

Extractives: Blessing or curse?

The discovery of natural resources for extraction in a country may signal good news, but it requires sound policy and responsible management.

Scenarios:

1. Resource bliss



- Robust policies and institutions facilitate proper management of the extractives sector
- The revenue from oil and minerals is used to improve social services and infrastructure
- A sovereign wealth fund balances current expenditure with savings for the future
- Mining and drilling companies enjoy social licence from communities in the mining regions

2. Resource dilemma



- The main benefit from extractives is a stronger economy
- Corporate social responsibility, however is a token gesture
- Benefits accrue to a few elites
- Agriculture and manufacture based production is reduced

3. Resource curse



- Corruption and inequitable distribution of revenue lead to more inequalities in income
- Residents in mining localities resort to violent pursuit of mineral rents because they are not included in the exploitation of resources
- There are limited employment opportunities in the mining and drilling companies for residents

Ewoi's story



Ewoi, 25, lives in oil-rich Kalapata village in Turkana County. A class 5 drop out, his main source of livelihood is his family's livestock.

It has been four years since the discovery of oil reserves, but oil has brought no change to Ewoi's village. Nine in ten people still live in extreme poverty. Frequent drought and famine exacerbate their situation.

The drilling company had promised oil revenue would transform their lives but all Ewoi sees is huge machinery, a lot of foreigners and land grabbers fleeing residents.

Believing his community is being short-changed by not earning oil revenue, Ewoi is highly likely to join a local armed gang that extorts money from the drilling company.

