Chapter Three, I use cross-national statistics to determine whether countries with more abundant natural resources at the outset of the wave of democratization (1990) were any more or less likely to democratize in the subsequent twenty years. Chapter Four uses nested case studies of two resource-rich countries to analyze in more detail, the dynamics of the relationship between natural resources and democratization.

CHAPTER 3: RESOURCE RENTS AND DEMOCRACY: CROSS-NATIONAL EVIDENCE, 1990-2009

Nearly all African countries lacked democratic political regimes in 1990. If resource rents hinder democracy, resource-rich countries can be expected to have made less progress toward establishing democratic institutions and practices. Are African countries with more abundant natural resources in 1990 more or less likely to have democratic political regimes in 2009? Using the most recent available data, this chapter aims to present what is closest to being a "definitive" answer to the question by systematically measuring resources and democracy for African countries. In this chapter, I analyze the empirical relationship between natural resources and democracy, controlling for the effects of other variables.

I estimate regression models to see whether countries with larger resource rents in 1990 on average have lower scores on indicators of democracy in 2009. I use control variables to address the possibility that other factors such as the income of the non-resource sector of the economy, the degree of ethnic fractionalization, or features of the pre-1990 political legacy are driving the bivariate association between resources and democracy. I then disaggregate resource rents into "fuel" and "non-fuel "components, to test whether "oil" is different from other natural resources.

This chapter is structured as follows: In the first section, I discuss the measures used for natural resources and democracy together with data sources. A table with descriptive statistics is also presented to illustrate the patterns in the data. Next, I discuss the empirical association between resource rents and democracy using two tables of regression estimates. I then conclude with a discussion of the major findings.

CONCEPTS AND MEASURES

The sample in the study includes all countries in sub-Saharan Africa for which data was available. Some states such as Somalia were excluded from the sample due to data problems.

Democracy

The literature on democratization offers a wide spectrum of competing explanations about the prospects of regime change. One of the most important questions asked by scholars deals

with the factors that lead to the emergence, consolidation and/or demise of democracy. In this debate there is controversy over whether approaches that prioritise economic factors are better at explaining democratic outcomes than political explanations as discussed in Chapter Two.[52] These competing approaches play a huge role in determining the appropriate measures that should be employed when using the concept of democracy.

Democracy is a multi-dimensional phenomenon that can be measured in various ways. My preferred measure of democracy is Voice and Accountability, from the Worldwide Governance Indicators (WGI).[53] Voice and Accountability captures the "perceptions of the extent to which a country's citizens are able to participate in selecting their governments, as well as freedom of expression, freedom of association and a free media".[54] The WGI indicator's reliability is strengthened by the fact that the indicators are based on more than a hundred individual variables that measure the perceptions of governance drawn from 35 separate data sources which are constructed by 33 different organisations from around the world.[55] Similar to other variables based on perceptions, the validity of the data is not always precise as individuals perceptions can change depending on conditional factors. To address this problem the estimates of governance for each country are complemented with margins of error that indicate the uncertainty associated with measuring governance across countries. I use the Voice and Accountability scores for 2009.

An alternative measure is the Polity IV Project's democracy index, called "Institutionalized Democracy" (also for 2009). It is measured on an additive eleven-point scale from zero to ten. In this measure, democracy is conceived as three essential interdependent elements. The first is the presence of institutions and procedures through which citizens can express effective preferences about alternative policies and leaders. Second is the existence of institutionalized constraints on the exercise of power by the executive. Third is the guarantee of civil liberties to all citizens in their daily lives and in acts of political participation.[56] The compilers of this measure argue that other aspects of plural democracy such as the rule of law, systems of checks and balances, and freedom of the press are means to or manifestations

[52] Bratton, M (II), Van de Walle, N, Democratic Experiments in Africa: regime Transitions in Comparative perspective, Cambridge University Press, United Kingdom, 1997, p. 19
[53] Kaufmann, D, Kraay, A, Mastruzzi, M, Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008, The World Bank, Policy Research Working Paper 4978, 2011.
[54] Ibid, p. 6
[55] Loc cit
[56] Marshall, MG, Gurr, TR, Jaggers, K, Polity IV project, Political Regimes Characteristics and Transitions, 1800-2009: Dataset user's manual, Center for Systematic Peace, 2010, p. 14

of the above mentioned principles.[57] Democracy is also measured as a dichotomous dummy. Alence classifies African countries using Polity IV data on the competitiveness and openness of executive recruitment, and the competitiveness of political participation to categorise these countries. Countries that met the minimum threshold for democracy are classified as "democratic" and those that did not are classified as "non-democratic." [58]

Table 1: Descriptive Statistics

Measures	Mean	Median	SD	Min	Max
Democracy					
Voice and Accountability	-0.62	-0.70	0.74	-2.16	0.85
Institutionalized Democracy index	4.17	4.00	3.4	0	10.00
Democracy dummy	0.35	0.00	0.48	0	1
Natural Resources					
Rent per capita	79	<0.5	314	0	2104
Resource exports per capita	98	7	344	0	2162
Control variables					
Non-rent income per capita	794	367	1096	139	5265
GDP per capita	877	385	1285	139	6425
Population (millions)	11	6	17	<0.5	97
Ethnic fractionalization	0.66	0.73	0.23	0.00	0.93
Regime type					
Plebiscitary one-party systems	0.31	0	0.47	0	1
Military oligarchies	0.24	0	0.43	0	1
Competitive one-party systems	0.29	0	0.46	0	1
Multiparty systems	0.11	0	0.32	0	1
Settler Oligarchies	0.04	0	0.21	0	1

* Values rounded to the second decimal place
*natural resources, non-rent income per capita, GDP per capita and population values rounded to whole numbers

Table 1 summarizes the descriptive statistics for the variables discussed in the study. The table presents the mean, the median, the standard deviation, minimum and maximum values for the democracy measures, natural resources measures, and the control variables. The distribution for Voice and Accountability measured on a global scale with a mean of zero and a standard deviation of one and is reasonably symmetric. Voice and Accountability and the Institutionalized Democracy index measures are highly correlated with a coefficient of 0.78. The minimum and maximum scores of these measures indicate that African countries are quite spread out in terms of democracy levels. Some countries such as Guinea, Sudan and Swaziland have very low scores; others such as Mozambique, Lesotho and Kenya have

[57] Loc cit
[58] Alence, R, "Political institutions and developmental governance in sub-Saharan Africa", Journal of Modern African Studies, 2004, p. 170

moderate democracy scores. Countries which have very impressive scores are Cape Verde and Mauritius both scoring 10 on the democracy index and approximately 0.80 on Voice and Accountability.

Natural resources

Africa is a continent rich in natural resources. Whether these resources have been good for Africa's overall economic and political development is controversial. The curse of resources is not only economically harmful but also politically harmful in that it undermines the prospects for democracy and raises the risk of civil war.[59] Theories of the "rentier state" argue that when governments receive most of their revenue from external sources such as resource rents or foreign aid, they tend to become more autonomous, less accountable and more detached from their citizens since there is a lesser need to levy taxes.[60] According to rentier state theorists, this explains the lack of pressure from below for democratic change in non-democratic countries. Thus, the natural resource variable is expected to be negatively associated with democracy.

In recent literature natural resources have been measured in various ways. The preferred indicator in this paper is a measure of rents per capita, rather than natural resource exports as a share of GDP. The difference between the two measures is that the former subtracts the cost of production from the commodity price while the latter measures the abundance in natural resources by the degree of dependence in terms of exports. The data for resource rents per capita is provided by the Wold Bank's Wealth of Nations dataset for 1990. The country level data provides wealth and non-renewable resource rents indicators for over 150 countries.[61] The resource rent component is made up of oil, natural gas, coal, bauxite, cooper, lead, nickel, phosphate, tin, zinc, gold, silver and iron. Data for natural resource exports is from the World Development Indicators provided by the World Bank Group.[62] The closest values to 1990 per country were used in the calculations. The data consists of fuel and mineral values calculated using total exports and GDP.

[59] Alence, R , Op. Cit, p.1
[60] Ross, M (I), Op. Cit, p. 312
[61] The World Bank, The Changing Wealth of nations: measuring sustainable development in the new millennium, http://data.worldbank.org/data-catalog/wealth-of-nations, 2011
[62] World Development Indicators online (WDI), http://0-ddp-ext.worldbank.org.innopac.wits.ac.za/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=6, accessed June 2011

Table 1 provides the descriptive statistics for natural resources. In sub-Saharan Africa, only a handful of countries have extreme values for natural resources. These outliers generally skew the mean away from the median. The values are spread out with some countries which had little or no rents per capita around 1990. These countries include Burkina Faso, Gabon, Cape Verde, Mali, Mauritius and the Seychelles. Countries with high levels of rents per capita during this period include Cameroon, Angola, Sierra Leone and Congo Brazzaville.

Control variables

The empirical association between democracy and natural resources is estimated controlling for the non-rent component of a country's GDP per capita, population, ethnic fractionalization and regime type. These control variables were selected based on the theoretical possibility that they are empirically associated with democracy and natural resources. Non-rent GDP per capita is expected to be positively associated with democracy. Population was also included as a control since per capita values are used for the measures. GDP per capita and population data are from the World Bank's World Development Indicators online for 1990.[63]

In recent years, ethnic fractionalization has emerged as a variable to analyze outcomes such as economic growth and the quality of governance. Structural theories predict that cues of social identity such as ethnicity exert a strong influence on electoral behaviour which further influences the process of democratization.[64] This implies that highly fractionalized countries are more likely to have difficulties with democratization than less fractionalized countries. Easterly and Levine also attribute some of Africa's governance problems to ethnic diversity.[65] The fractionalization dataset was compiled by Alberto Alesina and associates.[66] The dataset covers over 215 countries and measures the degree of ethnic, linguistic and

[63] World Development Indicators online (WDI), Op. Cit, 2011
[64] Norris, P, Mattes, R, Does ethnicity determine support for the governing party? The structural and attitudinal basis of partisan identification in 12 African nations, KSG Faculty Research Working Paper Series, February 2003, p. 2
[65] Easterly, W, Levine, R, Op. Cit, p. 1230
[66] Alesina, A, et al, Op. Cit, p. 1

religious heterogeneity in various countries. Most of the data used to compute the ethnic fractionalization index are from the 1990s, but for some countries older data are used.[67]

Bratton and Van de Walle argue that regime types or the circumstances under which different leaders took power after independence also determines the level of democratization in today's existing regimes. They distinguish between five regime variants in Africa: military oligarchies, plebiscitary one-party systems, competitive one-party systems, settler oligarchies and multiparty systems.[68] These model regimes for sub-Saharan Africa are from independence to 1989. The regime types that are least likely to give rise to democracy are: personal dictatorship, military oligarchy, plebiscitary one-party system, and competitive one-party system. These regimes are consistent with personal rule and have not been institutionalized to the extent that they are able to prevent a strong leader from controlling the decision making process.[69]

Some countries had high levels of resource rents together with high levels of non-rent GDP per capita such as the Seychelles, South Africa, Botswana and Mauritius. High levels of ethnic fractionalization are more prevalent in countries such as the Congo Brazzaville, Kenya, Liberia, Nigeria and Uganda. Uganda is the most ethnically fractionalized country with the maximum coefficient of 0.93. The island country of the Comoros is the only one with close to zero ethnic fractionalization. In terms of the regime models, there are very few sub-Saharan African countries with multiparty systems from independence to 1989. These countries are Botswana, Gambia, Mauritius, Senegal and Zimbabwe. Only two settler oligarchies existed, these being Namibia and South Africa. Military oligarchies included countries such as Nigeria, Ghana and Uganda. As Table 1 indicates, most of the other countries in the sample had either plebiscitary one-party systems or competitive one-party systems.

THE ASSOCIATION BETWEEN RENTS AND DEMOCRACY

Having described data patterns in the sample, this section aims to provide evidence about whether countries rich in natural resources in 1990 were any more or less likely to have

[67] The MacroData Guide-an International Social Science Resource, http://www.nsd.uib.no/macrodataguide/set.html?id=16&sub=1, 2010, accessed June 2011
[68] Bratton, M, Van de Walle (I), Op. Cit, p. 473
[69] Ibid, p. 472

established democratic practices over the next two decades. I use control variables to consider the possibility that the association between rents and democracy has been driven by other factors. I begin with a measure of total rents and later disaggregate the measure to account specifically for the effects of oil.

Table 2: Regression Estimates (Ordinary Least Squares)

	Dependent variable: Voice and Accountability			
	(1)	**(2)**	**(3)**	**(4)**
(Intercept)	-0.61***	-2.28	-2.28	-0.65
	(0.14)	(1.90)	(1.91)	(2.11)
Log(rent per capita)	-0.01	-0.06	-0.05	-0.07
	(0.05)	(0.05)	(0.06)	(0.06)
Log(non-rent income per capita)		0.28	0.26	0.15
		(0.15)	(0.16)	(0.17)
Log(population)		0.003	-0.02	-0.05
		(0.08)	(0.09)	(0.09)
Ethnic fractionalization			2.43	
			(2.07)	
Ethnic Fractionalization squared			-2.21	
			(1.94)	
Regime (Military oligarchies)				-0.02
				(0.30)
Regime (Multiparty systems)				0.07
				(0.40)
Regime (Plebiscitary one-party systems)				-0.22
				(0.28)
Regime (Settler oligarchies)				1.05
				(0.61)
R-squared	0.00	0.11	0.14	0.21
adj. R-squared	-0.02	0.04	0.03	0.06
sigma	0.75	0.70	0.70	0.70
F	0.02	1.65	1.25	1.36
p	0.87	0.19	0.30	0.25
N	47	45	45	44

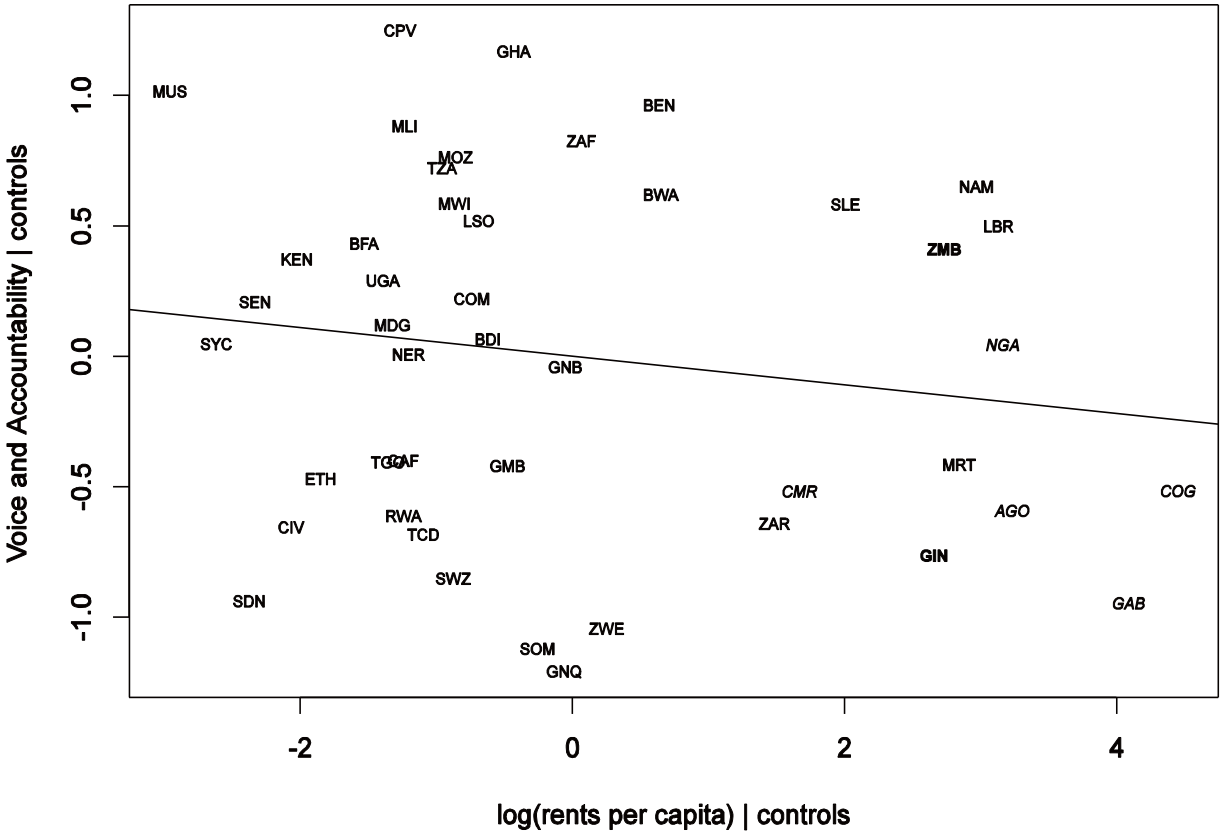
*Values rounded to the second decimal place

Table 2 contains regression estimates, with Voice and Accountability as the dependent variable. Column (1) contains estimates of a regression of Voice and Accountability on logarithm of rent per capita. The coefficient estimate shows that there is a weak negative

bivariate association between rent per capita and Voice and Accountability in a sample of 47 countries. Column (2) adds the per capita non-rent income and population. The coefficient for resource rents remains negative, while the coefficients for non-rent income per capita and population are positive. Column (3) adds ethnic fractionalization and ethnic fractionalization squared (to allow for non-linear effects), but these variables contribute little explanatory power. Column (4) excludes ethnic fractionalization but includes prior regime types. The base regime is the competitive one-party system and the coefficients for the other regimes are based on how much they differ from this system. While these regime types improve the overall explanatory power, the coefficient for resource rents is little changed, remaining weakly negative and statistically insignificant.

Figure 3 represents the regression estimates graphically through the use of a partial regression plot. The graph examines the relationship between rents per capita and Voice and Accountability given the controls (using the estimates from Table 2 Column (2)). One can clearly distinguish the general pattern on the fitted line. The countries in the sample are spread out with some above and others below the line. This pattern explains why rents per capita do not explain the variation in levels of Voice and Accountability. Some countries, such as Namibia (NAM) have a fair amount of rents and high scores for democracy. Others, such as Sudan (SDN) have low rents but also very low scores for democracy. The two countries marked in bold, Zambia (ZMB) and Guinea (GIN), are interesting because they both have high levels of resource rents but vary in their democracy scores. These two cases will be examined in detail in Chapter Four. (The codes marked in italics are oil-producing countries. These include, the Democratic Republic of Congo (ZAR), Congo-Brazzaville (COG), Cameroon (CMR), Angola (AGO), Gabon (GAB) and Nigeria (NGA).)

Figure 3: Partial Regression Plot



The regression estimates in Table 3 follow the same format as in Table 2 but the resource rent variable is divided into fuel rents and non-fuel rents. Column (1) contains fuel per capita which is negatively associated with Voice and Accountability. Column (2) includes non-fuel rent per capita, non-rent income per capita and population. Non-fuel rent per capita has a weak positive association while non-rent income per capita has a stronger positive association with Voice and Accountability. However, adding more variables moves the non-fuel per capita coefficient away from zero until it becomes negative as seen in Column (4). The coefficient for non-rent income per capita decreases when controlling for regime type but nonetheless remains positive. The distinction between non-fuel and fuel rent per capita indicates that there might be something unique about fuel (oil) rent that needs further examination. However, neither non-fuel nor fuel rent per capita explains the variation in levels of Voice and Accountability as there is still a significant amount of unexplained variance in the sample. The low R^2 values in all the models indicate this.

Table 3: Regression Estimates (Ordinary Least Squares)

	Dependent variable: Voice and Accountability			
	(1)	**(2)**	**(3)**	**(4)**
(Intercept)	-0.58***	-2.53	-2.52	-0.92
	(0.12)	(1.89)	(1.92)	(2.29)
Log(fuel rent per capita)	-0.07	-0.11	-0.11	-0.07
	(0.06)	(0.06)	(0.07)	(0.07)
Log(non-fuel rent per capita)		0.02	0.01	-0.05
		(0.07)	(0.07)	(0.08)
Log(non-rent income per capita)		0.29	0.29	0.16
		(0.15)	(0.16)	(0.18)
Log(population)		0.01	-0.02	-0.04
		(0.08)	(0.09)	(0.09)
Ethnic fractionalization			1.88	
			(2.09)	
Ethnic fractionalization squared			-1.53	
			(1.98)	
Regime (Military oligarchies)				-0.03
				(0.31)
Regime (Multiparty systems)				0.05
				(0.41)
Regime (Plebiscitary one-party systems)				-0.18
				(0.30)
Regime (Settler oligarchies)				0.98
				(0.73)
R-squared	0.03	0.16	0.18	0.21
adj. R-squared	0.01	0.07	0.05	0.03
sigma	0.74	0.69	0.70	0.71
F	1.21	1.87	1.36	1.18
p	0.28	0.14	0.26	0.34
N	47	45	45	44

* Values rounded to the second decimal place

CONCLUSION

The major findings are that the correlation between (the logarithm of) resource rents and Voice and Accountability is negative but very close to zero. The weak, negative association persists when controlling for various economic, social, and political variables. When a distinction is made between fuel and non-fuel rents, most if not all of the negative association

is accounted for by fuel producers. Non-fuel rents only account for a minor negative association after controlling for previous regimes in Column (4) of Table 3. Overall, resource rents are a very weak predictor of democracy.

CHAPTER 4: NESTED CASE STUDIES: GUINEA AND ZAMBIA, 1990-2010

The evidence thus far suggests that resource rents are a very weak predictor of democracy. The patterns among resource-rich countries are not entirely consistent with the predictions of the "political resource curse" hypothesis. Some resource-rich countries "over-perform" regional patterns with respect to democracy, whereas others "under-perform" them. In this chapter, I discuss the logic of case selection using a modified version of the previous regression plot (figure 3). I then analyze nested case studies of two (non-oil) resource-rich countries to assess the dynamics of the relationship between natural resources and democratization in more detail.

CASE SELECTION

The two cases under review were selected based on their corresponding values in terms of two key variables: resource rents and Voice and Accountability. These cases have large resource rents (non-oil) and differing political outcomes. One has a "higher than expected" Voice and Accountability score, while the other has a "lower than expected" Voice and Accountability score. The "case-oriented" analysis will complement the "variable-oriented" statistical analysis discussed in the previous chapter. Haber and Menaldo argue that the cross-national (negative) association between resources and democracy misrepresents the causal processes within countries. They use time-series relationships to address this limitation.[70] The nested analysis in this chapter will provide a more detailed analysis of processes "within cases", to complement the "across-case" analysis in Chapter Three. Resource rents are measured in 1990 and democracy is measured in 2009 so it would be valuable to explore the intervening processes relating rents with democracy. Figure 4 is a graphical representation of this logic.

[70] [70] Haber, S, Menaldo, V, Op. Cit, p. 2

Figure 4: Partial Regression Plot

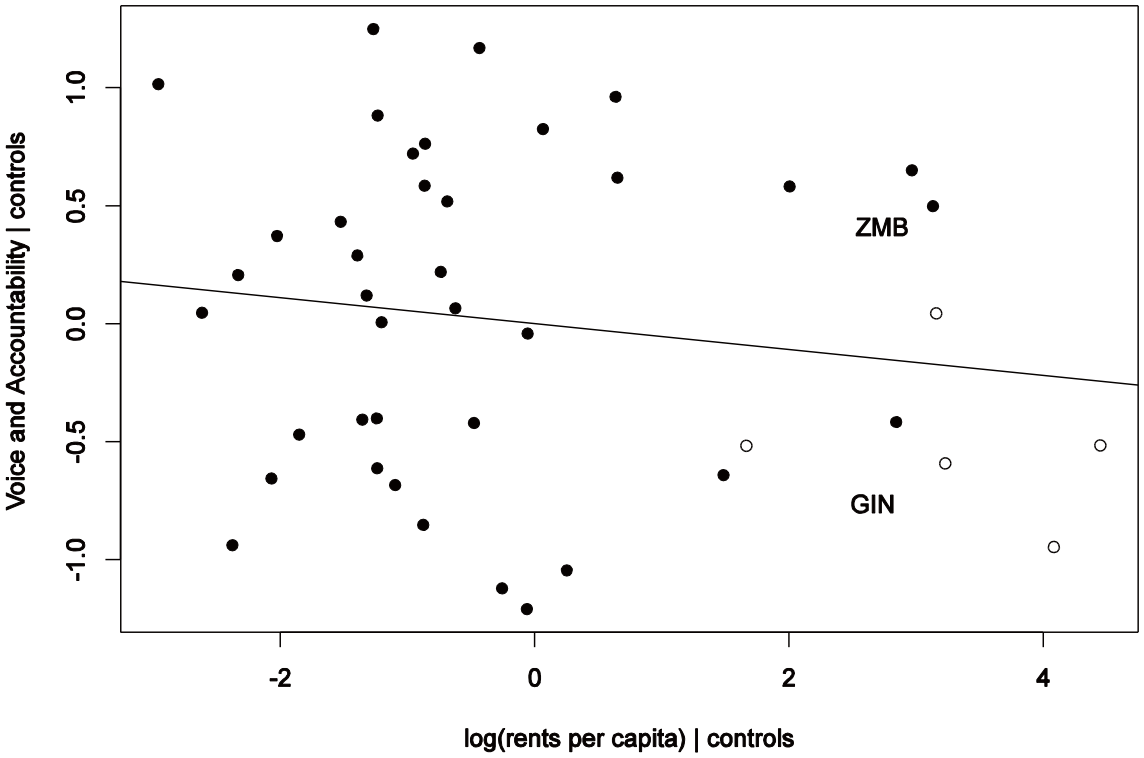


Figure 4 is a modified version of Figure 3 in which all countries are "dots", except for the two case studies, which are labelled. The five major oil-exporting countries are represented using hollow dots, while the rest of the countries are represented through solid dots. Guinea and Zambia have large resource rents, but vary with respect to their Voice and Accountability scores, after controlling for other factors. The aim of the next section is to analyze the processes that led to these results within each case from the period between 1990 and 2010.

GUINEA: RESOURCE RENTS AND DEMOCRACY, 1990-2010

Country Overview

Guinea is located in West Africa and borders Cote d'Ivoire, Guinea-Bissau, Liberia, Mali, Senegal and Sierra Leone. Guinea has a population of less than eleven million (July 2011 estimate) and possesses major mineral, hydropower and agricultural resources. It possesses almost half of the world's bauxite reserves and significant iron ore, gold, and

diamond reserves. [71] Its GDP composition is led by the Industry sector (53%) mostly composed of mining/mineral exports instead of manufacturing. This is followed by services (30%) and agriculture (17%) which employs about 76% of the labor force. Despite this abundance of resource wealth, Guinea remains one of Africa's poorest countries and has been unable to profit from this wealth due to widespread corruption, degraded infrastructure and political uncertainty. Together, this has led to weakened investor confidence.[72]

Figure 5: Resource Rents and Democracy Trends in Guinea, 1990-2010

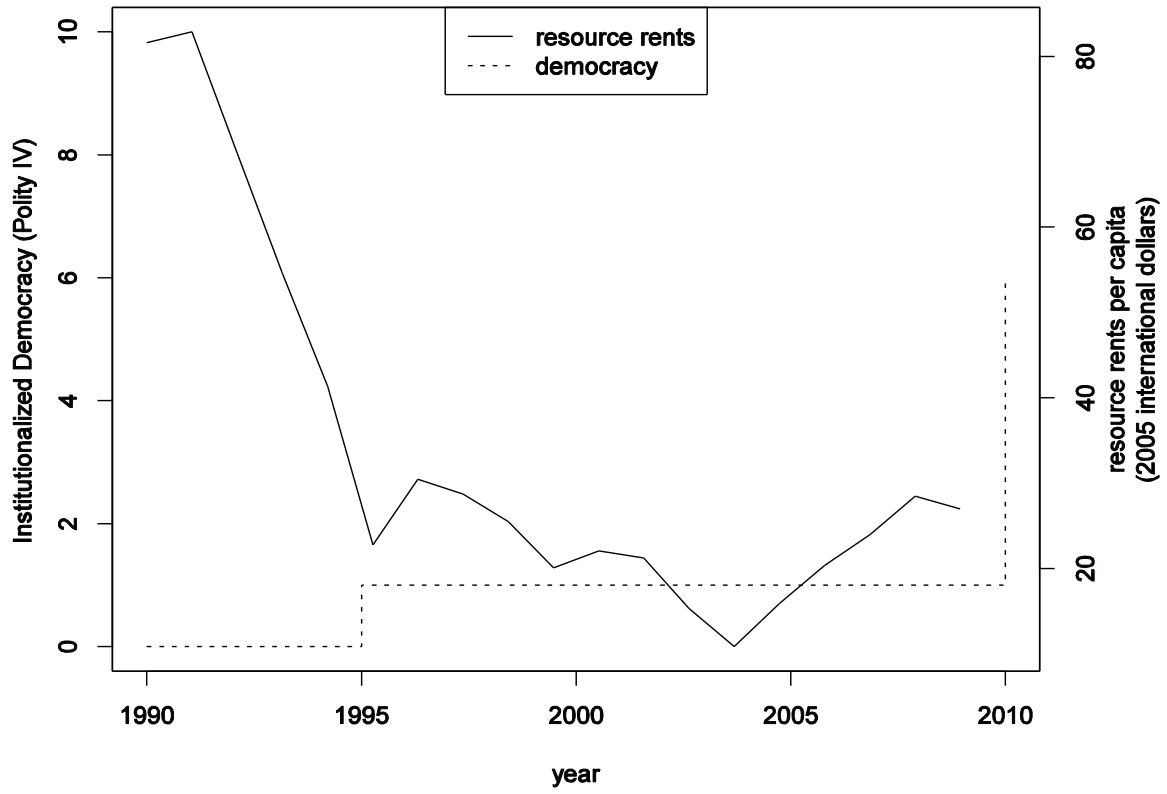


Figure 5 highlights the time trends in resource rents and Polity scores for Guinea. Democracy scores from the Polity IV Project are used to trace the democracy trends instead of Voice and Accountability because the WGI data is only available beginning in 1996. The graph will underscore the changes that occurred with respect to resource rents and democracy in Guinea between 1990 and 2010. It will demonstrate whether or not there was any strong association between the level of resource rents and democracy scores during this period.

[71] Central Intelligence Agency, The World Fact Book, https://www.cia.gov/library/publications/the-world-factbook/geos/gv.html, 2011, p. 1

[72] Loc cit

RESOURCES

Mineral profile

Guinea's export commodities include bauxite, alumni, gold, diamonds, coffee, fish, and agricultural products. The country imports petroleum products, metals, machinery, transport equipment, textiles, grain and other foodstuffs.[73] In 1990, Guinea was the second largest producer of bauxite in the world after Australia.[74] Bauxite is a naturally occurring material primarily composed of aluminum hydroxide minerals. The bulk of bauxite production in the world is used to manufacture alumina.[75] Guinea's economy was dominated mainly by the production of bauxite, diamond and Gold. Alumina and bauxite were the main foreign exchange earners and accounted for about 88% of all mineral exports.[76]

In 1990, the mineral economy seemed to diversify with the discovery of diamonds and gold, but Guinea's entire economy lacked diversification as mineral exports accounted for about 90% of the country's total exports.[77] The total value of mineral exports for 1990 was approximately $588 million.[78] The major trading partners included France, the former Soviet Union, the United States and their West African neighbours. The production of bauxite was dominated by three companies, one of which was entirely state-owned.[79] Only one diamond and one gold mine existed in 1990, along with a widespread black market production for these resources for which data is unavailable.

Today the mineral/mining sector in Guinea employs about 53% of the labour force. In 1990, this sector employed about 20% of the total labour force.[80] Guinea's poor infrastructure prevented its mining operations from operating effectively. During this period, Guinea had a total of about 30,100 km of roads, of which 1,145 km was paved; 12,955 km was gravel or laterite, 4,500 km was all weather roads, and the remaining were unimproved earth roads.[81] The general outlook at this time was that Guinea would continue to be a major producer of

[73] Loc cit
[74] U.S Geological Survey, The Mineral Industry of Guinea:1990, http://minerals.usgs.gov/minerals/, accessed 12 February 2012, p. 101
[75] Loc cit
[76] Loc cit
[77] Loc cit
[78] Ibid, p.102
[79] Loc cit
[80] Loc cit
[81] Ibid, p. 103

bauxite in the future and that production levels would increase through the opening and discovery of new deposits.

Trend in rents

Bauxite accounts for 100% of Guinea's (non-forest) rents from the period of 1990-2008.[82] In 1994, Guinea was still the second largest producer of bauxite in the world as well as high grade iron ore, diamond, gold and other precious metals.[83] Only bauxite was produced commercially in 1994. During this period there was a slump in Guinea's mineral sector due to low world prices for aluminum as reflected in figure 5. Low prices for bauxite and alumina left Guinea with a trade deficit of $340 million. Mineral exports accounted for more than 90% of the country's total exports and about 35% of government revenue.[84]

From this period onwards, a plan was put in place to develop the Nimba Iron ore mining project which was later put on hold due to lack of finance, adequate infrastructure, and political tensions in Liberia. Guinea's iron ore deposits were close to the Liberian border and, therefore, the project was affected by the civil insurgencies in the neighbouring country. Mineral production was taking place in five main locations, compared to only three in operation in 1990. The country's only gold mine was shut down in 1992 and remained closed in 1994.[85]

In 1995, a new law was enacted that defined the incentives, mineral ownership, mining fees and taxes used to boost investor confidence. The government began to encourage the diversification of the mineral industry further to reduce the excessive dependence on bauxite, which was still the largest export commodity.[86] There was a limited domestic demand for minerals, bauxite in particular, which resulted in the mineral sector's continued dominance of national exports. Guinea imported most of its mineral requirements with mining companies consuming about 55% of the country's petroleum imports.[87] As the year progressed, international market conditions improved allowing Guinea to increase its bauxite production

[82] The World Bank, The Changing Wealth of Nations data, Op. Cit, 2012
[83] U.S Geological Survey, The Mineral Industry of Guinea:1994, Op. Cit, p. 349
[84] Loc cit
[85] Ibid p. 350
[86] U.S Geological Survey, The Mineral Industry of Guinea:1995, Op. Cit, p.1
[87] Loc cit

and, subsequently, its rents. The Nimba iron ore project remained dependent on Liberia's civil war and access to an export route through Liberia.[88]

By 1998, major highways had been paved, but rural transportation was still inadequate to meet demand.[89] Although the 1995 mining code had significantly improved the business environment for the mining sector, operations remained hampered by infrastructural problems, funding, the country's perceived economic and political risk and regional instability, which together crippled investor confidence.

In 2004, the IMF reported that Guinea's economic activities remained weak due to cement and electrical shortages, continued instability in neighbouring countries and lack of private investment due to uncertainty in the internal political environment.[90] An agreement for the exploration of mount Nimba was signed in April 2002 followed by the creation of a new mining company, a consortium formed by companies from the United Kingdom, The United States, and France in cooperation with the government of Guinea.[91]

As the economy continued to deteriorate, March 2006 saw the main labor union alliance in Guinea launch a historic strike demanding wage increase as well as greater participation in economic and social policy making.[92] In June 2006, a second strike was launched due to the government's inability to curb rising inflation. A third one followed in January 2007 owing to poor condition of the economy and also led to demands for the president's resignation. The 2007 strike brought business to a halt and forced most mineral operations to shut down temporarily. Revenue losses from bauxite exports were estimated at more than $1 million per day.[93] Guinea's rents per capita remained at a very low level compared to 1990 and earlier.

In 2010, Guinea was no longer the second largest producer of bauxite and was instead ranked fifth in the world. Graphite, iron ore, limestone, manganese, nickel, and uranium were still the country's underdeveloped resources.[94] Although alumina production increased by 13% and bauxite production increased by 12%, diamond and gold production decreased by 46% and 16% consecutively. Plans to develop the country's iron ore, uranium, petroleum and infrastructure still continued to facilitate foreign direct investment. Poor living conditions,

[88] Ibid, p.2
[89] U.S Geological Survey, The Mineral Industry of Guinea:1998, Op. Cit, p.22.2
[90] U.S Geological Survey, The Mineral Industry of Guinea:2004, Op. Cit, p.21.1
[91] Ibid, p.21.3
[92] U.S Geological Survey, The Mineral Industry of Guinea:2007, Op. Cit, p.20.1
[93] Loc cit
[94] U.S Geological Survey, The Mineral Industry of Guinea:2010, Op. Cit, p.20.1

which included rising food and fuel prices, as well as a stagnant economy, resulting from the overall decline in commodity prices and Guinea's debt burden, highlighted the country's economic crisis even with the abundance of resources.[95] Over the past few years, the price of bauxite has been growing and might reverse this stagnant trend. However, this benefit can only be realized if the country improves its investment climate and stimulates growth in the private sector.[96]

DEMOCRACY

Political overview

Guinea had a long history of authoritarian rule since gaining its independence from France in 1958.[97] The first post-independence leader was President Sekou Touré. During his tenure, president Touré banned opposition parties and repressed any challenge to his autocratic rule.[98] After his death, Lansana Conté came to power through a military coup in 1984. Bratton and Van de Walle classified Guinea's political regime in 1989 as a military oligarchy.[99] Guinea held its first democratic elections in 1993 when General Conté was elected president of the civilian government. He was re-elected in 1998 and 2003 in elections that were regarded as being flawed.[100]

President Conté died in 2008 after a long illness, and a second military coup was launched in December of the same year by Captain Moussa Camara. Camara subsequently suspended the constitution and suppressed all civil society activities a few hours after Conté's death. He was unwilling to step down amidst domestic and international pressures, which created political tensions that led to about 150 protestors being killed, 1,000 injured, and 100 raped by the military at a soccer stadium on 28 September 2009.[101] In December 2009, Camara was wounded in an attempted assassination and exiled to Burkina Faso. Camara was replaced by

[95] Carvalho, A, L, Republic of Guinea: an analysis of current drivers of change, Norwegian peace building resource centre, http://www.peacebuilding.no/eng/layout/set/print/Regions/Africa/Publications/Republic-of-Guinea-an-analysis-of-current-drivers-of-change, 9 March 2011, p. 1
[96] Loc cit
[97] Central Intelligence Agency, Op. Cit, p. 1
[98] Polity IV Country Report 2010: Guinea, http://www.systemicpeace.org/polity/polity06.htm, accessed 12 February 2012, p. 1
[99] Bratton, Van de Walle, Op. Cit, p. 79
[100] Central Intelligence Agency, Op. Cit, p. 1
[101] USAID, Guinea Holds First Democratic Election, http://www.usaid.gov/press/frontlines/fl_feb11/FL_feb11_WGuinea.html, February/March 2011

Sekouba Konate who led a transitional government that paved the way for democratic elections. Alpha Conde, an enduring opposition leader, was elected as Guinea's first president in December 2010 in what were declared as the country's first free and fair elections since independence.[102]

Trend in democracy

Figure 5 shows a trend in which Guinea had very low democracy scores from the period of 1990-1995. The country remained stable with no violent conflicts during the socialist administration of Touré (1958-1984).[103] During Touré's rule, there were pressures to move towards a more democratic system through means such as the adoption of a new constitution by referendum in 1990. However, Conté's liberal regime (1984-2008) was seen to be marred with corruption, human rights violation and bad governance.[104]

The predatory nature of Touré's rule prevented the development of democratic governance institutions. This regime lasted for 24 years and was considered to be violent and repressive. The military regime that followed his death also relied on hierarchal administration to control the country. Throughout the post-independence period, Guinea was characterized by deep but moderate ethnic divisions and weak institutions, despite French assimilation. [105] As corruption and rent-seeking worsened amongst officials, many rural Guineans opted to leave the formal economy and managed to survive through networks of personal, family and clan relationships.[106]

Prior to 1990, governance debates in Guinea were sporadic and donor stimulated. The so called African wave of democratization also affected the country in the mid 1990s with elections being held in 1993, following increased political unrest in the country. In the early 1990s, Conté's military regime encouraged the liberalization of the political system under the guidance of the Transitional Committee for National Recovery, mainly to garner support from the international community.[107] His reforms were not recognized as particularly

[102] Central Intelligence Agency, Op. Cit, p. 1
[103] Carvalho, AL, Op. Cit, p. 1
[104] Loc cit
[105] Ibid, p. 55
[106] Loc cit
[107] Polity IV Country Report 2010: Guinea, Op. Cit, p. 1

meaningful and his victory in the 1993 elections was considered illegitimate and widely criticized by both domestic and international observers.

The 2005 elections were also considered flawed, but brought into power elected local governments for the first time since 1960.[108] Guinea appeared to be opening up politically by 2006 with the development of opposition parties, a number of opposition newspapers, a private radio station and open discussions with elites. Opposition leaders became more critical of the government and became more concerned about issues of the electoral process and the extent to which donor conditions were being enforced.[109] By 2007, there were strong doubts about the president's ability to run due to his deteriorating health. Following the death of President Conté in 2008 and the massacre of opposition supporters at a soccer stadium in 2009, a successful transition in 2010 was seen as evidence of Guinea's commitment to the process of democratization, albeit with social tensions rising due to structural and economic factors.

The interplay between resource rents and democracy in Guinea

The sharp decline in resource rents in 1990 led the government to adopt economic measures that would buffer the impact of declining world prices and foster greater foreign direct investment. The new law enacted in 1995 coincided with a slight increase in Guinea's democracy score from zero to one. This increase was due to the "window dressing" reforms adopted by Conté in the early 1990's to impress donors as well as the first "democratic" elections held in 1993. This democracy score increase is not significant because Conté maintained power and used supposedly democratic institutions to legitimise his rule in the eyes of the international community.[110]

The 2006/2007 labor union strikes were significant because as commodity prices remained unstable and as Guinea's economy continued to deteriorate, citizens demanded greater participation in economic and social policy-making. This is an example of a situation in which poor economic conditions lead citizens to demand political liberalization. Indeed, Conté's rule became increasingly tenuous and he later died in 2008. This did not lead to immediate "democratic consolidation" because Camara launched another coup within hours

[108] Ibid, p.56
[109] Loc cit
[110] Polity IV Country Report 2010: Guinea, Op. Cit, p. 2

of the announcement of Conté's death. It was not long until opposition forces began to resist Camara's efforts to undermine the democratic process. The brutal massacre of opposition members brought heightened condemnation of Camara's government and, ironically, a near end to his life after a failed assassination attempt. These events ushered the country to its first "free" elections in June 2010. Guinea's democracy score increased from one to six.

Other factors that might have affected Guinea's transition to democracy include the fact that Guinea borders about six other countries. This had a negative effect on Guinea's ability to maintain stable political relations with its neighbours due to some spillover effects from nearby conflicts in countries such as Liberia and Cote d'Ivore. History shows us that the movement of immigrants fearing conflicts and lack of economic opportunities into neighbouring countries can cause domestic political tensions due to scarce economic resources.

The French had a centralized system that imposed very strong central control and did not allow much local variation in contrast to the decentralized systems of many pre-colonial entities in West Africa. [111] While the French system has been widely considered as being more autocratic and homogenous than the British system, evidence suggests that in practice the differences between the two were not that significant. Most limited participatory and decentralization policies in African countries were in urban areas close to the end of the colonial period.[112]

The French administration in Guinea created an authoritarian centralized bureaucratic system without domestic political control. This created a highly centralized political system which relied on instruments such as the military and police to control and ensure uniformity in the country.[113] Bratton and Van de Walle also make the point that transition to democracy is more likely to be determined by institutional legacies. A transition to democracy is said to be much more difficult when a country is transforming from a regime without any tradition of political competition, as in Guinea.[114] Although the French administration resulted in a legacy of hostility towards political participation, colonial legacy alone does not adequately explain the lack of democratic governance in Guinea prior to 2010.

[111] Picard, LA, Moudouda, E, "the 2008 Guinea Conakry coup: Neither inevitable nor inexorable" Journal of Contemporary African Studies, 2010, p. 53
[112] Loc cit
[113] Ibid, p. 54
[114] Bratton, M, Van de Walle, N, Op. Cit, p. 273

The trends in Guinea's level of resource rent and democracy provide hints of a distorted association between a decline in rents, accompanied by poor living standards and demands for political liberalization. It appears as though Guinea's likelihood for democratization increased when resource rents declined. This was hinted at by mounting pressure for political change from repressive regimes. However, this relationship is not clear-cut because the largest fall in rents (early 1990's) led only to limited political reforms in 1995. Significant political change only occurred nearly a decade later.

Resource rents might not be a direct cause for a lack of good democratic governance in Guinea but the trends demonstrated that political stability is sustainable only through economic development. Guinea must address its continued reliance on natural resources, something which it has done little of, if it hopes to truly improve the living standards of its people. In other words, the excessive reliance on natural resources affects economic prospects, which are a necessary condition for political stability.

ZAMBIA: RESOURCE RENTS AND DEMOCRACY, 1990-2010

Country Overview

Zambia is located in Southern Africa, east of Angola and South of the Democratic Republic of Congo.[115] Zambia has a population of nearly fourteen million (July 2011 estimate) and possesses a vast number of natural resources such as copper, cobalt, zinc, lead, coal, gold, silver, emeralds, uranium and hydropower. Its dependency on copper renders it vulnerable to depressed commodity prices although its copper output has increased steadily since 2004 due to higher copper prices and increased foreign investment.[116] Its GDP composition is made up of services (44.1%), minerals (34.5%) and agriculture (21.5%). Despite this relatively strong economy, poverty remains a major problem in Zambia.

[115] Central Intelligence Agency, Op. Cit, p. 1
[116] Loc cit

Figure 6: Resource Rents and Democracy in trends Zambia, 1990-2010

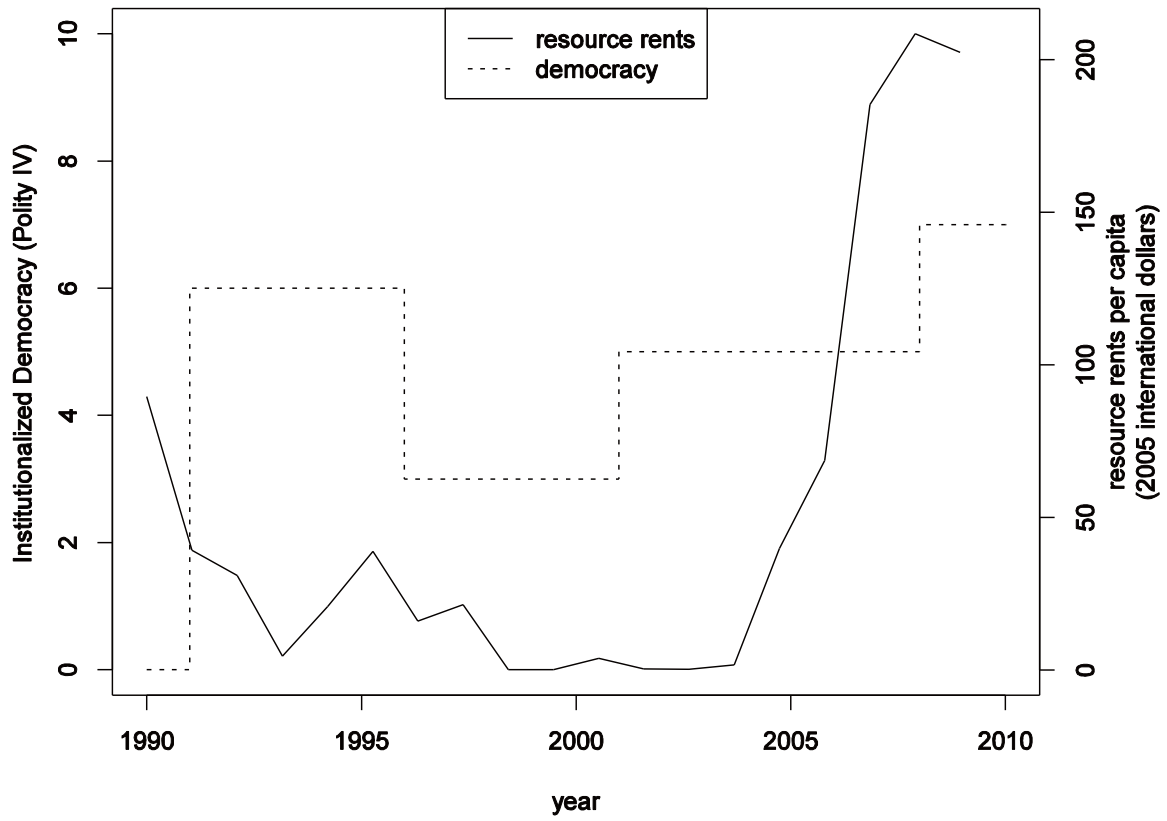


Figure 6 shows the time trends in resource rents and Polity IV scores for Zambia. The graph will assist in highlighting the changes that occurred with respect to resource rents and democracy in Zambia between 1990 and 2010. It will also help illustrate whether or not there was any strong association between the level of resource rents and democracy scores during this same period.

RESOURCES

Mineral profile

Zambia has numerous metal and mineral deposits. Major mineral exports include copper, cobalt (produced as a by product of copper mining and processing), lead and zinc. Its mining industry has been dominated by the copper sector, which remains the foundation of Zambia's economy.[117] The government dominated the mining industry with its own Zambia

[117] U.S Geological Survey, The Mineral Industry of Zambia: 1990, http://minerals.usgs.gov/minerals/, Accessed 12 February 2012, p. 277

Consolidated Copper Mines Ltd (ZCCM) as the largest entity in the mineral sector. Zambia discovered its copper reserves in the 1920s and has since then been faced by the same fundamental challenge confronted by other resource-rich countries. That is, focusing on distributing the wealth gained from these resources in an equitable and sustainable manner in order to promote growth and investment.[118]

Zambia is one of the largest producers of copper in the world, but its mining sector has never been large enough to exert market power. It has always been a price taker in a market of highly volatile prices. Underground copper mining in this region requires import and capital intensive technology and the highly volatile prices, combined with geographical isolation, create a situation in which investors opt to continue monitoring the trend in international prices before they invest.[119] Low investment and external shocks resulted in the stagnation of total production in both the mineral and non mineral sectors. As a result, per capita income decreased sharply in the 1970s, 1980s and throughout to the 1990s.

Trend in rents

The history of Zambia's economy is closely linked to that of its copper industry. For several decades before independence in 1964, Zambia's economy has been dependent on copper, which accounts for 99% of Zambia's (non-forest) rent for the period of 1990-2008.[120] The mines were nationalized in 1970 and the one-party government of that time used the earnings from mineral resources for various social and economic purposes, but failed to reinvest in the same industry. This led to a long run decline in copper production and thus revenue.[121] In the mid-1990s, global copper prices fell dramatically and resulted in significant losses for the state-owned ZCCM.[122] These losses posed a serious threat to public finances, leading the government towards an inevitable privatization of the conglomerate, despite political opposition. After the 1990s, minerals continued to be Zambia's main source of foreign exchange earnings and government revenue with copper accounting for more than 75% of these earnings.[123] Between 1991 and 1999, mining production decreased by 32% and by

[118] Adam, C, Musonda, A, Harnessing Resource Revenues for Prosperity in Zambia, Paper prepared for Revenue Watch International Project on managing natural resource wealth, First draft, 14 January 2009, p.8
[119] Loc cit
[120] The World Bank, The Changing Wealth of nation's data, Op. Cit, 2012
[121] U.S Geological Survey, The Mineral Industry of Zambia: 1994, Op. Cit, p. 949
[122] Adam, C, Musonda, A, Op. Cit, p.2
[123] The Mineral Industry of Zambia, 1994, Op. Cit, p.949

250,000 tons. By 2004, production had increased to 400,000 and 500, 000 in 2007 and 2008 respectively.[124]

The Privatisation Act of 1992 established the Zambia Privatisation Agency (ZPA) that would plan, implement and control the privatisation of state-owned companies in Zambia. In 1995, parliament passed the Mines and Mineral Act aimed at attracting capital, technology and investments in the mining sector as copper prices continued to decline. The law covered all mineral commodities and gave the government flexibility in negotiating individual contracts with investors.[125] The Act also put in place a mineral policy that called for the privatisation and diversification of the mining sector. By 1997, Zambia was ranked as the eleventh largest producer of copper in the world.

In 1998, copper and cobalt prices were still low and political risk from civil wars in neighbouring Angola and Congo Kinshasa made it even more difficult to attract foreign investment.[126] The Zambian economy began to improve in 2000, following the completion of the government's privatisation program. The country experienced a setback in January 2002 when Anglo American, owner of Zambia Copper Investments Limited (ZCI) announced that it would write off $350 million in Zambian assets. In the same period, high operating costs and low copper and cobalt prices also led to a partial write-off and temporary suspension of mining operations in late 2001 and early 2002.[127]

In 2005, the mineral sector was revitalised and, in 2006, the value of copper and cobalt exports tripled compared to 2005. This was attributed to the increase in international metal prices. The rise in prices increased investor interest in underdeveloped mineral resources and a number of exploration projects began in 2006.[128] World copper prices reached their peak in 2008 and broke all records since independence. The increase in prices combined with new foreign investments led to a significant increase in productive capacity as well as a fall in unit costs. The 2008 boom allowed Zambia to renegotiate a new tax code which had as one of its elements, a shift towards generating larger revenue flows to the government through adjustment of the royalty rate and an increase in the mineral royalty rate on base metals from 0.6% to 3% of total revenue.[129] In the same year, the 1995 Mineral Act was replaced with the

[124] Adam, C, Musonda, Op. Cit, p. 26
[125] The Mineral Industry of Zambia: 1996, Op. Cit, p. 2
[126] The Mineral Industry of Zambia: 1998, Op. Cit, p. 49.1
[127] The Mineral Industry of Zambia: 2001, Op. Cit, p. 30.1
[128] The Mineral Industry of Zambia: 2006, Op. Cit, p. 41.1
[129] Adam, C, Musonda, A, Op. Cit, p. 38

Mines and Mineral Development Act of 2008. The new law included an increase of corporate tax on income to 30% from the previous rate of 15%-25%.[130]

DEMOCRACY

Political overview

Zambia gained independence from Britain in 1964. President Kenneth Kaunda, of the United National Independence Party (UNIP), became the country's first president post-independence. He then declared Zambia a one-party state in 1972, with UNIP as the only legitimate party, and continued to rule for the next two decades.[131] As popular discontent with his rule began to increase in the late 1980s, Kaunda agreed to put an end to his one-party system. Multiparty elections were held in October 1991 and Kaunda lost to the newly formed Movement for Multiparty Democracy (MMD) led by Frederick Chiluba. That year, Zambia's Institutionalized Democracy score increased from 0 to 6. Unlike most emerging democracies in sub-Saharan Africa in the 1990s, Zambia's change of government involved more than a merely symbolic election. Despite this return to competitive politics, hopes of true democratic consolidation soon disappeared as Chiluba continued to focus more on consolidating his own power through the control of the media and manipulation of the constitution.[132]

Trend in democracy

The MMD was initially a pressure group demanding an end to one-party rule, but later evolved into a political party and won the elections in 1991. The MMD was a coalition force composed of various political parties sharing the common goal of ousting UNIP. Having achieved this goal, the coalition began to fracture in 1993 with the departure of key business figures.[133] This allowed Chiluba to exert his dominance but further breakaways continued throughout the late 1990s and multiplied in 2001 when Chiluba sought to secure a third term.

[130] Ibid, p.2
[131] Polity IV Country Report 2010: Zambia, Op. Cit, p. 1
[132] Ibid, p.2
[133] Larmer, M, Fraser, A, "Of Cabbages and King Cobra: Populist Politics and Zambia's 2006 Election", African Affairs, Vol. 106, No. 425, 2007, p. 615

In 1996, Zambia's Institutionalized Democracy score declined owing to the constitutional amendment which removed the fifty percent mark required to win the presidency.[134] In that year's election, UNIP boycotted the polls after the implementation of another amendment that allowed only second generation Zambians to be eligible for the office of president. The political implication of this amendment was to disqualify Kaunda, Chiluba's main political challenger, from running. In the 2001 elections, the MMD held on to power through a narrow victory by Chiluba's handpicked successor, Levy Mwanawasa. Mwanawasa became leader after Chiluba failed to amend the constitution to allow himself a third term in office. He announced that he would not run for the presidential elections only after facing strong criticism both domestically and internationally.

The December 2001 elections were characterised by widespread party fractionalization and voting irregularities, despite being free from political violence. Mwanawasa won the election again and presented himself as a political reformer during the campaign. Despite being nominated by Chiluba, who remained securely at the helm of the MMD, Mwanawasa's autonomy from Chiluba was still uncertain. However, this uncertainty disappeared once he pledged to eliminate the presidential funds used by Chiluba to buy political loyalty.[135]

In July 2002, Mwanawasa asked parliament to lift Chiluba's immunity from prosecution. Chiluba was then arrested in 2003 on sixty counts of theft and abuse of office, but his prosecution in Zambia became problematic due to conflicting loyalties among members of the judiciary. The prosecution continued in May 2007 when the High Court in London issued a ruling in agreement with Zambian courts that Chiluba and several officials were guilty of misappropriating public funds during his rule.[136]

The 2006 elections were a highlight in Zambian political history. Whilst the 1996 and 2001 elections were believed to have been rigged, the 2006 elections were widely deemed as both free and fair. The number of registered voters and voter turnout significantly increased. Mwanawasa's victory in 2001 led opposition parties to unite with the formation of the United Democratic Alliance (UDA) by three major opposition parties in March 2006. The Patriotic Front (PF), led by Michael Sata, was the only significant political party that refused to join the coalition.[137] Mwanawasa won the election for the third consecutive time, but faced a

[134] Ibid, p. 616
[135] Polity IV Country Report 2010: Zambia, Op. Cit, p. 1
[136] Ibid, p. 2
[137] Larmer, M, Fraser, A, Op. Cit, p. 619

significant challenge from The Patriotic Front led by Sata. In June 2008, President Mwanawasa suffered a stroke while attending a summit of the African Union and died in August of the same year. Presidential elections were held in October and won by another MMD candidate, Rupiah Banda.[138] This victory was a very narrow one against PF leader Michael Sata. Sata later redeemed himself after claiming victory in the September 2011 election.

The interplay between resource rents and democracy in Zambia

Zambia's implementation of economic reforms contrary to IMF provisions in 1987 gave rise to low investment, and external shocks caused stagnation in the mineral sector. The economic slowdown also resulted in popular discontent with Kaunda's rule. To buffer the impact of these events, Kaunda embarked on a process of political reforms and later agreed to end the one-party system. Unfortunately, copper prices fell dramatically in the early 1990s, while political reforms were being implemented. The dramatic decline in rents might have been Kaunda's downfall in the 1991 elections.

In essence, urban dissatisfaction with the implementation of the SAPs in the late 1980s increased. The failure of these efforts was denounced by the government in May 1987. The government decided to break ties with IMF-backed economic reforms and adopted a "Growth from Own Resources Economic Recovery Programme" (ERP) in a period that coincided with a brief, but important, recovery in world copper prices.[139] The denouncement of IMF backed policies might have been a strategic move by Kaunda's government to gain more support for his one-party rule. The increase in world copper prices would have helped ease the costs that came with the reform programme, which the IMF supported. Instead, exchange rate reforms were abandoned, price controls were brought back and debt service payment from export earnings was decreased to 10%, with the hope of improving the deteriorating economy.[140]

Unfortunately, investment collapsed, unemployment rose, and political support for the new program together with its main sponsor, Kaunda, declined even further. A new reform package was agreed upon with the IMF within a year. This was prior to Kaunda's decision to abandon the one-party system and hold competitive elections in 1991. When political support

[138] Polity IV Country Report 2010: Zambia, Op. Cit, p. 3
[139] Adam, C, Musonda, A, Op. Cit, p.14
[140] Loc cit

continued to wear out, Kaunda strategically announced that he would end the one-party system, while still hoping that he would win the elections and continue to exert ultimate power. However, luck was not on his side, as copper prices fell dramatically prior to the 1991 elections, which might have resulted in his eventual demise. In this case, the decline in rents did not necessarily lead to a process of democratization as predicted by the "political resource curse" hypothesis. Political reforms were in place before the dramatic fall in copper prices.

The new MMD government embarked on macro-economic stabilisation reforms that were successful in the short term due to strong donor support. Weakness in governance began to emerge as tensions started to rise within the MMD. The political party's success was mainly based on the common objective of reversing Kaunda and UNIP's political hegemony.[141] Macro-economic stabilisation became even harder to sustain as copper prices continued to decline and as social indicators remained poor. Pressure on the government mounted from NGO's, trade unions and political parties.[142]

In 2001, there were concerns over corruption by the ruling elite and President Chiluba's unsuccessful attempt to amend the constitution, which would have allowed him a third term in office. The MMD emerged victorious in the elections of 2001, albeit with a reduced majority. The new government of Levy Mwanawasa immediately implemented policies aimed at reducing corruption and improving Zambia's relations with the donors.[143] Resource rents increased again from 2003 onwards due to an increase in international metal prices. According to the "political resource curse" hypothesis, this should coincide with a decline in a country's democracy score. However, Zambia remained stable with modest improvements in their Institutionalized Democracy score in the late 2000s.

According to the "political resource curse" hypothesis, an increase in rents raises the stakes in the political game and creates incentives for the incumbent government to subvert democratic institutions. High resource rents in Zambia in the late 2000s did not suppress democratic institutions. However, they did render the political arena more competitive and transparent with the formation of new political parties for the 2006 election. This suggests that the increase in resource rents, and the governance of these resources, have raised the stakes in the

[141] Ibid, p. 17
[142] Lungu, J, The Politics of reforming Zambia's Mining Tax Regime, Southern Africa Resource Watch, Resource Insight Issue No. 8, August 2009, p. 25
[143] Adam, C, Musonda, A, Op. Cit, p.18

political game, but only to allow for a more transparent and competitive democratic setting instead of an authoritarian regime.

CONCLUSION

Guinea experienced a sharp decline in rents in the period from 1990-1995, with virtually no political reform. After 1995, resource rents fluctuated but remained, on average, quite low. The democracy score remained flat. Significant political reforms only came about in 2010 (a decade later), but did not correspond with any significant change (decline) in rents. In Zambia, a major decline in rents did occur immediately after the implementation of political reforms, distorting the causal direction between the two variables. The rents continued to decline on average until the early 2000s. From 2003 onwards, resource rents increased drastically but coincided with only modest improvements in democracy.

The trends in both cases do not show a clear causal relationship between resource rents and democracy. How and why democratic transition occurred in both countries can only be understood by analyzing the interactions between various social, economic and political factors prior to and during the democratic process. Resource rents are a weak predictor of democratic transition in both countries. Although Guinea was selected as an example of a weak democracy, based on its 2009 Voice and Accountability score, the political reforms implemented in 2010, have increased its score, which now lies slightly below that of Zambia's. This means that, to date, both cases are examples of resource-rich and reasonably democratic nations.

CHAPTER 5: CONCLUSION

The aim of the study was to analyze the possibility of a "political resource curse" in sub-Saharan Africa, twenty years after the "third wave" of political reform. This is an essential analysis for a resource-rich region that is historically known to have had difficulty in consolidating stable democratic institutions. The existence of a "political resource curse" would mean that prospects for democracy in Africa are bleak, since the region's resource dependence is unlikely to decline in the midst of a boom in international markets for oil and mineral exports.

Although Africa as a whole is resource rich and has historically had a weak record of democratic governance, considerable diversity exists from country to country. Some countries have an abundance of natural resources while others do not. Africa is also home to many democracies alongside various forms of non-democratic rule. According to the "political resource curse" hypothesis, governments which receive large amounts of revenue from external sources such as resource rents are freed from the need to levy domestic taxes and therefore become less accountable to the citizens they govern. Those with a critical/revisionist perspective contend that evidence for a "political resource curse" is weaker than it first appeared.

I used cross-national statistics to determine whether countries with more abundant natural resources at the outset of the wave of democratization (1990) were any more or less likely to democratize in the subsequent twenty years. Little evidence emerged to support the "political resource curse" hypothesis. The cross-national data shows that the negative association between resource rents and democracy is weak and statistically insignificant. The association disappears entirely if the major oil-exporting countries in Africa are removed from the sample. Resource abundance is a poor statistical predictor of democratization.

Using nested case studies of two resource-rich (non-oil) countries (Guinea and Zambia); I analyzed the dynamics of the relationship between natural resources and democratization in more detail. The dynamics in the case studies do not reveal any consistent link between trends in resource rents and political reform. As resource-rich countries with varied political trajectories between 1990 and 2009, Guinea and Zambia have experienced positive democratic changes two years after the study period. This phenomenon casts additional doubt on the idea of a "political resource curse".

My study gives reason for serious reconsideration of the findings in Jensen and Wantchekon's influential 2004 article. While Jensen and Wantchekon found strong evidence of a "political resource curse" in Africa, I find little relationship between natural resources and democracy. Whereas they used a crude measure of resource dependence, I used a direct measure of the rent component of natural resource revenue. Whereas they used democracy scores for 1998, I used scores for 2009. And whereas they relied entirely on cross-national analysis, I conducted "nested case studies" of two resource-rich African countries. Jensen and Wantchekon concluded that resource-rich countries face almost insurmountable obstacles to democratization, but a decade later in Africa there is little difference between levels of democracy in resource-rich and resource-poor countries.

If a "political resource curse" exists at all, it is most likely confined to major-oil exporting countries which have by far the highest resource rents. All five of the big oil exporters have fairly weak records of democracy, which may be suggestive of a "political oil curse", though it is hard to draw confident inferences with a small sample. Although I chose to analyze two non-oil countries with high resource rents in 1990, a more detailed analysis of the oil countries would therefore be an area for further research.

BIBLIOGRAPHY

Adam, C, Musonda, A, Harnessing Resource Revenues for Prosperity in Zambia, Paper prepared for Revenue Watch International Project on managing natural resource wealth, First draft, 14 January 2009

Alence, R (I), "Political institutions and developmental governance in sub-Saharan Africa", in Journal of Modern African Studies, 2004

Alesina, A, Devleeschauwer, A, Easterly, W, Kurlat, S, Waziarg, R, "Fractionalization", Journal of Economic Growth, Vol. 8, No. 2, 2003

Aslaksen, S, "Oil and democracy: more than a cross-country correlation?" Journal of peace Research, Vol. 47, No. 4, 2010

Barro, RJ, "Determinants of democracy" Journal of Political Economy, Vol. 107, No. 6, 1999

Bratton, M (I), Van de Walle, N, "Neopatrimonial Regimes and Political Transitions in Africa", World Politics, Vol. 46, No. 4, 1994

Bratton, M (II), Van de Walle, N, Democratic Experiments in Africa: regime Transitions in Comparative perspective, Cambridge University Press, United Kingdom, 1997

Carvalho, A, L, Republic of Guinea: an analysis of current drivers of change, Norwegian peace building resource centre, http://www.peacebuilding.no/eng/layout/set/print/Regions/Africa/Publications/Republic-of-Guinea-an-analysis-of-current-drivers-of-change, 9 March 2011

Central Intelligence Agency 2011, The World Fact Book, https://www.cia.gov/library/publications/the-world-factbook/geos/gv.html, Accessed February 2012

Collier, P, Hoeffler, A, "On Economic Causes of Civil War", Oxford Economic Papers, Vol. 64, No. 1, January 2012.

Collier, P, Venables, J, Natural Resources and State Fragility, Oxcarre Research Paper No 31, 2010

Dunning, T, Crude Democracy: Natural Resource Wealth and Political Regimes, Cambridge: Cambridge University Press, 2008

Easterly, W, Levine, Ross, "Africa's Growth Tragedy: Policies and Ethnic Divisions", The Quarterly Journal of Economics, Vol. 112, No. 4, 1997

Gibson, C, "Of Waves and Ripples: Democracy and Political Change in Africa in the 1990's", The Annual Review of Political Science, Vol. 5, No. 1, 2002

Haber, S, Menaldo, V, Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse, American Political Review, 2010

Jensen, N, Wantchekon, L, "Resource Wealth and Political Regimes in Africa", Comparative Political Studies, Vol. 37, No.7, 2004

Karl, TL, Schmitter, P.C, "What Democracy Is...and Is Not", Journal of Democracy, Vol. 2, No. 3, 1991

Kaufmann, D, Kraay, A, Mastruzzi, M, Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008, the World Bank, Policy Research Working Paper 4978

Larmer, M, Fraser, A, "Of Cabbages and King Cobra: Populist Politics and Zambia's 2006 Election", African Affairs, Vol. 106, No. 425, 2007

Lieberman, E.S, "Nested Analysis as a Mixed-Method Strategy for Comparative Research", American Political Science Review, Vol.99, No. 3, 2005

Lipset, M, "The Social Requisites of Democracy Revisited: 1993 Presidential Address", American Sociological Review, Vol. 59, No.1, 1994

Lungu, J, The Politics of reforming Zambia's Mining Tax Regime, Southern Africa Resource Watch, Resource Insight Issue No. 8, August 2009

Marshall, MG, Gurr, TR, Jaggers, K, Polity IV project, Political Regimes Characteristics and Transitions, 1800-2009: Dataset user's manual, Center for Systematic Peace, 2010

Norris, P, Mattes, R, Does ethnicity determine support for the governing party? The structural and attitudinal basis of partisan identification in 12 African nations, KSG Faculty Research Working Paper Series, February 2003

Picard, LA, Moudouda, E, "the 2008 Guinea Conakry coup: Neither inevitable nor inexorable, Journal of Contemporary African Studies, 2010

Polity IV Country Report 2010: Guinea, http://www.systemicpeace.org/polity/polity06.htm, accessed 12 February 2012

Polity IV Country Report 2010: Zambia, http://www.systemicpeace.org/polity/polity06.htm, accessed 12 February 2012

Ross, M (I), "The Political Economy of the Resource Curse", World Politics, Vol. 51, No. 1, 1999

Ross M (II), "Does Oil Hinder Democracy?", World Politics, Vol.53, No. 3, 2001

Sachs, JD, Warner, AM, Natural Resource Abundance and Economic Growth, Center for International Development and Harvard Institute for International Development, November 1997

The MacroData Guide-an International Social Science Resource, http://www.nsd.uib.no/macrodataguide/set.html?id=16&sub=1, 2010, accessed June 2011

The World Bank, The Changing Wealth of nation's data, http://data.worldbank.org/data-catalog/wealth-of-nations, accessed 12 February 2012

The World Bank, The Changing Wealth of nations: measuring sustainable development in the new millennium, http://data.worldbank.org/data-catalog/wealth-of-nations, 2011
U.S Geological Survey, The Mineral Industry of Guinea, http://minerals.usgs.gov/minerals/, accessed 12 February 2012

U.S Geological Survey, The Mineral Industry of Zambia, http://minerals.usgs.gov/minerals/, accessed 12 February 2012

USAID, Guinea Holds First Democratic Election, http://www.usaid.gov/press/frontlines/fl_feb11/FL_feb11_WGuinea.html, February/March 2011

World Development Indicators online (WDI), http://0-ddp-ext.worldbank.org.innopac.wits.ac.za/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=6, accessed February 2012

Wucherpfenning, J, Deutsch, F, Modernization and Democracy: Theories and Evidence Revisited, Living reviews in Democracy, September 2009