

Introduction

This paper focuses on a specific sector – the extractive industries – and discusses how governments of resource-rich countries can ensure that the extractive industries can transform society for the better and minimise the incidence of instability and conflict.

Extractive industries have real potential to transform societies for the better. With the right conditions, extractive industry activity can create jobs, strengthen the domestic private sector, fund public service improvements and contribute to infrastructure development. Extractive industries can also contribute to inflows of foreign investment, export earnings, government revenues and national income.

However, fulfilling this potential is neither assured nor automatic. The extraction of non-renewable natural resources (notably oil, gas and minerals) has often led to political instability, revenue management challenges, corruption and increased social tension. It is therefore necessary for resource-rich countries to improve legislative and regulatory frameworks, build institutional capacity and strengthen governance, in order to ensure that the natural resource blessing does not become a curse.

This paper is divided into three sections: national impacts, regional and local impacts, and policy recommendations, and is illustrated by case studies of good practice from across the Commonwealth: on revenue management innovation in Trinidad and Tobago; mineral extraction policy and legislation in the Cook Islands; and on the utilisation of domestic gas resources in Tanzania to supply electricity for the local population.

