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Resource governance dynamics: The challenge of 'new oil' in Uganda[☆]

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ABSTRACT

Resource governance norms have evolved at multiple scales to counter the potential negative socio-economic, environmental and institutional impacts of the extractive industries. Advocates of these 'good governance' initiatives have sought to mainstream transparency throughout the extractive industries value chain and implement pro-poor projects at the site level. However, these types of resource governance interventions often fall short of their promised development benefits. Poorly understood is how the process of resource extraction and the expectation of supposed revenue windfalls affect the governance dynamics of host countries and localities. Using a qualitative and inductive approach this paper highlights emerging spaces of governance within a new petro-state, Uganda. The research findings highlight four significant governance gaps: lack of coherence among civil society organisations (CSOs); limited civil society access to communities and the deliberate centralisation of oil governance; industry-driven interaction at the local level; and weak local government capacity. The ad hoc and fragmented modes of resource governance in the oil bearing regions, particularly related to transparency and corporate social responsibility activities, do not bode well for this new petro-state's development trajectory. By identifying how spaces of resource governance emerge in new resource contexts, more proactive and timely interventions can be designed and implemented by state and non-state actors.

Introduction

The extractive industries are expanding into new 'resource frontiers', particularly in sub-Saharan Africa, which is characterized by increasing levels of political, social, technical and environmental risk (Frynas and Paolo, 2007).[1] Some pundits believe that a significant 'window of opportunity' exists for the region's mineral rich but poor economies to accelerate their development pathways (UNCTAD, 2007: iii). Proponents of resource-led development, (i.e. how the extractive industries can contribute to poverty alleviation and sustainable development in the developing world) argue that the inflow of foreign direct investment (FDI) into the country and a model of export based growth will provide jobs, economic growth and ultimately, poverty reduction. However, for many resource rich developing countries pursuing this model, the reality has been low economic growth, environmental degradation, deepening poverty and, in some cases, violent conflict (Oxfam America, 2001; Pegg, 2006). Many of these countries register abysmally on the human development index; the resource rich sub-Saharan African states of the Democratic Republic of Congo (DRC), Chad and Sudan sit within the bottom 20 places (UNDP, 2011).

The political and economic dimensions of the so-called 'resource curse' are well documented (Auty, 1993; Collier, 2007; Mehlum et al., 2006; Ross, 1999, 2012; Sachs and Warner, 1995), as are 'good governance' policy prescriptions (Alba, 2009; Humphreys et al., 2007). However, how resource extraction may (or may not) lead to pro-poor and sustainable development is poorly understood in practice. Resource governance norms have evolved at multiple scales to counter resource curse effects through mainstreaming transparency and accountability throughout the extractive industries project

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[1] The term 'frontier' is often used by industry and international finance institutions to denote an extractive context that poses higher levels of investment risk.

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cycle and implementing pro-poor projects at the site level. How the promised development benefits from 'new oil' influences the governance dynamics in low income countries particularly in sub-Saharan Africa lacks critical analysis.

This study uses a qualitative and inductive approach to highlight emerging spaces of governance within a new petro-state, Uganda. We explored interactions between state and non-state actors at and between multiple scales in order to identify key governance challenges, particularly at the sub-national level. It is imperative to study how resource governance is being implemented in these new extractive contexts. Little academic research has been undertaken on the emerging oil sector in Uganda, particularly in the oil-bearing regions. The paper has three objectives: first, to explore the types of resource governance interventions employed by state and non-state actors at multiple scales; second, to assess how state and non-state actors interact to shape and constrain spaces of resource governance in Uganda; and third, to tease out the policy relevance of these changing resource governance dynamics in a new resource context such as Uganda.

To identify 'spaces of governance' the paper begins by developing a multi-scale, multi-actor resource governance typology that highlights the influence of transparency initiatives as well as corporate social responsibility (CSR) activities. The Ugandan context and research methods are introduced and four key research findings are highlighted: lack of coherence of civil society organisations (CSOs); limited civil society access to communities and increasing state control; industry-driven interaction at the local level; and weak local government capacity. The paper concludes by highlighting policy implications for Uganda and other low income but resource rich countries.

Resource governance

It is well established that petro-states suffer from information, monitoring and participation deficits over time (Karl, 2007; Ross, 2012). These deficits are manifest both at the local and national levels. Civil society may not be able to hold international oil companies or governments to account due to the over centralization of power within the executive, ineffective fiscal accountability and increasing rentier culture. Norm entrepreneurs, such as domestic and international NGOs, think tanks, donors, international finance organizations and even industry associations, have sought to counteract these negative impacts of resource extraction through governance initiatives.

A broad definition of governance includes hard rules such as regulations, monitoring, and enforcement mechanisms, and soft rules such as norms, standards, expectations, and social understandings (Levy and Newell, 2005). Resource governance in this context is defined as the hard and soft rules which shape and constrain the way hydrocarbons contribute to sustainable development and poverty alleviation within host countries. A multi-scale, multi-actor spatial structure is implicit in the discussion of how spaces of resource governance may emerge. Fig. 1 identifies the channels through which resource extraction may be governed from mandatory to voluntary that occur at and between scales (Van Alstine, 2014). Within this paper the terms "level" and "scale" are used interchangeably with regards to the location of jurisdictional authority (Termeer et al., 2010). Two key arenas have opened to state and non-state actors; these include transparency initiatives at the international and national levels and CSR activities at the local level.

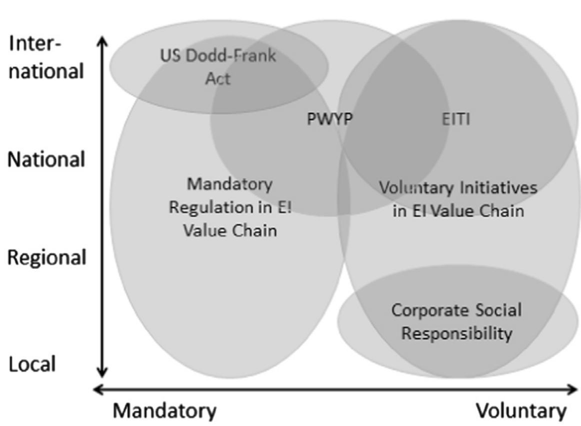

Fig. 1. A resource governance typology.
Source: adapted from Van Alstine (2014).

International and national levels

Fig. 1 identifies a number of transparency initiatives at the international and national levels. The emergence and diffusion of transparency in resource governance norms dates back to four broad trends that emerged in the 1990s and early 2000s (see e.g. Benner and Soares de Oliveira, 2010). First, the linkages between natural resource wealth, economic growth, and poor development outcomes came under scrutiny, particularly in resource rich developing countries. This 'paradox of plenty' or 'resource curse' has led to a vast literature which has explored the economic, social, political and institutional causes and consequences of this phenomenon (Auty, 1993; Humphreys et al., 2007; Karl, 1997; Ross, 1999; Sachs and Warner, 2001). Second, the resource curse began to be reframed as 'bad resource governance', which highlighted the political-institutional impacts of resource wealth (Mehlum et al., 2006; Robinson et al., 2006). Third, the international community began to engage with issues such as corruption, human rights and sustainability. Fourth, the legitimacy of multinational corporations in developing countries came under intense scrutiny in the 1990s (Benner and Soares de Oliveira, 2010).

A key event in setting the agenda for transparency in resource governance was the 1999 Global Witness report, A Crude Awakening, which highlighted the role of the oil and banking industries in the plundering of state assets in Angola's 40-year civil war (Global Witness, 1999). Another initiative which provided insight into the institutionalization of the revenue transparency agenda is the Extractive Industries Review of the World Bank Group, which was carried out between 2001 and 2004. The Review was initiated because of protest over the Bank's poor resource governance track record (World Bank, 2003, 2004). Revenue transparency in fact emerged in the Review 'as one of the few issues that everyone could agree on' (van Oranje and Parham, 2009: 39), with Bank officials requiring revenue transparency 'as a condition for new investments in the extractive industries sector' (World Bank, 2004: 4).

In the wake of growing momentum for transparency in resource governance, a coalition of international NGOs launched the Publish What You Pay (PWYP) campaign in 2002, which calls for transparency of company payments and government revenues, government expenditures, and of contracts and licensing procedures (PWYP, 2011). Also in 2002, the Extractive Industries Transparency Initiative (EITI) was launched by then UK Prime Minister Tony Blair at the World Summit on Sustainable Development in Johannesburg. The EITI is a government-driven process, with 39 countries implementing the EITI standard, which seeks to strengthen governance in the extractives sector by improving transparency and accountability through the disclosure of company payments and government revenues (EITI, 2013). In its current form, the EITI is an international standard that focuses quite narrowly on seeking voluntary publication and verification