

29 June 2015

INDICATIONS THAT A COUNTRY IS SUFFERING FROM THE CURSE OF RESOURCES

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Some indications that a country is suffering from Dutch Disease/the Curse of Resources are as follows:

First, there is a glut of foreign exchange, inflating the value of the country's currency. Imported goods become cheaper than domestic ones.

Second, cottage industries collapse, especially in rural areas. This means a crisis when the natural resources run out. Furthermore, the collapse of cottage industries reflects the country's move from being a productive economy, to an "allocation" one. Concurrent to this a *rentier* mentality takes over the country, corruption explodes and the state militarises in order to secure its mineral wealth for the country's elite. There is an influx of wealthy foreign workers whose presence inevitably becomes exploitative. The issue of land rights suddenly becomes a source of tension as people stake claims to the ownership of land from which oil is being produced.

All these factors quickly combine to undermine the country's security. The inevitable resentment of those, especially the local communities, unable to benefit from the discovered resources is quickly exploited by individuals and groups who wish to cause trouble – often for entirely selfish reasons such as financial gain, or the furtherance of their own radical political agenda.

The Curse of Resources at work?

In early November 2013 protests by local residents forced a two week shut-down of an oil company's operations in Northern Kenya. Locals claimed that the company had failed to deliver an effective community investment programme.

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A local politician said: “There is a need for the community to be provided with knowledge and training to protect themselves from up-coming hazards to these resources.”

A particular source of tension related to the matter of who was going to benefit from economic opportunities. It was decided that the oil company would open local offices to enable communication with local stakeholders, and that a concerted effort would be made to give casual, and skilled work to locals.

A committee of local community leaders was formed to decide where contracts should be awarded. The committee has, however, found it difficult to avoid charges of nepotism and corruption. This is a problem that is frequently faced in such situations.

Not all the locals are convinced that sufficient efforts have been made to prevent the impact of the Curse of Resources on their community. Positive developments such as the obvious benefits that will accrue in the form of the benefits of visible investment, and new jobs, are outweighed, it has been claimed, by local perceptions of injustice and heightened insecurity.

New hotels have opened in the areas as a result of increased local growth rates, but non locals who have gained employment have reported local resentment at their success, and there are widespread complaints about a rise in the crime rate. There have been reports that the discovery of oil has exacerbated long-standing tensions between local tribes.

The loss of seasonal grazing lands around the oil-fields, has led to arguments relating to land ownership. This has resulted in cattle rustling incidents, such as one that caused the death of four people, and the driving away of large quantities of livestock.

In order to deal with incidents such as this the Kenyan Government has transferred large numbers of security personnel to protect oil infrastructure installations. This



makes people think that the Government values the security of oil assets more than it does people and communities.

Locals are certainly not uniform in their opinions about the nature of the situation they are faced with.

However, there is certainly a strong sense among many that most of the revenue from the oil will not go to them, that they will suffer negative environmental impacts, that jobs and contracts go to well-connected outsiders, that increased local insecurity has been caused by issues relating to land rights -generated by the stampede by local tribes to benefit from oil revenue.

Kenya and the principle of Public Participation

From the very beginning of oil exploration in Kenya - the authorities have been keen to tackle the problems caused by the Curse of Resources. In fact the principle of public participation was conferred by the Kenyan constitution under Article 10 (2) and Article 69 (d), specifically to help combat the effects of the Curse of Resources.

Over the next few months I will be blogging on the subject of the Curse of Resources. First, I will look in detail at the specific problems that are caused by the Curse of Resources, then I will look at ways in which the effects of those problems can be successfully mitigated, using appropriate CSR policies in order to achieve a Social License to Operate among communities resident in areas of extractive operations.

Introduction to Prospect Energy, Prospect Law and Mark Jenkins

Prospect Energy is an energy specialist technical consultancy firm based in London and the Midlands of the UK. It is a sister company of Prospect Law. The two firms provide advice on energy development projects and energy related litigation for clients in the UK and internationally.



Mark Jenkins advises clients on how to achieve commercial resilience in high-risk/non permissive environments. Among Mark's specialist areas of expertise are the management and motivation of traditional communities such as Bedouin tribesmen in the Sinai Desert, Somali Muslims in NE Kenya and Eastern Orthodox Christians in remote parts of Eastern Europe. He has a particular interest in Islamic culture and has worked on the staff of HRH Prince Ghazi bin Muhammed bin Talal, Special Advisor and Personal Envoy to HM the Hashemite King of Jordan. Other interests of Mark's include renewable energy, especially solar power, and economic solutions which are based on the principle of sufficiency, rather than consumption.

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