The Paradox of Plenty: Is Turkana County in Kenya Susceptible to Falling Prey to the Resource Curse?

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Abstract

Key words: Natural resources, Resource curse, Turkana, Oil and gas

Kenya is a country rich in natural resources which make a substantial contribution to the national income and to the livelihood of its citizens. As Kenya seeks to develop its natural resources, there are greater efforts employed specifically to the growth of the oil and gas sector. Although natural resources can greatly contribute to the national income, their mismanagement can also lead to a devastated economy and can provoke and sustain internal conflicts and result in political instability. The resource curse therefore refers to the paradox of countries rich in oil, gas and minerals remaining poor. Despite their resource abundance, political and economic problems undermine the progress and development of such countries. Consequently, this inhibits good governance and democracy. This article analyzes the meaning of the resource curse concept as posited by various scholars. It also analyzes different theories posited for its existence. The author examines the economic and political explanations that have been put forward for the subsistence of the resource curse and the main criticisms lodged against the same. The author further explores the issues that have arisen in Turkana county in Kenya following oil discovery in this marginalized area that demonstrate the country's vulnerability to falling prey to the resource curse. While the locals have greeted the news of an oil discovery with enthusiasm, the author argues that this oil find may lead to greater economic and political problems instead of the anticipated development for the region. The article argues that while the resource curse exists, it is not inevitable. The author concludes that oil and gas resources can contribute positively to Kenya both economically and politically through good governance, eradication of corruption and transparency in resource management. The author posits that these are the necessary tools to translate the natural resource riches in the country, particularly the recent oil discoveries in Turkana County, into sustainable and inclusive growth.

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1.0 Introduction

Kenya is endowed with a wealth of natural resources including limestone, soda ash, salt, gemstones, fluorspar, zinc, diatomite, hydropower, wildlife, *inter alia*. The country relies heavily on its natural resources not only to support the livelihoods of its citizens but also to contribute to the national income. The State is obligated to ensure sustainable exploitation, utilisation, management and conservation of the environment and natural resources, and ensure the equitable sharing of the accruing benefits.[2] The State is also mandated to utilise the environment and natural resources for the benefit of the people of Kenya.[3]

Until recently, Eastern Africa was zoned as an agricultural region and as such, not much oil and gas exploration went on in the region.[4] However, the landscape has now shifted and Kenya has four prospective sedimentary basins: Anza, Lamu, Mandera and the Tertiary Rift.[5] BP and Royal Dutch Shell companies carried out exploration work in the 1950s with the first exploration well being drilled in 1960.[6] Over the past fifty years, many other oil and gas companies have tried their luck onshore and offshore, including Exxon, Total, Chevron, Woodside and China National Offshore Oil Corporation.[7] Of thirty three wells drilled in the country prior to 2012, sixteen showed signs of hydrocarbons, but none were considered commercial.[8] On 26 March, 2012, Tullow announced an oil discovery with a further discovery announced in November, 2012.[9]

[2] Constitution of Kenya, 2010, Article 69 (1)(a).
[3] Constitution of Kenya, 2010, Article 69 (1)(h).
[4] Rift Energy, 'Upstream Oil and Gas Industry in Kenya' http://www.riftenergycorp.com/database/files/library/Overview_of_upstream_oil_and_gas_industry_in_Kenya.pdf (accessed 10 August 2017).
[5] Bill Page, 'The Deloitte Guide to Oil and Gas in East Africa' Deloitte Consulting Limited (2014) https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Energy-and-Resources/gx-er-Deloitte-guide-to-oilandgas-in-eastafrica-April%202014.pdf (accessed 10 August 2017).
[6] Ibid.
[7] Ibid.
[8] Ibid.
[9] Ibid.

Between 2012 and 2016, global prices of crude oil significantly reduced leading to a decline in exploration activities.[10] However, in March, 2016, Tullow announced that it had discovered an active petroleum system with significant oil generation south of the South Lokichar oil basin in Turkana county.[11] Thereafter, in July 2016, Tullow announced that it had reached an agreement with the Government of Kenya to extend the exploration period in South Lokichar to the year 2020.[12] The exploration and appraisal campaign in Kenya has progressed to schedule in 2017 with two discoveries made.[13] The first discovery was made in January 2017 at Erut-1 and the second in May 2017 at Emukuya-1, which proved that oil has migrated to the northern limit of the South Lokichar basin.[14] Explorations activities are therefore still underway to date.

The news of Kenya becoming a potential supplier and hub of oil and gas has been greeted with enthusiasm and has been deemed to be a clear indicator of progress.[15] However, after years of extensive research and examination by economists and political scientists, there is general agreement that states with abundant resource wealth generally perform worse than states which have less resources.[16] This greatly paradoxical principle, which has traditionally focused on extractive industries such as oil, gas, and mining, reveals that there are trade-offs between resources on one hand and economic development and poverty reduction on the other.[17] This paradox is referred to as the resource curse. While this curse is not an absolute law of economics and development, there is a strong tendency of negative results.[18]

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[10] Lily Kuo, 'A New Oil Discovery in Kenya is very Encouraging for its Export Ambitions' Quartz Africa (2016)http://qz.com/640595/a-new-oil-discovery-in-kenya-is-very-encouraging-indeed-for-its-export-ambitions/ (accessed 10 August 2017).
[11] Ibid.
[12] Oil News Kenya, 'Tullow Oil Receives 3 year Licence Extension in Kenya's Blocks 10BB,13T' (2016). http://www.oilnewskenya.com/tullow-oil-receives-3-year-license-extension-in-kenyas-blocks-10bb-13t/ (accessed 10 August 2017).
[13] Keith C. Hill, 'Africa Oil Kenya Operations Update' http://africaoilcorp.mwnewsroom.com/press-releases/africa-oil-kenya-operations-update-tsx-aoi-201707261099792001 (accessed 10 August 2017).
[14] Ibid.
[15] Scott W. Lyons, 'Preventing a Renewable Resource Curse' (2015) 15 Sustainable Development Law and Policy, 4.
[16] Ibid.
[17] Ibid.
[18] Ibid.

The resource curse is not just a result of economic factors. The paradox of plenty has political repercussions which may hinder the progress of the country. The extractive industries of a country might be plagued with what is known as natural resource conflicts. Natural resource conflicts have been defined as situations where the allocation, management, or use of natural resources results in violence, human rights abuses, or denial of access to natural resources to an extent that significantly diminishes human welfare.[19] It has been found that oil-based activities have brought with them the politics of oil and that this has ignited and exacerbated oil based conflicts in the oil-bearing areas.[20] These conflicts are multi-dimensional, with the communal conflicts taking the form of conflict within a community, conflict between communities, and conflict between host communities and the oil companies.[21]

As Tullow continues its exploration activities in the hope of making Kenya an oil and gas hub in Eastern Africa, it is imperative that the vulnerability of the region falling prey to the resource curse be taken into account. The State in fulfilling its constitutional mandate to ensure sustainable exploitation and proper management of natural resources ought to be cognizant of the negative implications of resource abundance to avoid making the resource curse a reality in our country. This article focuses on the effects of oil discovery in Turkana County in Kenya as a case study illustrating the susceptibility of the region suffering from this paradox of plenty.

The first part of this article analyzes the meaning and concept of the resource curse phenomenon as articulated by various scholars. In the second part, the author evaluates the theories which have been posited for its existence. The author examines both economic and political mainstream explanations for the existence of the resource curse and the main criticisms of these theories. The last part of the article explores the economic and political issues that have arisen in Turkana County following oil discoveries in this marginalized area in Kenya, that are indicative of susceptibility of the region to the resource curse phenomenon. Turkana County in Kenya is chosen as a case study due to the recent discoveries of oil in the area and the exploration activities which

[19] Kariuki Muigua, 'Natural Resources and Conflict Management in East Africa' (2014) https://profiles.uonbi.ac.ke/kariuki_muigua/files/natural_resources_and_conflict_management_in_east_africa-1st_east_african_adr_summit_final.pdf (accessed 10 August 2017).

[20] Ibid.

[21] Ibid.

continue to take place in the region. As the locals anticipate the benefits that would accrue from the oil discovery, there is danger lurking of falling prey to this curse. The author explores lessons that Kenya can draw from countries such as Nigeria and Botswana to avoid the resource curse. The paper concludes with reflections on the the role of good governance, adequate laws and policies and eradication of corruption in avoiding the resource curse in the oil and gas sector in Kenya. The author posits that these are the necessary tools to translate the natural resource riches in the country, particularly the recent oil discoveries in Turkana County, into sustainable and inclusive growth.

2.0 The Resource Curse Concept

The idea that large resource endowments are 'bad' for the countries that exploit them is long established.[22] The sixteenth-century philosopher and political theorist Jean Bodin stated that, "Men of a fat and fertile soil are most commonly effeminate and cowards whereas … a barren country makes men … careful, vigilant and industrious."[23] This statement reflects the concept of the resource curse; the paradox that countries rich in resources tend to remain poor.

The term 'resource curse' was first proposed by Richard Auty in 1993 to describe how resource-rich countries generally develop more slowly than non-endowed countries.[24] However, it was Sachs and Warner who popularized the term to label their finding that resource-poor countries vastly outperform resource-rich economies in economic growth.[25] This negative link between natural resource windfalls and economic growth has since then been demonstrated by several empirical studies analyzing cross-country samples and within country analysis.[26] The resource curse therefore means that despite these windfalls, countries rich in resources can experience hampered economic and political development. On average, resource rich economies have lower growth, worse

[22] Paul Stevens, Glada Lahn and Jaakko Kooroshy, 'The Resource Curse Revisited' (2015) The Royal Institute of International Affairs, 8.
[23] Ibid.
[24] David A. Fleming and Thomas G. Measham, 'Disentangling the Resource Curse: National and Regional Socioeconomic Impacts of Resource Windfalls' (2013) CSIRO Social and Economic Sciences Research Program, 3.
[25] Ibid.
[26] Ibid.

institutions, and more conflict than resource poor economies.[27] Thus empirically, being rich in natural resources is associated with being poor in material wealth – the 'paradox of plenty'.[28]

The oddity of resource-poor economies outperforming resource-rich economies has been a recurring motif of economic history.[29] In the seventeenth century, resource-poor Netherlands eclipsed Spain, despite the overflow of gold and silver from the Spanish colonies in the New World.[30] In the nineteenth and twentieth centuries, resource-poor countries such as Switzerland and Japan surged ahead of resource abundant economies such as Russia.[31]

This important finding that natural resource abundant economies tend to grow slower than economies without substantial resources continues to exist.[32] For instance, growth losers, such as Nigeria, Zambia, Sierra Leone, Angola, Saudi Arabia and Venezuela, are all resource-rich, while the Asian tigers: Korea, Taiwan, Hong Kong and Singapore, are all resource-poor.[33] On average, resource abundant countries lag behind countries with fewer resources. However, some countries rich in natural resources do experience economic growth. Many growth winners such as Botswana, Canada, Australia, and Norway are rich in resources.[34]

Some scholars have argued that the resource curse either does not exist or is not always inevitable. Van der Ploeg argues that the resource curse is not inevitable when he states that resource rich countries with good institutions, trade openness and high investments in exploration technology seem to enjoy the fruits of their natural resource wealth.[35]

[27] Halvor Mehlum, Karl Moene and Ragnar Torvik, 'Cursed by Resources or Institutions?, Norwegian University of Science and Technology' (2005) Working paper Series Number 10, 1.
[28] Ibid.
[29] Jeffrey D. Sachs and Andrew M. Warner, 'Natural Resource Abundance and Economic Growth' (1995) NBER Working Paper No. w5398, 2.
[30] Ibid.
[31] Ibid.
[32] Halvor Mehlum, Karl Moene and Ragnar Torvik, 'Institutions and the Resource Curse' (2006) The Economic Journal, Royal Economic Society, Blackwell Publishing, 1.
[33] Ibid.
[34] Ibid.
[35] Ramez Badeeb, Hooi Hooi Lean and Jeremy Clark, 'The Evolution of the Resource Curse Thesis: A Critical Literature Survey' (2016) University of Canterbury, Working Paper 5, 2.

There is no general consensus on the existence of the resource curse. Its ubiquity should therefore not be exaggerated as some countries which are resource rich do have significant economic success. This article argues that the resource curse does indeed exist but it is not always inevitable. This means that the sunny optimism of oil discovery in the Turkana County in Kenya ought to be maintained but the susceptibility to falling prey to the resource curse should be taken into account to ensure the region does indeed benefit from the oil discoveries and has sustainable growth.

Natural resources are the subject of the resource curse phenomenon. The phrase 'natural resources' in this article is restricted to the analysis of oil and gas resources. Early studies by Sachs and Warner and Collier and Hoeffler looked at broad measures of resources that included petroleum, other minerals, and agricultural commodities.[36] Today, agricultural products are rarely seen as part of the resource curse - both because they are produced, not extracted, and hence fail to meet standard definitions of natural resources; and because they are seldom correlated with unfavorable outcomes.[37] Only one type of resource has been consistently correlated with less democracy and worse institutions: petroleum, which is the key variable in the vast majority of the studies that identify some type of curse.[38] The article therefore uses the term 'natural resources' to refer to oil and gas resources discovered in the Turkana County of Kenya.

At first glance, one might assume that a generous endowment of petroleum or mineral reserves would be an unambiguous blessing for a developing country.[39] The sale of such reserves would seem to offer attractive opportunities for a poor country to generate national income, raise living standards, and improve the plight of its poorest residents.[40] In practice, however, it has proven to be extremely difficult to convert natural resource wealth into broad-based improvements in economic performance and human

[36] Michael L. Ross, 'What Have we Learned about the Resource Curse?' (2015) Annual Review of Political Science, 4.

[37] Ibid.

[38] Ibid.

[39] Scott Pegg, 'Poverty Reduction or Poverty Exacerbation, World Bank Group Support for Extractive Industries in Africa' (2003) 8.

[40] Ibid.

development.[41] In fact, heavy dependence on the export of natural resources has been shown to negatively affect a country's economic, social and political development.[42]

There has also been research linking the extraction of natural resources to corruption, authoritarianism, economic decline and civil war because natural resources are said to provide both finance and motive for armed conflict and to create indirect economic and institutional causes of violence.[43] This means that resource rich countries can be afflicted with political instability and oil-based violence if these resources are not properly managed.

This article argues that the resource curse does indeed exist even though it is not always inevitable. There are economic and political explanations that have been posited in existing literature for the existence of the resource curse. This article examines the evolution of the resource curse thesis, analyzing economic and political theories proferred for its existence and the main criticisms against each of these theories.

3.0 Theories of the Resource Curse

3.1 Economic Explanations

From an economical perspective, there are three mainstream explanations for the resource curse that is, the Dutch disease, volatility theory and the rent-seeking theory.

3.1.1 Dutch Disease theory

The most widely accepted economic explanation for the resource curse is known as the Dutch Disease theory.[44] In this account, resource exports provide a capital infusion to the economy, but have the side effect of inflating the national currency.[45] This damages the global competitiveness of other export sectors in the economy.[46]

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[41] Ibid.
[42] Ibid.
[43] Matthias Basedau and Jann Lay, 'Resource Curse or Rentier Peace? The Ambiguous Effects of Oil Wealth and Oil Dependence on Violent Conflict' (2009) Journal of Peace Research 46, 757
[44] Matthew L. Norman, 'The Challenges of State Building in Resource Rich Nation' (2011-2012) NorthWestern Journal of International Human Rights, Volume 10, Number 3, 184, 185.
[45] Ibid.
[46] Ibid.

The Dutch Disease, which owes its origin to the experience of the Netherlands with the discovery of North Sea natural gas in the 1960s, has two elements in its technical form.[47] According to economists, the first element is the spending effect which means that resource booms tend to lead to appreciation in the real foreign exchange rate, driving spending to the non-tradeable sector (for example construction), which results in inflation.[48]

The second element is the migration of labor and capital to the booming non-tradeable sectors.[49] The effect of these elements is that sectors such as manufacturing and agriculture regress in favour of the oil industry. This can adversely affects country's economic development in periods of resource bursts.

Oil has become a curse rather than a blessing for Nigeria for example, because instead of yielding foreign exchange for the development of the country, its proceeds have led to greater impoverishment of the masses.[50] The exploitation and production of oil in this country has led to hindered economic growth and political problems. It has also contributed to unprecedented crisis flash points in the Niger Delta.[51] Nigerian scholar Pat Utomi links the problems of the Nigerian economy to the Dutch Disease.[52] Utomi bases his position principally on data that indicates that in the years that Nigerian oil revenue dwindled (1987-1990), manufacturing boomed.[53] The oil windfalls of 1991 put an end to this progress and, with consistent growth in oil revenues since 1999, Nigeria's economy has been in the doldrums.[54]

The problem with the Dutch Disease model is that it suggests unconditional negative correlation between natural resources abundancy and economic performance.[55] Thus,

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[47] Emeka Duruigbo, 'The World Bank, Multinational Oil Corporations, and the Resource Curse in Africa' (2005) Journal of International Law, University of Pennsylvania, Volume 26, Number 1, 2.
[48] Ibid.
[49] Ibid.
[50] Robert O. Dode, 'The Political Economy of Resource Curse and the Niger Delta Crisis in Nigeria: Matters Arising' (2011) Afro Asian Journal of Social Sciences, Volume 2, Number 1, 3.
[51] Ibid.
[52] Emeka Duruigbo, 'The World Bank, Multinational Oil Corporations, and the Resource Curse in Africa' (2005) Journal of International Law, University of Pennsylvania, Volume 26, Number 1, 2
[53] Ibid.
[54] Ibid
[55] Dina Akylbekova, 'Analyzing the Resource Curse Theory' Lund University,

this model fails to explain cases such as Norway, Botswana, Australia and others, which have managed to escape from the resource curse.[56] This suggests that there are some important pre-conditions, which are not included into the Dutch Disease model which might include either the quality of institutions, the structure of the economy or some alternative explanation.[57]

3.1.2 Volatility theory

A second explanation blames the volatility of primary commodity markets for the resource curse. During resource booms, exporting nations are flush with capital and undertake large, often ill-advised, investments with the mistaken assumption that the windfall profits will continue.[58] It is common for resource exporters to finance large projects using debt with future resource revenues as collateral but when the inevitable bust comes, the exporting nation faces a debt crisis.[59]

Both Auty and Mikesell offer revenue volatility as a possible explanation for the resource curse.[60] The basic argument is that oil, gas and mineral revenues are very volatile, especially driven by violent fluctuations in prices over relatively short periods of time.[61] Potentially, this volatility could cause a variety of problems.[62] Fluctuating revenue profiles make it very difficult to pursue a prudent fiscal policy and there is also concern that windfall revenues from fluctuating export prices would be consumed rather than invested.[63]

However, this theory has also been criticized. Sachs and Warner found no correlation between commodity price volatility and the slower economic growth.[64] Scholars have

http://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=7760298&fileOId=7760302 (accessed 2 August 2017).

[56] Ibid.

[57] Ibid.

[58] Matthew L. Norman, 'The Challenges of State Building in Resource Rich Nations' (2011-2012) NorthWestern Journal of International Human Rights, Volume 10, Number 3, 184, 185

[59] Ibid.

[60] Paul Stevens, 'Resource Impact – Curse or Blessing?: A Literature Survey' (2003) Centre for Energy, Petroleum and Mineral Law and Policy, 10,11

[61] Ibid.

[62] Ibid.

[63] Ibid.

[64] Andreas Heinrich, 'Challenges of a Resource Boom: Review of the Literature' (2011) Working Papers of the Research Centre for East European Studies, University of Bremen, No. 114, 13

also indicated that the fiscal positions of countries react strongly to shocks to commodity prices, yet there are marked differences across countries.[65] This distinct behaviour across countries may relate to institutional arrangements, which in some cases include the efficient application of fiscal rules amid political commitment and high standards of transparency.[66] Additionally, it is argued that governments can mitigate these revenue fluctuations by establishing stabilization funds.[67]

3.1.3 Rent-seeking theory

An alternative story is that resource wealth such as oil somehow makes societies less entrepreneurial.[68] There is so much wealth floating around the government that entrepreneurial persons find it much more profitable to engage in unproductive rent-seeking activities to appropriate that wealth rather than in creating more wealth.[69] The presence of common-pool problems or uncertainty over property rights over the resource income may generate low growth by inefficiently focusing economies in fighting over existing resources.[70] There is general agreement that rent-seeking behaviour produces undesirable results for the economy.[71] It has been argued that rent-seeking behaviour imposes significant losses on many economies.[72] Auty argues such behaviour distracts attention from goals of long-term development towards maximizing rent creation and capture.[73]

The main criticism of this model is that contrary to long-entrenched intuition, non renewables can be progressively extended through exploration, technological progress, and investments in appropriate knowledge.[74] The resource-curse hypothesis has been deemed to be anomalous to development economics, since on the surface it arguably has

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65 Ibid.
66 Ibid.
67 Ibid.
68 Ricardo Hausmann and Robert Rigobon, 'An Alternative Interpretation of the Resource Curse: Theory and Policy Implications' (2002) NBER Working Paper No. 9424, 7.
69 Ibid
70 Ibid
71 Paul Stevens, 'Resource Impact – Curse or Blessing?: A Literature Survey' (2003) Centre for Energy, Petroleum and Mineral Law and Policy, 15.
72 Ibid
73 Ibid
74 Gavin Wright and Jesse Czelusta, 'Why Economies Slow: The Myth of the Resource Curse' (2004) Challenge, 36

no clear policy implication but stands as a wistful prophecy: Countries afflicted with the 'original sin' of resource endowments have poor growth prospects.[75]

It has been stated by critics that policy makers are to blame for problems created by rent seeking behaviour and not merely the presence of minerals in a country. The rent-seeking model assumes that institutions may decrease or even prevent rent-seeking, harming the economy, but the model fails to incorporate institutions into the analysis.[76] This means that while the rent-seeking theory recognizes the need to focus on long term development of a country and not just the short term gains, it omits from its analysis the role that policy makers and institutions play in effective management of these resources that will lead to wealth creation.

3.2 Political Explanations

Even though economic factors have dominated the resource curse literature, in recent years, scholars have identified political factors to be equally important in studying the economic progress of resource-rich countries and that governments play a key role in devising favorable policies for economic development.[77] Therefore, two main political explanations have been posited for the existence of the resource curse that is, the institutional theory and the rentier-state theory.

3.2.1 Institutional theory

When governments depend on mineral revenues instead of taxes, for example, they lack incentives to strengthen institutions required to establish the mechanism to provide efficient public goods and avoid conflict.[78] In countries with robust and well-functioning institutions, there is ample evidence that it is possible to turn the revenue flowing from the exploitation of natural resources into lasting economic and social development.[79] The reverse is true for countries with poorly functioning instituions which do not effectively

[75] Ibid
[76] Dina Akylbekova, Analyzing the Resource Curse Theory, Lund University, http://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=7760298&fileOId=7760302(accessed 2 August 2017).
[77] Meaza Zerihun Demissie, 'The Natural Resource Curse in Sub-Saharan Africa: Transparency and International Initiatives' (2014) Dissertations, Paper 6, 19,20.
[78] Ibid.
[79] Patrick Keenan, 'International Institutions and the Resource Curse' (2014) Penn State Journal of Law and International Affairs, Volume 3, Number 1, 219.

exploit and manage their natural resources. The argument is that the dangerous mix of weak institutions and resource abundance causes the resource curse.[80]

Weak or dysfunctional institutions permit leaders to engage in all manner of mischief with the wealth they receive from the sale of natural resources that is, personal enrichment at public expense and distributing legitimately obtained revenue in ways that are damaging to the political or economic life of the country.[81] The leadership tend to misappropriate resource wealth for their personal gain and fail to instal mechanisms to ensure there is benefit sharing in the regions where oil is discovered and later exploited and produced. The resource wealth is shared between the governments and multinational companies leaving the locals out in the cold. This can escalate to violence and political instability in countries with weak institutions as locals fight to obtain what they perceive to be a legitimate share of oil revenues.

The case of Angola illustrates the problem of direct personal enrichment from the sale of state assets.[82] Sonangol is the company responsible for the exploitation of all of Angola's substantial oil and gas reserves.[83] In early 2012, Manuel Vincente, the former head of Sonangol, which is solely responsible for the awarding of concession rights, disclosed that he had for years held an ownership interest in a private company which had been involved in a lucrative oil exploitation contract with the state.[84] He also disclosed that the head of the president's military police agency and the minister for state economic cooperation also held stakes in the same company.[85]

However, the main criticism of the institutional theory is that many resource-abundant countries have centralized power and weak institutions, and still there is a big variation of how natural resources wealth is managed even among the countries with grabber

80 Halvor Mehlum, Karl Moene and Ragnar Torvik, 'Institutions and The Resource Curse' (2006) The Economic Journal, Blackwell Publishing, 12,16.
81 Patrick Keenan, International Institutions and the Resource Curse, (2014) Penn State Journal of Law and International Affairs, Volume 3, Number 1, 231
82 Ibid.
83 Ibid.
84 Ibid.
85 Ibid.

friendly institutions.[86] Consequently, the lack of institutions only does not explain the variance in economic performance and growth in resource abundant countries.[87]

3.2.2 Rentier-state theory

Theories of the rentier state contend that when governments gain most of their revenues from external sources, such as resource rents or foreign assistance, they are freed from the need to levy domestic taxes and become less accountable to the societies they govern.[88] Mahdavy, who first posed this theory, argues that resource rents make state officials both myopic and risk-averse: upon receiving windfalls, governments grow irrationally optimistic about future revenues and devote the greater part of their resources to jealously guard the status quo instead of promoting development.[89]

Yates argues that rentier states suffer from poor governance because state officials can use resource rents more easily to meet unpopular or illegal objectives.[90] For Karl, fiscal reliance on petrodollars weakens the state and creates political instability.[91] Finally, Wantchekon investigates how economic growth, the distribution of income, and the allocation of political power simultaneously evolve when resources are discovered.[92] They find that resource abundance is likely to increase income inequality and the consolidation of dictatorial regimes.[93] It has also been argued that natural resource dependent economies are more likely to be authoritarian; exhibit higher levels of government spending which are associated with worse governance and are more likely to lead to breakdown in democracy.[94]

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86 Dina Akylbekova, Analyzing the Resource Curse Theory, Lund University, http://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=7760298&fileOId=7760302 (accessed 2 August 2017).
87 Ibid.
88 Michael L. Ross, 'The Political Economy of the Resource Curse' (1999) World Politics, The John Hopkins University Press, 8..
89 Ibid.
90 Nathan Jensen and Leonard Wantchekon, 'Resource Wealth and Political Regimes in Africa' (2004) Comparative Political Studies, 816-841.
91 Ibid.
92 Ibid.
93 Ibid.
94 Nathan Jensen and Leonard Wantchekon, 'Resource Wealth and Political Regimes in Africa' (2004) Comparative Political Studies, 816-841.

Natural resources have also contributed to increased political instability in some resource rich countries. Expanding on Sachs and Warner's initial study that supported the natural resource curse theory, Collier and Hoeffler found a strong negative correlation between resource abundance and political stability.[95] Richly detailed case studies of Nigeria, Venezuela, and Iran show that oil can undermine political stability over time, especially in authoritarian regimes.[96] Virtually all oil-rich states tend to face significantly higher levels of social protest when oil revenues fall, and some of these regimes collapse.[97]

Where regimes have developed mechanisms of social control, permit rotation in power, or have sources of legitimacy that are not based on oil rents, they are more likely to endure through boom-bust cycles. But where initial oil exploitation coincides with regime and state building, non-oil-based interests do not form and patronage rents may be the main glue of the polity. Under these circumstances, these regimes are especially fragile and vulnerable during oil busts.[98]

Corruption contributes to the existence of the resource curse and the resulting political instability and poor ecomomic development of some resource rich countries. The instances in sub-Saharan Africa where the association between patrimonial structures, corruption and mineral abundance is strongest include Angola, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon and Nigeria.[99] On the other hand, some resource-rich countries have a record of good economic performance and high public integrity.[100] In Botswana, as noted, the export of diamonds has financed rapid development in a context of political legitimacy and comparatively sound economic management.[101]

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[95] Ibid.
[96] Terry Lynn Karl, 'Oil-Led Development: Social, Political and Economic Consequences' (2004) Encyclopedia of Energy, Volume 4, 669.
[97] Ibid.
[98] Ibid.
[99] Hazel M. McFerson, 'Governance and Hyper-Corruption in Resource-rich African Countries' (2009) Third World Quarterly, Volume 30, Number 8, 1529, 1545.
[100] Ibid.
[101] Ibid.

4.0 Crude Politics in Turkana County

4.1 Background

For the last 56 years, Asekon Ekai, a local, has walked the dust bowls of Lokichar, Turkana County, where temperatures can soar up to 40 degrees celsius.[102] She has fought and won many contests with famine, ill health and the never ending feuds with neighbouring communities.[103] The Lokichar area is one marred with many difficulties but like other residents, the news of the discovery of oil gave Ekai a measure of hope for the economic and political development of the region. Ekai's opinion of the discovery is "Mwambie Uhuru ama Raila, mafuta ni yetu, ni ya Turkana na itakaa Turkana kama hakuna pesa (The translation is: Tell President Uhuru or Raila that the oil is ours and will not leave Turkana if there is no money for us). No money, no oil."[104] The residents of Lokichar remain emotive about the need to benefit from the profits made in oil exploration and production such as the need to tap into employment opportunities generated and rceiving shares of oil proceeds.

With an estimated land size of almost 77,000km^2, Turkana County is the largest county in Kenya.[105]It is located in the north-western part of Kenya, bordering the counties of West Pokot and Baringo to the south, Samburu to the south-east, and Marsabit to the east.[106] In addition, it shares international borders with South Sudan to the north, Uganda to the west and Ethiopia to the north-east (see Figure 1 below).[107]

Turkana is the poorest county in Kenya, with 94.3% of the population living below the poverty line.[108] It is located far from the capital Nairobi, with limited access to basic services and very poor road infrastructure.[109] The difference in wealth and level of development between Turkana and the rest of the country, in particular Nairobi, is so

[102] Peter Muiruri, 'Lokichar Oil: A Blessing or Curse For Turkana?' *Standard Media* https://www.standardmedia.co.ke/business/article/2001234391/lokichar-oil-a-blessing-or-curse-for-turkana (accessed 1 August 2017).
[103] Ibid
[104] Ibid
[105] Michael Bliss, 'Oil Exploration in Kenya: Success Requires Consultation. Assessment of Community Perceptions of Oil Exploration in Turkana County Kenya' (2015) Cordaid, 16.
[106] Ibid
[107] Ibid
[108] Ibid
[109] Ibid

big that the Turkana people talk of "those in Kenya" or making a distinction between "Kenya A and Kenya B", as if Turkana were in another country.[110]

It has an arid and semi-arid climate and fragile ecosystem best suited to pastoralism.[111] Most of the population are pastoralists who are widely dispersed and mobile according to the seasonal availability of grazing grounds and water sources.[112]

[110] Ibid.

[111] Kennedy Mkutu Agade, '"Ungoverned Space" and the Oil Find in Turkana, Kenya,' (2014) The Round Table, Volume 103, Number 5, 497.

[112] Ibid.

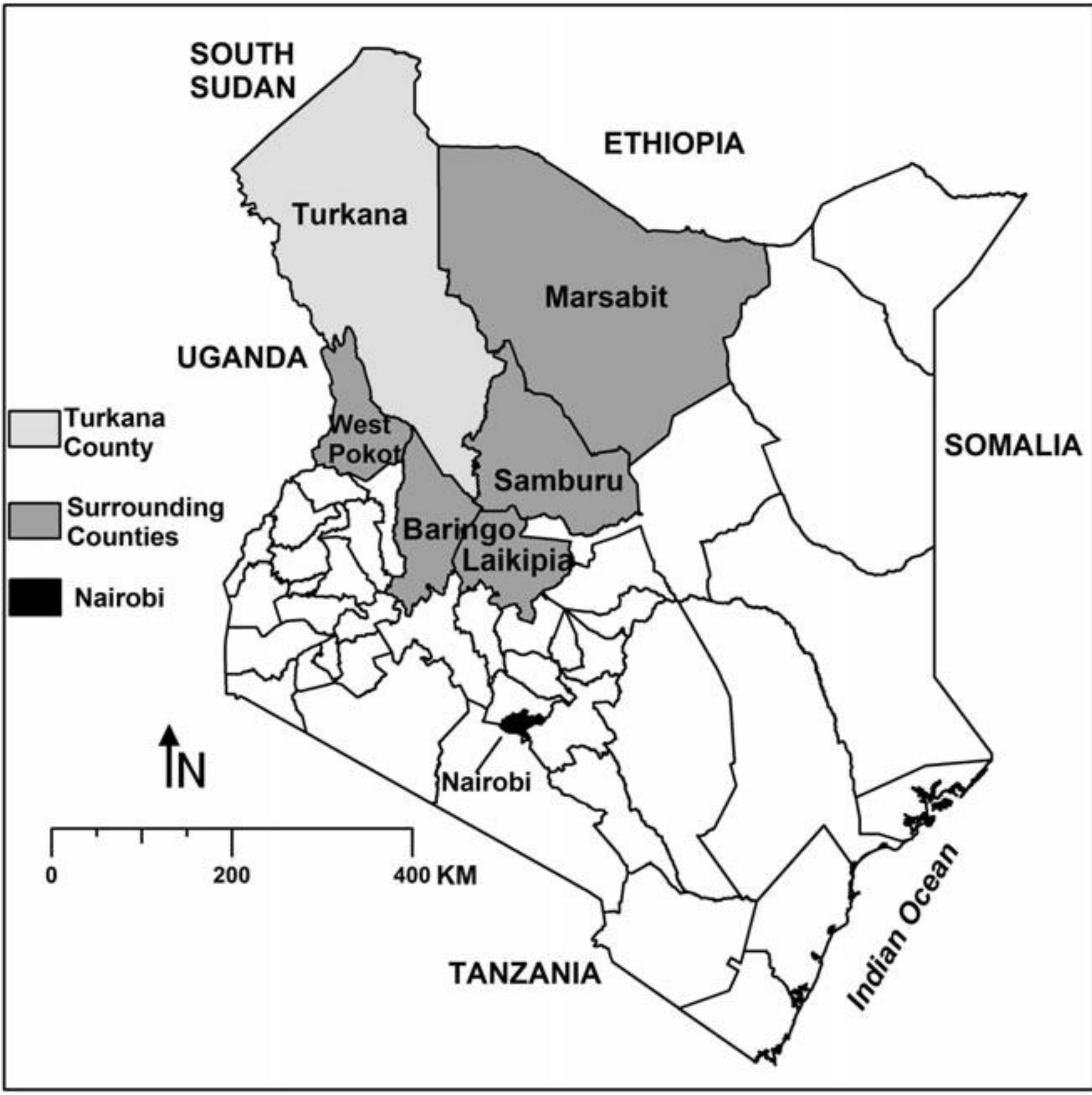

Figure 1: Location of Turkana County and surrounding counties in Kenya[113]

113 Eliza M. Johannes, Leo C. Zulu & Ezekiel Kalipeni, 'Oil Discovery in Turkana County, Kenya: A Source of Conflict or Development?' (2015) African Geographical Review, 34:2, 143.

Turkana County and the surrounding counties of Baringo, Laikipia, Marsabit, Samburu, and West Pokot historically suffer from violent conflicts, including cattle raids.[114] For Turkana County, these conflicts include clan or ethnic-based conflicts, international cross border conflicts, and intracommunal conflicts such as those between two Turkana communities.[115]

The main contributing sources of conflict in this region are environmental stressors including climate change, the Ilemi Triangle boundary dispute, dams and their ecological impacts on the waters of Lake Turkana and the recently launched transportation development project called Lamu Port and New Transport Corridor Development to Sudan and Ethiopia (LAPSSET).[116]

The gun is inextricably linked with survival and even livelihood and is held by an estimated 1 in 3 Turkana men.[117] There is a thriving arms trade with sources in Ethiopia, Somalia, Uganda, Southern Sudan and Kenya itself, civil wars and unrest have contributed to their proliferation.[118] The government has attempted to disarm these communities but these attempts have been strongly resisted and the arms trade continues to thrive. Violent intercommunal conflict over water, pasture and livestock resources affects Turkana's international and internal borders.[119] There is underdeveloped infrastructure in Turkana and the poor state of the roads leads to vehicles being ambushed which further contributes to the violence in the region.

Given the challenges faced in the Turkana region, the news of an oil find was greeted with a lot of optimism by the locals, like Ekai, for the future development of the region. In March 2012, oil was discovered in the Lokichar Basin in Turkana County. In January 2014, Tullow stated that Kenya's Northern Basin could have an excess of 1 billion barrels of oil and exploration activities have continued with two further discoveries made in the year 2017. Kenya's petroleum potential is best depicted by the four large sedimentary

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[114] Eliza M. Johannes, Leo C. Zulu and Ezekiel Kalipeni, 'Oil Discovery in Turkana, County Kenya: A Source of Conflict or Development?' (2015) African Geographical Review, Volume 34, Number 2, 148,149.

[115] Ibid.

[116] Ibid.

[117] Kennedy Mkutu and Gerard Wandera, 'Conflict, Security and Extractive Industries in Turkana, Kenya: Emerging Issues' (2012-2015) The Open Society Initiative for Eastern Africa, 1.

[118] Ibid.

[119] Ibid.

basins that straddle the country which include Lamu, Anza, Mandera and Tertiary Rift basins.[120]

The oil blocks are as shown below with Turkana being a major region where exploration activities continue to take place to date:

[120] Isaiah L. Okuthe, 'Environmental and Social Challenges of Oil and Gas Exploration in Kenya' (2015) International Journal of Innovation and Scientific Research, Volume 17, Number 1, 164.

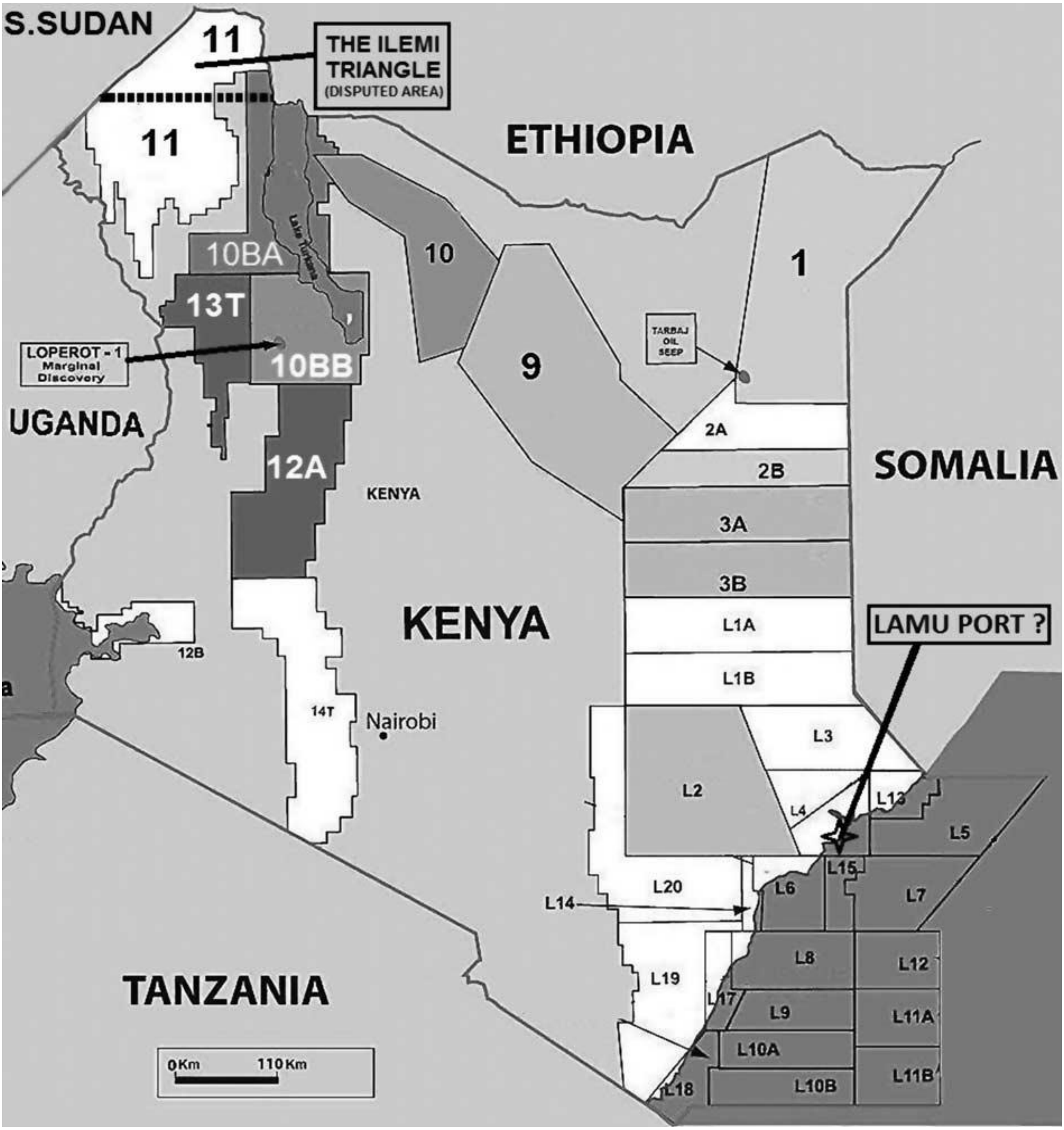
S.SUDAN
11
THE ILEMI TRIANGLE (DISPUTED AREA)
11
ETHIOPIA
10BA
Lake Turkana
10
1
13T
9
TARBAJ OIL SEEP
LOPEROT - 1 Marginal Discovery
10BB
2A
UGANDA
2B
SOMALIA
12A
KENYA
3A
3B
L1A
LAMU PORT ?
KENYA
12B
L1B
14T
Nairobi
L3
L2
L4
L13
L5
L15
L20
L6
L7
L14
L8
L12
L19
L17
L9
L11A
TANZANIA
L10A
0 Km
110 Km
L18
L10B
L11B

Figure 2: Kenya Oil blocks[121]

4.2 Resource Blessing or Resource Curse?

Porous borders and unsettled trans-boundary disputes have created tensions surrounding the exploration for Kenya's oil and gas.[122] Historically unclear delimitation of Kenya's borders with neighboring South Sudan have threatened to become serious following the discovery of oil in Turkana.[123] The oil discovery has also exacerbated the conflicts between Turkana and its neighbours in Kenya; among the disputed areas are Kainuk and Kaputir along the border of West Pokot and Turkana South.[124] It has been claimed that some members of the Pokot community want the boundary shifted so that areas with oil reservoirs are under their jurisdiction.[125] The oil discovery has escalated these border conflicts both local and international as communities and countries fight for control over the resources.

According to local communities in Turkana South, the displacement of local communities to make way for oil exploration has contributed to this escalation of conflict between the Turkana and the Pokot, as the Turkana had little choice but to move into insecure areas closer to the border with West Pokot.[126] As part of existing efforts to reduce inter-communal conflict, local government officials from both sides of the Turkana–West Pokot border occasionally meet to collaborate on improving conflict management.[127] However, these interactions tend to be not as effective as they could be and are often unable to prevent or adequately address violent clashes and raids.[128] Underlying factors causing this include weak relations and lack of confidence between local government and communities, deep-rooted mistrust between the different

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[121] David M. Anderson & Adrian J. Browne, The Politics of Oil in Eastern Africa, Journal of Eastern African Studies, 5:2, (2011) 385

[122] Patricia I. Vasquez, 'Kenya at a Crossroads: Hopes and Fears Concerning the Development of Oil and Gas Reserves' International Development Policy (2013) Volume 4, Number 3, 18.

[123] Ibid.

[124] Nation Team, 'Dreams of Oil Billions Fuel Strife in the North'. http://www.nation.co.ke/news/Dreams-of-oil-billions-fuel-strife-in-the-north/-/1056/2734032/-/rh75b8z/-/index.html *Daily Nation* (Nairobi, 29 May 2015).

[125] Ibid.

[126] Michael Bliss, Oil Exploration in Kenya: Success Requires Consultation. Assessment of Community Perceptions of Oil Exploration in Turkana County, Kenya, (2015) Cordaid, 19.

[127] Ibid.

[128] Ibid.

communities in the region, lack of confidence in the possibility of sustainable peace, and vested economic and political interests in keeping the region insecure.[129]

Ensuring sufficient security to avoid interruption of oil production is moving up on the list of national security priorities, leading to the deployment of a security unit to protect oil exploration sites and companies, and transport networks serving these.[130] The border areas of Turkana neighbouring Somalia and Ethiopia have been hit by frequent grenade and gun attacks since Kenya sent its army into southern Somalia in October 2011 in pursuit of Al-Shabaab, who had orchestrated the kidnapping of aid workers and tourists and a number of bomb attacks.[131] The protection of oil as a strategic investment could lead to new confrontations between investors, state and community, and escalating violence between formal security providers and local armed groups.[132]

In an agreement made with the former provincial administration, administrative police, regular police and National Police Reservists (NPRs) have been deployed to exploration sites, bases and as escorts for survey teams for which they are paid an added allowance.[133] Communities have voiced high levels of fear relating to the re-deployment of NPR and their subsequent vulnerability to raiders in the absence of this protection.[134] In addition to re-deployment to service the oil industry, there is now a metamorphosis from their previous role in provision of remote livestock security to paid work as road escorts and private security guards, which is developing in line with the oil sector.[135] NPRs are also vulnerable to recruitment by politicians for their personal protection, and fears have been raised that in the event of instability or natural resources conflict they are a ready 'private army' who could be galvanized in various directions.[136]

[129] Ibid.
[130] Kennedy Mkutu Agade, '"Ungoverned Space" and the Oil Find in Turkana, Kenya,' (2014) The Round Table, Volume 103, Number 5, 504.
[131] Ibid.
[132] Ibid.
[133] Kennedy Mkutu and Gerard Wandera, 'Conflict, Security and Extractive Industries in Turkana, Kenya: Emerging Issues' (2012-2015) The Open Society Initiative for Eastern Africa, 27, 28.
[134] Ibid.
[135] Ibid.
[136] Ibid.

The oil find has therefore exacerbated conflict in Turkana county and contributed to increased instability and insecurity in the region. There is a need for good governance and strong institutions to ensure proper management of these resources and transparency in benefits sharing in order to avoid the resource curse. Heightened conflict can lead to greater political instability in the region.

In Nigeria, corruption plays a large role in the susbsistence of the resource curse since governments respond to the windfall of oil wealth by being inundated with easy money to use in government programs.[137] This corruption highlights the importance of good institutions as lobbying and bribing are a part of the strategic model of a corrupt government.[138] The tragedy in Nigeria today is that with a near total absence of government presence in the lives of citizens, corruption is the only system that seems to work.[139]

Nigeria is an example of government trying to end rent-seeking in the form of the gas subsidy but has much more pressing issues of violence and corruption.[140] Without good institutions, Nigeria has fallen prey to the resource curse and fails to realize its full potential for development. The oil and gas resources have not been converted to sustainable economic growth. Kenya can learn from this and put in mechanisms to curb corruption in its institutions which could contribute to the ineffective management of the oil exploration and production activities.

On the other hand, Botswana has strong democratic institutions which helped to prevent corruption and encourage transparency.[141] These attributes have enabled these leaders to withstand a culture of rampant greed that has done so much to undermine the development process in the rest of the continent.[142] It is because of Botswana's wise management of its resource revenues with a focus on the long term future and the establishment of several democratic institutions that made it one of the most successful

[137] Jakob Peterson, 'The Resource Curse in Nigeria: A Story of Oil and Corruption' (2012) Metropolitan State College of Denver, Economics 3903 - The Geopolitics and Economics of Oil, 10, 11.
[138] Ibid.
[139] Ibid.
[140] Ibid.
[141] Mingcong Li, 'Corruption, Transparency and the Resource Curse' (2013) International Journal of Social Science and Humanity, Volume 3, Number 6, 574.
[142] Ibid.

resource-rich countries in Africa.[143] This is a model that ought to be emulated by countries rich in oil, gas and other minerals. The need for accountable leadership and strong institutions cannot be overstated in the pursuit of sustainable economic growth in the extractive industries of a country. Corruption only undermines progress and development.

This comparative analysis of Nigeria and Bostwana depicts the postulations of theorists that good institutions that ensure property rights protection can discourage rent-seeking behaviour in mineral-rich contexts and, hence, prevent the resource curse phenomena and stimulate economic development.[144] Good institutions, in the form of secure property rights, efficient bureaucracies and low corruption, improve resource windfall management and can turn the curse into a blessing.[145]

As Kenya continues its exploration activities, it is important to ensure that the management of these resources is in the hands of good institutions which are accountable and transparent. Good governance will translate this oil find into the benefits that are hoped for. Corruption has no place in the success story of resource abundant countries and only accountable and transparent policies can lead to the economic development that is hoped for. Striking oil does not automotically make a country successful. This is only attainable through proper governance, transparency and accountability of the leadership in carrying out its mandate of resource governance and benefits sharing.

Oil in Turkana could break the county's cycle of insecurity and underdevelopment if the proceeds are shared fairly with the people of Turkana to address their local needs; Joseph Kapilak, a teacher at Lokichar, offered these words of wisdom:

> 'The Turkana should be offered compensation for their oil and also be offered education in disciplines that are relevant to the oil industry, such as mineral engineering and mechanical engineering, as well as environmental sciences. The

[143] Ibid.
[144] Elissaios Papyrakis, 'The Resource Curse – What Have We Learned From Two Decades of Intensive Research: Introduction to the Special Issue' (2017) The Journal of Development Studies, Volume 53, Number 2, 178.
[145] Ibid.

> Turkana people should be a part of the oversight process as contracts and sale deals are developed. Only then will violent conflict be avoided … and real development come to Turkana.' (Interview response, Lokichar, 25 May 2013)[146]

In most developing countries, oil and other natural resources are treated as state assets; they belong to the state and can be sold only by the government.[147] Because states are not in the business of developing oil wells, they typically sell the rights to exploit natural resources to private companies.[148] The actual exploitation of the resource is conducted by a complex web of companies, usually involving one or more private companies, a state-owned company, and multiple subcontractors.[149] In Turkana, Africa Oil Corporation, Tullow Oil and Maersk Oil and Gas companies, multi-national owned by prominent individuals and the state are all involved in the exploration process.

This complex structure results in opportunities for state officials to insert themselves or their families into the private ownership structure so as to enrich themselves from the sale of state assets.[150] Public officials help themselves politically by doing business with companies headed by potential political supporters and they can directly benefit themselves or their families by ensuring that some or much of the revenue flows to them.[151] The result of this complex structure is that the political elite and the transnational companies enrich themselves at the expense of the members of the community. This also makes the Turkana region susceptible to violence and political instability if such structures are not subjected to checks and balances and personal enrichment by public officials is not prevented or stopped. This is because the locals will remain aggrieved by the benefits sharing formula and will fight to obtain their rightful share.

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[146] Eliza M. Johannes, Leo C. Zulu & Ezekiel Kalipeni, 'Oil Discovery in Turkana County, Kenya: A Source of Conflict or Development?' (2015) African Geographical Review, 34:2, 152, 153.
[147] Patrick Keenan, 'International Institutions and the Resource Curse' (2014) Penn State Journal of Law and International Affairs, Volume 3, Number 1, 234.
[148] Ibid.
[149] Ibid.
[150] Ibid.
[151] Ibid

The Niger Delta is an example where despite the presence of resource wealth, the reion remains underdeveloped. The explanation for the failure of state governments to transmute resource curse to blessing is massive corruption and stealing of state funds.[152] The evidence that a large proportion of the huge resources that have flowed to Niger Delta states has been diverted to personal use includes the large number of governors and other officials of state governments that have gone on trial and been convicted for money laundering, embezzlement of public funds and corruption.[153]

The benefits sharing question also has to be addressed to avoid the resource curse. Distributing oil revenues directly, and equally, to all citizens in a producer country, then taxing them directly on their income could have enormous benefits.[154] Recent studies have indicated that direct cash transfers can have significant benefits on long-term wealth and income and can provide encouragement for a direct distribution scheme.[155] This would then mean that the revenues obtained from oil production would be shared between the government and the locals in Turkana giving the people a sense of inclusivity in the benefits obtained.

The other benefit of distributing oil revenues, instead of leaving it in the hands of a few, is that this would transform the nature of politics.[156] Direct distribution would also deliver a better sense of shared citizenship, replacing fragmentation and factional politics. For one thing, this would transform the dynamics of conflict.[157] It would also make the government more accountable to the people because despite the resource wealth, there would still be reliance on taxation of that which is directed to the citizenry. In Nigeria, because the government raises public finance majorly through oil rents, state-citizen engagements and bargain are largely absent or in most cases weak.[158] There is a participation deficit; a lack of connection between citizens and the state, which breaks

[152] Eghosa E. Osaghae, 'Resource Curse or Resource Blessing: The Case of the Niger Delta 'Oil Republic' in Nigeria' (2015) Commonwealth and Comparative Politics, Volume 53, Number 2, 124.
[153] Ibid.
[154] Nicholas Shaxson, 'Oil, Corruption and the Resource Curse' (2007) International Affairs Volume 83, Number 6, 1135, 1136.
[155] Ibid.
[156] Ibid.
[157] Ibid.
[158] Ijere Thomas Chukwuma, 'The Resource Curse in Nigeria: Lessons and Policy Option' (2015) International Journal of Research in Humanities and Social Studies, Volume 2, Number 18, 41.

any sense of ownership of public resources or consequent citizens engagement as one of the biggest challenges of oil-rich economies.[159] Since governments in oil-rich countries do not rely as much on revenue raised by taxing their citizens, they are not held as accountable as their counterparts in resource poor countries.[160] State building is shaped by state-society engagement, and taxation is a strategic nexus between the state and society.[161] There is a need to ensure that the state in Kenya engages the community in the oil exploration and production process to give a sense of ownership of the public resources. Kenya can learn from Nigeria in so far as the need to maintain a link between the government and the citizens through taxation leading to greater accountability and transparency in the management and dissemination of oil revenues.

So far, the economic benefits from the oil exploration process relate to jobs, tenders and provision of equipment and services to the investors while some casual labour and manual jobs have gone to community members.[162] However, the oil industry is highly mechanised and does not promise many jobs for the locals.[163] This has left the people of Turkana feeling like outsiders in a process taking place in their own land and frustrated as they had envisioned economic benefits in terms of employment.

In October 2013, the residents of the Lokichar area protested the lack of employment opportunities for the locals leading to Tullow Oil Kenya suspending its exploration activities. The locals demanded that they should be employed at company sites and where they lacked the skills, they should be provided with training. Hundreds of residents marched on the oil sites, demanding an explanation from the Tullow president on the criteria the firm used to hire workers and to know who was responsible for tendering.[164] Demonstrators blocked all roads leading to drilling sites and vowed not to back down until their demands were met.[165]

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[159] Ibid.
[160] Ibid.
[161] Ibid.
[162] Kennedy Mkutu Agade '*Ungoverned Space' and the Oil Find in Turkana, Kenya*, The Round Table, Volume 103, Number 5, (2014) 504.
[163] Ibid.
[164] Sammy Luta, *Oil Drilling Halted After Row*, http://www.nation.co.ke/news/Tullow-halts-drilling-over-job-protests-/1056-2049540-cfwtd3/index.html (visited 30 July, 2016).
[165] Ibid.

There is a need to engage the community and create employment opportunities for the locals. Where the skills needed are technical, there should be access to education in these competencies and relevant trainings. Utilising outsiders and foreign companies will only bring further conflict to the area and undermine its progress. The employment opportunities created should not be limited to unskilled labour but should be extended to semi-skilled and skilled labour. The economic development of the region as a result of the oil discovery ought to include empowering the community through job creation.

To avoid the resource curse, a country should also deepen the process of economic diversification by investing oil revenues to develop infrastructures and human capital that would support the economy.[166] The goal of diversifying the economy is important because while the oil economy is an enclave that provides just a few jobs, it has the potential to crowd areas of the economy that are key to job creation such as manufacturing and agriculture.[167] This was the case with Nigeria where with the discovery of oil, government simply ignored the wealth-creating and employment-generating aspects of the economy; the Nigerian oil and gas sector has dominated exports, eclipsing these sectors of the economy.[168]

Further, oil wealth in Nigeria has not been used to benefit other sectors of the economy that would help the country diversify its economy and avoid the Dutch Disease or problems of volatility of oil prices.[169] With the ascendancy of oil as the sole revenue earner for the country, the agriculture and manufacturing sectors that employ more people were jettisoned for the oil enclave economy that employs just about 1% of the country's workforce.[170]

To avoid these economic problems, the leadership in Kenya should ensure the diversification of the economy despite the discovery of oil and gas in areas such as the Lokichar basin. Overreliance on oil revenues would cause severe problems during boom bust cycles and the inevitable violent fluctuations in the prices of oil. This means that

[166] Ibid.
[167] Ibid.
[168] Ibid.
[169] Eyene Okpanachi and Nathan Andrews, 'Preventing the Oil "Resource Curse" in Ghana: Lessons From Nigeria' (2012) World Futures, Volume 68, Number 6, 442.
[170] Ibid.

sectors such as agriculture should continue to be strengthened despite the discovery of oil as they would ensure sustainable growth in periods where oil revenues are low. The oil revenues should also be utilised to develop infrastructure and increase job creation.

The discovery of oil and gas could lead to greater development of the marginalized county of Turkana, but its susceptibility to the resource curse should not be ignored. The paradox of plenty can hinder both economic and political development in the region. These tell tale signs at this initial exploration stage are indicative of greater problems in the future. There is a need to curb the escalating tensions both locally and internationally, there should be checks and balances to eradicate corruption, institutions should be strengthened, the benefits question must be addressed and the diversification of the economy is necessary. These may not be the remedies to exorcise the resource curse in a country, but they are positive steps in the direction of sustainable economic growth and political development. The management of these resources both economically and politically will decide Kenya's fate-success or otherwise - in its journey to become a major hub of oil and gas.

5.0 Conclusion

There is a general consensus that countries rich is oil tend to remain poor, a phenomenon commonly referred to as the paradox of plenty or the resource curse. This affects the extractive industries of countries rich in oil, gas and mining leading to poor econoimic development and political instability in some of these regions. Contrary to expectation, the wealth found in these countries leads to adverse effects instead of sustainable and inclusive growth. This means that the presence of resource wealth in a country of itself is not enough to lead to development.Therefore, while the discovery of oil in Turkana can lead to economic benefits and general improvement of this county, the region remains susceptible to falling prey to the resource curse. The oil find can lead to devastating economic and political effects instead of the sustainable and inclusive growth that is hoped for.

One of the key roles of the state is to ensure good governance and eradicate corruption. Countries with good governance have a better chance of practicing transparency and experiencing low corruption.[171] An Open Society Institute of Southern Africa study on resource-rich Sub-Saharan Africa countries such as the Democratic Republic of Congo, Malawi, Tanzania, and Zambia found that mineral-rich countries in Africa are not benefiting enough from the minerals due to poor governance.[172] Additionally, good governance in resource-rich countries is essential to avoid the resource curse.[173]

Here, the institutional and rentier state theories ring true in that whenever the State has well functioning institutions and good governance, then the exploitation of resources can result in sustainable growth. This also leads to the eradication of corruption in the exploitation and the utilisation of the resources. However, where there is poor governance and weak institutions, the resource curse prevails in boom-bust cycles and the country can fall into political instability.

Transparency also means that a concerted effort is needed from all key stakeholders to manage the unrealistically high expectations of local communities with regard to employment and business opportunities as well as compensation related to oil activities and impacts.[174] It should be made clear that the oil sector is a capital-intensive industry, with limited low-skilled job opportunities, except during the short construction phase.[175] Government has an important role to play in managing community expectations and creating a conducive business environment that allows the private sector to train and hire local staff and invest in local businesses.[176] Moreover, it is the government's responsibility to invest in basic social services - including not only health, education, and water and sanitation, but also road infrastructure and electricity - that allow local communities to lead a healthy, productive life and contribute to a thriving local economy.[177]

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171 Meaza Zerihun Demissie, 'The Natural Resource Curse in Sub-Saharan Africa: Transparency and International Initiatives' (2014) Dissertations, Paper 6, 21.
172 Ibid.
173 Ibid.
174 Michael Bliss, Oil Exploration in Kenya: Success Requires Consultation. Assessment of Community Perceptions of Oil Exploration in Turkana County, Kenya, (2015) Cordaid, 40.
175 Ibid.
176 Ibid.
177 Ibid.

There is also a need for the State to have proper regulatory and legal frameworks in place to govern the oil and gas sector in order to ensure that there is proper management and utilisation of the resources, good mechanisms for benefits sharing and overall increased economic growth. If the objectives of devolution in the new Constitution are fulfilled and political power and economic resources shift from the centre to county level, particularly in restless peripheral regions such as Turkana, then conflicts over scarce resources can be mitigated.[178]

The regulatory environment for the oil industry in Kenya is in flux.[179] New laws will encourage investment where there is a lack of regulation, but on the other hand such laws can increase the costs of doing business.[180] Since the political and regulatory environment in Kenya is intertwined, the government ought to exploit new rules and regulations to advance political and economic goals.[181] Once production does begin, and petrodollars flow into government coffers, oil revenue sharing will become a fixture of Kenya's often-divisive politics.[182] There is a need for sound economic and legal policies to be advanced to ensure sustainable and inclusive growth.

The continent of Africa is one of economic paradox: Abundant natural resources lie within many of the states, yet despite their mineral wealth, these same states exhibit low levels of development and a poor standard of living.[183] Resources that seemingly should benefit African states have instead been the impetus for their stagnant development.[184] There is little doubt that Africa's oil and gas producers epitomize the resource curse phenomenon-a counter-intuitive, inverse association between economic growth and endowment with natural resources.[185] Resource-rich countries, almost without exception, are riddled with multifarious and nefarious social, economic, and political

[178] Ibid.
[179] Luke Patey, 'Kenya: An African Oil Upstart in Transition,' Danish Institute for International Studies and Research Associate (2014), 4.
[180] Ibid.
[181] Ibid.
[182] Ibid.
[183] Ehiedu E.G. Iwereibor, 'Revse the Curse: Creating a Framework to Mitigate the Resource Curse and Promote Human Rights in Mineral Extraction Industries in Africa' (2014) Emory International Law Review, Volume 28, 425.
[184] Ibid.
[185] Ibid.

problems.[186] Stories of extreme poverty, environmental degradation, human rights abuses, authoritarianism, civil conflicts, and wars are rife.[187]

As Kenya continues its quest to become an oil and gas hub in the Eastern Africa region, the leadership should carry out its constitutional mandate to effectively utilise and manage these resources. The leadership ought to play its role in ensuring that Kenya avoids the resource curse and that the oil and gas discoveries lead to sustainable growth. This could be done through good governance, enacting adequate laws and policies for the oil and gas sector, employing efforts to counter corruption and ethnic divisions and policies of transparency in the exploitation and utilisation process as well as benefits sharing. Once the vulnerability to falling prey to the resource curse is acknowledged, proper measures can be put in place to ensure that the oil discovery leads to the economic benefits and improved political climate that is hoped for by the locals in Turkana County.

[186] Ibid.

[187] Emeka Duruigbo, 'The World Bank, Multinational Oil Corporations, and the Resource Curse in Africa' (2005) University of Pennsylvania Journal of International Law, Volume 26, Number 1, 2.