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# Natural resource rent and stakeholder politics in Africa: towards a new conceptualization

Kenneth Omeje\*

John and Elnora Ferguson Centre for African Studies (JEFICAS), University of Bradford, BD7 1DP, UK and Faculty of Humanities, University of Johannesburg, South Africa

This paper critically revisits the debate on natural resource rent, curse and conflict, interrogating some of the key assumptions that have become received knowledge in extant discourses. The paper demonstrates how orthodox theories' preoccupation with issues of resource rent and resource curse tend to be marred by slants of ahistoricity and state-centricity. Adopting a stakeholder approach to the issues of resource rent and conflict in Africa, the author argues that natural resource rents produce and attract a multiplicity of competitive stakeholders, both domestic and external, in the resource-rich states. The competition and jostling of stakeholders for access to, and appropriation of rentier resources is too often an antagonistic process in many emerging economies that have consequences and implications for violent conflict. The paper attempts a new conceptual explanation of how natural resource rents dialectically generate stakes, stakeholders and political conflict. The paper concludes by proposing the need for the more conflict-prone African rentier states to transition to a more functional state model, the transformative state.

**Keywords:** natural resource conflict; stakeholder theory; resource curse; rentier state; transformative state

## Revisiting the resource curse debate

Many experts have extensively studied the links between abundant natural resource wealth in developing countries and violent conflicts such as rebel insurgency, secessionism, and civil war. A number of conflicting conclusions have been reached by academic and policy specialists. Resource curse theorists and sympathisers who have dominated the debate over the years have strongly linked the extraction of natural resources and abundant correlated wealth to prebendal corruption, authoritarianism, economic stagnation and ultimately armed conflicts (Karl, 1997; Dominik, 2013). In terms of definition, the idea of natural resource curse implies the structural prevalence of a macro-economic paradox in the operation of a natural resource-rich state whereby the vast majority of its citizens are consigned to extreme poverty essentially inflicted by the systematic expropriation of the resource wealth by an unscrupulous governing elite oftentimes working in collaboration with both visible and underground local and international business partners. The deliberate and vicious inability of the state managers to make the surplus resource wealth of a country impact positively on the lives of the vast majority of their citizens is the flip side of the resource curse. In contemporary dispensation, resource curse tends to be mainly fostered by a nexus of institutional and legal weaknesses in the resource-rich states which aid the unscrupulous political leaders, public officials and their business associates to loot the affected fragile and captive economies.

A survey of the institutional and legal environments in 58 resource-rich countries around the world found that only 11 manage their natural resource sectors effectively.<sup>5</sup> These 58 countries represent 85 percent of the world's petroleum reserves and a significant share of global mineral wealth, including 90 percent of diamond reserves and 80 percent of copper reserves. Of the 58 countries included in the survey, 20 are in Africa—more than any other region in the world. None of these African countries was deemed to manage their natural resource wealth satisfactorily (Mailey, 2015, p. 5).

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\* Email: k.c.omeje1@bradford.ac.uk

Placed in a historical context, the original hope in the 1950s and 1960s that the discovery of natural resources (notably oil and gas, but also including solid minerals) would enhance prosperity and economic growth in many developing countries was replaced by the gloomy realisation from the late 1970s that these resources have, for the most part, been a source of economic distress, underdevelopment and conflict. Some of the African countries often used as examples to highlight the tragedy of the natural resource curse include war-affected states like Liberia, Sierra Leone, Angola, the DRC, Côte d'Ivoire, and Sudan; volatile conflict-prone countries like Nigeria, Cameroun and Chad, as well as hostage economies like Equatorial Guinea. Human development indices and infrastructural conditions in all of these countries are characteristically poor. As such, the vast majority of their citizens live on less than US\$1.25 a day. Moreover, the economies of the seemingly resource-cursed states are lopsidedly structured around the production and export of one or a few natural resources (e.g. diamonds, oil and gas, timber, cobalt, etc) as opposed to being diversified across several productive manufacturing sectors, which many international political economy experts regard as a necessary condition for sustainable growth and development.

Based on the analysis of empirical macro-economic data from different oil-rich developing countries, scholars and policy analysts have proffered a number of arguments to explain the reasons for the prevalence of resource curse in many oil-rich developing economies, otherwise known as rentier states. These arguments can be summarised as follows. The first is that crude oil, like most natural resources, is excessively subject to the vagaries (boom and bust cycle) of the international commodity market (Lehrer, 2007; Frankel, 2010). Secondly, many rentier states have volatile and narrow revenue bases, and volatile 'rent' revenues are difficult to manage given the weak institutional, technical and regulatory capacities of the states (Collier, 2008). Prebendal corruption by the hegemonic rentier elite becomes rife, which ultimately undermines investment in social development. In order to ensure regime survival and accumulation, the governing elite invests continuously in strengthening the security and repressive apparatuses of the state, a tendency which makes abundant natural resource wealth to systematically promote repression and authoritarian rule. This heightens the proneness of the state to armed insurgency and civil war. Armed rebellion in resource-rich states, as some experts argue, could be further instigated or aggravated and prolonged by factional greed for lootable natural resources and criminal obstructibility of the largely non-lootable resources (Collier & Hoeffler, 2000; Ross, 2012).

Thirdly, access to plenteous rents in the form of oil revenue, for instance, tends to correlate negatively with democracy by minimising government's reliance on taxation of its citizens or completely freeing the state from the need to levy taxes, and the corresponding obligation of representative democracy believed to be an inherent principle in citizens' taxation (Luciani, 1997). Public taxation, theorists argue, leads to citizens' demand for democratic representation and accountability. Furthermore, in many petro-states with low income per capita (e.g. Nigeria, Cameroun, Angola and Congo-Brazzaville) attempts to introduce multi-party democracy are invariably scuttled by an incumbent hegemonic party that persistently manipulates the electoral process to remain in power, thereby leaving the state with a form of dysfunctional rentier democracy tempered with sporadic outbursts of violence from below and militarized repression from above (Bratton, 1998; Collier, 2008).

Fourthly, it is argued that preponderant reliance on natural resources could produce the deleterious effect of crowding out manufacturing and other productive sectors of the economy, especially sectors that offer dynamic benefits and spillovers conducive to growth – a tendency broadly known as the 'Dutch Disease' (Moyo, 2009; Frankel, 2010).

Paradoxically, in his study of the effects of oil wealth and changes in oil prices on political stability between 1960 and 1999, Benjamin Smith (2004) posits that oil wealth is positively associated with greater regime durability, and significantly related to lower levels of anti-government protest and civil war in both democratic and authoritarian states. Smith argues from his findings that contrary to the thesis of a number of resource curse theorists, repression seem not to be the mechanism by which oil-rich rentier states of the Middle East and elsewhere maintain regime durability but by other positive investment factors that may relate to the dividends and blessings of oil wealth. John Heilbrunn (2014, pp. 9 & 16) amplifies the anti-resource curse discourse of Smith in a more recent

study of the African oil economies in which he argues that ‘oil revenues are hardly a curse; rather, they are an opportunity for poor countries to grow economically and create institutional conditions that are conducive to democracy and development.’ In his critique of Smith’s sceptical thesis on resource curse, Hlavac (2004, p. 3) remarks that ‘Smith’s models assume that regime durability, civil war and political protest are all a function of economic growth and oil dependency.’ ‘Causality,’ argues Hlavac, could however, also run the other way: ... ‘countries that suffer from conflict or instability may be less able to attract investment or develop industries in sectors other than natural resource extraction’ (Hlavac, 2004, p. 3).

### **Ahistoricity and state-centricity**

The resource curse theory and the general debate on natural resource conflicts make interesting contributions to how the use of state power interfaces with the macro-economic conditions and concomitants of growth, boom, development, bust, poverty and turmoil in postcolonial states. However, as Magrin and Vliet (2009) argue, ‘various studies that defend the resource curse thesis are based on a confusion between correlation and causation, thereby drawing unwarranted conclusions concerning links between resources and conflicts.’ The problem with most explanations from the resource curse and related perspectives is essentially twofold. The first is their preponderantly ahistorical narrativism, often mystified with quantitative regression analysis and econometric modelling, on the conditions for natural resource curse and the correlated conflicts. Both the quantitative and qualitative explanations of proponents are almost always of short post-colonial span and devoid of relevant historical depth. It suffices to say that the issue of how natural resource curse and conflicts are produced in transitional extractive economies is mainly a structural one which has a profound historical rhythm that logically connects present performance failures to past structural foundations. The globalisation of production and trade in the late 19<sup>th</sup> century in the aftermath of the industrial revolution in Western Europe was the key factor in the emergence of dependent extractive economies in Africa and other regions of the global South. A great deal of historical studies exists on how European colonial rule and imperial governance created outposts of dependencies in the global South for the primary purpose of exploiting economic resources (mostly minerals and agricultural produce) as a means to providing the crucial raw materials necessary to advance capitalist production and industrialisation in the metropolitan West. To consign a greater part of the global South to dependencies for extraction of vital natural resources during colonial rule, Western imperial powers supplanted the sovereignty of the peoples they colonized and instituted a regime of impunity conducive to unaccountable exploitation and accumulation. Forced labour, compulsory cash crop production and delegation of sovereign power to transnational trading companies and individuals were all part of the regime of impunity widespread in the colonies (Mbembe, 2001; Omeje, 2015). The colonisers equipped and supported many ‘transnational companies’ (TNCs) with commercial and mining privileges and with the sovereign rights allowing them to raise taxes and maintain an armed force (Mbembe, 2001).

Colonialism was characterised by profuse obnoxious laws and gross abuse of law by colonial officials and agencies, including the big TNCs. From fiscal stewardship, legal justice and human rights perspectives, colonial agencies largely presided over a regime of impunity, hypocrisy and unaccountable rule. Mbembe aptly observes that the tendency to usurp the powers of the state for self-accumulation purposes under colonial rule was a rampart phenomenon that tended to occur in various guises and everywhere in the colonial service and economy, which ironically was a radical departure from the common law, individual rights and principles of legal justice that were already emerging in the metropole (Mbembe, 2001).

It is the foregoing political economy of natural resource extraction, with its anomalies of unaccountable political superstructure, compromised political culture and a strategic corporate mining sector imbued with vestiges of state figure, personality and mentality that most post-colonial states inherited at independence. As a matter of fact, many of the lead TNCs, some of which have metamorphosed into global business conglomerates under different operational names, continued to preponderantly retain their colonial privileges well into the post-independence dispensation and even in contemporary era. Under the prevailing circumstance, perpetuating the inherited culture of usurping state power for prebendal accumulation becomes a convenient political capital for the hegemonic post-colonial elites while taming and regulating the all-powerful TNCs becomes, for many states, a

strategic dilemma in which diverse options are contemplated and explored. Confrontation and collaboration, nationalisation and de-nationalisation, co-investment and production-sharing partnership, displacement and replacement of firms, to mention a few, are some of the strategic options that have been explored with mixed results by different post-colonial states. The role of the strategic mining sector, which in most African states is dominated by TNCs, cannot be divorced from any serious analysis of how natural resource curse and the correlated conflicts are produced in Africa.

The second problem, the issue of state-centric explanations of natural resource curse and conflicts, is directly related to the preceding narrative. The dominant narrative in resource curse explanation is so much about the “harm” the state and its officials are doing and the “good” they are failing to do, which ultimately produces both the curse and armed conflict. The implicit assumption in this cyclical narrative is that if the state stops doing all the harm it is said to be doing, and starts doing all the good it is charged with failing to do, then the social maladies of resource curse and conflict would be automatically fixed. Whilst this explanation might be partially correct, it is fundamentally a half-truth over-simplification of the empirical reality. The key disconnect in all of these theoretical assumptions is the phenomenon of stakes and the critical role of various stakeholders. The institutional state in weak developing countries of Africa is only one among many competing stakeholders, albeit in many instances, the most decisive stakeholder. But this is by no means to understate the instrumental significance of other stakeholders, as well as the specific historical, international and circumstantial environment in which they all operate.

One of the greatest tragedies of colonialism and colonial legacy in Africa is the fact that external metropolitan forces (states, TNCs, international NGOs, and other foreign supra-national actors) have historically acquired strategic stakes and become important stakeholders in African domestic and regional affairs in a disproportionately disadvantageous way that their African counterparts cannot and would not have the slightest opportunity to replicate in their foreign home turfs. A simple example (not directly related to the politics of rent) will help to further illustrate this point. In February 2012 and May 2013, the UK government hosted a stakeholder conference in the famous Lancaster House in London on resolving the conflict in Somalia and turning around the Somali state. The 2013 conference which the UK government ‘co-hosted’ with the Somali government was convened ‘to provide international support for the Government of Somalia as they rebuild their country after two decades of conflict’ (UK Government FCO, 2013). The stakeholders in attendance in the more crucial 2013 conference co-hosted with the government of Somalia were 54 friends and partners of Somalia, including the African Union Peacekeeping Force in Somalia (AMISOM) and all the troop contributing countries, key regional organisations like AU and IGAD, European Union and leading EU governments, the World Bank, Organisation of Islamic Conference, Arab League and leading Arab Gulf states, UN, etc. Regarding the substantive issues discussed, ‘the conference overly concentrated on issues of security, justice, and public financial management – aspects that are conspicuously of concern to an international community that feels threatened by Somali [Islamist] extremism, worries about government corruption of donor funding, and prioritises a human rights agenda;’ in fact, the conference communique is oriented to particular outcomes to be delivered by the Somali government, which includes ‘a commitment to form a fully federal government and deliver democratic elections in 2016’ (UK Government FCO, 2013; Balthasar, 2013). Evaluating the ‘new deal’ delivered by the London conference on Somali, Balthasar (2013) remarks that:

In view of the fact that the conference focused so narrowly on specific outcomes, the Somali government’s policy space was significantly restricted. Among others, this shows in the communiqué’s insistence on the establishment of a ‘fully federal government’ – a process that has largely been objected by the Somali government thus far, due to fears that federalism could weaken its own standing and prospects of state-making. However, the Somali government is now pressed to comply with a greater devolution of power to regional states, which is likely to complicate matters, not least as this leaves Somalia’s neighbours with continued influence to meddle in Somali politics.

It seems quite normal in this post-colonial and post-Cold War era that a stakeholder conference to turnaround the conflict-ridden state of Somali should be repeatedly held in London with both the agenda and outcomes of the summit profoundly shaped by western stakeholders. It will be inconceivable that a stakeholder conference to turnaround the failed economy of Greece or to resolve the conflicts in Bosnia and Ukraine should be held in Lilongwe, the capital city of the Southern

African state of Malawi or in Pretoria, South Africa, let alone inviting any African agencies to such a summit as stakeholders. It doesn't take more than a sophomore level course in international negotiation to know that where you host a problem-solving intervention summit, who sets the agenda; who attends the summit, their resource capability and what they bring to the table – can all have decisive influence in the outcome of the summit and possibly on the ultimate turn out of events on the ground. African states and agencies do not have the overall capacity to acquire important stakes in South/Eastern Europe and the Balkans, and therefore cannot be stakeholders in the Bosnian, Ukrainian and Greek troubles in a similar way that UK, Italy, Germany, Turkey, US and the EU can be considered important stakeholders in the conflict in Somalia. This is a well-structured case of asymmetrical stakeholding in international relations and the origin of the phenomenon transcends post-colonial history.

The capacity to project and foist decisive stakes on African states and institutions is no longer only peculiar to western actors, even though they are credited with historically pioneering the phenomenon. Since the post-Cold War era, state-owned and private mining corporations from many Eastern countries (China, India, Malaysia, etc) and other emerging economies have rapidly acquired vast stakes and also become important stakeholders in African economies, states and societies in such a way that no African-owned agencies could operate in the home turf of these emerging economies. In its most blatant forms, the predatory business corporations of China and other emerging non-Western economies have acquired harmful stakes in many African economies through a 'marriage of convenience' with unaccountable African governing elites, a process akin to the ways by which western imperialism has been sustained in the African post-colonial states. In his well-researched report titled *The Anatomy of the Resource Curse: Predatory Investment in Africa's Extractive Industries*, Mailey (2015) has examined the complex subversive linkages between predatory foreign businesses (mostly from the emerging Eastern economies) and the African ruling elites in relatively chaotic resource-rich fragile states. The author for instance provides a detailed anatomy of the dodgy business practices of one group of investors that has been particularly active on the continent since the early 2000s: a Hong Kong-based consortium known as the 88 Queensway Group. Cultivating relationships with high-level government officials in politically isolated resource-rich states through infusions of cash, promises of billions of dollars in infrastructural development (which they hardly deliver), and support for the security sector, Queensway has been able to gain access to major oil and mining concessions across Africa with massive operations in at least nine countries, including Angola, Guinea, Madagascar, Equatorial Guinea, Tanzania, and Zimbabwe (Mailey, 2015, p. 1).

Decisive expatriate stakeholding from both the West and East has also become significantly discernible in African regional institutions such as the AU, IGAD, NEPAD, ECOWAS, SADC, EAC, and so forth. The new \$200 million ultra-modern headquarters complex of the African Union was constructed and delivered as a special gift to Africa by the government of the Peoples' Republic of China, and the Chinese in turn occupy a number of strategic floors in the skysrise building as partners and stakeholders of the 'African renaissance.' This is a feat that no African states or agencies is capable of replicating in Jakarta for the Association of Southeast Asian Nations (ASEAN) Plus Three (China, Japan and South Korea) and it is inconceivable that Africa agencies could be recognised as expatriate stakeholders in ASEAN in a similar manner that China is recognised in the AU.

Virtually all the important conflict and development intervention projects in Africa implemented by states and non-state actors have foreign donors and stakeholders. With some rare exceptions, peacekeeping and post-conflict peacebuilding in contemporary Africa have become almost inconceivable without some form of pivotal expatriate funding, technical assistance and overall stakeholding. Most successful regional policy think tanks and national NGOs in Africa are not only funded by foreign donors (mostly western agencies) but also have the latter enlisted as key stakeholders. How many quangos in the west are funded by African donors or have the latter as part of their stakeholders?

There may be practically nothing wrong with foreign investors, states, donors and regional agencies acquiring diverse material and non-material stakes in foreign lands. But foreign stakeholding in a weak state almost always comes at a formidable price – deepening vulnerability in institutional, transactional and managerial terms – especially if the weak state is not astute in domestic regulation, and economic and cultural diplomacy as is often the case. It is against this backdrop of deepening vulnerability that we can understand the lamentation in the Report of the Africa Progress Panel

chaired for former UN Secretary General Kofi Annan that ‘tax evasion, secret mining deals and financial transfers through grossly inflated pricing are depriving Africa of the benefits of its resources boom; mining firms operating in many African countries use these mechanisms to shift profits to lower tax jurisdictions, costing Africa \$38 billion a year. ... Africa loses more money through these loopholes than it gets in aids and foreign direct investments’ (BBC News, 2013). The Report gave the example of the Democratic Republic of Congo where between 2010 and 2012 five under-priced mining concessions were sold in ‘highly opaque and secretive deals,’ costing the country about \$1.3 billion in revenues; and Zambia where between 2005 and 2009, 500,000 copper mine workers were paying a higher rate of tax than major multinational mining firms. Annan aptly recognized that Africa cannot fight these ‘illicit outflows’ alone, stressing that ‘the tax evasion, avoidance, secret bank accounts are problems for the world and as such Africa needs to work together with the richer nations, particularly the G8 ... to ensure we have a multilateral solution to the crisis’ (BBC News, 2013).

The findings of The Africa Progress Panel and Annan’s reflection on the international complexity of the problem of tax avoidance and transfer pricing by mining companies operating in weak African states buttress the point about the deepening vulnerability of weak states inundated with foreign stakeholding in their economies even in times of extractive resource boom. Furthermore, it brings to the fore the need to break away from the state-centric supposition by mainstream political economy analysts that resource curse essentially revolves around the dysfunctionality of the state and malpractices by its officials. Even though a largely weak state’s phenomenon, the issue of tax avoidance and evasion by mining multinational companies on the continent is not just a problem that Africa can simply solve by states and state officials stopping the ‘harmful stuffs’ they do and doing the ‘good’ they ought to do. To a lesser extent, tax avoidance by operating transnational companies and wealthy tycoons who often exploit loopholes in tax laws to shift profits to offshore subsidiaries and bank accounts in tax havens (countries with low or lax taxation) is also a problem that affects and exercises the governments of some of the developed countries like UK, US, France, and Germany. It is also in this context that proponents of ‘good [democratic] governance’ – as important and well-meaning as the proposal could be – tend to be exaggerating their case. In its first anti-corruption report, the EU Commission remarks that ‘the extent of corruption in Europe is ‘breath-taking’ and it costs the EU economy at least 120 billion Euros annually’ (BBC News 2014). Clearly, to a lesser extent, corruption and bad governance are also a problem in the EU zone. Of course, good governance, especially the quality of resource governance can make a difference in some countries as the examples of Botswana and Chile have demonstrated (Basedau & Lay, 2009, p. 760). However, as Collier (2008, p. 65) has persuasively argued:

Excellent governance and economic policies can help the growth process, but there is a ceiling to feasible growth rate at around 10%: economies just cannot grow much faster than this no matter what governments do. ... Good governance and policies help a country to realise its opportunities, but they cannot generate opportunities where none exist, and they cannot defy gravity. Even the best governance and policies are not going to turn Malawi into a rich country – it just does not have the opportunities *under the prevailing international trade and economic conditions* (emphasis in italics mine). ... By contrast, terrible governance and policies can destroy an economy with alarming speed.

In spite of its promise, the macro-economic limitations of good governance cannot be over-emphasized. Bad governance, on the other hand, is catastrophic.

### **Natural resource rents in Africa**

Abundant natural resources generally generate surplus rent. In his pioneering study on the Middle-Eastern oil-rich states, Beblawi defines rents as “exports earned or income derived from a gift of nature” (Beblawi, 1987, p. 85). Adopting a more classical economic approach, Dunning (2008, p. 3) defines rents as a super-normal level of profit associated with economic return to natural resource extraction that exceeds production and transport costs and some ‘normal’ return to capital. Deeper reflections on the present empirical dynamics on rent necessitate a more expanded definition. Rents are extraordinary profits and other related revenues derived from the development, extraction and sale of natural resources, under the direct control of the state and mining companies. The natural resource-rich states defined as rentier are usually those of developing countries whose economies are

dominated by an export-oriented extractive resource sector, in most cases, oil and gas and solid minerals.

Most rentier theorists only associate rents with the state or government based on the etymological origin of the term which has to do with the money a tenant pays to a landlord for the contractual use or lease of his property. In the case of natural resources, the state in whose territorial jurisdiction a particular resource is extracted is the figurative landlord. In the case of most resource-rich African states, the state is an irresponsible and lazy landlord that hardly makes any significant investment in developing its natural property (the strategic resource). Similarly, the state seldom invests in developing its capacity to regulate the resource exploitation by operating companies and other agencies. Most dismally, the state scarcely invests in expanding and strengthening its institutional and technical capacity to effectively manage and account for the revenues accruing to its coffers as natural resource rent. Resulting from the state's negligence in investing in its overall natural resource ownership capacity is that the state is easily out-smarted, short-changed and taken advantage of by the more experienced natural resource mining companies that are usually of expatriate origin. In addition to retaining a significantly high level of profit margin, mining companies frequently take advantage of the weak institutional and regulatory capacity of the weak resource-rich states to further leverage their financial buoyancy. Furthermore, most expatriate mining companies operating in Africa make huge gains by relatively underpaying labour, and also by minimizing corporate environmental and social responsibilities. In fact, besides making extraordinary profits, some of the mining companies in Africa such as Shell Petroleum in Nigeria and Mopani Copper Mines (a subsidiary of the Swiss multinational Glencore) in Zambia are so politically powerful in relation to the state that they are no longer a typical tenant of the state but a *de facto* co-landlord with the state. In the day-to-day discourses, attitudes and orientation of members of the host communities where some of the mining companies operate, the perception that the powerful mining companies are a *de facto* co-landlord and apparently a 'shadow-state' figure *à la* Reno (1998) is palpably strong. Informally, many government officials would readily admit and affirm this popular discourse in countries like Nigeria, Angola, Zambia and DRC (Omeje, 2006, 2008; Mailey, 2015). It is because of this practical anomaly regarding the institutionality of the big mining companies in Africa and the fabulous surplus wealth they control that I have expanded the meaning of rents to include the vast reservoir of rentier resources in the hands of the mining industry. Most significantly, the vast rentier surplus controlled by the extractive companies operating in the resource-rich developing countries, which are usually expatriate companies have far-reaching implications for armed conflict.

Another consequence of the state's gross under-investment in its natural resource ownership and revenue management capacity is that too often a significant but usually unknown amount of rentier revenues are haemorrhaged from the state's fiscal coffers by the governing elites, sometimes in connivance with the mining industry and the highly patronage-driven private business sector. Large amounts of the state's rentier resources are frequently siphoned through well-known devices like under-reporting of revenue receipts, hyper-inflation of government contracts, import-related money laundering, and barefaced looting of slush funds (e.g. in countries like Nigeria, Angola, Equatorial Guinea and Angola) (Moyo, 2009; Ross, 2012).

Many experts argue that rentier states generally lack a productive outlook in the sense that their revenues do not depend on the growth of the domestic economy, coupled with the observation that the rent-yielding extractive sector is susceptible to the infamous Dutch disease (Dunning, 2008; Magrin & Vliet, 2009). This type of inverse correlation hypothesised between natural resource-driven rentier revenues and manufacturing exports believed to be the trigger of the Dutch disease cannot be extended to developing economies without considerable caution. Clearly, the narrative seemed discernible in the Netherlands' economy of the 1960s, a developed capitalist economy where the revenue influx from the discovery of natural gas made the Dutch Guilder to rise in value, thereby producing a negative knock-on effect on manufactured commodity exports (Ismail, 2010). Among the developing countries of Africa, the manifestation of the Dutch disease is comparatively different because most natural resource-rich states like Nigeria, Gabon, DRC, and Angola do not have an export-based manufacturing sector, not least at the stage when their economies became manifestly rentierized. As such, a windfall in revenue receipts from primary commodity exports like oil and solid minerals does not necessarily destroy local manufacturing or its export competitiveness (which hardly exists). But it potentially destroys other sectors like agricultural and forestry production, which was



for instance the case with the economies of Gabon, Congo and Sudan where the commercial production and export of oil practically destroyed all the robust agro-forestry exports on which their economies were previously based. Besides the rentier effect, African cash crop exporting economies were also badly affected by a convergence of the Dutch disease in the 1970s and the subsequent crash in the prices of primary agricultural commodities in the world market in the 1980s (Ademola, 2012). In fact, a number of scholars have extended the concept of rent to analyse many African states whose economies are dependent on primary agricultural commodities (e.g. tea, coffee, cocoa, cotton, etc) as a result of the boom and bust cycle of these commodities in the world market and the tendency of prebendal waste and aggrandisement among the state governing elites by courtesy of the commodity revenue windfall – a behavioural pattern associated with the typical rentier states.

Rentier states, especially (but not exclusively) those marked by weak low income economies are typically associated with a convoluted paradigm of behaviour and political culture linked to extreme levels of patronage, mediocrity, prebendal accumulation and institutional deformity that dialectically impede and even sometimes reverse development. Beblawi was the first proponent to use the term ‘rentier behaviour’ or ‘rentier mentality’ to describe the paradigm, which he argued was acquiring an inexorable trans-national, pan-regional current in the Persian Gulf in the 1980s and infecting both oil and (to a lesser extent) non-oil states alike because of the tendency for guest workers from the poorer non-oil states to gravitate to the oil states for rentier income and to in turn remit their surplus savings back home for family support and investments (Beblawi, 1987). Through this income transfer process, the guest workers make substantial contributions to economic growth in their home countries. Consequently, many state-led and voluntary sector projects in the non-oil Arab states depend on government grants and charity support from the oil-rich Arab states based on pan-Arab religious, political and cultural obligations. Beblawi described the entire process of structural dependency of the non-oil Arab states on their oil-rich counterparts as the ‘osmotic effects’ of oil rents. At its worst, institutionalised rentier behaviour transverses the state, economy and society, largely contributing to a perverse national culture. Ostensibly, the most virulent expressions of encompassing rentier behaviour in Africa would be the cases of DRC, Nigeria and Angola where the dominant discursive language, political orientation and accumulation patterns and devices across the state, economy and society are extraordinarily rentier (Omeje, 2006; Goldthau & Martin eds., 2010; Global Witness, 2012). Even the day-to-day media headlines, debates and popular stories in the encompassingly rentierized African states are awash with issues of accumulation by fronting, blackmail, deception, dispossession, kidnapping, witchcraft and abracadabra - interfacing structure of the state, economy and society. Further on its downside effects, rentierism (i.e. the condition or syndrome of rent dependency) can destroy cottage industries and perhaps can partly prevent largescale manufacturing from taking off subject to other crucial factors like availability of relevant cost-effective technology, a critical mass of technically skilled manpower and profitable local and export markets.

### **Rentier stakes and stakeholders: towards a new conceptual explanation**

Natural resource rents dialectically generate stakes and stakeholders or put differently, stakes and stakeholders coalesce around resource rents. The concept of stakes and stakeholders were first developed and popularised in the profit-oriented business management field from where they gradually made an inroad into the social sciences and public policy analysis. In the mainstream business management conception, stakes are regarded as ‘shares’ and ‘interests’ which individuals and groups hold in a business corporation (usually by way of capital investment, credits and loans, occupational engagement, customer service, etc). By corollary, stakeholders are those who hold stakes in a business, a rather simplistic way of defining the concept. The original definition of stakeholder by Freeman who is popularly credited with pioneering stakeholder analysis in business studies conceives it as ‘any group or individual who can affect or is affected by the achievement of an organisation’s objectives’ (Freeman, 1984:46). Those that ‘affect’ or are ‘affected’ by the goals and actions of an organisation are sometimes referred to as active and passive stakeholders in the natural resource stakeholder literature (Reed *et al*, 2009). The typical stakeholders in a business are those who have something to gain or loss as a result of the corporation’s activities and the list include the employees, shareholders, management, creditors, consumers, suppliers, government, competitors, communities, employees, and trade unions (Fremond, 2000; Buchholz & Rosenthal, 2005). There are a wide range of other definitions of stakeholder which tend to build on Freeman’s seminal study and also on the

growing recognition of the interactive relationships between business corporations and the societies where they operate.

In the largely non-profit oriented social and policy 'science' where stakeholder analysis has been progressively popularised since the 1990s, the definition of stakeholder is not fundamentally different from the typical business school definition. Many social policy experts define the concept from the standpoint of normative theory as representing the diverse persons, groups, organisations and communities that must be taken into account (if possible consulted and involved) by leaders and managers in their day-to-day decision making, and policy formulation and implementation (Bryson, 2004; Buchholz and Rosenthal, 2005). A World Bank pilot study group defines a stakeholder from a more pragmatic rational actor theoretical perspective as 'any entity with a declared or conceivable interest or stake in a policy concern' (World Bank, n.d.). In their various stakeholder analyses, both business and social policy experts have come up with various classifications of stakeholders, such as active and passive/dormant stakeholders, primary and secondary stakeholders, key/major and minor stakeholders, etc. Stakeholder analysis has become quite popular in contemporary policy, development, security, conflict and governance studies. Virtually every social issue today (e.g. peacebuilding, terrorism, climate change, development provisioning, female genital mutilation and violence against vulnerable girls and women, etc) is believed to have multiple stakeholders whose opinions and some form of participation are considered important for the viability of any policy or programme intervention. Conventional stakeholder analysis is a way of understanding a system through its stakeholders by looking at their interests, objectives, relative power/influence and relationships (ICRA, 1997).

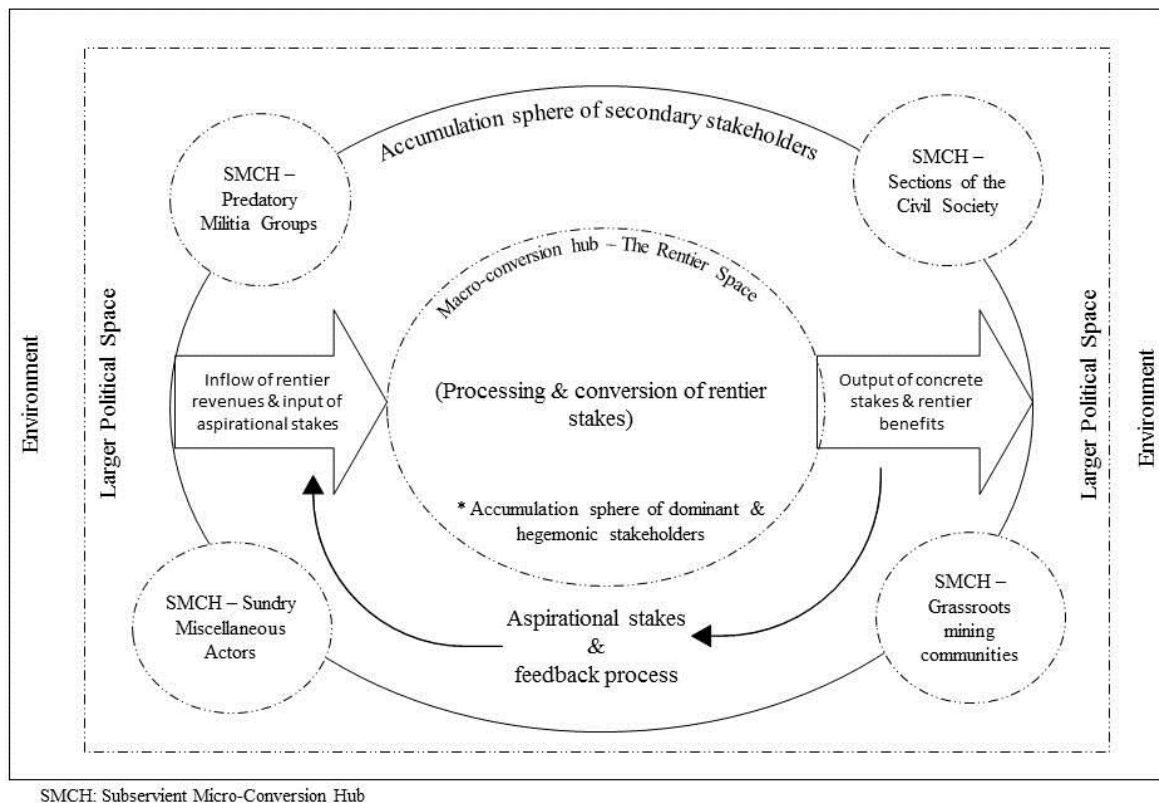
Extrapolating from the foregoing conceptions to explain the vicissitudes of events, phenomena and processes in the natural resource-rich African states, one can theorize about the nature of rentier stakes and stakeholders, as well as the social milieu in which rentier activities take place. Rentier stakes can be defined as the interests that different individuals, groups, classes, firms and other social agencies hold, claim and pursue within a rentier state. These interests are principally materialistic and pecuniary interests – financial resources, mining and mining resource-related positions and appointments; mining rights, concessions and contracts; compensation and redress against violations related to mining activities; rewards, perks and privileges associated with natural resource endowments and revenues, and so forth. The various interest-driven social agents spanning the entire spectrum of rentier resource chain can be labelled stakeholders and they represent diverse interests both within and outside a given state system. The stakeholders therefore include both domestic and external actors. From an economics perspective, the supply of all types of finite resources is relatively limited and scarce in relation to demand. Hence, rentier resources, as abundant as they are in the resource-rich states, are still relatively scarce in relation to demand. Competition amongst stakeholders therefore becomes inevitable, which makes the relative power and influence wielded by stakeholders at any given conjuncture important and sometimes decisive.

From a post-modernist perspective, power is ubiquitous, multi-faceted and multi-dimensional; it is also relational and situational. Above all, power is essentially dialectical and political; politics itself being a correspondingly multi-faceted activity in which diverse social agents strive to project and advance their interests, agendas and discursive representations at varied levels and spheres of human association and endeavour. Hence, every stakeholder is capable of wielding some measure of power but it is certainly not all stakeholders that are capable of wielding the measure of power that can yield the outcomes they desire or expect in every circumstance. Similarly, it is not in all circumstances that the neo-realist preferred instrument of hard power (coercive military force) confers decisive advantage to a conceivably more powerful stakeholder or determines rentier outcomes. Various stakeholders deploy a nexus of hard and soft power in different circumstances to maximise their competitive advantages and prospectively influence rentier outcomes. Occasionally, a threat of or resort to armed violence by stakeholder(s) occurs, and this is practically an extension of rentier politics. Of course, armed violence is a ubiquitous phenomenon in many rentier and non-rentier states and thus it is not every threat or use of armed violence that is tantamount to an extension of rentier politics.

### Stakeholder politics and accumulation in the rentier state

Consequential stakes and stakeholders operate within a metaphorical space which can be regarded as the rentier space. The ‘rentier space’ is a metaphoric platform that subsumes and upholds the diverse activities related to the acquisition and control of rentier resources in a state, including the disposition, appropriation and utilization of any accruable funds, perquisites, dividends and opportunities (Omeje, 2008). Any rentier stakes and stakeholders operating outside the rentier space can at best be embryonic or putative. Aspirational stakes can be conceived by different actors both within and outside the rentier space, but consequential stakes can only be advanced within the rentier space where aspirational stakes have a chance of being converted into reckonable concrete stakes.

Figure 1. Patterns of accumulation in the typical African rentier state



In the typical African rentier states as depicted in Figure 1 above, the principal hubs where aspirational stakes could be converted into concrete stakes are those operated by the relevant state institutions (e.g. the ministry of petroleum resources) and the mining industry – the rentier landlord and co-landlord as it were. These could be labelled the macro-conversion hubs. The mining industry is an amalgam of the state-owned mining corporations, TNCs (some of which operate diverse kinds of partnership ventures with the state) and the indigenous private sector (some of which have joint partnerships with the TNCs or are fronted by the latter). Consequently, the mining industry may represent diverse sub-sectoral stakes or interests. For instance, in a typical oil-rich rentier economy the sub-sectoral stakes might include oil exploration, production, shipping and export, refining and processing, marketing and distribution, servicing and maintenance, etc (Solomon, 2011). As such, the mining industry does not necessarily represent a monolithic interest and, similarly, the interests of the industry are not invariably consistent with the interests of the state and its top officials. However, because of the disproportionate and sometimes vulnerable reliance of the rentier state on rentier revenues, there exists a predictably high level of companionability and tolerance (call it a marriage of convenience) between the mining rent-dependent state and the mining industry. The state desperately

needs a regular inflow of revenues from the mining rents to sustain the domestic patronage extravaganza and consumerist economy while the mining sector requires the goodwill of the state to retain mining concessions and, to a lesser extent, guarantee security around the mining areas (Apkomera, 2015). Similarly, the mining sector may require the goodwill of the state or, as is often the case, simply take advantage of its weak institutionalality to maximize operational profits by local exploitation of labour, minimal corporate environmental/social responsibility, and a host of other unwholesome contrivances (Deibert, 2013).

Besides the macro-conversion hubs operated by the state and mining sector, there may similarly exist within the rentier space some micro-conversion hubs at the level of the (un)civil and grassroots society stakeholders, however these subservient micro-hubs rarely have an independent life of their own as they, by and large, derive their rentier current from their connection with or predation of the macro-hubs. An example of a micro-conversion hub operation is the occasional money some mining companies pay out to local community chiefs as informal royalty and compensation for mining land expropriation and destruction of unharvested farm crops and economic trees (Omeje, 2013). Such an occasional doling out of funds to local community chiefs or community leaders have almost invariably triggered a flurry of disbursement claims from many families and community members, allegations of fund embezzlement by the chiefs which too often results in varying levels of implosive conflict (Okonta & Douglas, 2003; Deibert, 2013).

The nature and configuration of the rentier space is context-specific and dynamic, but given the decisiveness of rentier revenues in a rentier economy it is evident that the state and mining industry are the dominant stakeholders. From a neo-Weberian perspective, an important distinction must be made between the territorial state and the institutional state. The territorial state is the state defined from the more legalistic Westphalian perspective in which a state is characterised by the existence of: (a) a defined territory and population; (b) a standing army or security forces; (c) a central government that has a monopoly of the legitimate use of coercive force within the territory, and (d) recognition of the state and its government by other states among the comity of states (juridical sovereignty). Given the fact that many states in Africa and other developing regions vitiate from the Westphalian benchmark, a number of adjectival qualifiers have been adopted in defining and theorising the African state, and the state in developing regions (e.g. weak state, fragile state, neopatrimonial state, rentier state, and so forth). However, these adjectival qualifications are essentially academic because one cannot empirically sustain the argument that all the states in Europe (including struggling Albania, Bosnia and Herzegovina, Ukraine and Greece) are stronger than all the states in Africa in terms of institutional, security and economic viability. Be that as it may, the institutional state can be loosely defined as the executive apparatus of government, and the gamut of formal and informal institutions and agencies that are linked to the dominance of hegemonic power at any given time. In most territorial rentier states, the institutional rentier state stands out either in isolation or in association with the mining industry (or sometimes with just a section of the industry such as the leading MNCs) as the 'hegemonic stakeholder.' This by no means implies that the institutional rentier state itself is a coherent force. Too often, and depending on the historical and political struggles that have characterised the evolution of the state, the institutional rentier state can be a fragile coalition of social agencies purportedly representing salient (sub)ethnic, (sub)provincial, sectarian, cultural, business and other allied interests. Because the institutional state is usually structured into central and subnational administrative levels, stakeholders within the institutional state are correspondingly drawn from various levels that by no means wield equal measure of power and influence. Political power in general is fluid, likewise the significance of agencies that wield power in relation to others at different times, be they individual stakeholders or sub-national states and institutions.

Beyond the dominant and hegemonic stakeholders, there is a myriad of subordinate or secondary stakeholders which operate from the civil society, grassroots communities and the larger political space. Some of them include specific opposition parties, NGOs, professional bodies, women's groups, cultural associations, community vigilantes, civil militia groups, regional and international organisations, etc. What distinguishes the secondary stakeholders from many other similar organisations and agencies is the issue of group perception that they (or in some cases the group they are acting on their behalf) have a stake in the 'collective rentier resources' and more importantly, the articulation of some kind of strategies to press for the perceived claim or entitlement. In fact, the combination of perception and strategising for rentier stakes is what ultimately gives rise to the

politics of stakeholderisation. Depending on their overall strategies and the intensity and impact of their activism, some secondary stakeholders can be reckoned as more active and consequential than others. A prolonged lack of consequential strategy and activism can render a stakeholder dormant or completely irrelevant. A stakeholder can also quietly give up its entitlement claim/pursuit or be forced by an overwhelming circumstance to do so, a tendency that can be described as de-stakeholderisation. In practical terms, the relative fluidity of the rentier space which is partly explained by the preponderant self-serving tendency of rentier politics, entails a great measure of permeability between one category or segment of stakeholding and another. Hence, it is possible for an individual actor to start off as a civil society-based secondary stakeholder and over time advance to become a mining industry-based dominant stakeholder and ultimately an institutional state-based hegemonic stakeholder. A somewhat reverse trend can also be discerned in many African countries but perhaps to a lesser extent. The rentier state executive occasionally uses direct appointment of vocal opposition figures to top government positions as a soft means to build elite consensus and silence opposition. This Machiavellian tactic was ingeniously perfected by ex-President Mobutu Sese Seko in former Zaire and ex-President Ibrahim Babangida in Nigeria during the hey-days of pro-democracy campaign in Africa in the 1980 and 1990s. Since assuming the reins of power in Cameroon in 1982, President Paul Biya has continued to rely on this method to 'buy out' his political opponents some of whom were to be later dismissed and incarcerated by his government under allegations of corruption. Rentier stakes rise, mutate, become [partially] achieved and fall over time, and so do the stakeholders that champion them.

### **Conclusion: proposing a transition from the rentier state to a transformative state**

Generally, natural resources rents produce and attract a multiplicity of competitive stakeholders, both domestic and external, in the resource-rich states, making a stakeholder analytical framework to the understanding of the patterns and dynamics of rentier accumulation imperative. The competition and jostling of stakeholders for access to, and appropriation of, rentier resources is too often an antagonistic process in many emerging economies that have consequences and implications for violent conflict. Content-specific nuances and variations in accumulation processes and the correlated conflicts abound, which can be accounted for using empirical case studies but this does not however occlude the prevalence of some general patterns in the politics of stakeholder accumulation. The latter clearly calls for bolder explanatory paradigms and meta-narratives.

It is pertinent to emphasise that stakeholder relations are not only adversarial and conflictual as seems to be the case in many rentier states but could also be relations of cooperation, co-governance and development – what one could call a transformative state model. The latter requires a [conflict] transformation, good governance and development-driven agenda. A transformative state model of stakeholder relations in natural resource governance is one that is based on the principles of transparency, democratic accountability, devolution, multi-stakeholder participation and sustainability throughout the natural resource value chain and regulated by an effective constitutional order. The proposed framework involves the steps from the extraction of natural resources, to their processing and sale, all the way through to the ultimate use of the revenues, which if well managed, will help in ensuring that, as opposed to breeding conflicts, natural resource wealth transforms into citizens' wellbeing (cf. Natural Resource Governance Institute, n.d.; Collier, 2008). To be most effective, the state has to play more of a regulatory, managerial, supervisory and service-delivery function as opposed to being an instrument for self-serving rentier accumulation. Changing the outlook and role of the state and empowering it to perform decisive regulatory and service delivery functions is a major step towards deconstructing the obnoxious African rentier states and transforming them into more purposeful and functional development-driven states. Botswana probably presents one of the closest approximations of a transformative state model of natural resource governance in Africa, and one that calls for a focused empirical study with a view to exploring how the positive lessons could help to influence natural resource governance policies and practices in some of the most challenged economies. It is clearly in a transformative state model of stakeholder politics in natural resource governance that lies the way out of the resource curse trap.

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