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Financial Indigence in Resource-Abundant African Countries

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Abstract

Many African countries with natural resource endowments failed to leverage their natural resource wealth to build strong and stable states with sustained long-term economic growth. For some of these countries, oil, gas and mineral wealth had instead become associated with high poverty rates, weak state institutions, corruption and conflict. During the discovery of some of these natural resources in many African countries, the general population believed that these resources were going to bring jobs, food, schools, healthcare, agricultural support and housing, among others, but their living conditions had instead worsened. The study applied the dependency theory, institutional theory and the principal-agency theory to better understand why natural resources had failed to benefit the general populace in natural resource-rich African countries. The study used extant secondary qualitative literature research method to gather information. Research findings indicated that, some of the reasons that led to under-development in natural resource-rich African countries included the Dutch disease syndrome, which was the over-dependence on the easy money accruing from natural resources, which undermines the linkages between the various sectors of the economy that usually served to keep the economy strong and healthy. More so, investments in natural resources in some African countries lacked transparency, governments were accountable to none and public participation was absent, yet investments and lending continued to pour in without restrictions, leading to rent-seeking and corruption. Over time, earnings were squandered, a precious asset was depleted and widespread poverty remained. Consequences of such outcomes included a disappointed and disengaged public, leading to conflict, an indebted government that borrowed against possible incoming natural resource revenue and difficult development planning. The study recommended that African countries with natural resources needed to introduce policies that fostered economic diversification and accelerated industrial development, channelling natural resource revenue into developmental activities that added value to the economy. There was a need for technology transfer and learning, strengthening the regulatory framework and most importantly, strengthening transparency, accountability and participation in natural resource investments.

Key words: Economic Poverty, Natural Resources, Rent Seeking, Corruption, Under-Development, Transparency and Accountability

Introduction

The African continent is endowed with significant amounts of mineral resources and is ranked second in quantity of world reserves of industrial diamonds, manganese, bauxite, chromite, platinum-group metals, soda ash, phosphate rock, cobalt, vermiculite and zirconium, among other minerals. The region is also known as a relevant player in the world production of oil and gas (Djomo, Epo, & Etame, 2025). Natural resources are, in a way, a stock of natural capital

and the availability of natural resource revenue can be seen as a pool of wealth. When used productively, proceeds from natural resources can be an essential catalyst for sustainable economic development and can be used to create a base from which economic growth can take off (Mlambo, 2022). However, it was observed that while one might expect to see better development outcomes after countries discover natural resources, resource-rich African countries tended to have lower rates of economic stability and economic growth compared to non-resource-rich African countries. (Fauzel, 2020).

Many African countries with natural resource endowments failed to leverage their natural resource wealth to build strong and stable states with sustained long-term economic growth. For some of these countries, oil, gas and mineral wealth instead became associated with high poverty rates, weak state institutions, corruption and conflict. **(**Djomo, Epo, & Etame, 2025). Some of the reasons that led to lower economic growth in African countries with natural resources included the Dutch disease syndrome, which was the over-dependence on the easy money accruing from natural resources, which undermined the linkages between the various sectors of the economy that usually served to keep the economy strong and healthy. More so, commodity prices and volatility also affected economies of African countries natural resources since international natural resource commodity markets were volatile, to the detriment of Africa's economies.

Despite what appeared to be an impressive body of literature on natural resources, not much work was done on the factors undermining economic development in natural resource-rich African countries and ways to better manage the natural resource sector and boost the economies of resource-rich African countries through natural resource revenue. The objectives of this study were to identify and analyse factors undermining economic development in natural resource-rich African countries as well as to proffer recommendations. This study was structured into four sections and these included the methodological approach, theoretical framework, research findings and analysis, conclusion and recommendations.

Theoretical Framework

Dependency theory

Dependency theory originated as a critique of modernisation theories. Dependency theory, according to Romaniuk (2017, p.3), describes the world in terms of a capitalist or imperialist core (also known as the wealthy states) and an exploited (also exploitative) periphery. Countries at the core of the international system are referred to as the "haves," whereas those found within the periphery are called the "have-nots." The author indicates that underdevelopment was not a phenomenon directly related to the internal conditions of a country, as peripheral countries were dominated by the foreign interests originating within core countries. Mlambo (2022) aver that, dependency theory predicts that resources will flow from economically poor but resource-rich countries to wealthy states. This situation further enriched the rich countries and impoverished the poor countries. This explains the role of Multi-National Corporations (MNCs) in the natural resource sector in African countries, as they benefited more from natural resource revenue than African states. **(**Djomo, Epo, & Etame, 2025). The underdeveloped countries therefore remained underdeveloped because of being dominated by capitalist economies.

Furthermore, Romaniuk (2017, p.3) avers that the dependency theory assumes that poor states will remain poor as they try to integrate into the world system and that poor nations will remain

poor so that they can be suppliers of resources, cheap labour, the recipients of out-of-date technology and served as a market for rich countries. Dependency theory notes that this happens because of an unfair integration of poor countries into the world system. Romaniuk (2017) notes that, to overcome under-development, countries need to be disconnected from the dominance of core countries and the system or structure that their interests and policies produce. However, the dependency theory has its own limitations. It is limited in its analytical ability when applied to sectors beyond manufacturing and presumes that all developing countries share the same traits.

Institutional theory

Institutional theory falls under the rubric of new institutional economics, a field that incorporates the theory of institutions into economics. Institutional economics is an extension of neoclassical theory, which results from cooperation between economists and political scientists studying the role of institutions in economic growth. In this regard, institutions were regarded as crucial for economic growth and a country's political, legal, economic and social institutions impact its economic growth rate. (Ackah & Mohammed, 2020). For natural resources and economic growth, institutional theorists argue that weak governments and corruption are major factors for what is known as the natural resource curse phenomenon. In developing countries with weak institutions, such resources tended to be channelled, if not monopolised, through government, which then became corrupted, less responsive to the desires of citizens and less interested in advancing policies and institutions that created wealth (Mlambo, 2022, p.4). A good example was the Niger-Delta region, Nigeria's largest oil producing region but the poorest because it has not benefited from the oil wealth derived from oil production due to corruption. (Fauzel, 2020). The same could be said for oil in Angola and diamonds in the Democratic Republic of Congo (DRC) and Sierra Leone and these countries had experienced both extreme poverty and violent civil wars due to corruption and lack of responsiveness by their governments to citizens' needs (Hanson, 2017).

Principal-agent theory

The principal-agent theory has been widely applied to both public and private sectors. The political agency model, according to Chen & Neshkova (2019:4), posits that citizens who are the principals delegate authority to elected officials who are the agents to act on their behalf and in their best interest. However, voters and politicians face conflicting incentives. Voters paid taxes to finance the provision of public goods and services, the level and distribution of which were decided by elected officials. In the process, politicians can extract rents from the tax revenue collected, thus leaving fewer funds for public good provision. This took place in a context in which the principal could not directly observe the agent's behaviour and could not verify if the tasks they were entrusted with were carried out and this was known as information asymmetry.

In the context of natural resources, Muigua (2020, p.13) noted that one of the major reasons why the public in many African countries did not benefit from the wealth of their countries was that they were not even aware of what was available in those countries. They entrusted leaders with all the decision-making powers or even denied such rights in decision-making and the leaders gladly engaged in corrupt dealings with local and foreign investors, thus benefiting only a few. Examples include oil-rich African countries such as Angola, Libya, Nigeria and Sudan, which were regarded as non-transparent and corrupt states. (Mazorodze, 2024). From the perspective of the principal–agent theory, Chen & Neshkova (2019, p.4) noted that fiscal

transparency had the potential to reduce corruption by keeping elected officials accountable. This was only possible if voters possessed information about the actions of their representatives and could trace the bad policies back to them.

Research Methodology

Extant secondary qualitative literature was the research method used to gather information. Findings, conclusions and recommendations were drawn from a documentary search of books, journal articles, working papers and government reports. It was, however, important to note that not all African countries with natural resources had common traits of the resource curse phenomenon and countries like Botswana and South Africa managed to boost their economies with natural resource revenues. Examples for this study were drawn from the following African countries: Angola, DRC, Libya, Nigeria, Sierra Leone, Cote d'Ivoire, Guinea Bissau, Mozambique, Zambia, Tanzania, Ghana, Djibouti and Kenya. These countries were chosen because they shared some of the characteristics that resource-cursed countries exhibited.

Results and Discussion

Factors Undermining Economic Development in Natural Resource-African Countries

The Dutch disease syndrome

One common explanation of slow economic growth and underdevelopment in natural resourced African countries was the analysis of the Dutch disease syndrome. (Henstridge, 2020, p.35). The phenomenon was named after the experience of the Netherlands when the country discovered natural gas, which resulted in the decline of its manufacturing sector in 1959. This discovery led to a shift in prices in non-gas sectors and in the exchange rate, making previously competitive exporters lost market share and decreased their exports. **(**Djomo, Epo & Etame, 2025). Foreign exchange inflows from natural resource exports might have adverse effects on the domestic economy because they led to an appreciation of the domestic currency. (Fauzel, 2020). Other non-resource businesses, like manufacturing, suffered as a result because exports generally decreased and their goods became more expensive on the global market. The effects of Dutch disease in natural resource countries was also explained by Henstridge (2020, p.35) that an economy could be classified into three main sectors and these included the tradeable natural resource sector, the tradeable non-resource sector (manufacturing sector) and the non-traded sector. Economies with vast natural resources generated increasing demand for non-tradable goods. As a result, there was uneven re-allocation of labour and capital from the tradable manufacturing sector to the natural resource sector and subsequently reduced activities in the manufacturing sector. (Liebenthal & Cheelo, 2020, p.385). This, in turn, could increase dependence on natural resources, leading to the collapse of the manufacturing sector. This created an economy that would be difficult to sustain once the natural resources were depleted. Experiences of the Dutch disease in some African countries included the experience of Algeria and Nigeria, where the non-resource tradable sectors in these countries (agriculture and manufacturing) were neglected after the discovery of oil. **(**Djomo, Epo & Etame, 2025). Equatorial Guinea and Chad had similar experiences with that of Nigeria and Algeria and the fields of agriculture, fishing and fish farming, among others, were all completely neglected. **(**Benghida, 2017, p.907). More so, Gabon's overdependence on oil revenues destroyed the agricultural sector. With oil resources running out, the country was unable to feed itself and must import food with little money to do so. This inflicted colossal damage on the economies of these African countries and impoverished people reliant on non-natural resource sectors.

Commodity prices and Volatility

Sales of most African countries' natural resource commodity production were heavily skewed towards markets outside the continent and international natural resource commodity markets were volatile, to the detriment of Africa's economies. (Economic Commission for Africa, 2018, p.80). African countries that suffered most from price volatility are those that relied on natural resources as their main source of revenue. The international oil market was probably the most unstable in the world and oil-producing African countries faced difficulties in managing sudden price fluctuations. (Fauzel, 2020). The price volatility had a significant negative effect on public planning efforts as well as the budgetary discipline and control of public finances. It was also accompanied by a negative impact on income distribution, real investment and poverty reduction. (Benghida, 2017, p.903). The constantly fluctuating oil prices also undermined control over public expenditure. The budget commitments made by governments when oil prices were high having to be met even when revenues were low due to a fall in oil prices and this normally resulted in budget deficits. The over-reliance of Egypt and Nigeria on natural resources, especially oil and gas, exposed them to commodity price volatility over the years. (Economic Commission for Africa, 2018, p.104).

Several factors destabilised market prices for natural resources. For instance, China's doubling of its share of world industrial output between 1995 and 2005, according to the Economic Commission for Africa (2018, p.80), was paced by a sharp rise in its consumption of minerals. Between 2000 and 2007 China's share of global consumption rose from 5.6% to 48.2% for seaborne iron ore, from 18.6% to 39.9% for tin, from 6% to 24.9% for nickel, from 10.1% to 30.6% for lead, from 11.8% to 26.2% for copper and 13% to 32.5% for aluminium. A downturn in Chinese demand affected African countries producing these commodities. For instance, Zambia, which produced copper, experienced an economic contraction and significant devaluation of its currency as it mainly exported its copper to China. (Economic Commission for Africa, 2018, p.80). Zambia did not have any mineral savings rule in place and it did not have any mechanism in place to address price volatility, such as a stabilisation fund. Without any savings rules, there was no systematic process for managing investment of the savings. (Liebenthal & Cheelo, 2020, p.385).

In addition, price volatility could also be caused by global phenomena such as pandemics. For instance, there was a decline in the oil price in early 2020 on the onset of the COVID-19 pandemic when demand for oil was low due to lockdown measures imposed by governments around the world. (Djomo, Epo & Etame, 2025). The decline in oil commodity prices due to the COVID-19 pandemic corresponded with the decline in foreign exchange earnings. (Nguena & Asaloko, 2023). For countries like Nigeria, heavy dependence on crude oil contributed to their inability to make viable financial plans to stimulate economic growth. Moreso, Ghana's revenue performance in the first six months of 2020 was 26% below target and oil revenue was 55.4% lower than projected due to COVID-19 restrictions. (Leininger, Strupat, Adeto, Shimeles, Wasike, Aleksandrova, Berger, Brandi, Brüntrup, Burchi, Dick, El-Haddad, Fiedler, Hackenesch, Houdret, Lehmann, Malerba, Marschall, Mross, von Schiller, Schraven, Ziaja, Adel & Gitt, 2021, p.26).

Exploitative Extraction Agreements

There was general agreement that the terms of agreements between African nations and foreign companies regarding Africa's natural resources, such as oil, gas and particularly minerals, were exploitative in nature, with foreign companies receiving the majority of the revenue. These

agreements did not maximise revenues or benefit African nations' overall economic development. (Economic Commission for Africa, 2018, p.82). Some governments in Africa entered into exploitative agreements with foreign firms that resulted in minimal benefits accruing to the national coffers, if any, to their people. (Page & Tarp 2020, p.464). This was mostly attributed to instances where natural resource-rich African countries were so eager to extract natural resources and they lowered the rates for taxes and royalties without understanding the true value of their resources.

The lopsided agreements have resulted in most of the profits from the extraction of the resources leaving the country and ending up in the investors' home countries. In Zambia, for instance, Economic Commission for Africa (2018, p.83) noted that the price of copper more than quadrupled between 2004 and mid-2008 from around US$1,800 to over US$8,000 per tonne and this was reflected in the profits of foreign firms. Profits of Konkola Copper Mines nearly quadrupled, from US$52.7 million to US$206.3 million. By contrast, the government of Zambia only earned US$10 million in royalties from 2005 to 2006, owing to some of the lowest royalty rates in the world. This poor return was due to the fiscal terms of the revenue-sharing agreements with foreign firms, which in most cases provided for royalty rates of a mere 0.6% on the gross generated revenue. (Economic Commission for Africa, 2018, p.83).

Corruption

Corruption was established as a major obstacle to economic growth and development. Resource revenue tended to corrupt government officials, as it was easier for the owners of capital to bribe officials to get favours. (Fauzel, 2020). Forms of corruption included policy and administrative corruption, commercial corruption and diversion of massive amounts of funds through the diversion of production, products or revenues. This is generally referred to as grand corruption (Aryeetey & Ackah, 2020, p.103). Patronage and rent-seeking were ways in which corruption in resource-rich African countries spread. In a potential extreme case, resource revenue allowed governments to favour one extractive company or certain extractive companies over other companies in accessing natural resources. This could take the form of low tariffs or simply favouring one producer over others at the expense of public-resource revenue. **(**Djomo, Epo & Etame, 2025). This allowed those companies to keep a higher share of the natural resource rent, which would otherwise have been given to the government and could have been used to benefit the broader society.

The effects of corruption on the economy can be very far-reaching. Corruption diverted resources from productive activities and increased the costs of investing, resulting in reduced economic growth. (Fauzel, 2020). More so, corruption might give rise for the government not to effectively pursue prudent macroeconomic, social and industrial policies and this affected economic growth. For instance, Sierra Leone remained one of the poorest African countries despite mining diamonds for several decades due to corruption in the diamond sector. (Ackah & Mohammed, 2020, p.141). In the case of Angola, an estimated amount of US$1 billion of oil revenue was lost every year in the early 2000s due to corruption and the country also remained poor, with the general populace lacking basic services. The same can be said for Nigeria, which was one of the biggest oil producers in the world, producing nearly 2.5 million barrels per day yet most of the populace are impoverished. This was attributed to the flawed system of the country, as oil theft represented nearly 20 per cent of oil produced daily. (Benghida, 2017, p.904).

Transfer pricing, tax evasion/avoidance and illicit financial flows

Transfer pricing, tax evasion/avoidance and illicit financial flows are pressing challenges that negatively affected revenue generation efforts in some African countries with natural resources and this was a major obstacle for economic growth and development. The majority of multinational corporations (MNCs) in the natural resource industry operated globally and have long-term relationships with linked businesses, which expanded transfer pricing opportunities and might lower tax obligations. (Hanson, 2017). MNCs also repatriated hefty sums of money without paying agreed-on dues via, for example, insider trading, market rigging, embezzlement, fraud, payment of illicit political donations, bribes and commission kickbacks. (Economic Commission for Africa, 2018, p.85). The complexity of the legal and regulatory frameworks and the number of stakeholders involved in the natural resource sector including local producers, government agencies and MNCs made it difficult to ensure transparency and accountability.

Africa was estimated to have lost approximately US$850 billion in illicit financial flows between 1970 and 2008 and over US$1 trillion in illicit financial flows over the last 50 years and this figure was roughly comparable to the development assistance that the African continent received during the same period (Hanson, 2017, p.130). For instance, the Tanzanian government accused Acacia Mining of under-declaring the amount and value of gold and other minerals, depriving the country of billions of dollars in revenue between 1998 and 2017 (Economic Commission for Africa, 2018, p.86). More so, over the period 1995–2014, 67.7% of Zambia's copper exports went to Switzerland. China and these two countries have high levels of export miss-invoicing. There was also copper under-invoicing of US$5.6 billion, which equalled 10% of Zambia's copper exports over the period. (Liebenthal & Cheelo, 2020, p.381).

Weak oversight and accountability mechanisms

Checks and balances intended to secure independent control in the natural resource sector by the legislature in some African countries were rendered dysfunctional and found wanting. Hanson (2018) indicates that the capacity of the legislature to act as a countervailing force over the executive and understand the complexity of natural resource legislation has been flagged. The legislature has a responsibility of ratifying natural resource leases, contracts and stabilisation agreements, aside from passing the annual budget. The performance and responsibilities of the legislature in many natural resource African countries was generally subject to executive influence. This paved the way for corruption in the natural resource extractive sector when the legislative branch was weak to carry out its oversight role (Fauzel, 2020). Accountability and transparency as detergents of corruption were also found wanting in some natural resourced African countries as many African governments were reluctant to pass laws giving citizens the right to information. (Economic Commission for Africa, 2018). For instance, Angola, Nigeria and DRC were non-transparent states and they had weak oversight institutions and systemic corruption prevail in the natural resource sectors of these countries.

Capacity gap by local firms

Capacity gap by local firms has negatively affected the supply chain in the natural resource sector. Local firms could not compete with foreign firms in the resource extraction sector and they did not benefit from the resource revenue (Ochi, 2023). This had a negative effect on the economy of natural resourced African countries as much of the revenue which was supposed

to be circulating in the economy of the country if local firms were included in the supply chain ends up at countries of foreign firms. (Page & Tarp, 2020, p.20). The supply chains of MNCs in the resource extraction sector generally had a pyramid structure. The MNC would have a small number of lead subcontractors, many international and some local. Each lead subcontractor would then contract other firms to supply inputs. These were called second-tier subcontractors or suppliers. However, MNCs and their first-tier suppliers often prefer to operate exclusively with foreign second-tier suppliers, due to the limited capabilities of domestic firms.

In Ghana, for instance, the oil industry was currently dominated by foreign manufacturers or suppliers of goods and services that could ordinarily be made or supplied by local firms. Most Ghanaian firms were concentrated at the very end of the petroleum supply chain, competing to provide services such as hospitality and catering, logistics, freight forwarding and waste management. (Ackah & Mohammed, 2020, p.153). Nigeria attempted to meet local content requirements by passing local content rules and laws, such as the Nigerian Oil and Gas Industry Content Development Act, to build capacity among local companies to participate in the industry; however, it remained low, owing to a lack of capacity to compete (Economic Commission for Africa, 2018:104). Even where local capability was available, local suppliers might not have the opportunity to tender. There was a general perception among local firms that it was difficult to identify the entry point into the natural resource extractive sector value chain, where to begin and who to deal with. For example, in 2013, the Zambian Association of Manufacturers reported that mining procurement managers in the Copper belt were unaware of local manufacturing of roofing sheets, a significant and competitive metal fabrication industry. (Wu, Atamanov, Bundervoet & Paci, 2024).

Skill
Gap by Local Workers

The natural resource extraction sector, either oil, gas or minerals, was an industry that required skilled workers; however, the availability of skilled local workers is low in most African countries with natural resources. (Mazorodze, 2024). Qualified workers were usually brought from abroad and this deprived the exporting country of creating employment positions to their locals and this worsened local poverty. (Benghida, 2017). Despite significant gains in average levels of schooling, the African continent's workforce was the least skilled in the world. Learning assessments in Africa showed that most primary students lacked basic proficiency in reading at the end of second or third grade. (Ochi, 2023). Most tertiary degrees offered in African countries were concentrated towards social sciences in comparison to natural sciences and this remained a challenge in sourcing out skilled labour for the extractive industry (Page & Tarp, 2020, p.464).

More so, the mining industry across Africa, which involved small-scale miners, was poorly carried out due to skill gaps. Hanson (2017, p.132) noted that there was weak or non-existent technical capacities by small-scale miners required to identify, plan, develop and exploit high-value resources. As a result, small-scale stakeholder extractive activities failed to take full advantage of the overall value of the resources while, at the same time, consuming or contaminating other resources such as land, water, wood and other forest resources, which were essential to food security and livelihoods of other people who were not involved in the mining industry. (Ochi, 2023). Thus, as currently conducted in many African countries, artisanal and small-scale mining delivered short-term monetary gains to miners and traders who were involved directly in the mining activities, but it also worsened local poverty for many others.

Growth of Debt

Pushed by rent-seeking and the loss of fiscal control, natural resource African countries, especially oil-rich African countries, had borrowed faster and more than non-resource African countries and their debt became unsustainable, such that most of their revenue was channelled towards debt servicing at the expense of economic development. (Mazorodze, 2024). Governments often over-borrowed because they had improved credit-worthiness when revenues were high, a behaviour that was attributed to debt crises when revenues declined in Mexico, Nigeria and Venezuela in the 1980s. (Natural Resource Governance Institute, 2015, p.3). Borrowing was made easy for the resource rich African countries because it was backed by the promise of oil, gas and minerals and the expected revenues thereof. (Nguena & Asaloko, 2023). It was common for these countries to commit the entire natural resource revenues for a specified number of years to come, thus mortgaging the future of their citizens. The major constraint was that countries borrowed more money using their natural resource as collateral and when oil prices fell, they faced unfavourable adjustments.

Countries such as Zambia, Kenya, Djibouti and Angola reached critical levels of debt where it was been reported that Angola, for instance, serviced its debt to China by shipping specific quantities of oil. (Nguena & Asaloko, 2023). China was in the limelight for lending natural resourced African countries huge infrastructural loans so that they became unable to repay the loans, prompting the takeover of the extraction of some of their natural resources as collateral. This idea was not farfetched as China was already reported to have taken a port in Sri Lanka and land in Tajikistan in exchange for the waiving of outstanding debt (Muigua, 2020, p.17). While these loans were meant to put up infrastructure that would generate enough income to repay the loan and boost the national coffers, there were reports of economic non-viability of some of the projects. For instance, Kenya's Standard Gauge Railway (SGR), which has been reporting losses since it was operationalised or marginal profits, hardly enough to be self-sufficient in repaying the loans. (Muigua, 2020:18).

Conflict and Violence

Over the past decades, a good number of researchers have observed a link between natural resource discovery and the outbreak of civil conflicts. The gap between expectations and the dismal economic performance of natural resource-rich African countries was politically explosive. (Nguena & Asaloko, 2023). Governments funnelled revenue from natural resources to their own family, friends, military and political supporters and ethnic or religious groups and the general populace sees foreigners and favourites getting rich, but their own lot did not change, leading to outbreaks of civil wars. (Lakner, Mahler, Negre & Prydz, 2022). The civil wars in Liberia and Sierra Leone that left over half a million people dead provided perhaps a good example of military political entrepreneurship driven by natural resource exploitation. Similar cases were drawn from civil wars that erupted in DRC, Nigeria, Cote d'Ivoire, Guinea-Bissau, Mozambique, Libya and Angola. In Côte d'Ivoire, natural resources were a major factor in financing the conflict. Both the government and the rebels used these resources to their advantage. (Alpha & Ding, 2016).

Research suggested that the severity of conflicts in Africa has had a colossal negative effect on the growth rate of income. For example, research showed that countries that experienced civil wars had an average income of 50 per cent lower than that of countries that experienced no civil war. One year of conflict reduced the country's growth rate by 2.2%. (Nguena & Asaloko, 2023). However, these were not the only economic costs of wars. Post-conflict, the economy

grew at more than 1% above the norm but it took about 21 years to achieve a level of GDP that would have been attained had there been no war. (Ochi, 2023). Conflicts also affected the growth rate of African economies through reduced investment in physical capital and the destruction of assets, including their institutional capacity. Investment ratios and stocks of human capital in civil war countries were at least 50% lower than the average for countries that had no civil war.

Conclusion and Recommendations

This study sought to examine factors undermining economic development in African countries with natural resources. As indicated earlier, many African countries with natural resource endowments failed to leverage their natural resource wealth to build strong and stable states with sustained long-term economic growth. For some of these countries, oil, gas and mineral wealth had instead become associated with high poverty rates, weak state institutions, corruption and conflict. The general population in resource-rich African countries believed that these resources were going to bring jobs, food, schools, healthcare, agricultural support and housing, among other basic services, but their living conditions instead worsened and many of them lived in poverty.

Dealing with Dutch disease and price volatility, the study recommended that natural resourced African governments could introduce policies that fostered economic diversification and accelerate industrial development, channelling natural resource revenue into developmental activities that added value to the economy. A diversified economy was more likely to withstand both internal and external shocks, such as global commodity price deterioration, which occurred on one occasion due to the COVID-19 pandemic and the Russian invasion of Ukraine.

To add on, in dealing with exploitative extraction agreements, natural resourced African countries needed to have skills to negotiate, discuss and secure the appropriate terms of trade, trade policies and engage in fair contractual agreements. Some natural resourced African countries had made efforts to renegotiate their extractives exploitation contracts. Tanzania for instance, the government enacted laws that introduced changes in the exploitation of natural resources in the country's mining sector to ensure that Tanzania's natural resources were exploited to benefit the citizens. These included The Natural Wealth and Resources Contracts. (Review and Re-negotiation of Unconscionable Terms) Act 2017 (Muigua, 2020, p.20).

Furthermore, natural resourced African countries also needed to improve on resource sharing mechanisms to curb deepening inequality and poor development for the betterment of the general populace and avoid civil wars and conflicts. Revenue sharing must benefit provincial and local tiers of government to address citizen needs and improve on public service delivery. Woman, youth, elderly and other vulnerable groups also must benefit from natural resource revenue through direct transfers since these groups were mostly affected by economic doldrums and remained impoverished. If rich natural resourced African countries were unable to secure social stability and the general populace were impoverished, these countries would remain poor and mired in conflict.

In addition, technical capacity deficiency by local firms in natural resourced African countries must be sufficiently addressed. Training could raise the capabilities of local firms to the minimum level needed for them to be able to enter the MNC value chains. Governments must target support measures in financing, technical advice, training and fiscal incentives for local firms. More so, governments and MNC involved in the extraction sector must agree on the

design of training and qualification of local firms for these firms to be able to enter the value chain. To add on, there is need for strategic partnerships between local firms and foreign firms. Foreign and local companies should be allowed to work together and this had an advantage in that foreign companies would be able to transfer technology as well as skills to local firms. This had an advantage in that it created employment for indigenous people and improved their standards of living and reduced poverty.

More so, there was need to strengthen the capacity of oversight bodies to effectively monitor activities in the natural resource sectors such as oil, gas and minerals to reduce corruption, tax evasion/avoidance and illicit financial flows. Supreme Audit Institutions must be fully resourced both financially and technically to effectively carry out audits in the natural resource sectors. Parliamentary committees also needed to be capacitated to be able to deter corruption and illicit financial flows in the natural resource sectors. Governments must capacitate the civil society as they played a crucial role in monitoring activities on the ground in this sector in order to address the adverse social, economic and environmental consequences associated with the extraction of natural resources.

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