

MINERAL AND OIL RESOURCES SHOULD NOT BE A CURSE

By Edward Ouko

As a Jubilee year for Kenya, we should pause and count our blessings. We are on the verge of an economic renewal going by recent discovery of mineral resources far and wide; most significantly in regions showing extreme poverty levels. Talk of life beginning at fifty!

As if the blessings were pegged to having a new constitution, since its promulgation there have been discoveries of underlying riches: titanium in Kwale, oil and water in Turkana and coal in Kitui. God knows what discovery is coming up next. Kenya has joined the league of other countries in Africa including Botswana, Mozambique, Namibia, Zambia, Tanzania, Southern Sudan, Sudan, Nigeria and others who are endowed with natural resources.

These discoveries provoke us to consider some questions: how well are the resources going to be managed? What mechanisms are we putting in place to promote accountability and transparency in the exploitation of these resources? Given our track of record in managing public funds, how will we assure the citizens of accountability by properly managing the natural resources? Will the existence of minerals and natural resources in Kwale, Kitui and Turkana mean that the Counties will now occupy the revered status of “Newly Wealthy Counties”; and Kenya as a “Newly Wealthy Country”?

In Africa, abundance in natural resources, particularly oil has seemingly been a curse rather than a blessing. One hopes that this is not what awaits the Kenyans. We are lucky that there are examples that we can avoid.

Our neighbour Uganda is not one to be emulated. An article captured in *The East African of August 3 to 9, 2013* evokes the sentiments of Uganda’s Auditor-General who criticized the state’s intention to set up a state agency to manage the oil sector in Uganda, with restricted oversight by the Ugandan National Audit Office.

Ultimate transparency should guide basic legal instruments such as the Mining and Petroleum Acts. As a starting point, the Government should consider joining the

Extractive Industries Transparency Initiative (EITI). This is a voluntary membership of about thirty countries globally, with an aim of increasing transparency and accountability in natural resources revenue management.

The EITI standard makes it obligatory for oil, gas and mining companies to publish what they pay to the government and the government to publish what they receive from these companies. Such gestures will partly assure the Kenyans that every resource extracted from the land is accounted for. At the moment we have about eight countries in Africa that are compliant with this reporting standard. More African countries should be encouraged to join Extractive Industries Transparency Initiative

We must aim to emulate countries such as Botswana, Namibia, and South Africa who have demonstrated the benefits of managerial accountability in the utilization of natural resources for the national good. Their economies are booming, infrastructure highly developed, service delivery in the public sector is improved and the people have been lifted from an impoverished state.

Moreover, the emergence of BRICS as strong economies could be attributed to their good management of mineral resources. Brazil, Russia, India, China and South Africa are all endowed with resources which they have exploited fully to be where they are today. Definitely, Kenya should be looking towards that direction to get inspiration.

As we bask under our newfound wealth, let us ask ourselves whether the people of Angola, Mozambique, DRC and the Niger Delta are enjoying the resources they are well endowed with. Others may read politics, greed for power and other reasons for the impoverished status of the citizens of these countries. For me, it boils down to weak transparency, governance and managerial accountability in the exploitation and management of those resources.

We should laud the proactive steps taken by the Ministries of Mining and Energy & Petroleum for initiating the Mining Act 2013 and the Petroleum Act 2012 respectively. The audit clauses in the draft Mining and Petroleum bills must prescribe a strong accessibility right for the Auditor-General to records and books of the entities (both public and private) who will be involved in the exploitation. The act should encapsulate

strong and robust governance provisions giving the Auditor-General and other upstream governance agencies unlimited access to all documentation of the prospecting companies touching on financial projections and reporting, agreements & contracts, revenues and remittances to government.

It would be beneficial if the bills explicitly spell out how the two ministries are going to ensure prudent management and use of mineral resources as a way of complimenting the Public Finance Management Act and the anticipated Public Audit Act 2014.

On a more proactive note, upstream preventive agencies such as Ethics and Anticorruption Commission and the Office of the Auditor-General should lay groundwork to ensure that the public benefits from the discovery of these resources. Given the strong constitutional provisions on accountability of public resources and the mandate of the Auditor-General, more can be instituted beyond joining EITI. Consequently, it was disheartening to observe recent attempts by the Ministry of Energy seeking alternative auditors for the oil sector on behalf of the Kenyan Government, with no prior consultations with the Auditor-General. Proper consultations with the Auditor-General in such an important audit exercise would assure the citizenry and insulate the Ministry from potential conflict of interest.

As an Office, we will endeavour to keep a close watch on these newfound resources on behalf of Kenyans, with the hope that if they are well protected, then our vision to be a middle income economy by 2030 can be on track.

We may be blessed with resources but it is up to us to ensure that they are not a curse; that as we exploit them, they are controlled, monitored and managed for the benefit of Kenyans

The Writer is the Auditor-General of Kenya