

# Peace and Conflict Monitor

Oil in Uganda: A Resource Curse?  
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## Abstract

The discovery of oil in Uganda places high hopes but also poses challenges for the country, thus it is both a blessing and a curse. Various literature and documents are reviewed in this paper to validate my personal experience and observation from the civil society perspective, that many conflicts including land conflicts, the displacement of wildlife, propaganda, a scramble by multinationals, tense political exchanges, anxiety, and high expectations enshrine the discovery of oil in Uganda. Action research and a continuous, conflict-sensitive approach can help achieve sustainable peace.

**Key Words:** Peace, Conflict.

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## Introduction

In the early 1950s, some development economists, especially those associated with the Staple theory of growth, suggested that natural resource-abundance would help the backward States to overcome their capital shortfalls and provide revenues for their governments to provide public goods and lift citizens out of the doldrums of poverty. However, since the 1990s, a growing number of researches have established a link between resource-abundance and a number of socio-economic problems (Oyefusi, A., 2007).

Natural resource-abundance has been associated with slow growth (Sachs and Warner, 1995), greater inequality and poverty for a larger majority of a country's population (Gravin and Hausmann, 1988; Ross 2004), corruption of political institutions (Lane and Tornell, 1999; Ross, 1999, 2001), and more fundamentally, an increased risk of civil conflict (Collier and Hoeffler, 2001). At the same time, there is an established link between resource motivated conflict and economic collapse (Collier and others, 2003; Skaperdas 1992; Deininger, 2003).

Of all natural resources, oil has been found to have the highest risk of civil conflict because of the large rents it offers and the shocks to which the government and the national economy are exposed (Collier and Hoeffler, 2005; Fearon and Laiton 2005). According to Collier and Hoeffler (2002), 23 percent of states dependent on oil exports have experienced civil war in any 5-year period, a figure that dwarfs the 0.55 for countries without natural resources. However, while the experiences of oil exporters across the globe shows that oil dependence is most often a perilous development path, it is also evident that the negative outcomes of oil (and other resource) booms can be avoided. Norway, for example, has used the benefits from North Sea oil to earn the highest place on the UN human development rankings (Gary and Karl, 2003).

Recently oil has been discovered in Uganda and an estimated two billion to six billion barrels of recoverable oil in the Albertine graben. This has generated anxiety and expectations which are already a threat to peace in the country, not only to humankind but to environment, economy and ecology as well. This paper provides the analysis of oil discovery in relation to the peace of the country and questions the basic assumption of whether natural resources are a curse or blessing.

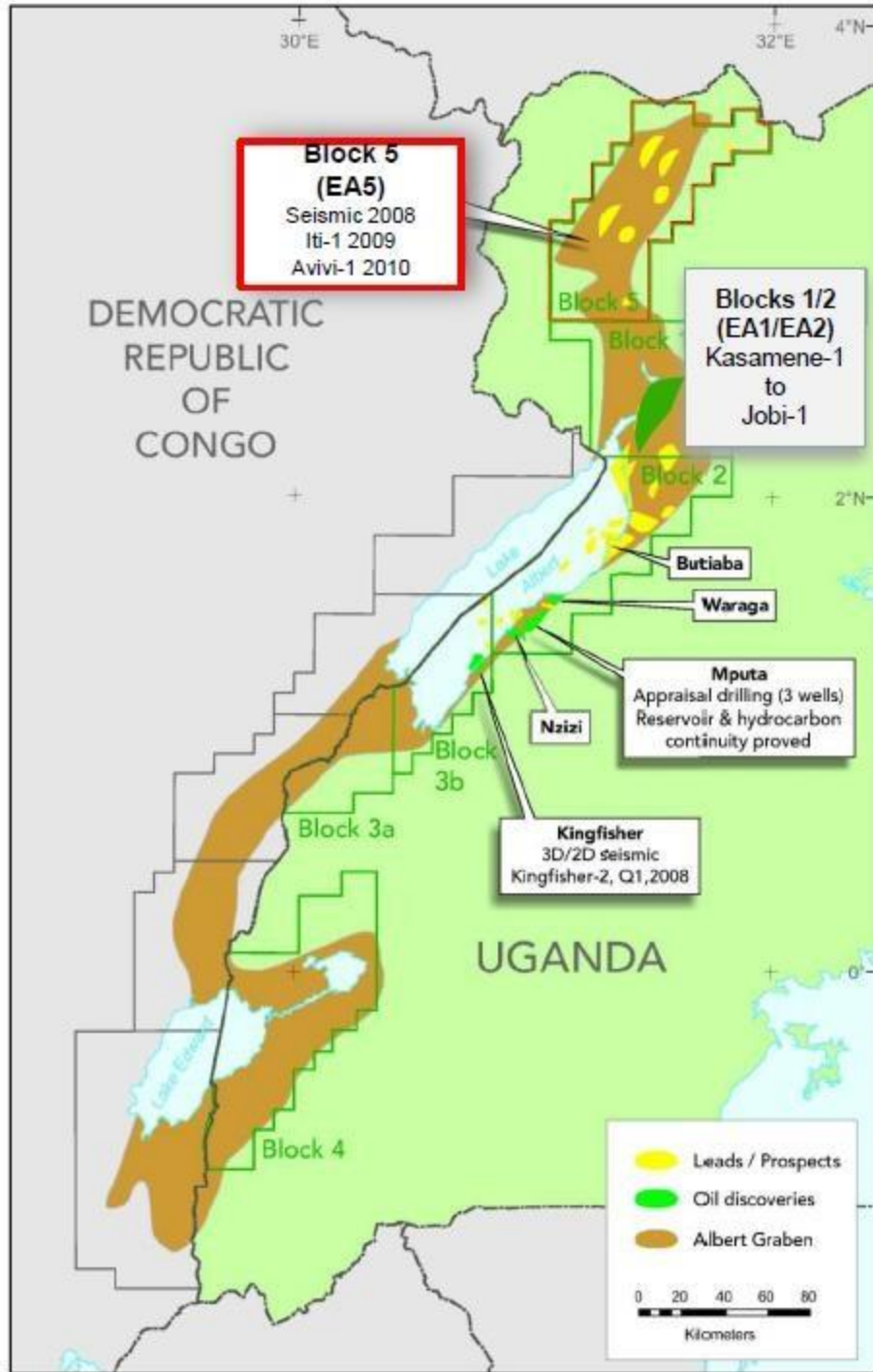
This paper further seeks to answer some fundamental questions: Will the discovery of oil and expected wealth translate into rapid economic growth and increased standard of living for majority of Ugandans amidst the intense anxiety and expectation? Why is oil discovery already creating conflicts in the country? And how may Uganda escape from the oil curse?

The methodology used in this paper encompasses the personal experience and observation in the Civil Society in Uganda, more so as part of the Civil Society coalition on oil in Uganda, and review of related literature mostly secondary data.

This paper is composed of three basic sections. Section one looks the introduction and background to oil in Uganda, section two provides an analysis of current trends unfolding the oil discovery and provides insight to some important steps to consider in relation to theoretical and empirical literature and section three provides recommendations and concludes.

## Background

Uganda is located in the sub Saharan Africa, with a population of 32.7% (Uganda Bureau of Statistics, 2009). Uganda's population is predominately rural, and its population density is highest in the southern regions. The service sector was the largest contributor to GDP in 2009 (at 48%). Manufacturing and agriculture each contributed 23%. Despite their dwindling shares of Uganda's GDP, the agriculture and fishing sectors provide approximately 80% of employment in Uganda. Uganda is Africa's second-leading producer of coffee, which accounted for about 23% of the country's exports in 2007-2008 and 17.9% in 2009. Exports of nontraditional products, including apparel, hides, skins, vanilla, vegetables, fruits, cut flowers, and fish, are growing, while traditional exports such as cotton, tea, and tobacco continue to be mainstays. Most industry is related to agriculture.



Source: Petroleum Exploration and Production Department (PEPD) 2007

The industrial sector has been rehabilitated and resumed production of building and construction materials, such as cement, reinforcing rods, corrugated roofing sheets, and paint. Domestically-produced consumer goods include plastics, soap, cork, beer, and soft drinks.

Oil experts estimate Uganda's Albertine Basin has at least two billion and as many as six billion barrels of recoverable oil, positioning Uganda to become one of sub-Saharan Africa's top oil producers and potentially doubling current government revenues within 10 years. Most of Uganda's known oil reserves are located along Lake Albert and the D.R.C. border, in one of Africa's most ecologically sensitive areas. Uganda and several private oil companies hope to begin small-scale production as early as 2012. Potential construction of a domestic oil refinery and export pipeline are contingent upon ongoing feasibility studies and negotiations between oil companies and the government.

## **The situation analysis in Uganda**

### **Managing expectations, anxiety and governance of oil revenue**

The discovery of Oil in the Albertine Graben has come with great challenges. First this region covers most of the national parks, game reserves and forest reserves and thus the environment and ecology is under threat, as well as the tourism sector. In sight of the protracted conflicts in the oil producing countries in Africa, Nigeria (Oyefusi, A., 2009) in particular, and inadequate information on benefit sharing from the Uganda government, tensions enshrine the discovery of the Oil with view of similar conflicts in anticipated.

According to my experience and observation, Uganda's discovery of oil resources has also raised hopes and expectations among the citizens that, with the substantial revenues likely to be generated from the oil boom, the country will be able to escape from the biting poverty. Northern Uganda fresh from the LRA war (Transition from conflict to post conflict situation) is where the largest oil well is found and people are expecting employment, and incidents of land grabbing and migration towards oil sites are already taking place under the pretext of opportunistic gains. This is based on the desire to meet the basic needs after long period of war, similarly Jeong, (2000, p.70) acknowledged basic need satisfaction coherently to human development.

Such high expectations if not well managed has greater implications. Especially urbanization with its associated problems, rebellion, land conflict which are already evident among others. Proper Management not only at local level but also at national level as seen in the border conflict as a result of oil discovery between Democratic Republic of Congo and Uganda in the west (Lake Albert). Similarly Bainomugisha, A. et al, (2006) also noted that, the discovery of oil has also caused anxiety about how the citizens are going to share the benefits of the oil boom and the fear that, if not well governed through an accountable, transparent and people-centered system that ensures equity in revenue sharing, the resource could become Uganda's curse rather than a blessing.

Evidently, Nigeria the largest oil-producer in Sub-Saharan Africa, with about 32 percent and 34.2 percent of Africa's oil and gas reserves respectively, like many oil-producing countries, the nation has not been spared the agony of recurring violent conflicts associated with the management of her oil resource. In early 1967, oil-related disputes motivated an insurrection by a major ethnic group in the Niger Delta. Less than a year after, the nation experienced a civil war (the Biafran war of 1967-70), which was not unconnected with disagreements over the sharing of oil revenues (Oyefusi, A, 2007).

## **Information gap / propaganda**

“For satisfying underlying interests, each side has to acknowledge the other side’s legitimate concerns. Mutual interests cannot be satisfied by pursuing unilateral gains. More information helps understand the true interests of the other side...”, if each side knows the other side’s bottom line (reservation value), negotiations can be conducted more effectively. “Accommodation is made possible by satisfying the bottom line of both sides” (Lebow, 1996, p. 56) and this can only be achieved through proper communications from parties involved.

Here is an interesting shift in this scenario, the Ugandan constitution (1995), article 14, stipulates the public access to information, but its application is invisible. Similarly on the other hand democracy gives chance for people to elect their representatives who shall be accountable to them, where is the accountability when those entrusted (once in power) conceal information for public consumption? This explains my observation about communication between government and citizens on oil revenue sharing that is creating unrest. An important trend to remember is when people elect they have relative deprivation (Jeong, 2000, p. 69) and value expectations after elections. They often believe that they are rightfully entitled to certain goods and services such as accountability and other services, after elections. Jeong, (2000) further noted that:

An individual or collective sense of entitlement tend to rise faster than can be fulfilled. In general, the expectation the expected ability to satisfy basic material and social needs rises disproportionately to what society is able to and does deliver, disproportionate allocation of benefits combined with poor economic performance generates further anger and emotional frustration. ...discrepancy in anticipated and need satisfaction increases during a short period of sharp reversal following economic and social development.

The constitution provides government being responsible to its citizens and provides for public awareness (article 4) but interestingly the constitution is surpassed by individual thoughts and interest and when information flow is distorted, escalation propaganda is eminent for instance my experience reveal opposition and anti government movement being in forefront of propaganda to contrive their interests and this creates discrepancy between government and opposition interests. One looks the other as a threat. According to enquiry by Jeong (2000, p. 172), points out tension arising as a result of lack of information, miss information..., the implications of this, in the discovery has also created tension among citizens, thus predicting violent conflict in the new future are reputed if such communication flow are not improved.

One can notice how important information is in exacerbating and creating conflict when not well managed. Consequently mechanisms that facilitate effective communication could facilitate the reduction of escalation propaganda incidences in Uganda’s oil sector. Looking at the C.R. SIPABIO (Abdalla, et al, 2002) conflict analysis model, issues of revenue sharing, feeling of getting employment, behavior of land grabbing, influence of media, environmental factors play crucial role in the latent oil conflicts taking root in Uganda.

## **Scramble for Oil by Multinationals**

Many multinational companies backed by their foreign “interest”, are already scrambling for oil exploration in Uganda. How valid is their interest in terms of delivering to local community, and protection of the environment and nature? Lukoil, for example is Russia’s largest oil company, and the second largest private oil company worldwide by proven hydrocarbon reserves, with about 1.1 per cent global oil reserves, and 2.3 per cent of global oil production. Interesting question to ask; what are the implication of this to “little” Uganda? The same oil will be sold back to Uganda at a higher cost and additionally employment opportunity will be limited since most of its exploration and production activity is located in Russia. The higher costs of fuel are then reflected in the hiking costs in transport sector which in turn is shifted to the public in terms of high commodity prices, and the costs of environmental management (Pollution) should be noted.

Indeed, the first oil-driven ‘Scramble’ was arguably of much greater significance than the current one. It led to major political, economic, and social transformations in some of the key oil-producing states in Africa, including Libya, Algeria, and — above all — Africa’s most populous country of Nigeria. From a level of 20,000 barrels per day in 1960, Nigeria’s daily oil production rose to over 2 million barrels in 1973; Nigeria’s oil production today is only slightly higher than that achieved in the 1970s. (Frynas J. G. & Paulo, M., 2007) However compared with the deep transformations that took place in the 1960s and 1970s, the impact of today’s ‘Scramble’ in countries such as Nigeria and Angola will be relatively insignificant.

We have seen multi nationals providing alternative solutions to provide environmental friendly facilities and social cooperate responsibility as evidenced in Uganda in the sectors of education where classrooms have been constructed, infrastructure has been developed, etc. A question arises: Is the social cooperate responsibility provided by the multi nationals worth the cost in the long run? Who can make such a decision? Such questions can justify proper interventions.

### **Environment and tourism**

Wildlife based tourism and scenery dominates Uganda’s hospitality industry with more than 70% of the visitors coming to the Albertine rift . Important to note is the fact that Albertine is the bedrock of tourism and conservation. (The state of environment report, Uganda, 2004/5). The location of 10 out of the 22 national parks and wildlife reserves in Uganda within the oil rich Albertine Graben presents a land use challenge state of environment report, Uganda, 2004/5:

Oil development could disrupt conservation if not well planned. Yet these national parks and forest reserves, along with other protected areas inside and outside the Albertine graben form a continuous protected area system and they are generally linked by wildlife corridors, these corridors facilitate the movement of wildlife between habitats that are increasingly being fragmented by farmland and urban centers. Not only do corridors link protected areas within Uganda, they also connect the protected areas of DR Congo to those of Uganda.

Already tension enshrines the people because vibrations during seismic surveys have triggered off migrations of large mammals. Incidences of elephants with other animals destroying crops were

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Similarly, in reference to the expected increase in environmental pollution, this does not affect environment alone but also human activity. The rapid development of urban centers are likely to boost and yet the current urban centers pose vast environmental challenges to the government in terms of garbage and waste management, and of course agriculture, the backbone to the economy, will also be affected. According to Parker, (2009), it is therefore important to consider various strategies before oil exploration begins, as evidenced in the case of Niger Delta:

While the world worries about the oil supply, Niger Delta residents fight for access to safe drinking water and sanitation. Oil spills were frequent before the clash. Pollution has been endemic. According to the United Nations more than 6,800 spills were recorded between 1976 and 2001. A Nigerian government study identified 2,000 contaminated sites in the region. Amnesty International reported that residents of the Niger Delta bathe in and drink oil-contaminated water. Additionally, a half-century of petroleum pollution decimated fish populations that were the primary source of protein for these communities for generations.

How prepared is Uganda in terms of these great challenges to avoid the Oil curse? What lessons can we take from the conflict already triggered by the movement of animals caused by vibration, and what can we draw from the experience of other countries?

## **Recommendations and Conclusions**

The discovery of Uganda's should be well thought-out at this early stage. The already existing conflicts are very good and give insight to what should be done to regulate future conflicts. Following violent incidences in other oil producing countries, Uganda should be in position to put strategies to counteract such expected conflicts. However it may not be a valid solution given the nature of people, culture, religion, and identity in Uganda may not be the same as those in the conflicting countries.

The study recommends a continuous conflict sensitive system that covers the elements of peacekeeping, peacemaking and peace building that acknowledges and integrates the role of citizens, institutions, government and civil society organizations in realism, receptive to reflecting back, should be set in place in order to manage, resolve and transform the existing, expected and exacerbated conflict with early warning systems in place. Commitment of the mentioned actors in regards to time, participation, and resources is significant.

Conclusively, it's important to acknowledge that the existing conflicts are real and that small conflicts may escalate if not well managed. This is true with the current conflicts in Uganda; the acknowledgement of these conflicts may yield the provision of amicable interventions. The conflicts include: scrambling over land, multinational companies scrambling over oil exploration licenses, and associated consequences like corruption, contracting a monopoly or medium firm which may use sub-standard materials, political tensions which may explode into violence and creating ethnic and cultural differences, propaganda, migration of wildlife, and environmental threats such as clearing forests, digging of trench during survey.

The study suggests the above recommendation for improved conflict sensitive intervention in the oil sector in Uganda. However this study does not explicitly predict or prove an idyllic intervention to resolve the ongoing and future conflict in the oil industry. The discussion and finding were based on personal experience from a civil society perspective in respect to document review of secondary data. It's recommended that more research be done to transcend the findings from this study otherwise the same question will remain: is Uganda going to escape the resource curse?

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