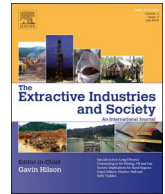




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Original article

## Impacts of the oil boom on the lives of people living in the Albertine Graben region of Uganda

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### ABSTRACT

We consider the impacts of the development of oil resources (exploration and extraction) on the lives and livelihoods of people living in the Albertine Graben region of Uganda. These impacts are both positive and negative and include: employment opportunities; infrastructure development; project induced displacement and resettlement; in-migration and influx; inflation; reduction of food security; restrictions on access to fishing, firewood and herbs for cooking and medicinal purposes; inadequate compensation; land grabbing; prostitution; environmental degradation; annoyance and inconvenience; fear and anxiety; and changes to their communities, livelihoods and landscape. In-depth interviews were carried out with key informants, including with leaders at the village, parish, sub-county, and district levels in Uganda. Focus group discussions and participant observation were also used. We argue that there is need for all stakeholders – especially the government of Uganda, oil companies, the local communities, the Bunyoro Kitara Kingdom, and civil society organisations – to collaborate in order to address the deficiencies in the development of oil resources and the region, and to create the conditions needed to avoid the resource curse and associated Dutch disease and Nigerian disease, and instead to achieve a social licence to operate for oil development in the region.

### 1. Introduction

The discovery of commercially-viable oil deposits in the Albertine Graben region on the border between Uganda and the Democratic Republic of the Congo (DRC) in 2006 has had and will continue to have major impacts on the lives and livelihoods of people living in local communities in the region (NAPE, 2016; Holterman, 2014). In 2013, Uganda's oil reserves were estimated to be 3.5 billion barrels, and were expected to yield at least USD \$2 billion per year for 30 years once oil production commences (Kuteesa, 2014). This income will make Uganda, one of the poorest countries in the world, less dependent on donor aid, and well as less likely to receive donor support (Republic of Uganda, 2015). Uganda has established an ambitious agenda for its future with its 2040 Vision envisaging a middle-income country with the majority of its citizens living in urban areas, having smaller families, and earning income from non-agricultural sectors (World Bank, 2016). We consider that, if the revenues from oil production are used properly and directed towards appropriate infrastructure and social development, it may be possible for Uganda to achieve its 2040 Vision. Given the transformative potential of oil discoveries (de Kock and Sturman, 2012), Uganda faces some critical policy choices, on which the welfare of local communities in the Albertine Graben region and in

Uganda as a whole depend (Kuteesa, 2014).

While Uganda is banking on the oil revenues to boost its economy and potentially make it achieve a middle income economy status, the decline in the global market price of crude oil over the past few years is one of the many uncertainties that it has to be prepared to face. Other uncertainties are related to the source of funding of needed facilities and infrastructure, most of which depend on the goodwill of the companies. Uganda as a country does not have the required funds to invest in these projects.

The discovery of oil in Uganda has been marred by controversy (Balikuddembe and Ardalan, 2014; Olanya, 2015). Certain elites (specifically the current government led by President Yoweri Museveni) have claimed credit for the coming oil boom, and even for the discovery of oil itself. Others, however, argue that awareness of Uganda's oil has existed for more than a hundred years, and some note that oil exploration actually began during Uganda's colonial period (Balikuddembe and Ardalan, 2014). Oil discoveries in other African countries have created a mixture of optimism and pessimism – with the discovery of oil in Chad, for example, being heralded by its leaders and development partners in the 1990s “as a unique opportunity to generate resources to spend on poverty reduction activities” (Aristide and Moundigbaye, 2017:42). However, as time went by, few tangible

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benefits for local peoples in Chad have actually emerged (Aristide and Moundigbaye, 2017).

An *International Alert* (2015:1) discussion about Uganda suggests that:

“a narrative has been sold that oil exploitation will improve people’s quality of life, end the country’s dependence on foreign donors and increase national prosperity, with the proceeds being used to construct roads, hospitals and schools. There is even talk of Hoima [the largest city in the Albertine Graben region] becoming the economic capital of Uganda. This has encouraged many to migrate to the oil districts in the hope of benefiting from the oil industry”.

The discovery of oil resources in Uganda has also raised hopes and expectations that the enormous revenues expected to accrue ‘would make poverty history’ (Bainomugisha et al., 2006). As was the case with oil discovery in Chad, many people believed the discovery of oil would change their lives, while others thought nothing much would change (Aristide and Moundigbaye, 2017). With the substantial revenues likely to be generated, oil could transform Uganda to help it escape extreme poverty (Mosbacher, 2013; Shepherd, 2013). Conversely, the discovery of oil has also caused concern about how citizens are going to share the benefits, and has created fear that, if not governed well, oil could become Uganda’s curse rather than its blessing (Bainomugisha et al., 2006; Mosbacher, 2013).

Studies about oil in the Albertine Graben region have revealed both positive and negative expectations from the discovery (Bainomugisha et al., 2006; Mosbacher, 2013; *International Alert*, 2013; Balikuddembe and Ardan, 2014). Many people are expecting that oil production will contribute positively to increased employment opportunities, higher incomes, improved roads, and improved access to public services. Nevertheless, some community members were sceptical about the benefits that would accrue, partly because they thought the local workforce lacked the necessary qualifications to gain full benefit from the opportunities created (Kuteesa, 2014; NAPE, 2016). Of particular concern was displacement and involuntary resettlement (Kuteesa, 2014). As is well documented, many projects cause displacement and, if not managed well, resettlement can have many negative consequences (IFC, 2012; Smyth and Vanclay, 2017).

These concerns are understandable and are similar to the experiences of other oil producing countries (Abiodun, 2007; Mosbacher, 2013). Where transparency, the rule of law, and adequate oversight of public and private sector actors is lacking, oil tends to be associated with resource curse issues such as corruption, instability, and economic underperformance, rather than with positive and inclusive development (Auty, 1993; Basedau and Lay, 2009; *International Alert*, 2009; van der Ploeg, 2011; Global Witness, 2013; Dietsche, 2014; Gilberthorpe and Papyrakis, 2015; Ross, 2015; Stureson and Zobel, 2015; Goumandakoye, 2016; Palazuelos, 2016). Many studies have documented how oil exploitation is associated with negative social and environmental impacts (Eggert, 2001; Söderholm and Svahn, 2015; Aristide and Moundigbaye, 2017).

If oil developments are poorly managed and governed, Uganda will join the list of resource curse countries, which would erode the achievements made in the past and potentially plunge the country into armed conflict and instability (Olanya, 2015). Uganda could also suffer from the ‘Nigerian Disease’, a situation where resource revenues are wasted by governments lacking the institutional capacity to use windfall gains effectively (Sahoo et al., 2014). According to Shepherd (2013: vii), “oil also brings risks – of the erosion of the relationship between people and government, of economic distortion, of increased corruption and of internal tensions”. Others like Collier and Hoeffler (2005), Boschini et al. (2007) and Maconachie (2016), using Botswana as case-in-point, have argued that, if properly managed, natural resources can improve the welfare of people and reduce dependency on donors.

We analyse the impacts the oil boom has had on the livelihoods of local people in the Albertine Graben region in Uganda, and we consider

the likely future consequences. Instead of a situation where oil exploitation will lead to a resource curse, Nigerian disease and/or Dutch disease (Bategeka and Matovu, 2011), we argue that in Uganda and other resource-rich countries, the government and oil companies should ensure that all negative consequences are fully addressed and that all opportunities for benefit sharing are properly considered and implemented where feasible. In this way, local communities and nations will prosper, and oil companies will gain a social license to operate and be more likely to experience the efficient and effective development of their projects (Jijelava and Vanclay, 2017).

## 2. Methodology

This paper is informed by ongoing field research which begun in 2015 and considers whether or not the discovery of oil is a blessing or a curse for Uganda. We specifically consider the implications of the oil development for social conflict and social development in the Albertine Graben region. In addition to extensive document analysis, the research is based on primary data collected by the lead author between October and December 2016 in the districts of Hoima, Buliisa, and Kibaale, locations that are at the centre of oil activities.

The research utilised qualitative data collection techniques including in-depth interviews, focus group discussions, and field observation. Some 42 in-depth interviews with key informants were conducted, including with local leaders at the village, parish, sub-county, and district levels, as well as with civil society organisations, oil companies, opinion leaders, and officials of the Bunyoro Kitara Kingdom. Two focus group discussions (with 11 and 13 participants respectively) were conducted in November 2016 to collect the views of people in affected communities. As much as possible, field observation was undertaken to corroborate claims made by research participants and stakeholders, for example claims relating to infrastructure development, such as schools, roads, and health centres.

The researchers also reviewed secondary sources like articles and books, official documents such as the 1995 Constitution of Uganda, the Land Act (Cap. 227), the Land Acquisition Act (Cap. 226), the strategic environmental assessment report for oil and gas activities (Uganda, 2013) as well as reports from NGOs and various national and international organisations. The authors also consulted online sources especially newspapers from Uganda. Data were analysed using thematic and content analysis techniques based on the emerging issues which kept cropping up among the local communities during the research period (Box 1).

## 3. The impacts of oil development activities on local livelihoods

The activities associated with the extractive industries create positive and negative changes to people’s lives, livelihoods and ways of living (Vanclay, 2002; Esteves and Vanclay, 2009; Vanclay et al., 2015; Abuya, 2016; Esteves et al., 2017). The physical splintering and fragmentation of the landscape and associated restrictions on access for people that are created by the construction and operation of a project create considerable disruption to people’s lives and livelihoods (Vanclay, 2017). In the Albertine region, oil development activities have had both positive and negative consequences on people’s lives. For example, one person, who is now a local environmental consultant, said:

I can say my livelihood has, in one way or the other, been improved. For example, I am a beneficiary of the Tullow Oil scholarship scheme and my capacity was improved through training. I did a Master of Science in oil and gas management at the University of Coventry in the UK. It was a one year master with full support. And there are also so many other people who have benefited from this kind of scheme. So far we are about 56 beneficiaries of the Tullow Oil scholarship scheme through the British Council (Field Interview,

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