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Resource Curse in Kenya's Coastal Region: A Symptom of Institutional Failure

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Book Chapter

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Chapter 12

Introduction

Regions endowed with abundant natural resources are expected to thrive economically, but this is not the case for Kenya’s coastal region. Communities in this region believe they are working hard enough but are still held in abject poverty by circumstances not of their own making. This state of development raises one pertinent question – who is responsible for this poor state of development and rampant poverty? When it is about an individual, it is easy to attach success to talent and hard work, and sometimes sheer luck, but it is difficult to generalize the “hard-working” argument to an entire community of unskilled or low skilled people in informal sectors. In most cases, many successful communities point to their government’s policies and management of public and private resources as the reason they are either poor or in a state of stability and prosperity. While ownership of resources by communities is a necessary condition, it cannot by itself guarantee national and local economic growth especially with the competitiveness in the current global environment in the areas of innovation, technology, and trade.

The country itself must provide the tools for pulling communities out of poverty. The successful use and development of local resources to meet community needs is dependent on how well the mix of local enterprises is doing relative to the mix of similar enterprises at the macro levels: national, regional, and global. This chapter mainly examines poverty in Kenya’s coastal communities in the context of the “resource curse” syndrome and determines how the region can unlock its economic growth potential and alleviate existing abject conditions. An analysis of administrative processes, institutional reforms, and global experiences, with reference to relevant theories is performed to identify management obstacles and the best policies to address underlying causes of poverty.

As a country, Kenya has all the necessary ingredients for communities in both the formal and informal sectors from every region to prosper. There is a relatively stable political climate, a well-developed and professional civil service, and an efficient and development-oriented environment that is conducive to private business and banking. In addition, Kenya is endowed with more land and oceanic natural resources, compared with landlocked countries or islands in the region. This chapter explores how and to what extent both the national and county governments from the coastal region can level the playing field in the economic sector to increase productivity and provide local communities with a firm stake in the use and sustainable management of coastal resources.

The next section discusses the development challenges faced by Kenya's coastal communities. This is followed by theoretical reflections and a discussion of problems associated with public management. The steps that have been taken to unlock the coastal region's economic potential and address poverty challenges are then examined. This is followed by a discussion on whether location makes a difference in the socio-economic lives of local communities and finally, the conclusion.

The coastal region: Potentials and Contradictions

Kenya's coastal region is about 640 km on the coastline from the border with Somalia in the north to the border with Tanzania in the south and extends 150 km inland. The region is 67,500 sq km and constitutes about 11.5% of the country in both population and size with six counties of Lamu, Tana River, Kilifi, Taita Taveta, Mombasa, and Kwale. The economy is dependent on fisheries, tourism, and transportation, and it contributes 24% of the national gross domestic product (GDP) (WDR 2017). The region has a population of 3,325,307 people based on 2009 census figures.

Poor economic outcomes in places that are rich in natural resources are blamed on resource management institutions (WDR 2017; OECD 2011). For Kenya, as in many developing countries, national poverty eradication policies and economic development planning are based on natural resources. For several years, the extraction and use of natural resources has been presented as the foundation upon which countries can pull their citizens out of poverty (Onditi 2019). However, this has not been true for most natural resources-rich countries, leading to what is popularly known as the "resource curse" syndrome (Djeflat 2016; Onditi 2019). The "resource curse" exists in places that have rich natural resources but whose communities that own such resources remain in abject poverty and civil conflicts, mainly due to their relegation into informal-sector settings with limited access to markets and inability to determine their own prices.

The "resource curse" problem in the coastal region can be attributed to two underlying causes: (i) the political system that is dominated by ethnicity and corporate elites "under the unyielding system of patron-client capitalism," leading to the sidelining of local communities in "Kenya's zero-sum, winner-takes-all system of patronage politics" (Schwartz and Yalbir 2019) and (ii) various management weaknesses on the part of public institutions making them less able to respond to community welfare needs (Onditi 2019). The devolved governance structure that took effect under the new constitution in 2010 was presented as giving responsibility to local communities to control their development, but very little has changed. The perception about whether the "coastian" own any business enterprises and other development assets along the Kenyan coast remains contested. Formal employment opportunities are few and majority of the local citizens along the coast continue to rely on an informal economy, where salaries are not guaranteed (Schwartz and Yalbir 2019).

The abundance of natural resources along the Kenyan coast has barely transformed the local community. The area is suitable for tropical crops such as coconuts, cashew nuts, sugarcane, maize, cassava, and a wide range of fruits. Commercial fishing, mining (titanium and gemstones) and ecotourism are also viable socio-economic activities in the region. The geostrategic importance is not limited to its international linkages but also the oil reserves and its potential to link to the Eastern and Central Africa through the envisaged LAPSSET (**Lamu Port-South Sudan-Ethiopia Transport Corridor)** project**.** This chapter proffers that despite the region's strategic location and rich natural resources, there is no guarantee of development and sustainable use of these natural resources as the region is plagued with various dimensions of marginalization, poverty, and weak institutions. Indeed, the region records unprecedented levels of poverty, with 62% of the local communities living in abject poverty and a good majority of residents living as squatters on their indigenous land (Samuel 2018; World Bank 2017; Muti&Kibe 2009). "Natural resources are the real wealth of nations" (OECD 2011, 5), and by the same token, coastal resources intuitively should have provided the wealth that the community needs. Natural resources are classified as a form of capital out of which other forms of functional resources can be created. They are sources of income and ideally should contribute towards poverty reduction among communities that own them.

Theoretical Reflections

The extent to which Kenya can succeed or fail in addressing the resource curse problem in the coastal region is examined using the institutional (Mehlum et al. 2002; Jenkins 1983) and resource movement (Stott 2015; Jenkins 1983; Corden and Neary 1982) theories. The devolved governance system that started in 2010 and hence, the transfer of resources and power to newly created county governments brought with it new institutional players into local development initiatives. These new institutions are faced with challenges that the national government had been unable to deal with. They need the understanding and the capacity to develop collaborative strategies that satisfy local development needs, as well as external stakeholder's goals. As it stands now, it is not clear if local county governments or institutions are involved in a coordination role, developer role, or both. The coordination role by itself is defined as a set of "functions within a structure rather than a single institution performing all tasks" Blakely and Leigh 2010, 398), while the developer role can be a single function within the institution.

While there are clear regional locational advantages, openness to the outside world brings with it vulnerability to more established powerful corporate interests and other economic forces who have no interest in the community's or region's circumstances beyond using their natural resources. The region is rich in exhaustible natural resources, which unless utilized with sustainable practices in mind will harm the environment, lead to more income inequality, and marginalize the coastal communities further. Because county governments and local communities get blindsided by prospects of new investments and jobs, they may fail to see and reconcile the total community with the complex "locational" natural resources, sustainability, and long-term benefits. Addressing the resource curse problem needs a disentangling of the linkages and resource movements between national and local public institutions, the communities, and the private sector. This requires the institutional theory to explain how the economic, social, and political aspects can be used to address the resource curse problem. Meanwhile, the resource movement theory is an extension of institutionalized actions that explain the social structures, such as locational advantages, investments, and rewards distribution (Jenkins 1983).

Institutional Theory

Institutional theory is a powerful tool for studying how both public and private organizations work to fulfill societal needs beyond self-interested goals. In the context of the resource curse syndrome, the institutional theory explains the quality of, and commitment to, institutional norms (organizations and rules) that should guide the use of community resources and the quality of local development outcomes. It has been found that institutions do not attend to or attach meaning to all elements within their operational environments (Suddaby 2010). Although grounded on institutional norms, the institutional theory does not explain why and how organizations fail to attend to their institutional environments. For example, institutional reforms have been promoted to remove political constraints, improve efficiency in public service delivery, and increase transparency, but these have not had impact at producing desired changes in communities and organizations as is the case with the coastal region.

Mehlum et al. (2002) found that what differentiates losers and winners in countries with abundant natural resources are the quality of, and the practices within the institutions of a country. "More natural resources push down aggregate incomes when institutions are 'grabber-friendly,' while more resources raise incomes when institutions are 'producer friendly'." Mehlum et al. (2002) argued that national economic performance depends on how resource rents are distributed. "Some countries have institutions that favor producers in the distribution of the resource rents," while others, Kenya included, can be classified into the category of those with institutions that favor unproductive "grabbers". The way and by whom resource rents are distributed have significant impact on the quality of the lives of resource owners (Mehlum et al. 2002). The high poverty in the resource-rich coastal region of Kenya is an indication that those responsible for resource allocation have created abject conditions, and this provides an interesting context of institutional failure. Beyond institutional failure, the reason why the region has remained poor and maybe, the best way out of poverty can be explained by the resource movement theory.

Resource Movement Theory

The resource movement theory provides another layer of analysis in terms of regional dynamics to help understand institutionalized actions and economic outcomes. The theory has been *"posed in terms of collective actors struggling for power in an institutional context"* (Jenkins 1983), institutional power here can be political and ultimately the way resources are distributed in the society. From an institutional context, resources will naturally get transferred from the least performing sectors, mainly those that are natural-resource-based, to those perceived to perform better, usually manufacturing (Stott 2015; Jenkins 1983; Corden and Neary 1982). The least-performing sectors are further weakened from two fronts: by the direct loss of resources, a process known as "deindustrialization," and also by the spending effect (moving funds away) that leads to "indirect deindustrialization" (Corden and Neary 1982). Stott (2015) explained that migration from the resource-based sectors leads to low production, and this can explain why the coastal region has remained poor. Regions can also be relegated into poverty when resources are moved from productive sectors for private use by political elites in a corrupt system.

Incomes have been low in the coastal region, meaning that resources could be moving to high-income sectors thereby leaving local communities in depressed conditions. There are social barriers at the community level, weak business structures, and missing economic development models whose underlying causes the existing institutions have failed to identify and address. One example that cuts across these three barriers has been the constant migration of young people from rural to urban areas because they do not find resource-based employment attractive, being characterized as low sources of incomes, with limited growth opportunities.

National Management Problems

Public institutions have been and will continue to be the foundation for economic growth. When there is institutional weakness, lack of firm commitment, or sometimes institutional failure, economic growth becomes severely compromised across sectors and geographical regions. Kenya has undertaken, and continues with, ambitious political, administrative, and institutional reforms to improve governance and management principles. The creation of a devolved government system with 47 counties, followed by a constitutional transfer of powers and resources to county governments, was meant to ensure efficient use of public policies and its effective matching with local needs. While it might be early to judge, the fruits of these reforms have not been felt as the country continues to sink deeper into debt and public mismanagement by government officials. As of December 2018, Kenya's debt-to-GDP ratio stood at 60% (Central Bank of Kenya 2019), surpassing the benchmark set by the African Monetary Co-operator Program for developing countries.

Public institutions have been recording average performance for almost 20 years. This can be inferred from the World Bank's institutional assessment criteria known as Country Policy and Institutional Assessment (CPIA) indicators that are used to measure how favorable national policies and institutions are to economic growth and poverty reduction (GTZ 2008). Annex 1 contains a list and ranking of these criteria on a scale of 1 (lowest) to 6 (highest) from the year 2005 to 2017. The CPIA indicators, though with some limitations, do help with the estimation and measurement of policy effectiveness and management outcomes. Countries with average or less than average ratings on factors that go into the construction of these criteria have no adequate capacity to solve problems associated to poverty (Jaindi 2018;GTZ 2008).

Kenya's social protection rating, which measures the risk of becoming poor and the ability to assist the poor to better manage social and economic risks, is rated 3.50. This level of institutional effectiveness is not strong enough to address the magnitude of poverty and other associated development challenges in the country. This is confirmed by the findings that Kenya continues to experience high levels of wealth inequality, with 0.10% of the country's population controlling more than half of the nation's wealth (Schwartz and Yalbir 2019). This means that the accumulation of wealth that reflects good economic progress nationally might be enjoyed by a mere 0.10% of the population. Other poverty-reduction-related criteria, such as social inclusion, averages about 3.7, with the quality of public administration at 3.5, property rights at 3.0, and transparency/accountability/corruption at 3.0. Lack of transparency and corruption take away money that is supposed to go towards economic development of the country. This is a clear sign of institutional failure.

Unlocking Coastal Economic Potential

In the past decade, the Kenyan government has instituted two important national development agendas: "Vision 2030" and the "2018 Blue Economy." The government has looked to large-scale infrastructure developments in roads, rural electrification, housing, and irrigation as the foundation to start unlocking the economic potentials of all counties. Before examining the potential outcomes from these infrastructure developments, an analysis of revenue sources is worthwhile as this forms the basis of long-term and sustainable development. Domestic revenue collections do not meet the day-to-day operations of the government, leading to massive debt accumulation (Central Bank of Kenya 2019). This has negative geometric effects on the economy in terms of debt-servicing burden and excessive domestic borrowing that squeeze credit out of local economic enterprises leading to economic stagnation or sometimes degradation of the economy.

The endowment of rich natural resources has worked for very few countries and failed miserably for the majority, leading to the conceptualization of these failures as a "resource curse." While the presence of rich resources intuitively provides an opportunity for better economic development outcomes (Xu et al. 2019), many countries with such resources have sunk into conflicts and civil wars (Welsch 2008) and others into corruption and authoritarian governments (Lawer et al. 2017; Ulfelder 2007). It may be beneficial for Kenya to look into the concept of serving the poor profitably through linkages to regional, national and global markets, while helping to alleviate many of the local social problems. As aforementioned in this chapter, the coastal region of Kenya is a resource-rich area and therefore, it provides a fertile ground for developing social institutional players to help cultivate entrepreneurial skills for local communities so they can move into being producers and thus unlock the local economy.

Factors constraining local economic growth

Efforts to address development constraints facing communities must consider internal and external challenges (Jeffrey, 2012). Some of these factors could be structural, such as shifts in economic activities between sectors and regions or changes in business ownership from local to foreign. Other constraints can be summarized along the lines of policy failure, inability to deal with numerous elements of public decision-making, corruption, and the challenges associated with globalized capitalism. A more detailed explanation of growth constraints gathered from the cited literature that can be solved through targeted interventions is presented in Table 1.

Targeted interventions come in the form of policies that are often written by well-intentioned professionals and appear efficient on paper until they get to implementation. Implementation problems mostly have very little to do with the policy itself but rather with the failure to adapt new ways of thinking to changing structural environments in the local, national, and global settings. The best policies are those that can maximize the expected benefits with minimal costs. This is part of the reason why natural resources that have benefited some communities are a curse for others.

Table 1 Factors that may represent a "resource curse" situation

	Factors	Impact
	Minimal investment by business enterprises in local development	Slow income growth and low government revenues that force the government to borrow to compensate for revenue deficits
	Lack of commitment and respect for public policies and plans	Corruption by high-ranking government officials
	Redundant services	Competition between county governments over national revenues to set up similar public services, leading to waste and poor-quality services (e.g., two neighboring counties having two hospitals that are ill-equipped as opposed to sharing one that is well-equipped)
	Unprotected consumer and manufacturing industries facing stiff competition from other countries	International trade imbalance, the region's products and management institutions are inadequate/ill-equipped to compete in the global market
	Deficiencies in or absence of human resource development programs	Local communities lack personnel that are talented and skilled in public service, planning, education, economics, finance, and engineering that are required by rapid economic growth at all levels of government
	Rising national debt	Signals rising deficits that lead to poor economic performance and eventually the national government's inability to support key investments that sustain local growth, negatively affecting the government's capacity to borrow and continue to meet revenue deficiencies
	Prevalence of informal vs. modern sectors	With big tourism enterprises being owned by international/external investors, local business people are left to deal in informal businesses
	The national government's lack of capacity and commitment to deliver promises made	Inability to define and nurture county governments to provide high-quality living conditions to residents
	Reliance on primary resources as exports	Negative real net capital inflows, stagnant economic growth in affected regions
	Predatory corporate capitalism	Detrimental effects on public interest as public policies tend to eliminate "public spheres" framework from governments, thereby contributing to mass poverty, increasing the gap between the rich and the poor, and entrenching the local powerful and powerless citizens in an extremely competitive environment

Source: Summary of the cited literature.

The other constraint is debt levels. Rising national debts signal a government that is unable to generate enough local revenues to meet domestic needs and set aside a surplus for investment in key sectors that support economic growth. This reduces the government's capacity to provide public services and serve the broad interests demanded by communities. This leads to what has been termed “a race to the bottom” (Hollander and Thornthwaite 2018), a condition characterized by massive unemployment and shrinking economic opportunities, such that more people sink deeper into poverty and thus, further widening the poverty gap.

Kenya moved into the middle-income country status in 2014 after it attained $1,160 gross national income (GNI), surpassing the World Bank threshold of $1,036 per capita (Copley 2014). Stott (2015) argued that Kenya’s change of status to a middle-income country might be a sign that Kenya does not experience the “resource curse” problem. However, the coastal natural resources have not contributed significantly to the national income of the country, and other factors might have led to this change in status. While there are countries that have benefited immensely from resource endowment (World Bank 1994), research has found a statistically significant negative correlation between resource endowment and economic growth for numerous other countries (Auty 1993; Sachs and Warner 2001). Onditi (2019) examines the Extractive Industry Transparency Initiative model applied by Nigeria and Norway in their oil sector, producing completely different outcomes for each country. While the wealth generated from the oil industry has contributed immensely to the quality of life in Norway, it has had insignificant human development impact on the people in the oil-producing region of the Niger delta in Nigeria (Onditi 2019).

Prudence in the management of public revenues at the national level and of natural resources at county levels to support the long-term goal of poverty reduction and fiscal sustainability is hampered by the lack of commitment of powerful political elites, manifesting itself through corruption. Corruption and lack of commitment to prudent management of public resources (financial and natural) lead to policy failures and is likely to keep the country in debt for a long time.

Public spending by the government is largely financed by borrowing. The idea that Kenya can now borrow with ease has reinforced a culture of corruption and an inefficient bureaucracy leading to more rent-seeking by public officials. This is likely to be made worse by the “voracity effect” (Lane and Tornell 1996), a situation where “powerful groups within the resource-rich communities clamor to obtain resource rents, leading to widespread rent-seeking behavior and attendant deadweight economic loss” (Simpson 2016). A greater percentage of public spending does not go to financing economic growth but rather to short-term political and self-interests. Under the devolved governance system, the expectation was that local leaders would be more accountable to the residents in their counties through, in part, developing strong and effective local state institutions. It is now almost 10 years since the establishment of county governments, yet it is still difficult to locate effective local institutions.

Poverty Challenges in Kenya’s Coastal Region

Poverty in Kenya's coastal region can be classified as a symptom of institutional failure because according to Lawer et al. (2017), dependence on natural resource could be correlated with low per capita income and poverty but not the abundance of natural resource. Poverty and the "resource curse" syndrome exist in places where it is difficult to expand the development of all economic sectors, thus causing the entire region to look to extractive sectors as solutions to poverty and low income. "Abundance of natural resources therefore can be either a curse or a blessing depending on the quality of public institutions" (Lawer et al. 2017). In the case of Kenya's coastal region, the quality of public institutions responsible for the equitable distribution and wise use of government revenues (through well-designed accountability and transparency mechanisms) has been poor. In addition, the benefits from the exploitation of natural resources minimally accrue to the residents of the region or the national economy.

Education levels, school enrollment, investments by local communities, and innovation in all coastal communities have been low for the last four decades (Waweru 2018). Although this state of affairs may not be directly attributable to dependence on natural resources, some literature argued that abundant natural resources can squeeze out education, innovation, and investments (Xu et al. 2019; Beck 2011; Kirkpatrick et al. 2006). This is in part because resource-based industries do not require a highly skilled workforce (people do not need to be highly educated) and have limited affiliation with productive sectors, a situation that further downgrades labor productivity (Xu et al. 2019). Development of local-national-international market relationships can help local communities start to produce for distant markets that demand continuous educational and skills training.

The World Bank (2010), through the Kenya Coastal Development Project (KCDP), embarked on government agencies' capacity-building exercises to help them effectively deliver services towards improved natural resource management and increased revenue collection. Six areas that need to be developed for the region to overcome the poverty challenges were identified by the KCDP, but three are seen here as most directly related to natural resources management: (i) weak institutional framework, (ii) poor management of the region's natural resources associated with levels of poverty, and (iii) limited participation of coastal people in local development. The region currently receives 15% constitutional allocation from the national revenue accounts under the devolved government system. Money aside, how revenues get allocated and used for poverty reduction is broadly what must be redesigned and implemented. This has to start from finding ways to improve resource-revenue collection and transparency, empowerment of local management institutions, and stiff penalties for corrupt dealings (Lawer et al. 2017).

Locational advantages and resource management outcomes

The coastal region of Kenya is in a strategic global location where it can take advantage of commerce, industry, tourism manufacturing, and energy. Not many other regions worldwide can compare to the benefits of such a location. The land-locked countries in Eastern Africa are served through the coastal city of Mombasa. The region has several strategic choices including, but not limited to, being an international logistics center, a financial center, an energy producer, a tourist destination, and providing an industrial food complex on the entire 600-kilometer coastline. In capitalizing on the location advantage, the following points may be considered.

- The best place to start is for the national and regional county governments to determine and balance between those sectors that are most valued by local residents and those that drive the national and global economy. This will facilitate allocation of resources to sectors that serve the market and appropriate industries beyond local jurisdictions.
- Next is to pay attention to the "predatory" challenges posed by globalized capitalism that may arise due to the attractiveness of the region. This is a reality that cannot be ignored as mega-corporate organizations are seizing global opportunities abroad to eliminate public spheres and government intervention so they can maximize profits. "Predatory" capitalism is attained when international corporations eliminate state interference to have as much free hand as possible to set their own rules, including hostile takeover of competing corporations. This can be seen from the fact that many of the hotels along the coast that serve the tourism industry are foreign-owned.

Two conditions can be inferred here:

i. The dependence of the local economy on existing resources and business enterprises is not growing the region at the same rate as the national economy.

ii. The growth resulting from local enterprises and the use of local resources is adding very little value or nothing at all to the local economy.

Addressing the underlying factors that have led to these conditions is one of the ways to turn things around. Three questions to ask therefore are:

- Given the past performance of the region using same resources and business model, what strategic plans can be developed so that their contribution to the local economy is positive?
- What should the national government do differently so that local business enterprises can produce for the local, national, and global markets?
- How does the entire resource-industrial-business feedback loop look like at the regional and national levels and how will any change in these loops affect local poverty reduction outcomes?

The answers to these questions require a detailed analysis of existing resources, sources of inputs, business enterprise, business models, and market conditions. Many of the underlying factors can be explained using the multiplier effect. If most industrial and business inputs are locally sourced, any rise in demand requires more from local communities while a decline in demand hurts local suppliers. External sourcing (from outside the region) of both material and human resources will suppress the local economy. The multiplier is bigger at local levels if there is local sourcing.

Using the input-output analysis tool (Blakely and Leigh 2010, 188), Wasily Leontief, the 1973 Nobel laureate, saw the economy as a large network of industries trading with each other. The way to start identifying the underlying factors is by developing a list of industries in the region using the input-output analysis tool called IMPLAN program or any similar program. This list is constructed such that the vertical axis has suppliers and the horizontal axis, the buyers. Imports and exports are added and finally the various inputs and outputs are standardized as ratios with values between zero and one to generate multipliers.

The input-output model is used at the national level but has the capacity to fit local data. The IMPLAN program is made to adjust national data to fit local outputs based on the total output by sector in each local area (Blakely and Leigh 2010). The local economic activities have to be balanced with all other areas to equal the county and national totals following the flow of production from each sector. The multipliers that are generated from the input-output analysis are helpful to managers and decision-makers in the following ways (Blakely and Leigh 2010):

> i. The first order multiplier helps to determine the various inputs an industry must buy to increase production by a specific amount (either Ksh 1.00 or Ksh 100.00). These expenditures are paid for by the producer.
>
> ii. The second order multipliers determine the impact of the purchases made on the suppliers to the industry in the first order multiplier. The second order multiplier will be high only if purchases are made from local suppliers and outputs are sold to both local and outside industries.
>
> iii. The third order multiplier involves determination of the impact on the entire local economy. When local industries increase sales, part of that increase goes to employees who will in turn spend that money on other locally produced goods and services. Each of these second level purchases has their own impact on demand of inputs for those other local industries.

While the input-output analyses and multipliers are generated from national models, local level multipliers can be quite low and therefore are not able to represent the true local picture. However, Kenya's coastal region is large and contains the tourism industries that overall contributes significantly (about 10%) to the country's national economy (Invest in Kenya Group 2017). "Input-output analysis and multipliers provide a starting point for economic development analysis but must be supported by interviews and extensive additional analysis," (Blakely and Leigh 2010, 191). Interviews should focus on identifying current and expected future resource conditions, primary and secondary sectors, formal and informal sectors, and opportunities and challenges facing the community and county governments.

Additional analysis in this context involves but not limited to modernization of all informal sectors: (i) so they can play on the same level with all other sectors and (ii) start paying taxes that should be cycled back towards growing the private sector. Modernization of informal sectors must take place after a thorough examination of stakeholder issues, desires and concerns such as the state of the economy, local and national legal frameworks, technology and intergovernmental relationships. Identification of a government-led policy development, plans, programs and strategies that facilitate the creation of opportunities in the face of existing socio-economic, cultural and "class" challenges will improve the entire community.

The “Blue Economy” Framework and Coastal Region Development

The “Blue Economy” (BE) framework is a global cooperation by countries to invest in the sustainable use and management of oceans and coastal resources for the benefit of all countries, coastal communities, and environments in the Indian Ocean region. The BE is a shared development economy designed to expand opportunities for participating countries into untapped resources. The big question is: what difference does BE make in Kenya’s coastal communities that already have access to other abundant natural resources but remain in abject poverty? Although it is defined as a socially inclusive business model with environmental sustainability as its guiding post (Roy 2019), the coastal communities are still stuck in the informal sectors and face capacity, technological, and skills challenges to effectively participate in the BE economic space.

On one hand, the BE framework could be an awakening bell for the national and county governments to create enabling conditions and facilitate community initiatives that will modernize the region’s informal sectors and level the playing field for all stakeholders. The BE economy has inspired new collaboration between governments in the Indian Ocean Rim Association (IORA) region to try and eliminate economic barriers to the sustainable use of coastal and marine resources. What need to be further developed are the avenues below government-to-government relationships and international investors for local community participation.

At the regional level, there is a clear structure in terms of how countries relate with each other through several bilateral agreements, but there are no well-developed governance instruments guiding the participation by local communities (Roy 2019). *“The diversity of the countries of the region in terms of geography, politics, economy, and culture hinders the development of regional institutions, cohesions, and translation of blue development goals into reality”* (Roy 2019). The BE framework is not a redistributive model. This means that unless national governments find ways and means of addressing the existing inequality between communities and between countries, the expected benefits and sustainable use of natural resources will remain out of reach for the poor. One recommendation is made here: Kenya must facilitate ways for communities to form broad coalitions across class, social, and cultural boundaries so that they can overcome many of the collective action problems.

The global BE framework has four broadly defined activities under three components that include ocean service, industry, and drivers of growth (World Bank 2017). The activities that cut across these three components are:

i. Harvesting living resources,

ii. Extraction of non-living resources and generation of new resources,

iii. Commerce and trade in and around the oceans, and

iv. Response to ocean health challenges.

These activities can only be undertaken in an environment of improved productivity. Improved productivity can only be realized after enough reforms in the informal sectors in the coastal region (to improve human and technical capacity) build strong market networks and create synergetic relationships between local, national, and international businesses. While the operating environment is different, the objective of improved productivity initiatives has been previously developed and tried in Kenya and then abandoned with no thorough evaluation reports or lessons learned.

In the 1980s, Kenya was pursing the “District Focus for Rural Development,” a policy that was designed based on the saying that “a rising tide lifts all boats” (Rutten 1990). There are no spikes in both social and economic outcomes to show that the model had any positive impact in the Kenyan society. Kenya developed “Vision 2030” in 2008 with excellent development objectives but is faced with inadequate national capacities and implementation challenges. The country should therefore re-examine why these past good initiatives did not produce tangible productivity outcomes to make sure the BE is implemented properly.

The capacity of local institutions and communities in implementing complex policies, new ways of resource governance, and stewardship, specifically enforcement of laws, is not developed. BE takes a diversification approach and argues that communities should diversify beyond land-based activities along their coasts. Given the level of capacity of countries on the Indian Ocean coastline, Kenya’s involvement as a vehicle for the country’s economic growth will be a heavy lift, let alone the poor coastal communities. Therefore, how this can help reduce poverty among communities along Kenya’s coastline (that have no capacity to use land-based resources to their benefits) needs further analysis and development.

Conclusion

Most researchers have examined “resource curse” from the perspective of governments in relation to natural resource-use outcomes. This study analyzes institutional management processes as the foundation to minimizing the effects of the “resource curse” syndrome. The experience from Kenya’s costal region shows that natural resource ownership is not a panacea to poverty eradication, industrialization, national development, and democratization (Roberts 2012; Jensen, 2004). The coastal communities in Kenya own abundant natural resources, but these have not had any significant positive impact on the lives of those communities. The most probable cause can be attributed to institutional failure on the part of the government. When problems that are public in nature persist over a long time in the face of government information and management, this exemplifies a classic government failure to provide a safety net for its people. The second cause is people’s inability to learn from experience and not being self-analytical. Local leadership and human organizations have either ignored or lack the ability to understand the underlying causes of poverty, which is necessary to create conditions that enable local enterprises to become engines of long-term and sustainable growth solutions.

The improvement of the entire region’s economic performance will have to be built on a new template grounded on the resource dividend scheme (Segal 2010). This must be done through institutional and political reforms guided by the idea that natural resources belong to a community and therefore, no one individual or group of individuals should have an exclusive right to enjoy rents from common resources. This can only be achieved through investments in real productivity and individual and institutional capacities as an entire community cannot get out of poverty through sheer luck. Other approaches include new policies and strong laws to develop systems of governance where there is commitment to the rule of law and implementation of a dividend distribution scheme to share or reallocate the resource rents equitably.

Finally, county governments must re-examine their role in local economic development and how to make local resources advantageous to local economies. First, they should take the lead in modernizing the vast informal sector in the region and provide financial and technical resources so these can compete effectively in the new market opportunities provided by the BE framework. County governments should take both the coordination and developer role to move the region forward until such time when the local private sector business is able to compete successfully with the more established modern corporate enterprises.

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Annex 1. Kenya - Country Policy and Institutional Assessment Indicators (CPIA): Low = 1 to 6 = Highest

Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Building human resources rating	3.50	3.50	3.50	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Business regulatory environment rating	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50	3.50	3.50	3.50	3.50	4.00
Debt policy rating	4.00	4.00	4.00	4.00	4.00	4.00	4.50	4.50	4.50	4.50	4.50	4.50	4.00
Economic management cluster average	4.17	4.17	4.17	4.00	4.17	4.17	4.17	4.50	4.50	4.33	4.33	4.33	4.00
Efficiency of revenue mobilization rating	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Equity of public resource use rating	3.00	3.50	3.00	3.00	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Financial sector rating	3.50	3.50	3.50	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50	3.50
Fiscal policy rating	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.50	4.50	4.00	4.00	4.00	3.50
Gender equality rating	3.00	3.00	3.00	3.00	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Macroeconomic management rating	4.50	4.50	4.50	4.00	4.50	4.50	4.00	4.50	4.50	4.50	4.50	4.50	4.50
Policies for social inclusion/equity cluster average	3.10	3.20	3.20	3.20	3.50	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Policy and institutions for environmental sustainability rating	3.00	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Property rights and rule-based governance rating	3.00	3.00	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00	3.00	3.00	3.00
Public sector management and institutions cluster average	3.30	3.40	3.30	3.30	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
Quality of budgetary and financial management rating	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Quality of public administration rating	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Social protection rating	3.00	3.00	3.00	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Structural policies cluster average	3.83	3.83	3.83	3.80	4.00	4.00	4.00	3.83	3.83	3.83	3.83	3.67	3.83
Trade rating	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Transparency, accountability, and corruption - public sector rating	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Resource allocation index	3.60	3.65	3.63	3.60	3.74	3.79	3.79	3.86	3.86	3.82	3.82	3.78	3.73
Quality of budgetary and financial management rating	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50

Source: The World Bank