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Is oil discovery in Uganda an opportunity or a looming curse?

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Is oil discovery in Uganda an opportunity or a looming curse?

Tom Ogwang

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Cover photo: The front view of some of the housing units built for those who opted to be resettled in Kyakaboga, Buseruka Sub County, Hoima district.

Photos in the thesis: Photos were taken during fieldwork activities in Uganda. Permission was given to place a selection of the pictures in the thesis. Photos by Tom Ogwang

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rijksuniversiteit groningen

Is oil discovery in Uganda an opportunity or a looming curse?

PhD thesis

to obtain the degree of PhD
at the University of Groningen
on the authority of the
Rector Magnificus Prof. C. Wijmenga
in accordance with
the decision by the College of Deans.

This thesis will be defended in public on
Thursday 3 September 2020 at 9.00 hours

by

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in Pallisa, Uganda

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Chapter 7: Ogwang, T. & Vanclay, F. (in submission). The social and livelihood impacts from the Uganda section of the proposed East African Crude Oil Pipeline, under review with an international journal.

CHAPTER 1

Introduction: Oil discovery, expectations, and social impacts



Photo 1: The back view of some of the housing units built for those who opted to be resettled in Kyakaboga, Buseruka Sub County, Hoima district.

INTRODUCTION TO THE PHD THESIS

Uganda is one of the poorest countries in Sub Saharan Africa. It has a total population of over 35 million people. The life expectancy at birth is 54.5 years, and a population growth rate of 3.2%, one of the highest in the world (UN, 2012, Uganda Bureau of Statistics, 2013). The poverty level is high with 64.7 percent of the citizens living on less than $2 a day. Uganda is ranked 161 out of 187 on the Human Development Index by UNDP, with GNI per capita of US $510 (World Bank, 2011, Mosbacher, 2013). The discovery of commercially viable oil deposits in the Albertine Graben region (along the shores of Lake Albert) on the western border between Uganda and the Democratic Republic of the Congo (DRC) in 2006 was seen by many an a big opportunity to fight poverty and bring about social-economic development (International Alert, 2009). The discovery of oil resources has also raised hopes and expectations among the citizens (Bainemugisha et al., 2006; Ogwang et al, 2018; Ogwang & Vanclay, 2019; Langer et al., 2020). Since the discovery, the estimates of Uganda's oil reserves have gone up to 3.5 billion barrels (Mosbacher, 2013). 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). With the substantial revenues likely to be generated from the oil boom, oil could transform Uganda to help it escape the extreme poverty (Bainemugisha et al., 2006; Mosbacher, 2013). This income would also make Uganda less dependent on donor aid, and well as less likely to receive donor support (Republic of Uganda, 2015).

However, the discovery of oil has also caused anxiety about how citizens are going to share the benefits of the oil boom and fear that, if not well governed through an accountable, transparent and people-centred system that ensures equity in revenue sharing, the oil could become Uganda's resource curse rather than a blessing (Bainomugisha et al., 2006), especially if the anticipated revenues were not properly planned and, more importantly, equitably and transparently utilized (Masiko, 2006). The success of a country and the region in enjoying such a resource is dependent on a number of factors, but most notably the governance system (in terms of transparency and accountability), and how the revenues are utilized. If poorly managed, Uganda will join the list of 'resource curse' countries, which will erode the achievements made in the past and plunge the country into armed conflict and instability.

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). I 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. However, given the transformative potential of oil discoveries (de Kock & 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 relying 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 the much needed oil & gas facilities and infrastructure, most of which depend on the goodwill of the oil companies. Uganda as a country does not have the required funds to invest in these projects.

The discovery has had and will continue to have major impacts on the lives and livelihoods of people living in local communities in the region and beyond (NAPE, 2016; Holterman, 2014; Uganda Land Alliance, 2011). Some of these include displacement, community disarticulation, land grabbing, fear, and annoyance, among others. In countries where corruption is prevalent and which lack the rule of law required to control both public and private sector actors (for

example South Sudan, Angola, Chad, among others), oil has historically been more likely to correlate with periods of endemic corruption, instability, and economic underperformance rather than positive and inclusive development (Oloka-Onyango, 2020). When an influx of natural resource wealth is introduced into a state with weak controls on elite behaviour and dominated by graft and patronage, 'resource curse' often occurs (Mosbacher, 2013; Brophy & Wandera, 2020). One of the biggest impacts from oil & gas developments in Uganda, and is a major concern is displacement and involuntary resettlement of project affected persons (Kuteesa, 2014; Ogwang et al., 2018, Ogwang et al., 2019; Ogwang & Vanclay, 2019). As is well documented, many projects cause displacement and, if not managed well, resettlement can have many negative consequences (IFC, 2012; Smyth & Vanclay, 2017; Vanclay, 2017; Ogwang & Vanclay, 2019).

The research question explored in this PhD is: *To what extent, and under which conditions, does the exploitation of natural resources lead to a resource curse?*
In order to answer this broad question, the emerging oil & gas industry in Uganda was examined by considering a number of subordinate questions like:

1) What is the 'resource curse' or 'paradox of the plenty'?
2) What are the potential benefits of resource development (particularly oil) in Uganda?
3) What are the possible negative consequences of resource development?
4) How can the possible negative consequences, be better managed to reduce their likelihood of occurrence or their impact?
5) What can be done to ensure that the potential benefits of resource development are secured, and how can they be enhanced?
6) What are the significant socio-economic and political aspects (including potential for conflict) of the context (Uganda and the Great Lakes Region) and of resource development in general and oil in particular?

In this thesis, I have analysed how, if well managed, the emerging oil & gas industry in Uganda is potentially an opportunity, or if poorly managed, a 'resource curse' or 'Nigerian Disease'. I also consider the overall implications of this for conflict and social development.

The different stakeholders in the oil & gas industry should avoid and mitigate situations where oil exploitation will lead to a resource curse, and its negative consequences. I also suggested that, in Uganda and other poor 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 & Vanclay, 2017).

THEORETICAL FRAMEWORK AND KEY CONCEPTS

In the field of political economy of natural resources, the theory of resource curse or paradox of the plenty are commonly used when referring to the misfortunes of having abundant natural resources which, leads to misery and poverty instead of improving the welfare and economic development of the citizens. According to Abiodun (2007:16) natural resources are "all non-artificial products situated on or beneath the soil that can be extracted, harvested, or used, and whose extraction, harvest, or usage generates income or serves other functional purposes in benefiting humankind". These include the land itself, minerals, oil & gas, water resources, habitats, ecosystems and wildlife (Abiodun, 2007). Because they are, typically non-renewable, harnessing natural resources should lead to the economic, social and political transformation of the citizens and bring about the desired development (Collier & Laroche, 2015).

Development in its simplest definition is the process of improving people's lives. Originally, the term focused on the goal of greater economic prosperity and opportunity. However, it now typically includes efforts at human development that take into account issues such as governance, education, the environment, and human rights (USIP, 2014). According to Sen (1999), development should be viewed in terms of the real 'freedoms' that people can enjoy such as economic facilities and social opportunities rather than in terms of economic measures such as GDP growth, and average annual income. In this context, human freedom is at the center of development. In Sen's view, human freedom is both the primary end objective and the principle means of development; economic measures are merely the means to this end. In brief, development is the realization of freedom and abolishment of 'unfreedoms' such as famine, poverty and lack of political rights (Sen, 1999).

In order to have a clear explanation on natural resource development and its impact on development in Africa and Uganda in particular, I used the 'resource curse' or 'Paradox of the Plenty' theory. This theory asserts that natural resources might be more of an economic curse than a blessing, at least if poorly managed. Richard Auty first used the term 'resource curse thesis' in 1993 to describe how countries rich in natural resources were unable to use that wealth to boost their economies and how these countries had lower economic growth than countries without an abundance of natural resources (Auty, 1993). Numerous studies have shown a link between natural resource abundance and poor economic growth (Sachs & Warner, 1995; Byamughisa et al., 2006; Collier; 2010; Ogwang et al., 2019).

Accordingly, this curse becomes an impediment to development leading to the "Dutch Disease", which means the slump in other sectors of the economy that accompanies a major influx of revenues from exports of natural resources (notably oil and gas). In addition, the high dependence on natural resource revenues makes the national economy vulnerable to fluctuations in market prices. The oil dependence and the volatility of oil prices in international markets can lead to significant problems in fiscal planning, reduce the quality of public spending, and can lead to financial disaster when oil prices collapse. In other words, the 'Dutch Disease' refers to the impediments of oil revenue to economic growth and development of oil-dependent states. Consequently, the enormous influx of cash resulting from oil tends to foster wasteful, overzealous and imprudent expenditures. High oil revenue raises exchange rates, promote adverse balance of payment as the cost of imports rises. In short, it kills incentives to risk investment in non-oil sectors, the competitiveness of all non-oil sectors such as agriculture and manufacturing industries have been crowded out (Otaha, 2012). In some cases, the revenues from natural resources, especially oil & gas, also lead to 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).

Otaha (2012) contends that oil dependence leads to a skewing of political forces. It concentrates production into geographic enclaves and power into the hands of few elites, creating a "fisherman's market for rent-seeking behaviour" (Otaha, 2012:83). Oil rich states, besides lacking transparency, freedom of the press, and accountability, are marked by stratified social classes with a huge poverty gap, what Abubakar (2004 as cited in Otaha 2012:83) calls rich countries with poor people. The mismanagement of natural resource abundance often produces weak states, with little to no growth, and eventually to conflict. Conflict is the pursuit of incompatible goals by different groups (Ramsbotham et al., 2005). Conflict could also be mean a situation in which two or more human beings desire goals which they perceive being obtainable by one or the other, but not both (Stagner, 1967). What is central in the concept of conflict is the element of incompatibility of goals, needs, interests, positions and desires.

Natural resources, such as oil, diamonds and copper, provide opportunities to drive growth and human development (Hailu et al., 2011). However, the extraction of these commodities can also

result in slow growth, poverty and conflict. Their paper entitled, *Conflict prevention in resource-rich economies,* focuses on three important questions, which are also relevant for this study: first, how does natural resource dependence impede economic and social progress?; second, how does the lack of economic and social progress translate into violent conflict?; third, which economic policies lessen the risk of conflict? By synthesizing country cases, their paper showed that resource-based countries face a higher risk of experiencing violent conflict because of increases in unemployment, inequalities and inadequate provision of social services, particularly education and health. Worsening economic and social conditions aggravate collective and private grievances and the breakdown in state society relations, these, in turn, fuel community protest and conflict (Vanclay & Hanna, 2019; Ogwang, 2020).

Prolonged violent conflict further increases dependence on resource extraction, as economic activities in other sectors are normally disrupted in such a situation. The resource sector often becomes the 'default sector', mainly because of its relative immobility or capital intensity. The overall outcome can be a negative cycle of resource dependence, low human development and conflict (Hailu et al., 2011). There are many challenges related to natural resource governance in Africa. According to Abiodun (2007:242), there is a lot of literature, which has shown that recent conflicts over natural resources in Africa have raised a number of questions, two of which are particularly important. First, why has there been a prevalence of resource-based conflicts in Africa compared with other continents of the world? Second, why are some natural resources linked to conflict in some countries but not in others? Put differently, what are the social and political circumstances that can predispose a particular natural resource to become an issue of conflict? In seeking to provide answers to these questions, one is inevitably drawn into matters relating to governance. Abiodun defined *governance* as "the socioeconomic and political management of state affairs, especially as this relates to the determination of who gets what, when, and through what process. It also involves the interplay of relationships among the different actors concerned with the politics of natural resource management" (Abiodun, 2007:242).

Most observers fear that Uganda's oil discovery is more bad news than good. Mosbacher (2013), for example, observed that in countries that lack the rule of law required to control public and private sector actors; oil has historically been more likely to correlate with periods of endemic corruption, instability, and economic underperformance rather than with positive and inclusive development. He contends that "when an influx of natural resource wealth is introduced into a state with weak controls on elite behaviour and dominated by graft and patronage, 'resource curse' often occurs" (Mosbacher, 2013:1). He argued that, due to its long history of corruption and patronage-based governance, Uganda appears to be a perfect candidate for the resource curse. To make matters worse, Ugandan policymakers have created a regulatory framework for the oil sector that will facilitate further corruption, worsen governance, and all but guarantee long-term underdevelopment (Mosbacher, 2013).

THE CONTRIBUTION OF THIS RESEARCH

There have been many recent discoveries of natural resources in the Greater East and Central African region. Tanzania discovered vast amount of natural gas around Lake Tanganyika, Kenya discovered oil in the Turukana region and has moved fast with its development and has started begun exporting its crude oil, Democratic Republic of Congo is carrying out oil exploration. On the other hand, Uganda has increased its quest for more discoveries of oil & gas by giving out new exploration licences to new oil companies. All these activities have adverse impacts on the livelihoods of the people and the environment.

This thesis has contributed to the emerging discourse of extractive industries (oil & gas) in Uganda and the wider Eastern Africa in general. The major debates in the oil & gas industry from

the academia, multilateral institutions and policy cycles have focused on the resource curse and its impacts at national level. In addition, they have focused at institutional level, armed conflict, environmental degradation, pollution, grand scale corruption, the debt crises, price volatilities, and the Dutch disease and their impacts mainly on national but not local development. By examining the different projects with different land requirements, I have demonstrated how this research has contributed to the debates on what I called the "local resource curse". I defined the local resource curse as vulnerability experienced by local communities resulting from the presence or discovery of a natural resource. My contribution details the manifestations of the local resource curse, by examining both the positive and negative impacts of the emerging oil & gas industry in Uganda and the East African region at large. The thesis proposes and recommends to the different stakeholders to consider mitigating the negative impacts; at an earlier stage to improve the outcomes of these resource developments to society (i.e. enhance wellbeing). This should be done by adopting the best internationally accepted industry practices and innovation in the governance of the extractive industries.

This thesis also contributed to in-depth analysis and understanding of China's funding conditions towards infrastructure projects, through the Exim Bank of China, when dealing with poor resource rich countries in Africa. I examined the role of China in Uganda's economy in the advent of oil & gas discovery by looking at four mega projects, which have been, and will be, funded and built by the Chinese government and companies respectively. I analysed the potential benefits and financial implications of each project. I also drew the focus on the importance of win-win engagements between the two governments since China is by far a major financer of the mega infrastructure projects in Uganda and its implications on the future development of the country.

PERSONAL INTEREST IN THE TOPIC

The Great Lakes Region of Africa is prone to recurring resource-based conflicts with grave consequences on local livelihoods, national and regional development. There is stiff competition over natural resource control and benefits among various stakeholders, which includes; the local people, multinational companies, criminal cartels, governments, and rebel groups. With the discovery of oil & gas in Uganda, I was interested in this area to examine whether Uganda can avoid falling in the trap of resource curse as other poor resource rich countries in Africa and elsewhere have experienced (Collier & Hoeffler, 2005).

My interest in this topic comes from my academic background and previous research activities. In 2002, I joined the Master's programme in International Relations and Diplomatic Studies at Makerere University, Uganda. I majored in conflict, peace and security studies and wrote my Masters thesis on the regional conflict in Northern Uganda, which was linked to the conflict in Sudan, and which led to the birth of South Sudan in 2011. Around the same time, there was another ongoing conflict in the Democratic Republic of Congo. In 2014, I won a Coimbra Group Scholarship for young African researchers, and spent one month in the Department of Cultural Geography, University of Groningen, The Netherlands. I used this time to develop my PhD research ideas and eventually the draft research proposal. It is at this point that I decided to further my research interests in the political economy of natural resources in the Great Lakes Region. In my PhD research, I examined whether the discovery of oil is an opportunity or a looming curse and its implications for social development and conflict in Uganda.

METHODOLOGY

I adopted a case study of the emerging oil & gas industry in Uganda as the research design for this research and used qualitative data collection and analysis techniques. A case study seeks to describe a unit in detail, in context and holistically. It is a way of organizing data and looking at the object to be studied as a whole (Boot et al., 1995; Robson, 2002; Kotari, 2004; Sarantakos, 2005). It constitutes the blueprint for the collection, measurement and analysis of data (Mugenda & Mugenda, 1999; Orodho, 2003; Kumar, 2005). A very strong justification for employing qualitative research was premised on the fact that it provided me with the opportunity to talk and observe the oil fields, the different infrastructure, land displacement, and project affected persons. Berg (2001:6) observed, "Qualitative research properly seeks answers to questions by examining various social settings and the individuals who inhabit these settings. Qualitative researchers, then, are most interested in how humans arrange themselves and their settings and how inhabitants of these settings make sense of their surroundings through symbols, rituals, social structures, social roles, and so forth".

I also found using qualitative approach as appropriate for this type of research because I was interested in observing and understanding the magnitude of the social-economic and environmental impacts of oil & gas developments and other associated facilities based on in-depth responses from the participants in their own words, experiences and interaction in their natural settings. Therefore, qualitative research refers to a range of techniques including participant observation, intensive interviewing, focused group discussions, and documentary analysis (Kumar, 2005). I employed these data collection techniques for three main reasons. Firstly, the study engaged informants in focused group discussions with the objective of obtaining the general overview of the impacts of oil & gas exploitation and development of infrastructure and associated facilities, and how these impacts potentiality link to the resource curse. Secondly, the nature of the research question required an in-depth understanding of the natural setting of the oil & gas industry, and the conditions under which its exploitation and development lead to resource curse. To achieve this, I carried out in-depth interviews, which favoured longer periods of interaction and sharing of insights and experiences with different stakeholders in the oil & gas industry. Thirdly, getting factual information beyond discussions with research participants necessitated accessing some of the relevant documents, which included the production sharing agreement; the Public Finance Act, 2015; Local Content Policies, Facts sheets, and reports providing period activities and progress. The document analyses generally complemented the other methods of data collection and analysis.

This thesis is based on primary data, which I collected between October 2016 and November 2019 and considers whether the discovery of oil is a blessing or a looming curse by analysing the implications of oil development for social conflict and development in the Albertine Graben in particular and Uganda in general. This research project took nine months of fieldwork in the Albertine Graben and Kampala city, which helped me to concretise the information, which I obtained over time. Because of the sensitivity and secrecy in the oil & gas industry in Uganda, I managed to build confidence, relationships, and trust with many informants and the different stakeholders, which proved significant.

The field research took place mainly in the Albertine Graben especially in the districts of Hoima, Buliisa, Nwoya, Kibaale, Kakumiro, Kyankwanzi, Mubende. These districts were selected because most of the oil activities are concentrated there. Hoima and Buliisa will host infrastructure like the pads, refinery, pipelines, and processing facilities. Hoima is the official seat and headquarters of the Bunyoro Kitara Kingdom, which has been putting many demands to the central government and the oil companies demanding for a "fair share" of revenue allocation and other opportunities. I also collected data in Kampala (the capital city) because it hosts the national parliament, oil companies, the Ministry of Energy and Mineral Development, as well as agencies like the Directorate of Petroleum, the National Environment Management Authority, the Ministry

of Water and Environment, the Petroleum Authority of Uganda, and the Uganda National Oil Company among others.

The study benefited from interactions with a total of 165 key informant interviews. These interviews were conducted at different times for different papers. On average, I interviewed 27 key informants per field round. It should be noted that some of these informants were interviewed a couple of times but for different papers. Some of the issues were also overlapping, and therefore, would be discussed during the same interviews. There were eighteen (18) focus groups discussions during the entire field research period, ranging between 5 to 7 participants. Research participants included 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. As much as possible, field observations were undertaken to corroborate claims made by research participants and stakeholders, for example claims relating to land acquisition and displacement, infrastructure development, such as schools, roads, and health centres.

In addition to the above data collection methods, I reviewed several secondary sources namely; 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); Environmental and Social Impact Assessment (ESIA) reports; Resettlement Action Plans and Resettlement Policy Frameworks; strategic development plans; key legislation; parliamentary reports, and media statements. Of particular note is that I was able to access the project proposal documents of the Ugandan Parliament, which detailed the precise terms and conditions of each loan. I also consulted online sources especially newspapers from Uganda. The documents supplemented my primary data and provided important information on the status and activities of the oil projects in the region.

During this period, the *Commission of Inquiry into Land Matters* was underway. This Commission was initiated in December 2016 and commenced in May 2017, and was headed by Justice Catherine Bamugemereire. The Commission's tasks were to inquire into the effectiveness of law, policies and processes of land acquisition, land administration, land management, and land registration in Uganda. My research benefited from the Commission's public hearings and testimonies, especially relating to the 'hot spot' oil districts of Hoima, Kikuube, Nwoya, Buliisa, and Kibaale. During the Commission's visit to Kibaale District, many dubious land transactions were identified, revealing the involvement of district technical officers (surveyors, planners, civil engineers, etc.) and a cabinet minister in inappropriate conduct.

During this same period, the regulatory bodies, the National Environment Management Authority and the Petroleum Authority of Uganda, conducted public hearings relating to the Tilenga project Environmental Social Impact Assessment (ESIA) in Buliisa and Nwoya districts, the Kingfisher project ESIA in Kikuube (which was curved out of Hoima district), and EACOP ESIA in October in 2019. I was among the group of experts who provided advisory expert opinion on the quality of these ESIAs in addition to field visits to compare what was on the ground with what was written in these ESIA Reports. It also made it easy for me to get the first-hand account of the different social and environmental impacts of oil & gas developments on the ground. As such, I got the opportunities to appreciate these impacts and their likely future scenarios on the livelihoods of the people. I must admit that these activities enriched my practical knowledge and skills in conducting and reviewing ESIA. Of course, these activities enhanced my research tremendously.

Field responses like interviews, and observations were recorded using digital recorders, camera and field notes. Where permission was granted, some interviews were recorded and photographs taken, except in some cases where participants were uncomfortable, although for most interviews only notes were taken. Some of the reasons given by participants for not wanting to be recorded or photographed were that they occupied sensitive offices and wanted their involvement to remain

completely anonymous. The most challenging aspect with the recorded interviews in urban centers or towns was that sometimes interviews were recorded in places near a main road/street amidst heavy traffic or in places with loud music, which was disruptive. To minimize this, the participants were requested to suggest a suitable place with less noise.

In the event that the participant did not have a place in mind, I would identify another place that is convenient, which worked out more often than not. Where interviews were recorded, transcripts were made. The transcripts and notes were read a number of times to identify key themes and issues. The data analysis process commenced with transcription of all recorded interviews. The processes of transcribing the data involved listening and writing out the data word for word to avoid missing out any important parts of the conversations. Then I did the reading and re-reading of the interviews and re-listening to the recordings as well. This was important to not only capture the story line but also in case I had missed out or had not clearly captured some phrases within the conversation. This process of re-reading and listening to the discussions also helped me to be able to acquaint myself with the data. In addition, generally I was able to make connections from different interviews on emerging themes from all the data, which I collected.

The themes were developed from the main research question, and broken down through sub research questions. In the next step, I identified the key issues that emerged from interviews with the participants regarding the different sub research questions/categories under discussion. For example, I inquired from the participants their perceptions on the impacts of the oil boom on the lives of the people in the Albertine Graben, and their responses indicated that there were many negative consequences than the positives ones for the local people in the area. Some of the negative issues identified were restriction to fishing, firewood and herb collection, little compensation, and displacement. In trying to determine the connections and patterns from these interviews, I used direct quotations that were relevant to the research questions and the different themes and concepts, which have been identified. I ensured that that the quotations captured represented the context in which the participants stated their responses. The overall goal was to ensure that presentation of participant's contributions was made in a legitimate way within the overall discussion.

Generally, the data processing and analysis followed a back and forth movement to acclimatize with the data collected. Transcribing was done, (re)reading and listening to the recorded discussions. It is through this process that relevant themes and concepts were identified and captured, as well as drawing of similarities and differences that contributed to the different chapters developed as part of the thesis.

RESEARCH ETHICS

All interviews and other interactions with research participants were undertaken in a manner consistent with ethical social research and the principle of informed consent (Vanclay et al., 2013), although signed informed consent sheets were not widely used since this was inappropriate in the Ugandan context. Throughout the research period, I observed and abode by the three major areas of ethical concerns; ethics of data collection and analysis, treatment of human subjects, and the ethics of responsibility to society (Reese & Fremouw, 1984). I endeavoured to get informed consent of participants and all interviews were undertaken anonymously as much possible. I ensured that no harm accrued deliberately to individuals, groups of individuals, and or societies resulting from my research.

One of the main methodological challenges to this research was to get signed consents from participants. However, all participants gave verbal consent to be interviewed. In rural areas of Uganda, people are generally afraid of signing documents, especially when they are not familiar

with such procedures. They feared that signing a document might be used for other purposes to their detriment, for example, to take their land away from them. All the interviews were conducted in English, Luo, Luganda (a language widely spoken in Uganda), or Runyoro (the language of the Bunyoro people) at the choice of the participant. It is worth to note that as a native Ugandan scholar, I speak English, Luo, and Luganda (and a number of other East African languages). In the interviews, a multi-lingual research assistant assisted me.

THESIS OUTLINE

Since Uganda discovered commercial oil deposits in 2006, there have been many ongoing activities resulting into many social impacts, both positive and negative. This thesis contains seven chapters. In Chapter 2, I identified and analysed the management of social tensions and community grievances in the Albertine Region of Uganda. Some of these are related to land and resource conflicts, which have morphed in Uganda, as the Government's and private sector's drive to exploit the country's natural resource wealth often conflicts with its human rights obligations, with long-lasting consequences for surrounding communities and the environment (de Kock and Sturman, 2012; Van der Ploeg and Vanclay, 2017). Many communities in the mid-western region of Uganda have been negatively affected by Uganda's emerging oil industry (Ogwang *et al.*, 2018; Ogwang and Vanclay, 2019; Ogwang *et al.*, 2019; Olanya, 2015) and consequently many of them have lodged complaints with the central Government (Holterman, 2014; NAPE, 2016).

In Chapter 3, I examined the impacts of the oil boom on the livelihoods of the people living in the Albertine Graben region of Uganda (Ogwang et al., 2018; IFC, 2009). 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, and their likely future consequences. In this chapter and throughout the thesis, I have analysed how the emerging oil industry in Uganda is potentially an opportunity if well managed on the one hand, and can potentially lead to a 'resource curse', 'Dutch Disease' or 'Nigerian Disease' if poorly managed, and the overall implications for conflict and the social development.

In Chapter 4, I examined rent-seeking practices, local resource curse, and social conflict in Uganda's emerging oil economy. In this chapter, I considered the different types of rent-seeking practices, and discussed how they contribute to social conflict and a local resource curse in the Albertine Graben region of Uganda. The rent-seeking activities have contributed to speculative behavior, competition for limited social services, land grabbing, land scarcity, land fragmentation, food insecurity, corruption, and ethnic polarization. Local people have interpreted the experience of the consequent social impacts as a local resource curse. The impacts have led to social conflicts among the affected communities. I examined how rent-seeking practices lead to a local resource curse and social conflict at the community level. I analysed the manifestations of the local resource curse, and discussed its impacts on local communities, and how these practices undermine community benefits.

I argued that, instead of empowering the local community, the presence of natural resources is disempowering and makes people more vulnerable to the activities and manipulations of speculators, entrepreneurs and local leaders, which I considered to be rent-seeking practices, leading to a local resource curse. Rent-seeking practices encompass natural resource governance challenges, including but not limited to land grabbing, corruption, bribery, unfair compensation,

and speculation. I defined the 'local resource curse' as vulnerability experienced by local communities resulting from the presence or discovery of a natural resource.

My analysis focused primarily on three risks, and on how these led to social conflict: loss of property; economic displacement; and community disarticulation. Loss of property includes loss of land, both individual and community owned, as well as housing, crops, animals as well as other physical assets. By economic displacement, I mean not only the loss of livelihoods and other sources of income, but also loss of access to resources and markets, as well as discrepancies between opportunities provided and people's skills and interests. Community disarticulation is where there is a breakdown in social ties and social organization. These three risks arose from my data as the key emerging themes.

In Chapter 5, I examined the social impacts of land acquisition for oil and gas development in the Albertine Graben region of Uganda. Uganda's oil and gas sector has transitioned from the exploration phase to the development phase in preparation for oil production (the operations phase). The extraction, processing, and distribution of oil require a great deal of infrastructure, which demands considerable acquisition of land from communities surrounding project sites. I specifically considered five major oil related projects that have or will displace people, and discussed the consequences of this actual or future displacement on the lives and livelihoods of local people. The projects are: Tilenga; Kingfisher; the East African Crude Oil Pipeline; the Kabaale Industrial Park; and the Hoima-Kampala Petroleum Products Pipeline. However, many people have been displaced, causing food insecurity, the disintegration of social and cultural cohesion, and reduced access to social services. The influx of immigrants has increased tensions because of increasing competition for jobs. Crime and social issues such as prostitution have also increased and are expected to increase further. I assessed the social impacts of land acquisition for five major projects associated with the oil & gas development in Uganda. I argued that land acquisition should adhere to international best practice. I suggested that opportunities for benefit sharing should be properly considered, and implemented by the oil companies and the government in a negotiated and coordinated way, which will enable the oil companies and the government to gain a social license to operate.

In Chapter 6, I investigated the governance challenges related to Resource Financed Infrastructure development in Sub-Saharan Africa, with interests in Chinese-funded megaprojects in Uganda.

The overarching research design for the research for this specific chapter is a multi-case study (Yin, 2009). I examined the role of China in Uganda's economy in the advent of oil & gas discovery by looking at four mega projects, which have been, and will be, funded and built by the Chinese government and companies respectively. I analysed the potential benefits and financial implications of each the four mega projects, namely: the Kampala-Entebbe Expressway; the Karuma Hydroelectricity Dam; the Isimba Hydroelectricity Dam; and the section of the East Africa Standard Gauge Railway from Malaba on the border with Kenya to the Ugandan capital, Kampala. These megaprojects were at different stages of planning and implementation, but were all being funded by the China Exim Bank. They were selected because, at the time of the research, they were the largest R4I/RFI funded projects being undertaken in Uganda. In my results, for each case I briefly outlined the potential benefits and harms from the project, as well as described the financing arrangements. I then did a meta-analysis to consider whether the R4I/RFI arrangements in the four cases were effective from Uganda's perspective.

In Chapter 7, I examined the social and livelihood impacts from the Uganda section of the proposed East African Crude Oil Pipeline (EACOP). While the actual construction of the pipeline and its associated facilities has not yet begun, and although the whole project is hanging in balance after the Joint Ventures (JV) suspended all operations in September 2019 due to tax disputes with the government, the social impacts of this mega project is evidently visible. I looked

at the different socio-economic activities of the Project Affected Persons, the dilemma and misinterpretation of the cut-off date, the impacts of the on-going developments like land acquisition, and Resettlement Action Plans processes, and other related activities on the livelihoods of the local communities along the pipeline routes; and how these developments have so far affected their livelihoods.

In Chapter 8, I concluded that as the country prepares to get the first oil, probably by 2025, Uganda and other poor resource-rich countries, should ensure that all negative consequences related to oil and gas, and other development projects, are fully addressed and that all opportunities for benefit sharing are properly considered and implemented to avoid a situation where oil exploitation and development will paradoxically lead to a resource curse. These countries should also advocate for a win-win situation where foreign countries, particularly China, are extending to them loans to undertake different infrastructure projects like roads, hospitals, power, and airports.

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CHAPTER 2

The Management of Social Tensions and Community Grievances in the Albertine Region of Uganda

Tom Ogwang

ABSTRACT

The discovery of commercially viable oil deposits in the Albertine Graben in 2006 has negatively affected local communities and consequently has led to numerous grievances. The discovery of oil has also led to widespread tensions and social conflicts. Moreover, land and resource conflicts have morphed in Uganda, as the Government's and private sector's drive to exploit the country's natural resource wealth often conflicts with its human rights obligations, with long-lasting consequences for surrounding communities and the environment. Many communities in the mid-western region of Uganda have been negatively affected by Uganda's emerging oil industry and consequently many of them have lodged complaints with the central Government, while some have accused the central government of being responsible for their predicaments. This chapter focuses on the emergent social tensions and conflicts linked to the oil exploration and development in Uganda. Most of these social tensions and grievances are; land grabbing, under valuation of crops and properties, different amounts of money paid for land in the same area, delays in compensation, human rights abuses, and displacement. I therefore recommend that the government should address these tensions and grievances by involving the churches, local leaders, local government officials and some of the NGOs, which are active in these areas.

KEYWORDS: grievances, social tensions, social impact assessment; project-induced displacement and resettlement; sustainable livelihoods; human rights.

INTRODUCTION

There are numerous sources of tensions and grievances in the Albertine Graben of Uganda due to the discovery of oil and gas in the region. These have resulted in many cases of displacement, land grabbing, high costs of living among others. According to Vanclay (2017, p.3), 'irrespective of their purpose, large-scale development and infrastructure projects… require land, and sometimes very large tracts of land'. Such projects also lead to economic and physical displacement. Natural resource exploitation and extraction is a fast-growing industry in resource-rich Africa, with adverse results for communities living in or around project-affected areas (Avocats Sans Frontières, 2014; Bainomugisha, Kivengyere and Tusasirwe, 2006; International Alert, 2013; Mosbacher, 2013; Uganda Land Alliance, 2011). Activities carried out by various actors involved in natural resource exploitation and extraction—including government entities and private companies—have led to complex violations and abuses affecting an array of socio-cultural, environmental, political, social, and economic development, with long-term and sometimes irreversible effects on people living in and around project-affected areas.

ENVIRONMENTAL CONCERNS

Many studies have documented how oil exploitation is associated with negative social and environmental impacts (Aristide and Moundigbaye, 2017; Eggert, 2001; Ogwang *et al*., 2018; Söderholm and Svahn, 2015). The Uganda 2013 Strategic Environmental Assessment (SEA) of Oil and Gas Activities in the Albertine Graben observed that the discovery of oil and gas resources presented great socio-economic prospects for the Albertine Graben and the country at large, but it also noted that the area is of high ecological and biodiversity significance. This presents various challenges for environmental protection (Ministry of Energy and Mineral Development [MEMD], 2013; Tumusiime, Mawejje and Byakagaba, 2016). At the same time, people in developing countries like Uganda depend on the surrounding environment for their daily livelihoods (Schwarte, 2008). The oil companies in Uganda (CNOOC, Total and Tullow) finished the exploration phase and are now heading into development, which will consequently lead to the production of Ugandan oil resources by 2020 (MEMD, 2017), which has been postponed again to 2022 (The Independent, 2018). Once produced, the crude oil will be partly refined in Uganda to supply the local market and partly exported to the international market. The export to the international market will be through an export crude oil pipeline: the East Africa Crude Oil export pipeline (EACOP). This pipeline will be constructed and operated through a pipeline company whose shareholders are the Uganda National Oil Company, the Tanzania Petroleum Development Corporation and the three oil companies. The East African crude oil pipeline (EACOP) is 1,445 km long (with 296 kms in Uganda), and will transport crude oil from Kabaale in the Hoima district in Uganda to the Chongoleani peninsula near Tanga port in Tanzania. The pipeline route was selected by the Government of Uganda as the least cost (at an estimated tariff of US$ 12.2 per barrel) and most robust route. Due to the viscous and waxy nature of the oil, the pipeline will need to be heated along the entire route, making the EACOP the longest electrically heated pipeline in the world (MEMD, 2017). The pipeline will be buried (1.2 metres deep), and in some cases it will require to be bored under waterways and roads by using horizontal drilling. Some facilities will be above ground such as coating plants and pipeline storage yards, additional workspace for fuel, waste, etc. and access roads and borrow pits. The pipeline also involves pumping stations and pressure reduction stations (EACOP–TILENGA Uganda Scoping Report, 2017).

According to WWF and CSCO (2017), there are opportunities for increased employment and business growth because the EACOP is expected to provide 5,000 jobs, of which an estimated 300 will be permanent and 4,700 temporary. However, the report also highlighted the fear of increased inequality resulting from the socio-economic changes associated with the new employment opportunities, which consequently will lead to income differentials as different local groups and individuals benefit or are negatively impacted upon unevenly from the induced socio-economic opportunities and challenges from the EACOP project. WWF and CSCO (2017) further observed that there are also concerns that more stress, crime and disruption will disrupt community cohesion because of rapid population growth from immigrations associated with the development of the EACOP project, and that these can increase stress, change individuals' patterns of interaction within communities, reduce community cohesion, and change a community's character. The role of land and natural resources in conflict is attracting increased international attention (UN HABITAT, 2012, p.13). The concern in the Albertine region is that changes in land-use patterns such as agriculture, fishing, logging or hunting could increase as a direct consequence of land take or exclusion during the EACOP project, which could potentially lead to conflict (Kobusingye, Van Leeuwen and Van Dijk, 2017). According to UN HABITAT (2012, p.8), while 'environmental factors are rarely, if ever, the sole cause of violent conflict … the exploitation of natural resources and related environmental stresses can be implicated in all phases of the conflict cycle, from contributing to the outbreak and perpetuation of violence to undermining prospects for peace'. According to WWF and CSCO (2017, p.3), 'contamination of water, land and other basic livelihood necessities like oil spills and leakages could lead to chemical contamination of soil and water resources, exposure to fires and disruption of livelihoods'. It further suggests that 'oil pipelines are reported to cause disproportionate impacts on low-income and minority communities especially with regard to human rights violations in several areas around the world'.

These impacts have been reported in African countries like Nigeria, Angola and South Sudan (Alozieuwa, 2012; Fidelis, 2010; UN HABITAT, 2012). There are also fears that the 'reduced State capacity and risk of armed conflict' due to 'oil dependence could skew the institutional development of the state because oil rents weaken agencies of restraint unlike in resource-poor countries' (WWF and CSCO, 2017, p.3). According to a private consultant on oil and gas management and environment, most of the social tensions and grievances in the region stem from land, which he attributed to the influx of job seekers. He observed that:

> Because of oil discovery, most people have stamped this area to fetch for opportunities and as a result they want land which is now scarce and on high demand. As a result, they end up grabbing other people's land and moving to forest reserves and swamps because almost 90% of the people in this area don't have land tittles and this has increased social tensions within in the community. If you went to court today you will find most of the cases are related to land. At the district level, the leaders who have got key information regarding on where certain infrastructures and oil related developments will take place, they quickly run to these places and grab off the land and title it and yet the land has got squatters (Private oil consultant Mr. R. Byaruhanga, Personal communication, November 2016).

During the construction of some roads in the region, there were also tensions and community grievances. One of the respondents claimed that during the construction of the 95 km Kaiso-Tonya road there was a lot of stone blasting, especially in one village called Kyenjojo, which affected many houses and led to the deaths of animals like cows and the destruction of people's crops. Some women miscarried and most of these people have never been compensated for those injuries. These losses, according to him, were sources of grievances and were brewing tensions. He claimed that such people were 'potential candidates' who will cut the oil pipeline passing through their gardens because of the conflict that exists there. Another respondent explained how the discovery of oil has affected the communities both positively and negatively, thereby creating tensions and grievances among the communities. He observed that the discovery of oil and gas in this region had increased many expectations where people started to anticipate that there was

going to be a lot of money. This has been documented by many researchers (Kiiza, Bategeka and Ssewanyana, 2011; Tumusiime *et al*, 2016). As a result, this led to the scramble for and partitioning of land, which worsened the land problems in the region, especially in Buhuka Kyangwali and Kyakaboga, Bugambe sub-counties in Hoima District. A local community mobiliser working in the area observed that a local organisation—Bunyoro Albertine Network of Civil Society Organisations on Environmental Conservation (BAPENECO)—conducted research to ascertain people's perceptions on oil and their involvement, and in one of its findings found that three cases of murder had happened between the Alur community and the pastoralists over land use and control. This, according to him, was one example of the tensions, which have pitted these two communities against each other in the region.

SOCIO-ECONOMIC AND POLITICAL CONCERNS

According to local newspaper reports, in 2011 the Bunyoro kingdom, a traditional kingdom where most of Uganda's oil was discovered, made it clear that it wants the central government to pay it 10 per cent of revenues from the crude reserves once commercial production starts. An official from Bunyoro kingdom noted that the kingdom, which has had long-standing grievances against the central government, arrived at the final figure it is demanding after what he called 'intense discussions' by its Cabinet. He asserted that the *Omukama* King's cabinet deliberated over this issue for a long time and they had arrived at the figure of 10 per cent based on similar industry practices in other countries like Ghana.

However, according to the Public Finance Management Act (2015), central government will retain 94 per cent, while the local governments in the region will get 6 per cent. There is no specific mention of Bunyoro Kitara Kingdom in the Act. However, section 75(8) of the same Act (2015, p.69) states that 'the Government shall grant one percentage point of the royalty due to the Central Government to a gazetted cultural or traditional institutions'. The kingdom has pointed to Article 36 of the 1955 Bunyoro Agreement which states that 'in the event of any mineral development taking place, a substantial part of the mineral royalties and the revenues from mining leases shall be paid to the Native Government of Bunyoro-Kitara'. Article 37 adds that '[a]ll natives shall have the right of fishing in all public waters…'. The surrounding communities along Lake Albert claim that fishing on the lake has some restrictions (International Alert, 2013; Ogwang *et al.*, 2018; Vanclay, 2017) which have affected their livelihoods. These may result in major tensions and grievances. The kingdom is also demanding a publicly funded university to be located in its area and a financial allocation to cover any environmental damage from petroleum production. There are fears that if the central government fails to meet the kingdom's demands, these grievances could produce hostility against oil companies and possible sabotage of oil installations, especially by the region's swelling ranks of unemployed youth.

A recurrent source of social tensions and grievances in the region is related to land grabbing and compensation (Ogwang and Vanclay, 2019; Olanya, 2015; Tusiime *et al.*, 2016), some of which have been married with domestic violence. According to one respondent there was no element of gender sensitivity as far as giving compensation money was concerned. He observed that the moment men got the money they went ahead and did what pleased them rather than their families. For example, they marred more women, bought motorcycles (*boda bodas*) and alcohol, which led to domestic conflicts and some families broke apart. He further noted that while some people opted for relocation, many of them faced difficulties in moving on with their lives because of the Government's delays in relocating them. In July 2013, the Africa Institute for Energy Governance (AFIEGO) in partnership with Oil Watch Network Uganda, and Publish What You Pay Bunyoro Chapter, mobilised the representatives of the project-affected persons for a 'dialogue' on the

‘Violation of the Rights of People Affected by Uganda’s Refinery Development’. This was in line with the principles of stakeholder engagement (International Finance Cooperation [IFC], 2007) and addressing issues related to project-induced in-migration (IFC, 2009), respectively. The dialogue brought together 25 participants comprising representatives from all the 13 affected villages of Kabaale, which had over 7,000 people.

Other participants came from the districts of Kibaale, Buliisa, Masindi and Kiryandongo. During the meeting, a number of concerns were raised, in particular. The failure to put regulations for the assessment and payment of compensation in place. It was noted, that for the last 20 years the Minister for Lands, Housing and Urban Development had failed to make regulations for the assessment and payment of compensation as required by section 20 of the Compulsory Land Acquisition Act. This had left the people affected at the discretion of districts that are required to compile rates and the chief government valuer who endorses all payments. As a result, it remains difficult for one to challenge the rates in cases of disagreement. The participants also noted that there was a conflict of interest and bias because it was inappropriate for the MEMD to allow the Strategic Friends International (SFI) company to conduct the Resettlement Action Plan (RAP) and at the same time to implement the plan through the ongoing compensation disclosures. This was irregular and falls below the required transparency necessary to guarantee respect for the rights and the future livelihoods of the local communities affected. The participants further observed that the MEMD and the SFI company had failed to make public the findings of the RAP for the last two years (2011 and 2012). By then, even Parliament and especially the Members of Parliament (MPs) representing the affected communities had no access to the RAP report.

The participants were concerned that the SFI company was unable to avoid bias and conflict of interest in this case. Furthermore, members were concerned about the secrecy around the contractual relationship between the MEMD and SFI. It was noted that there was no evidence that the services of SFI were procured through competitive processes and there was no guarantee that Ugandans would get value for money. Members were also aggrieved about the lack of competence on the part of SFI. They observed that while the SFI has been conducting several training sessions and research studies with a number of local districts and health centres across Uganda, there was no evidence to indicate any competence to deal with a project such as the proposed oil refinery in Kabaale that was scheduled to displace over 7,000 people. They pointed to the fact that the SFI and the MEMD had for two years failed to make public the RAP report, which brought its incompetence to the surface. In addition, they had also failed to advise Hoima district to put in place the 2013 compensation rates and were using an unapproved rate from 2011/2012. This, according to them, might lead to the possibility of the people affected opting to take the law into their hands in future.

In addition, the members were also concerned about the lack of respect for the right to information, public participation and access to justice necessary to guarantee common benefits, collectively termed as ‘violation of access rights’. They asserted that Hoima district’s local government, for instance, had ignored the need to involve the people in setting up and making decisions on compensation rates as required under the Land Act. Instead, the communities affected were being indirectly coerced to sign compensation forms without being given time to study them and make a decision whether or not to sign. This formed a basis for grievance among the project-affected communities.

There were grievances related to several petitions to Parliament and government ministries, which were not given much attention. Members felt that the grievances contained in these petitions were ignored. They noted that in May 2013 a delegation of 36 people representing all the 13 affected villages in Hoima and others from Buliisa petitioned the Parliament of Uganda, the Minister for Energy and Mineral Development, the Minister for Lands, Housing and Urban Development, the Minister for Bunyoro Affairs, and the Hoima District Council, calling upon the Government to address the injustice and violation of their rights in the RAP process by MEMD and SFI. Therefore, this was interpreted by some locals as ‘undermining’ their grievances and integrity,

and remained a permanent thorn in their relationship with the Government. According to the Constitution, under Article 26, a person is entitled to adequate and prompt compensation for loss of any property rights. However, some of the people observed that the project-affected communities had been denied the right to negotiate their compensation or decide where to be resettled. They asserted that SFI had told the affected communities to sign documents for compensation, which were written in English, yet most of the affected communities cannot write or read English. To make it worse, they were not told the specific dates on which to expect their payments to enable them to plan properly for their future. As a result, the communities were subjected to a lot of speculation and anxiety. Concerns over under-valuation of fruit trees such as mangoes were also raised by the members. They argued that UGX 80,000/= as the value of a mature mango tree under the 2012 rates was too small and did not take into account the fact that a mango tree could produce mangoes worth over UGX 100,000/= in a season. They also observed that it takes over six years for a new tree to grow before any harvesting can take place. Therefore, these six years should be compensated for at the rate of UGX 100,000 per season to cater for the years of deprivation as they waited for the new harvest.

In addition to the above, the proposed EACOP pipeline has already created concerns among the locals where the pipe will be constructed. This project will need land to build above-ground facilities (AGFs) like pumping stations, camps, and access roads among others. These will lead to displacements. According to the EACOP ESIA report (2018), the number of project-affected persons (PAPs), with regards to temporary and permanent resettlement-related impacts, is estimated at 300–400 households. An estimated 1,700–3,000 household will be economically displaced. However, given the past experiences (Global Rights Alert, 2015; Imaka and Musisi, 2013), tensions are already building high among some communities which will be affected by this development which puts their livelihoods into uncertainty. According to IFC (2012, p.1), livelihood refers to the 'full range of means that individuals, families, and communities utilize to make a living, such as wage-based income, agriculture, fishing, foraging, other natural resource-based livelihoods, petty trade, and bartering'. IFC Performance Standard 5 (2012, p.1) recognises that 'project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land'. According to IFC (2012, p.1), 'involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) as a result of project-related land acquisition and/or restrictions on land use'. It further suggests that 'resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement'. This occurs in cases of; (i) lawful expropriation or temporary or permanent restrictions on land use; and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail (IFC, 2012, p.1).

While some of the respondents were compensated, many complained of low rates for their land and crops. These, according to them, affected their livelihoods in many respects. This is why the Government and the oil companies should constructively engage with the affected communities to address any speculation regarding land acquisition and utilisation in the region. Reddy, Smyth and Steyn (2015, p.59) argue that anxiety, fear and speculation should be avoided because 'perception is reality if you do not engage then, people will create their own reality'.

Another source of social tensions and community grievances is related to suspicion, hatred and mistrust (Tumusiime *et al*., 2016), which is mainly caused by a lack of information sharing. One respondent claimed that important information is often concealed from the general population by being labelled 'classified' by the Government and oil companies. Many people have especially questions concerning the distribution and allocation of oil revenues. Illustratively, one respondent interviewed as part of this study, raised the following questions about the allocation of oil revenues: 'How much will the 6% given to local districts be? We also don't know where some of the crude oil, which was drilled during oil testing, went? Well we heard that some of this oil was

sold to Nakasongola, others to Hima cement factory. Where did the money that came from it go? Where did the government put that money?' (Mr. K. Mugume, personal communication, November 2016). All these questions remain unanswered, so all these form sources of tension.

The area Member of Parliament for Buliisa county noted that there was still a feeling that oil and gas is a highly 'technical issue'. He was concerned that most people do not have access to information, and procedures for accessing oil-related documents are not known; oil contracts are not easily accessible. He wondered how an ordinary citizen can access information on the oil sector if the Members of Parliament cannot have ready access to some of the information. While he argued that participation was a right of all the citizens, many do not know that they have the right to participate and some believe that such issues belong to Government. He castigated the Government for thwarting their efforts in trying to prepare the public to participate effectively. In his view, public participation was constrained by lack of access to information, under-developed capacity, and lack of sensitisation. He argued that many stakeholders lacked the capacity to understand the content of the documents concerning oil and gas. He concluded that 'issues like the laws, content of the contract are severely lacking so even where information is availed many don't have capacity to comprehend the content' (Ssewante, F., personal communication, November 2016).

The above grievances are not new. For example, a number of studies have documented many concerns about the secrecy surrounding the operations of oil and gas companies and their dealings with the Government, which proved to be problematic at both the national and regional levels (Avocats Sans Frontières, 2014; Global Witness, 2013a; 2013b; Kiiza *et al*., 2011; Ogwang *et al*., 2018). For instance, in 2010 there was a parliamentary revolt over the undisclosed terms of agreements between the oil companies and the Government that were not made public. Parliamentarians accused some cabinet ministers of taking bribes from the companies in exchange for oil deals. After several verbal clashes and debates, in 2012 the Government disclosed to parliamentarians aspects of the oil deals it had with international oil companies, but details of the agreement remained confidential due to'commercial interests', sparking further speculation about corruption and how these deals benefit the average Ugandan citizen. This secrecy and lack of information is also replicated at local levels (Avocats Sans Frontières, 2014; Mawejje and Bategeka, 2013).

There have been only minimal efforts, and in some cases no efforts, to enable community members to understand the legal requirements, procedures, processes, and the entire management framework of the oil and gas industry in the region. For instance, the Resettlement Action Plan (RAP), which is the most important document detailing terms and conditions for resettlement and compensation was not revealed initially to the project-affected people in Kabaale, Buseruka Sub County in Hoima. Even the district leadership did not have access to it, leaving a huge communications void. Ideally the, RAP should not only be made available to the affected populations and their leadership, but should also be translated into languages that people understand so that they can make informed decisions. According to a top local government official in Kibaale District, most of the sources of social tensions and community grievances arose from the displacement of people from their areas to pave way for oil infrastructures like the oil refinery, pipelines and the airport. He observed that whereas some people were compensated the money given to them was not enough and they have been complaining to this day. He further noted that since the discovery of oil, local communities and their leaders were not allowed access to areas with oil infrastructure.

One of the respondents working with a community-based organisation observed that there were concerns over the 29 square kilometres, which the Government acquired legally for the construction of the oil refinery in Kabaale in Hoima district. According to him, some people opted for relocation while others opted for compensation. He noted that the whole compensation process was punctuated with irregularities, ranging from under-valuation of property, and limited capacity training for the people on how to use their compensation money. For example, a person who got

one million in a lump sum and had never got it before thought that all their problems were solved, which led to mismanagement of money. According to him the problem was compounded by the fact that those who were outside the 29 square kilometres knew that those who were displaced were paid and decided to raise the price of land way beyond what the displaced people could afford with the money they received. In the end most of them ended up in wetlands and public forest reserves, leading to deforestation and environmental degradation. In addition, the community in the refinery areas claims that rates used for the valuation of their property were not communicated to them, and some claim that even after the completion of the property valuation there was no feedback on the value of their property, so they had no idea how much money they would get. This has led to dissatisfaction among the local communities, who questioned why the valuation team did not allow them to raise complaints before displaying details of the valuation. Some locals also complained that the problem of low compensation was further compounded by the fact that the compensation agreements were in English. They argued that the majority of people cannot read or write English. There were allegations that some women thought they had signed land-use agreements, yet they were actually signing for compensation for destroyed crops, while others signed without knowing what they were signing for.

There was also another concern by the respondents who claimed that the farmers were encouraged to produce a lot, hoping to get a bigger market from the oil industry. However, this did not happen, as most of the supplies came from Kampala. The local communities do not ideally consume the surplus produced, thus discouraging the farmers from growing crops on a large scale. But one of the workers with the District Farmers Association observed that 'everybody wants to supply directly to the camps which is not possible. You find that many people want to enter the system and yet not all people can be taken on in this kind of arrangement' (Angeno, J., personal communication, November 2016).

MANAGEMENT MECHANISMS AND THEIR EFFECTIVENESS

The management of social tensions and grievances mechanisms and their effectiveness are classified into formal and informal processes. In an interview with one of the staff members of ACODE, a pilot exercise to facilitate the locals acquiring customary land certificates had been introduced to help the community, especially those who could not afford to process freehold tittles easily. He said that people are now being helped to demarcate their land and acquire ownership of land. There is also sensitisation of the masses on how to resolve land-related conflicts. An important mechanism, which has worked at least for now, is the executive pronouncement of the President to stop the issuing of land tittles in Bunyoro region has to some extent helped to reduce the gravity of the problem. However, this also meant that people who are well placed could continue processing these land titles at the expense of the local people.

According to one of the respondents, one of the mechanisms which a locally based NGO called Mid-Western Region Anti-Corruption Coalition (MIRAC) adopted in handling the grievances, was to organise community round-table dialogues where the duty bearers and the communities are invited to share information concerning oil and gas-related topics and give feedback on the different issues happening in the area, but also amicably find solutions to different conflicts that are related to oil activities. The respondent stated that they bring different stakeholders like government officials who inform the people about the different government programmes in relation to oil and gas, but also listen to their grievances at the same time. According to him, when such government officials cannot offer sufficient answers to the questions asked, then they forward the matter to higher offices. He revealed that, for example, his organisation had petitioned different officers including those from the Ministries of Energy, and Mineral Development, and Lands, Housing and Urban Development (MLHUD). In particular, they petitioned the Ministry of MLHUD on the issue of land grabbing, and as a result of their interventions a total of 14 land

tittles, which were illegally acquired in Buhuka area, Kyangwali sub-county, were all cancelled. As an organisation, it felt proud of having contributed to this cancellation. The organisation is also involved in increased environmental civic consciousness. Amidst petroleum development, it tells people that environmental degradation and climate change are real. So, they encourage them to plant trees so as to prepare for it normally through tree planting; at times they also help the community to add value to its land and in case it is required for oil-related development then the people get more money through compensation.

According to a top official of Kibaale district local government, there are many different development partners, for example CSOs, which are advocating for better management of the oil resource (Amara, P., personal communication, November 2016). Apart from the CSOs, there are also area Members of Parliament who were rallying the citizens on what can be done to manage the oil resource better. Their main concern was oil discovery and was awakening the masses about what they can do on the issues concerning oil. He also noted that, as local governments in the Albertine Graben, they held a workshop in Kampala with different stakeholders on what their contribution could be concerning the oil resources. As local governments from the region, they were also trying to lobby on how much oil revenues can be given because the current arrangement of 7 per cent (6 for the local governments and 1 for traditional leaders) was not 'fair'. As noted earlier, the sharing of the oil dividends is one of the key concerns, which needs to be addressed by the Government.

The involvement of the cultural institution, for example the Bunyoro Kitara kingdom and cultural and religious leaders, is seen as important in trying to address the social tensions and grievances. These are also being augmented by Parliament and the local government councils. However, even with some of these mechanisms in place, and despite the scrutiny and constant media coverage of the growing natural resource industry, including oil policies, laws and production agreements, little attention has been given to the legal recourse available for people and communities affected. According to a study by Avocats Sans Frontières (2014) when asked whether they considered formal mechanisms as means of seeking redress or channelling their grievances, 35 per cent of respondents in Buseruka sub county stated that they had considered formal mechanisms as a means of obtaining redress, while 45 per cent stated that they did not consider the courts as possible redress mechanisms because they did not have any knowledge of the courts or how they functioned. The study further stated that half of the respondents noted that they did not use the courts because they could not afford the legal fees and other charges necessary to have a case filed. The study also revealed the distrust that formal justice mechanisms will meet their needs, citing corruption as the main reason. Some of the respondents assumed that corruption was the cause of delays in court proceedings, especially when the lawyer requested adjournments. The study noted that this points to other problems relating to lack of understanding of court procedures and processes.

Another factor presented as a barrier to accessing courts was the distance that most communities were required to travel. A person whose matter is before the magistrates' court was required to travel approximately 80km from Kabaale Parish to access the nearest magistrates' court in Hoima town council. Another person whose case was before the High Court had to travel over 150km from Kabaale Parish to Masindi town council where the High Court is situated (Avocats Sans Frontières, 2014). The formal mechanisms established by Ugandan law include courts of law (including the magistrates' courts, High Court, Court of Appeal and the Supreme Court), the Uganda Human Rights Commission and quasi-judicial mechanisms including local council courts. Another mechanism introduced for the management of social tensions and grievances was the Resettlement Action Plan (RAP) Mechanisms. According to Avocats Sans Frontières (2014, p.47), the affected communities' lack of use of the formal justice mechanisms could also be partly explained by the dispute resolution mechanisms created by the Resettlement Action Plan (RAP). The research noted that discussions with district government officials in Hoima District revealed that affected communities had been sensitised about the RAP mechanisms, and had been advised that if they had any grievances related to RAP implementation, they could seek redress from these

mechanisms. Within this framework, the community was expected to complain to the village RAP committee, who forwarded their complaints to Strategic Friends International. Avocats Sans Frontières (2014) observed that similarly, according to the affected communities in Kabaale Parish in Buseruka sub-county, sensitisation was carried out by Strategic Friends International (SFI), the Resident District Commissioner (RDC) and the Ministry of Energy and Mineral Development (MEMD). The communities confirmed that during the sensitisation meetings they were told to use the RAP structures, which implied to them that the courts did not have the mandate to handle matters related to RAP implementation.

However, some CSOs, like the Africa Institute for Energy Governance (AFIEGO, 2013), have since resorted to the courts on behalf of the people affected. People take their land-related grievances to different groups of people, for example some organisations that are fighting for the rights of the people. Some of the concerns are taken to Parliament so that they can be heard from there. Also, those who can are encouraged to process land titles because the 'land grabbers' cannot take lands away from people who have got land tittles because the locals will have ownership of the land already. The other mechanisms, which were proposed by the RAP, are mediation fora constituted by representatives from the village councils, parish land committees, Ministry of Justice, a representative from the former Petroleum Exploration and Production Department (PEPD), now the Petroleum Directorate, Area District Councillor, a civil society representative, an area woman councillor, among others. In the event that an amicable decision is not reached, a complaint may seek legal redress in courts of law (Avocats Sans Frontières, 2014). At the village level, the RAP committee was elected by the community and composed of two community representatives and the local council 1 (LC 1). According to the community, they were informed that this RAP committee would be their first point of contact if they were dissatisfied with the valuation process. However, the village RAP committee only registers complaints from people who signed forms accepting the valuation outcomes and amount claimed as compensation. This therefore means that those who had grievances regarding compensation are left out of this arrangement.

According to Avocats Sans Frontières (2014), residents on land earmarked for the construction of the oil refinery indicated that they were to be paid compensation that ranged from 3.5 to 7 million Ugandan shillings (US$ 1,400–2,800) per acre of land, depending on the location. They indicated that this amount was too little to enable them to afford land of the same size elsewhere in the neighbouring communities. They also questioned why compensation rates were not uniform across the area marked for the refinery. While the people on the actual site of the refinery were to be compensated at the rate of at least 7 million Ugandan shillings (US$ 2,800) per acre, however, according to the residents some land was valued at 7 million while other land was valued at 3.5 to 6 million Ugandan shillings. These differing compensation rates, while all residents were displaced, became a source of stress and discontent among residents. The lack of transparency in the valuation process, the sole determinant of what a person is paid in compensation, led over 300 community members to refuse to sign the compensation claim form. Therefore, a person cannot be dissatisfied with the valuation process and at the same time sign the compensation claim form, which means that the limited scope of action of the village RAP committee was rendered ineffective for people to use to seek redress.

According to Avocats Sans Frontières (2014, p.49), in the words of one of the people who rejected the valuation outcome and refused to sign the compensation claim form, 'the RAP committee did not help us at all; they just signed forms and received allowances. I thought they would have helped us voice our issues and give us feedback but they did nothing'. Avocats Sans Frontières (2014, p.50) documented that Strategic Friends International (the RAP implementing agency) and MEMD were to be the next level of reference should the village RAP committee fail to resolve a grievance. The village RAP committee was required to forward the community complaints to Strategic Friends International (SFI). SFI did not handle issues of land revaluation for

compensation. Instead, it convened community meetings together with the MEMD representatives to meet complainants. The community asserted that during these meetings, their grievances were not dealt with, nor did they get answers from SFI or the MEMD representatives, who instead promised them that their issues would be resolved. On other occasions, they were told to accept what was offered and stop impeding development (Kinyera, 2019). The Tilenga oil project in Buliisa district faced some resistance from the communities affected when it came to compensation rates for land acquisition for oil and gas projects (NTV Uganda, 2018; Ogwang and Vanclay, 2019).

In many places where there are cases of land disputes in Uganda, the communities normally approach the Resident District Commissioner (RDC) for assistance with their problems. According to Article 205 of the Ugandan Constitution, the RDC has two main tasks: coordinating the administration of government services in the district, and advising the District Chairperson on matters of a national nature that may affect the district or its plans and programmes, particularly in relations between the district and the Government. This mandate does not include judicial or arbitration functions. Nevertheless, despite this clear assignment of roles, individuals and communities approach the RDC because s/he is commonly viewed as the President's representative in a district. However, in some instances they have been accused of supporting government programmes or siding with the rich against the local people. According to Avocats Sans Frontières (2014), the perception of the RDC as the President's representative gives the community the misguided belief that, like the President, s/he has the power to grant favours, including the expeditious resolution of problems at the local level. Numerous groups and individuals have made appeals to the President for redress, compensation and the return of property.

The communities pointed out that the RDC had not been helpful and had often dismissed their concerns. On one specific occasion, when people with complaints about the measurement and valuation of their land mobilised in large numbers to meet SFI and MEMD representatives, the RDC came with police and security personnel armed with tear gas and water cannons. They noted that although 'the tear gas and water cannons were not used, the presence of these items and the police and security personnel frightened them into not demanding answers from SFI' (Avocats Sans Frontières, 2014, p.51). Avocats Sans Frontières (2014) further observed that the RAP mechanisms have created a perception that access to justice for RAP implementation-related issues can only be achieved through the executive arm of government, in which MEMD and RDC are located. This contravenes the doctrine of separation of powers and checks and balances enshrined in the Constitution of the Republic of Uganda, which provides in Article 126 that judicial power shall be exercised by courts established under the Constitution. Subsequently, these findings showed the strong inclination of the people to utilise justice mechanisms they understand, are comfortable with and can afford, despite the fact that their choices are not based on their appropriateness to address the legal concerns and human rights issues they face. This legal vacuum needs to be addressed to ensure access to justice and redress (Avocats Sans Frontières, 2014, p.51).

CONCLUSION AND RECOMMENDATIONS

This chapter has analysed the major tensions and grievances that exist in the communities in and around the oil-rich Albertine region. It further examined the mechanisms and policies, which have been implemented by the Government and other stakeholders, including international oil companies (IOC), to manage and mitigate the prevailing social tensions and grievances, and assessed how effective these mechanisms have been in resolving the tensions and grievances, which have emerged because of the oil exploration and production-related activities. While several studies (Kutesa, 2014; UNDP, 2016) have recognised that the extractive industry sector, especially oil production, could double or triple Uganda's current export earnings, some studies have also highlighted the dark side of this industry (Karl, 1997; Vokes, 2012; Mosbacher, 2013; Ogwang *et al*., 2019). It is therefore important that the different stakeholders need to take into account people's grievances in order to avoid the negative experiences of other oil producing countries. Government should empower the local councils to handle the land issues at the local level, and where they are ineffective, the cases should then be handled at the sub-county level.

As there is still need for more land to accommodate the increasing demand for oil and gas infrastructure, it would be prudent to develop and provide a clear description of the potential extent/magnitude of displacement of persons/settlements including clear compensation and livelihoods restoration plans (LRPs). A well-communicated compensation scheme (Honeyman, 2003) should be provided in the RAP to the potential and actual project affected persons (PAPs). The stakeholders should try to reduce suspicion among the locals by reducing the restriction on accessing oilfields to enable the locals to access firewood and medicinal herbs. To avoid unnecessary and unrealistic expectations from these communities, it is recommended that the Government and the oil companies should develop clear management of expectations and anxiety plans. The process of this development should include the relevant stakeholders so that their voices are heard. Some of these could include providing upfront, clear, concrete and well communicated procedures for the provision of goods and services, hiring labour (both local and national), including their working conditions and duration.

There is need for open, honest and realistic estimates (for example 5,000 for EACOP) to be provided with regard to labour requirements for the project, as well as training and transfer of knowledge. In addition, clear communication procedures should be introduced to allow for effective collection of complaints and responses to grievances of the people affected by the project's activities. Furthermore, the stakeholders involved in the EACOP project and feeder pipelines should provide clear descriptions of how the pipeline's construction will be undertaken without causing significant environmental disturbance, for instance for forests, wetlands and other areas with vulnerable water conditions. It is also recommended that mitigation measures should be provided for all impacts that cannot be avoided. In summary, all the potential environmental and social consequences of these risks with regard to the pipeline should be addressed.

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CHAPTER 3

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.

Keywords: social impact assessment; project-induced displacement and resettlement; sustainable livelihoods; social license to operate; resource curse; extractive industries and society

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 & 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 relying 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 & 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 & 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 & Moundigbaye, 2017:42). However, as time went by, few tangible benefits for local peoples in Chad have actually emerged (Aristide & 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 & Ardalan, 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 & Vanclay, 2017; 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 & Lay, 2009; International Alert, 2009; van der Ploeg, 2011; Global Witness, 2013; Dietsche, 2014; Gilberthorpe & Papyrakis, 2015; Ross, 2015; Sturesson & Zobel 2015; Goumandakoye, 2016; Palazuelos, 2016). Many studies have documented how oil exploitation is associated with negative social and environmental impacts (Eggert, 2001; Söderholm & Svahn, 2015; Aristide & 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 & 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 & Vanclay, 2017).

BOX 1: Quick overview of history of oil development in Uganda
(current to mid-2017; adapted from Action Aid Uganda's *Oil in Uganda* website http://www.oilinuganda.org/categories/oil-timeline)

Late 19th century, seepage of oil noted in various places in western Uganda

Early 20th century, various exploratory activities

1962 Uganda gains independence from the United Kingdom

1962 to 1998 various oil-related activities, but no substantial outcome

1998 Heritage Oil conducts seismic surveys firmly establishing the presence of oil deposits

2006 Many wells drilled confirming substantial deposits of oil and gas

2010 Government commissions a feasibility study for the construction of a refinery

2013 Government approves construction of a refinery

2013 Chinese company CNOOC is granted a production licence, with production expected in 2017

2013 over 7000 people ordered to vacate land allocated for refinery, compensation paid by Government of Uganda

2014 the Government's National Environment Management Authority approves four companies to construct a waste management facility to process oil drilling waste

2014 The Government signs a Memorandum of Understanding with the three oil companies (Total, Tullow and CNOOC) detailing a roadmap for the commercialization of the country's petroleum resources, specifically agreeing that the country's natural gas will be used for power generation, a refinery will be built, and a crude export pipeline will be built

2014 Over 200 families forcibly evicted by a private company (with police assistance) from land to be used for the waste facility

2014 paved road from Kaiso (on Lake Albert) to Hoima completed

2015 RT-Global Resources is announced winner of the bid to build the crude oil refinery

2015 another waste oil treatment plant is opened near Hoima

2015 announcement of Hoima-Lokichar-Lamu route (through Kenya) for pipeline

2016 oil pipeline route changed to be Hoima to Tanga in Tanzania

2016 RT Global Resources backs out of the refinery, leaving the government without a current developer

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 & 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, Hoima, November 2016).

This consultant went on to say that business activity on the shores of Lake Albert was booming, especially because of the improvement in road infrastructure (which was done by the government to facilitate oil development). He also suggested that, due to the discovery of oil, the number of people in the area had increased considerably, and that Hoima was now experiencing traffic jams. He opined that:

> Before the discovery of oil, Hoima used to have fewer people, but right now, there are so many people, in fact, you now witness traffic jams in the evenings in town. Many people flock to this region hoping to get so many opportunities, like employment from the oil industry, but apparently their hopes have not yet materialized, and when they don't get what to do (sic), they become part of crime makers. For example, there are increased cases of burglars locally known as *iron bar hit men,* which … mean there are redundant and jobless people in the area (Field Interview, Hoima, November 2016).

One of the challenges is that the oil is in the most ecologically rich region of Africa (NAPE, 2016). Extraction activities are likely to negatively affect local habitats and biodiversity (Kasimbazi, 2012). Around the world, the oil industry has also been responsible for disrupting the lives and livelihoods of local people (Demuijnck & Fasterling, 2016). In the Albertine Graben, the oil industry has had significant negative impacts on the lives, livelihoods and culture of the local people (International Alert, 2013; Shepherd, 2013; Global Rights Alert, 2015; NAPE, 2016). A very important livelihood for communities across the Albertine Graben region is fishing and related activities. This has been much affected because access to the lake is being restricted by oil developments (International Alert, 2013). The fisheries sector is an important economic activity, not only because of the livelihoods it provides to many Albertine dwellers, but also because of the tax income, it brings to local governments. However, the fish stock is dwindling, which is attributed to the influx of people and to negligence by the authorities (International Alert, 2013).



Photo 2: An elderly woman is seen seated next to the cowrie shells (used in making chicken feed) in Wanseko landing site near Lake Albert, in Buliisa district. The proposed water abstraction point for the Tilenga project, operated by Total, is located within the lakeshores where cowrie shells are collected, which will lead to economic displacement.

The ongoing political tension between Uganda and the DRC (Tar et al., 2016) has been having local consequences. Although conflict between the fishing communities of the two countries has been rare, since oil exploration activities have commenced, fishermen from the two countries have become embroiled in sporadic flare-ups, with each accusing the other of trespassing (Balikuddembe & Ardalan 2014). This has been exacerbated by various cases of reported killings of Ugandan fishermen and security personnel by unknown persons suspected to be Congolese. In response to these attacks, the Ugandan government has threatened to use military power against DRC forces if attacks on Ugandan soil re-occur (Mugerwa & Bagala, 2016). Another concern, partly brought about by this risk of violence, is restriction on travel to various parts of Uganda. The Chairperson of a local council we interviewed said he was concerned about the restrictions and observed that:

> There are so many restrictions to access the oil areas including [for] us leaders. For example, I am the District Chairperson, but I am not allowed to access the oil wells without clearance from the Prime Minister; this applies to even the Minister for Bunyoro Affairs and cultural leaders as well! Imagine you have to first seek permission to access a resource that exists in your area of jurisdiction! (Field Interview, Kibaale District, November 2016).

The restrictions have also been documented in a report by International Alert (2013), which indicated that many local people were concerned that the restrictions affected their access to forest herbs and firewood, the main source of fuel for cooking. Resource extraction projects are typically associated with a large influx of job-seeking migrants into the resource area (IFC, 2009; Aristide & Moundigbaye, 2017). Such population growth frequently leads to new types of poverty and other social problems, such as alcohol abuse and prostitution (Vanclay, 2002; Pegg, 2005; Vanclay et al., 2015; Hansen et al., 2016; Esteves et al., 2017). With the increasing population of humans and livestock, land availability is becoming limited, which has led to overgrazing.

Because of the in-migration (also known as the honey-pot effect), some social evils have been witnessed in the Albertine Graben region. Prominent among these is prostitution, which allegedly was never previously heard of in these villages "but when oil operations started, prostitutes from DR-Congo across Lake Albert flocked into the areas occupying most of the fish landing sites like Kaiso, Sebagoro, and Kyehoro, Buhuka" (NAPE, 2016:9). Our interviewees indicated that prostitution was not only limited to the fish landing sites, but was also evident at all locations experiencing an influx of oil workers and other job seeking migrants. According to one interviewee, the intended location of the refinery was an area previously occupied by cattle keepers (*baralo)*. He observed that following their eviction, some *baralo* moved to the '*kyeya*' (communal grazing land) on the lakeshore, while others moved elsewhere to graze their cattle. Fights sometimes erupted between the *baralo* and the agriculturalists in the new locations because the cattle would graze in the gardens of the host villages. This has led to land use conflict between the Alur community and the *baralo* and to three reported killings. There is an urgent need to address these issues to avoid further deaths.



Photo 3: A sign post put up by the local people defending their land from any form of unfair compensation in Kabaale village in Buseruka sub county, Hoima district. **Photo credit:** Busisa Eunice.

Food insecurity has risen in several ways. Some people who had encroached upon road reserves found that they had to give up the land they were farming when the roads were widened. In some cases, men were recruited to work in oil related activities, which led to them abandoning their farming practices. This has led to food insecurity, especially in cases where the money earned

was not used to buy food for consumption at home. It also increased the burden of work on women (NAPE, 2016).

International Alert (2013) reported that there have been serious conflicts in the oil exploration area over land ownership and land use. It argued that in-migration has led to a shortage of land, which has been exacerbated by the fragmentation of land due to the increasing population. There have also been claims of the fraudulent sale of land (International Alert 2013:36). These claims were echoed in a field interview with a key informant:

> The discovery of oil and gas in this region increased a lot of expectations. People started to anticipate that there is going to be a lot of money and even I had the same kind of expectations. As a result, there is a scramble and partition for land. You know, Bunyoro region had its own problems related to land, but this has more than multiplied. The situation is more complex, cases of land grabbing are high, for example in Buhuka Kyangwali sub-county, the whole village was evicted. In Kyakaboga, Bugambe sub-county in Hoima District, about 50 families were evicted from that area (Field interview, November 2016).

Although oil companies are expected to contribute to social development and to replace any infrastructure destroyed by their projects, in the Albertine Graben region there have been disturbing reports of schools, markets and churches being closed (NAPE, 2016). As a result, parents have had to take their children to far-away schools. If this is true, then the relevant authorities should take measures to address this. The in-migration leads to increasing pressures on land and fuels tensions between local communities and newcomers. It puts a strain on already limited social services, such as education, water and healthcare.

A study by the Uganda Land Alliance (2011) revealed that the most common land-related problems around the oil districts included land-grabbing and encroachment, increased land disputes, and land fragmentation. The influx of people has implications for government spending and service provision. There are also risks associated with transfer of disease by migrant populations to their new communities (Kuteesa, 2014).

OIL DEVELOPMENT, DISPLACEMENT AND COMPENSATION

Irrespective of their purpose, large-scale development and infrastructure projects require land, and sometimes very large tracts of land (Vanclay, 2017). Expected international practice suggests that any project should adhere to the following principles: involuntary resettlement should be avoided or at least minimised; where resettlement is unavoidable, all people affected should be compensated fully and fairly; involuntary resettlement should be conceived as an opportunity for improving the livelihoods of affected people and undertaken accordingly; and all affected people should be involved in the resettlement planning process to ensure adequate mitigation of adverse effects and to ensure the benefits of resettlement are appropriate and sustainable (IFC, 2012; Vanclay, 2017).

Many families were affected by the government's plan to build an oil refinery. In 2010, the government commissioned a Swiss firm, Foster Wheeler, to consider the feasibility of a refinery and to identify a suitable place to site it. It was established that 29 square kilometres would be needed for the refinery and associated works. The firm recommended Kabaale Parish in Buseruka Sub-county, Hoima District, an area, which comprises 13 villages, as the most appropriate location. In 2013, the government started the process of resettling and compensating the over 7,000 affected residents by paying them cash or relocating them to an alternative land (Imaka & Musisi, 2013).

Although the government earmarked Shs78b (approximately USD $23 million) for the resettlement, many of those affected disagreed with the method used to value their properties, claiming that the government undervalued them. Consequently, many people rejected the government's valuation price for their land and improvements, and vowed not to leave unless they were adequately compensated. They also claimed that the government had not adequately consulted them to discuss the valuation, instead only negotiating with the district administration on the amount to be paid. The Government hired a consultancy firm, Strategic Friends International, to implement the Resettlement Action Plan and guide the compensation process. The residents' claims of under-valuation were rejected by the Government's Refinery Project Communications Officer, who claimed that all valuations were set at the district headquarters and were approved by a chief government valuer, and that all information was being shared with the affected people (Imaka & Musisi 2013).

During our field interviews, one participant observed that:

> There was undervaluation of property and people were given far much less money and even when they were given this less money, there were no capacity training to the people on the way how to use this money. For example, a person who got one million [Ugandan shillings, about USD $300] in lump sum and had never got it before thought that all their problems were solved, which led to mismanagement of money. But also, us who were outside watching, we knew that these people had got the money, so we were busy hiking [up the price of] our land and when they wanted to buy other land, they found it too expensive to buy. So they ended up in wetlands and public forest reserves, leading to deforestation and environmental degradation. So we have to appreciate that environmental degradation and climate change is going to be inevitable in this region (Field interview, November 2016).

It was reported in the local news (*Daily Monitor* 6 October 2013) that a local Member of Parliament threatened that "if they don't give our people enough compensation money, we will mobilise them against the project" during one of meetings with the affected people. In our interactions in the field, many respondents stated that the compensation was responsible for causing domestic violence. There was no gender sensitivity in the way the money was distributed. For example, one respondent noted with concern that:

> We live in a patriarchal society where men are everything, they are the head of families; they are the principal signatories and main decision makers. The moment men got the money, they went ahead and did what pleased them [rather] than their families. For example, some married more women, they bought motorcycles and boozed it off, hence, women lost out [in] that kind of arrangement; and domestic conflicts escalated and some families broke down (Field interview, November 2016).

Residents in various villages said that suspected security agents had been threatening landowners to take what the government had offered them and leave the area. This intimidation and the fear instilled by it was made worse by the fact that the oil fields were guarded by the Special Forces Command, which from 2012 to 2017 were headed by the president's son, Major General Muhoozi Kainerugaba (The Ugandan 2017, see also Vokes, 2012). According to Imaka and Musisi (2013:2), the government was adamant that the compensation rates were sufficient and based on the principle of "equity and equivalence" which means that "the affected owners are neither enriched nor impoverished by the process". However, the majority of people were not impressed with the plans for resettlement and chose the cash option that was available.

Field findings revealed that those who opted for resettlement found it difficult to move on with their lives. According to one respondent:

> The government acquired this land around 2011, but since then it's of recent when we hear that around 46 houses are at the level of painting and are yet to be allocated to the owners – but all this happened because of the various advocacy campaigns by the CSOs. The remaining number, out of the 94 who opted for relocation, are still in suspension. Where do you think these people are? That's the question! (Field Interview, November 2016).

He added that, in their original location, these people had homes, whereas they were only going to be given houses at the new site. He claimed that:

> There is a difference between a home and a house, a home is bigger, and a home is a bit independent, has privacy, and has some land where to dig. But they were removed from homes to houses in form of camps. Do you see that kind of shock? Further, some of these families were extended, where you find a household head, the son who probably is married also have constructed around and perhaps the grandchild – but in the camp, these people are put in a three bed roomed house. Also, there are people of different cultures; there are the Alur, Bakiga and the Banyoro who have different cultural values and beliefs. So how do you ensure harmonious living in this kind of life? Don't you see there is going to be high cases of in-fights between these cultures? (Field Interview, November 2016).

From the above discussion, it is evident that the oil developments have impacted on people's lives at all levels. The issues of land acquisition, compensation, and relocation need to be handled well. Only then will the various companies have a chance at gaining acceptability and a social licence to operate for their activities in these areas and generally.

CONCLUSION

We examined some of the challenges associated with the development of oil reserves in the Albertine Graben region of Uganda. Oil development has led to the displacement of many people and has created much resentment, primarily because of the inadequate way in which the resettlement and compensation arrangements have been implemented. The oil developments have also created many social impacts, both positive and negative, and have fuelled conflict, fear and uncertainty. The extent of concern has prompted some aggrieved residents to sue the government in pursuit of fair compensation. There have also been killings of people because of landuse conflicts created by the oil developments.

Uganda is still one of the poorest countries in the world. It does need to have opportunities for development if it is to escape the extreme poverty, which grips it. Potentially, oil production can bring benefits to the nation and region. However, as a large infrastructure project with a large landtake requirement, there will inevitably always be some consequences for people living in the places where oil is located. Nevertheless, when the needed resettlement is done well and when all other social impacts are properly addressed, this harm can be minimised. By providing generous support to displaced peoples, it would be possible to have mutually beneficial outcomes. Instead of the court cases, killings, social harm and project opposition that has befallen Uganda, it should be possible to bring about a new situation of peaceful resolution of issues, with a fair sharing of benefits to all stakeholders, enabling the efficient implementation of this project of national significance.

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CHAPTER 4

Rent-Seeking Practices, Local Resource Curse, and Social Conflict in Uganda's Emerging Oil Economy

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ABSTRACT

We consider the different types of rent-seeking practices in emerging oil economies, and discuss how they contribute to social conflict and a local resource curse in the Albertine Graben region of Uganda. The rent-seeking activities have contributed to speculative behavior, competition for limited social services, land grabbing, land scarcity, land fragmentation, food insecurity, corruption, and ethnic polarization. Local people have interpreted the experience of the consequent social impacts as a local resource curse. The impacts have led to social conflicts among the affected communities. Our research used a range of methods, including 40 in-depth interviews, focus group discussions, participant observation, and document analysis. We argue there is an urgent need by all stakeholders—including local and central governments, oil companies, local communities, and civil society organizations—to address the challenges before the construction of oil infrastructure. Stakeholders must work hard to create the conditions that are needed to avoid the resource curse; otherwise, Uganda could end up suffering from the Dutch Disease and Nigerian Disease, as has befallen other African countries.

KEYWORDS: local resource curse; social conflicts; social impacts; presource curse; rent seeking

INTRODUCTION

Uganda discovered commercially viable oil deposits in 2006 [1–3]. Studies have revealed both positive and negative expectations from the discovery of oil in the Albertine Graben region [4–8]. Many people are expecting that oil production will contribute to increased employment opportunities, higher incomes, improved roads, and improved access to public services [3]. However, the discovery of oil has also come with negative consequences for local people, including rent seeking, social conflict, and a local resource curse, which is similar to the experiences of other oil-producing countries [3,7,9–12]. Many scholars have identified that oil tends to be associated with resource curse issues, including corruption, instability, and economic underperformance [13–24].

The government of Uganda is in the process of commercializing its oil and gas resources. From its discovery in 2006, Uganda's oil and gas sector has been transitioning from exploration and appraisal to the development phase in preparation for full production [25–27]. Oil production licences were issued to the joint venture partners, Total E&P Uganda, and Tullow Uganda Operations Pty Ltd in 2017, with CNOOC being awarded its licence in 2014. Their licences will run for 25 years, with the possibility of renewal. Two new oil companies, Oranto Petroleum from Nigeria and Armour Energy from Australia, have also been given exploration licences. Two laws were enacted to update the legal framework: the Petroleum (Exploration, Development and Production) Act 2013; and the Petroleum (Refining, Conversion, Transmission, and Midstream Storage) Act 2013. Due to inadequate capacity at all levels, developments in the oil and gas sector are proceeding with only the limited involvement of communities, community organizations, or local government. Tumusiime et al. [26] (p.3) suggested that "Uganda's oil and gas sector has been shrouded in secrecy, with minimal engagement of the local and cultural institutions and that information pertaining to the sector is not always readily available, exacerbating feelings of marginalization. Such feelings engender desperation and build favorable grounds for conflict and confrontations between communities, state agencies, and private companies involved in oil and gas activities."

Between 2000–2008, sub-Saharan Africa's natural resource rents increased six fold [28]. However, Barma et al. [28] (p.23) noted that new resource-dependent countries "tend to suffer from poor governance and weak institutional capacity, which exposes them in turn to a heightened vulnerability to the resource curse". They observed that, while countries such as Botswana and Chile have been fortunate to benefit from their resources, others such as the Democratic Republic of Congo or Nigeria have not, and have "suffered from decades of poor governance, conflict, and impoverishment, and appear to be on the downward spiral that typifies the conventional understanding of the resource curse" (p.25). They suggested that "competition over rents, no matter from where they derive, is a central fact of any political economic system. In resource-dependent developing countries, the magnitude of rents can be enormous, making the extractive industries sector itself a key locus of political contestation" (p.77).

Chakraborty and Dabla-Norris [29] argued that in many developing and transition countries, the relatively wealthy often practice rent-seeking activities rather than engage in productive entrepreneurial activities or other actions that contribute to development. Rent seeking refers to the largely unproductive, exploitative activities that bring personal benefits to individuals but negative outcomes for society, and can take many forms, including: bribery, corruption, smuggling, and black market sales [30]. Scholars [21,31,32] have stressed that having natural resource abundance may not guarantee economic prosperity, although others [28,33] suggested that, if well managed, natural resource endowments can bring development to resource-rich countries.

In the global South [34], especially in Uganda, the discovery of oil will not necessarily guarantee that the country will come out of poverty [35, 36], particularly if dubious deals and speculative practices are not dealt with, and if strong systems are not put in place to mitigate negative outcomes and perverse behaviors. With oil developments in Uganda being poorly managed and governed [37], Uganda is likely to join the growing list of resource-cursed countries, eroding its recent achievements and potentially plunging the country into armed conflict and instability [3]. Uganda is likely to suffer from the 'Dutch Disease', which is a situation where natural resource developments negatively affect other sectors of the economy [5]. It is also likely to experience the 'Nigerian Disease', which refers to the squandering of resource revenues [38]. Numerous scholars have pointed out that, if not well managed, the extractive industries can result in the resource curse [3, 14, 17–23].

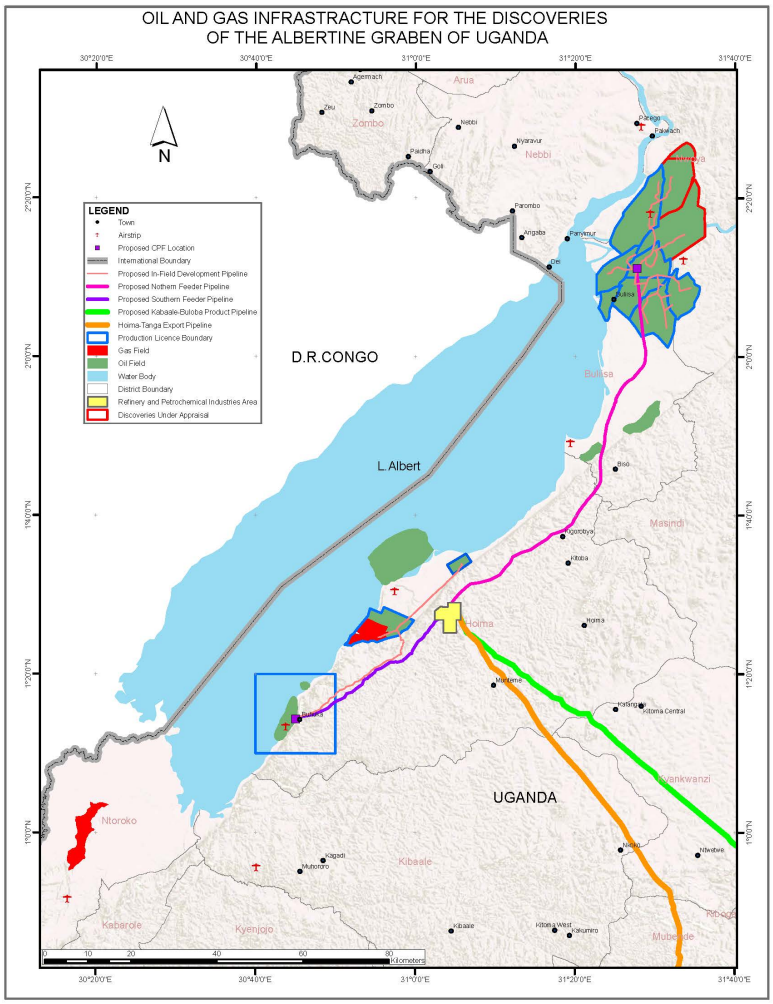
Much literature has discussed the (mis)management of natural resources, with considerable focus on the oil curse and its impacts at the national level [39–46]. However, there are only limited studies on rent seeking, the local resource curse, and social conflict, especially as they relate to Uganda's emerging oil industry. Our research contributes to understanding the conditions that foster rent-seeking practices and the local resource curse, and considers how they enhance conflict among the different actors in Uganda's emerging oil industry.

We analyze the impacts of rent-seeking practices, local resource curse, and social conflicts in Uganda's emerging oil economy, with a focus on the local communities in the Albertine Graben region. We argue that in Uganda and other resource-rich countries, all of the stakeholders (including the central and local governments, traditional institutions, local communities, and oil companies) should ensure that all negative consequences are adequately addressed to avoid a future resource curse that would undermine the benefits of oil discovery. The purpose of this paper is to examine how rent-seeking practices lead to a local resource curse and social conflict at the community level. The paper examines rent-seeking practices in the oil-rich Albertine region of midwestern Uganda (see Figure 1) analyzes the manifestations of the local resource curse, and examines how the local resource curse leads to social conflict. We discuss the impacts of rent seeking on local communities. We are particularly interested in understanding how these practices undermine the community benefits that will potentially arise from oil developments with the view of avoiding and mitigating the resource curse syndrome at the local level.

We argue that instead of empowering the local community, the presence of natural resources is disempowering, and makes people more vulnerable to the activities and manipulations of speculators, entrepreneurs, and local leaders, which we consider to be rent-seeking practices, leading to a local resource curse. Rent-seeking practices encompass natural resource governance challenges, including but not limited to land grabbing, corruption, bribery, unfair compensation, and speculation. We define the 'local resource curse' as vulnerability experienced by local communities resulting from the presence or discovery of a natural resource.

Our analysis focused primarily on three risks, and on how these led to social conflict: loss of property, economic displacement, and community disarticulation. Loss of property includes the loss of both individual and community-owned land, as well as housing, crops, and animals, as well as other physical assets. By economic displacement, we mean not only the loss of livelihoods and other sources of income, but also the loss of access to resources and markets, as well as discrepancies between opportunities provided and people's skills and interests [47]. Community disarticulation is where there is a breakdown in social ties and social organization. These three risks arose from our data as the key emerging themes.

Figure 1. The Albertine Graben Region of Uganda showing oil development.



Source: Petroleum Authority of Uganda (2019), https://pau.go.ug/uploads/oai.pdf.

THE VARIOUS STAKEHOLDERS

The oil and gas sector has attracted many players ranging from local to national and international actors. A number of think tanks and advocacy organizations have been established. Some—e.g. Advocates Coalition for Development and Environment (ACODE), and the Africa Institute for Energy Governance (AFIEGO)—have been accused by the government of being too critical, biased, and working against the national interest. To prevent the local resource curse, civil society organizations such as AFIEGO, Global Rights Alert, Oil Watch Network Uganda, and Publish What You Pay Bunyoro Chapter, among others, have been active in the region, with many different activities, including organizing a dialogue on the rights and future of project-affected persons. Over 7000 people from 13 villages in Hoima District were displaced by the land taken for the Kabaale Industrial Park, which will be used for the Hoima International Airport, the oil refinery, and other oil-related activities. In 2013, with support from AFIEGO, some dissatisfied

individuals took the government to court over what they termed unfair compensation. Non-governmental organizations (NGOs) play an important role in voicing the grievances of affected persons to ensure that they are treated fairly, and that compensation is adequate and payments are made in a timely manner [48].

Religious as well as academic institutions have also been active. Local cultural institutions have been instrumental in shaping debates on oil and gas in their region. The Bunyoro Kitara Kingdom, where most of the oil activity is now taking place, is at the forefront in demanding an equitable share of oil revenue for the kingdom. According to the Public Finance Management Act, "The Government shall grant one percentage point of the royalty due to the Central Government to a gazetted cultural or traditional institution" [49]. This implies that all gazetted kingdoms will share the one percent, but the Bunyoro Kitara Kingdom is not happy with this arrangement.

RENT-SEEKING PRACTICES AND THE LOCAL RESOURCE CURSE

The oil and gas industry is characterized by opportunities and governance challenges, which if not addressed properly, provide a fertile ground for rent-seeking activities. According to the communities we interviewed, there were many instances of rent seeking taking place. For example, there were cases of sophisticated land grabbing by some local government and other officials gaining control over community land, obtaining land titles in their own name, and then on-selling the land [46]. Land grabbing "refers to an unprotected practice of obtaining interests in or rights over unregistered land without full disclosure to the unregistered owner(s) of that land" [50] (p. 83). Many allegations of land grabbing came to light during the public hearings and testimonies given in the *Commission of Inquiry into Land Matters*. For example, the commission found that a former Kibaale District staff surveyor had acquired about 400 hectares, which he later sold to the Uganda Land Commission at a considerable profit [43]. According to Kasozi and Namyalo [51]:

> "A Cabinet minister and other senior Kibaale District officials have been named before the Commission of Inquiry into land matters in the alleged fraudulent acquisition of ownership of large tracts of land with the aim of benefiting from Land Fund. The minister and other government officials have been accused of fraudulently procuring land titles for [an] unserveyed (sic) chunk of land belonging to the Kibaale District Land Board … the State minister in charge of Economic Monitoring in the Office of the President, and other district officials paid nominal fees of Shs70,000 [equivalent to USD 20] to acquire certificates of titles for thousands of acres of land in various parts of the district so as to enrich themselves."

Corruption and bribery are common in road projects, especially in relation to land acquisition [47]. According to our participants, during the construction of the Hoima–Kaiso–Tonya Road, officials from the Uganda National Roads Authority claimed extra 'ghost kilometers'. Our participants argued that the actual length of the road was 83 km, not 92 km as had been stated. This issue also came to light during a 2015 commission investigating corruption in the roads sector, which had also been headed by Justice Bamugemereire. According to the *Independent* [52], these missing 9 km represented a loss of USD 9 million.

Kolstad and Soreide [53] suggested that "corruption is the main reason why resource-rich countries perform badly in economic terms" (p. 214). They argued that in resource-rich countries, corruption takes two primary forms: rent seeking and patronage. Resources induce patronage, with governments using resource revenues to pay off supporters who help them stay in power. This results in reduced revenues, the inappropriate allocation of public funds, and governance issues in that accountability mechanisms are avoided. Other relevant work on the resource curse at the community level includes the research of Gilberthorpe and Papyrakis [54] and Boutilier [55].

In addition to sophisticated land grabbing and corruption, another issue is unfair compensation rates paid to project-affected persons. According to an interview with a district official in Hoima, many people complained of inadequate compensation. The schedule of payments was determined by the district local government, and approved by the Chief Government Valuer. A common practice in the region is speculation, which has been largely driven by the need for land for oil and gas development. While some owners can accrue huge returns from land sales or compensation, most project-affected persons are illiterate smallholder peasants living in remote villages. These villagers have limited bargaining power and can easily be taken advantage of or deceived. This problem is exacerbated by the land being communally owned.

MANIFESTATIONS OF A LOCAL RESOURCE CURSE

Our findings suggest there are three ways in which the local resource curse is manifested: loss of property, economic displacement, and community disarticulation.

Loss of property

According to research participants and other sources [56,57], apart from the destruction of property (crops and buildings) and displacement of people, in the construction of the Hoima–Kaiso–Tonya Road, the local resource curse was made worse by delays in the payment of compensation to the project-affected persons. While the construction of new infrastructure is sometimes seen as an indicator of community development, the findings in Hoima indicate otherwise. According to one local community leader:

> "Out of the households affected by the oil refinery at Kabaale in Buseruka Sub County, 93 households opted for resettlement. Those who preferred money were all compensated, although some complained of undervaluation of their land and properties. However, out of the 93 households that opted for resettlement, 46 houses were constructed for them at Kyakabooga parish in Buseruka Sub County by the government through a construction company called Samadhura Technology Limited. The remaining 47 families are still in the camp at Kabaale waiting to be resettled. This is a real local curse being in Kyakabooga camp, yet one had his own home before the oil was discovered in the area! Besides the resettlement, the process of resettlement affected our cohesion as a community".

Economic displacement

Economic displacement has been experienced by the local population in various ways. There has been increased competition for land, labor, and food. This has had flow-on effects. Given the extent of land-take for oil production, the discovery of oil has decreased agricultural production, which has led to food shortages. However, there are other complexities. For example, the declining agricultural production in Buseruka Sub County has been attributed by some to land loss and the fragmentation of oil-related activities, while others believe that oil has created opportunities to make quick money, thus enticing people to shift away from agricultural activities. Many youth have abandoned agriculture and moved to urban centers looking for alternative opportunities. According to the Ministry of Energy and Mineral Development [50] (p.21):

> Since the discovery of oil in the Albertine Graben, speculative buying of land and registration of freehold titles ... has increased significantly in the hope of sharing in the benefits from petroleum production. The discovery of petroleum has increased interest in land in the area, and a number of individuals have started speculating in land. In a context where land administration is poorly developed, speculative land transactions have led to a sharp increase in land disputes.



Photo 4: Some of the cows grazing after drinking water from Lake Albert in Kingfisher area in Buhuka flats. At the back is oil pad 1, operated by CNOOC. During operations, these animals are not expected to be grazed from this area, which will lead to economic displacement and impoverishment.

It was noted that there was high competition for labor, with many farmers finding it difficult to obtain casual laborers willing to work for them. Laborers were asking for higher wages than previously paid, which local communities say they cannot afford. This was attributed to the higher wages paid to workers at the construction sites such as the airport and oil roads, etc. Many people preferred to work for the oil companies and construction firms. There were visible signs of Dutch Disease, especially in Hoima, which had experienced a marked decline in non-oil activities. Many people have high expectations that the oil industry will provide a living for them. This is what Cust and Mihalyi [58] termed the resource curse, a situation where oil discoveries first lead to jubilation and then to economic jeopardy.

Physical and economic displacement have led to increased hardship and food shortages. The displaced families originally had their own crops and gardens, including mangoes, jackfruits, avocado, cassava, and beans, but when they were forced to leave their ancestral land, they were taken to a location where there was no food. This situation was made worse when some people were given land for cultivation far away from the resettlement site. Cropping is the predominant economic activity in the Albertine Graben, with 95% of the rural population cultivating an average of about a hectare of land. Fishing is the second most important economic activity, providing informal employment (especially for women and youth) in fishing and associated industries such as fish preparation and preservation, transportation, and market sales [50]. Although the Resettlement Action Plan acknowledges fishing as an important source of livelihood, there are no plans to develop alternative livelihoods strategies to address this economic displacement.

Community disarticulation

Large-scale development projects require the displacement of people, and also leads to an influx of people seeking opportunities. This affects the social order and community cohesion in existing local communities in many ways. For example, there will be increasing demand on the limited social services in the area. According to one participant, the population of many small towns in Nyamasoga and Buseruka sub-counties increased considerably, with many people in search of better opportunities, in other words, the 'honeypot effect' [47]. Therefore, it is important that the government adheres to international best practices in land acquisition and resettlement [59], and addresses project-induced in-migration [60]. According to one interviewee:

> This [influx] has resulted into competition for the limited resources especially water in Nyamasoga. Water problem has been worsened by the construction of Kabalega Power Station (9MW hydro power plant) located at River Wambabya and electrification extension in Buseruka Sub-county. This power plant has led to competition for water, because it affects the flow of water and uses huge quantities of water. This plant has caused a water crisis in the area, especially during dry seasons. This is a local resource curse, since some of us don't benefit directly from the power generated from this river, because we cannot afford the cost. Besides that, we don't have houses, which can be connected to the electricity grid.

Social and gender inequalities have increased. According to some women interviewed, many women cannot apply for certain jobs, such as truck drivers or machine operators, because such jobs are designated for men. This has widened the income gap between men and women. During one focus group discussion, the local population reported that the Kolin Construction Company, which constructed the Hoima–Kaiso–Tonya Road, came with their own workers. The focus group participants argued that local people could have done some of this work. They claimed that only a few locals were employed, and these were lower-paid jobs such as controlling traffic.

LOCAL RESOURCE CURSE AND SOCIAL CONFLICTS

We now consider how the three key manifestations of the local resource curse lead to social conflict. We found that there were many social conflicts at and between many levels, including between the central and local governments and local communities. This was especially the case in Kabaale Parish, where people were displaced to make space for the construction of the airport and oil refinery. Delays in the payment of compensation to people affected by these projects created resentment, anxiety, and fear that they might not be compensated at all. Initially, some residents never wanted to leave their ancestral land, but they were forced to leave, and their houses were destroyed, making them very angry. Another disgruntled group comprised the fisherfolk and others involved in fishing-related businesses. Many of these people lost their livelihoods because of oil-associated activities, especially at the Tonya landing site. The local fisherfolk claimed they were restricted, and in some cases prevented from fishing, thereby denying them the ability to earn a living, hence experiencing the local resource curse. Their dissatisfaction has led to social conflicts.

Conflicts between pastoralists and agricultural farmers have intensified in the villages of Nyahaira, Kitegwa, Bukona, and Kyapuloni in Buseruka Sub-county; because the relocation of many people has put these, two groups in competition for land. Conflict has occurred because the pastoralists have grazed their animals in the gardens of farmers, which, according to some residents and the National Association of Professional Environmentalists [61], was a factor contributing to food insecurity. The pre-existing residents claimed the pastoralists had brought in some 300 to 400 head of cattle needing water and pasture, thus creating conflict over resources. When the farmers reported their concerns to the police, instead of obtaining the justice they had anticipated, they were arrested on allegations of injuring some animals belonging to the pastoralists. This has led to the ongoing conflict and polarization of the two groups.

In a focus group discussion at Kiryatete East, Hoima town, participants complained that land conflict was rampant. They identified someone whom they termed a 'land grabber', and accused

him of being responsible for mischievously acquiring people's land, especially that of the poor. They allege that this happened with the full knowledge and tacit approval of the local council chairperson, with an implication of bribery and/or coercion. It was claimed that the land grabber had threatened to kill the public officials if they would not sign over the land agreements. Some people lamented that most of the district documents were written in English, given that many of the affected people cannot read or write English. According to a journalist working with a local radio station, the Hoima District Local Government only published the list of property compensation rates in English, which is a language that is not widely understood by many people affected by land acquisition in the Albertine region.

The local transport industry has not benefited from the increased transport demand. Many *boda boda (*motorcycle taxi) riders complained that the company constructing the airport came with their own vehicles to transport workers. They argued that they had wanted to tender to provide transport services to the company, but they were never consulted. The *boda bodas* claimed they have even lost customers. In a focus group discussion in Kiryatete West, Hoima town, participants attributed the increased number of accidents to the ongoing oil activities in their area. They claimed that since the construction of the Hoima–Kaiso–Tonya Road, accidents have increased due to an increased number of road users and especially an increased number of heavy vehicles.

Some participants were very bitter that they have been denied the ability to sell their products to the oil companies. According to one participant:

> "The oil companies are only interested in registered companies to supply them with local products like tomatoes, chicken, eggs, and many others. We have not been given a chance to sell our products and yet we thought it would give us a chance to sell and get money. They biggest challenge to us is how to mobilize ourselves at the community level to register as a company in order to qualify to supply our merchandise. We are also worried about our ability to mobilize the required capital to supply these companies."

Although the region was not restricted to only one ethnic group, the discovery of oil has led to people from many different ethnicities, regions, and cultural backgrounds flocking to Hoima, especially to Buseruka Sub-county. According to one interviewee, the newcomers bring their different cultures and behaviors, and the local people fear that their own cultural practices will be diluted due to this influx. According to the chairperson of a local council, oil activities have brought much congestion to the campsite at Kyakabooga, especially following the displacement of 13 villages to create space for the oil refinery and airport. He observed that these people had families and farm animals, and that space was limited at the campsite. Therefore, big families and/or people with many animals had left the campsite and intruded into neighboring communities, creating challenges for the host communities.

Some schools were closed to make way for the refinery project. The government had promised to construct other schools near the campsite, but this has not yet been done. Therefore, some schoolchildren had to walk five to seven km every day to go to other schools. During the focus group discussion, some participants noted that many schools in the area had been shut down. In some cases, teachers left their jobs after they had received compensation for land loss. Sometimes, the majority of school attendees had been relocated, and the few remaining families with school-age children had to seek alternative schools far away. This affected the children's progress. Some scholars have documented how countries with natural resources tend to invest less in human capital [21, 36]. It is evident that the land-take for oil and gas-related developments in the Albertine Graben region has contributed to school dropouts, for example, through the relocation of schools to new areas, the displacement of project-affected households, or the impacts of resettlement to new places. According to one government official, during the construction of new schools, all of the teachers were transferred to other schools, and by the time the new schools were completed, there were no teachers left. The Buseruka Sub-county Local Government intervened and recruited three teachers paid by the sub-county.

The allegation that oil activities have led to a decline in school attendance has been rebuked by the government and oil companies. Sebikari [62] argued that the completion of the 91-km tarmac road from Hoima to Kaiso Tonya has made this previously hard-to-reach area easily accessible, assisting in the retention of teachers. She argued that many oil companies have invested in the education sector, improving the quality of education, thus contradicting claims that oil activities were responsible for the dropout of school-going children.

> "CNOOC Uganda Limited has since 2012 implemented initiatives to promote education, including the Annual Best Performers Awards for … students in the district that has attracted 330 beneficiaries. Total E&P is implementing a scholarship scheme to support top performers from the region in their secondary and university education". [62] (online)

Sebikari [62] noted that challenges such as persistent pupil dropout, inefficient teacher deployment, and teacher absenteeism predate oil and gas activities, and were previously common in many of the rural communities now being supported by the oil companies. She observed that during the acquisition of land for the refinery, two primary schools (Nyahaira and Kyapuloni) were affected. However, the Ministry of Energy and Mineral Development constructed two replacement primary schools, each with 21 classrooms, staff quarters, and water and sanitation facilities. Nyahaira Primary School was relocated next to the resettlement area in Kyakaboga village, while Kyapuloni Primary School was relocated to Katooke village. The sites for these new schools were selected by the community. According to her, "all the above initiatives and more indicate the benefits to children's education arising from oil and gas-related activities".

During one focus group in Kabaale Buseruka Sub-county, some members noted that while some people received compensation, most did not receive financial literacy training. During construction of Hoima–Kaiso–Tonya Road, many of those who were compensated wasted their money on alcohol, gambling, and consumer goods. To them, this was a resource curse, since such people lost both their land and the money, and have since been cursing the government and the oil companies for their miseries.

A number of people resisted being displaced in Kabaale Buseruka Sub-county. They were arrested and allegedly tortured by security personnel, with their houses burnt to ashes. According to some community members, torture and suffering amount to a local resource curse. These residents tried to take legal action, but their cases were delayed, and they eventually gave up, believing nobody would help them.

According to one official in the Bunyoro Kitara Kingdom, there is local resource curse in terms of the lack of information sharing by the national government with the kingdoms in the area. As a result, the Bunyoro Kitara Kingdom together with Acholi Kingdom and Alur Kingdom have come out to jointly demand that the government should share more information regarding oil and gas developments with them. He noted that the three cultural institutions have demanded that the oil companies ought to: respect cultural rights, historical and sacred natural sites, cultural norms, and the values and practices of the people; contribute to sustainable livelihood options; and safeguard land, environment, and natural resources, among other things. According to him, although a number of oil companies have been licensed for oil exploration and production in the Albertine Graben region, there is no collaboration between the government and the cultural institutions to ensure the conservation of the biodiversity of the region.

Environmental pollution was also a major issue of the local resource curse in the area. There have been many pollution incidents, especially during construction of the Hoima–Kaiso–Tonya Road, because of blasting, earthworks, heavy machinery use, and air pollution from dust [63].

CONCLUSION

We analyzed the impacts of rent-seeking practices, local resource curse, and social conflict in Uganda's emerging oil economy, focusing on communities in the Albertine Graben region. The purpose of this paper was to examine how rent-seeking practices lead to a local resource curse and social conflict at the local community level in Uganda's emerging oil economy. Our research identified rent-seeking practices—including sophisticated land grabbing, corruption and bribery, unfair compensation rates, and speculation—and discussed the consequences of this for the different actors. With the discovery of natural resources, issues of weak governance, corruption, and patronage become more complex. We were particularly interested in understanding how rent-seeking practices undermine the potential benefits from the oil developments for local communities with the view of identifying how the resource curse syndrome might be avoided at the local level.

We also examined how oil development has led to a range of social problems, including land grabbing, land scarcity and fragmentation, food insecurity, corruption, and ethnic polarization, among other problems. These outcomes have been interpreted by local people as a local resource curse, and have led to social conflict among the communities in the Albertine Graben region of Uganda. These practices, which local people considered were 'alien' before the discovery of oil in the region, risk undermining the potential benefits that, may accrue from exploitation of oil and gas. We also analyzed the manifestations of the local resource curse as loss of property, economic displacement, and community disarticulation. We examined how the local resource curse leads to social conflicts at the local level. Conflicts exist between different actors, such as between the central and local governments, Bunyoro Kingdom and the central government, local communities and the local government, and within communities. These conflicts lead to disharmony that will be detrimental to the growth and development of the oil and gas industry and to Uganda at large.

We recommend that Uganda and other resource-rich countries ensure that all negative consequences from resource discovery and development are fully identified and addressed. We identified that rent seeking takes many forms. The local resource curse was manifested in land grabbing, the displacement of people, the destruction of their property during land acquisition for project infrastructure, inadequate or delayed payment of compensation, changes in agricultural output that lead to local food shortages thus exacerbate social tensions, and conflict among local communities. This indicates that adequate laws that carefully address land acquisition and land ownership issues, especially in terms of customary or communal tenures, are needed. The active involvement of local and religious leaders in preaching peace to communities should be encouraged. NGOs can also play a key role. As a poor country in a conflict-infested region, Uganda should avoid falling prey to the perils of the resource curse, which could lead the country to armed conflict, thereby undermining all of the achievements the country has made up until now. The grievances and concerns of local communities should be taken seriously so that a win–win–win situation is reached by the government, developers, and local communities.

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CHAPTER 5

Social impacts of land acquisition for oil and gas development in Uganda

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Frank Vanclay

ABSTRACT

Uganda's oil & gas sector has transitioned from the exploration phase to the development phase in preparation for production of petroleum (operations phase). The extraction, processing and distribution of oil require much infrastructure, which demands considerable acquisition of land from communities surrounding project sites. We examine the social impacts of the project land acquisition associated with oil production in the Albertine Graben region of Uganda. We specifically consider five major oil related projects that have or will displace people, and we discuss the consequences of this actual or future displacement on the lives and livelihoods of local people. The projects are: Tilenga; Kingfisher; the East African Crude Oil Pipeline; the Kabaale Industrial Park; and the Hoima–Kampala Petroleum Products Pipeline. Our findings reveal positive and negative outcomes for local communities. People with qualifications have benefited or will benefit from the job opportunities arising from the projects and from the much-needed infrastructure (roads, health centres, airport) that has been or will be built. However, many people have been displaced, experiencing food insecurity, disintegration of social and cultural cohesion, and reduced access to social services. The influx of immigrants has increased tensions because of increasing competition for jobs. Crime and social issues such as prostitution have also increased and are expected to increase.

KEYWORDS: project-induced displacement and resettlement; livelihood restoration; local resource curse; extractive industries and society; social impact assessment; business and society; land acquisition.

INTRODUCTION

Commercial oil deposits were discovered in the Albertine Graben region in western Uganda in 2006, and ever since the Government of Uganda has had plans for their exploitation, although the target date for first oil has been postponed several times [1]. The extraction of oil means that there will be several large projects in the region, potentially including an oil refinery, the generation of electricity from gas, the export of crude oil to international markets by pipeline via Tanzania, and a new international airport. The Government expects that the development of the oil & gas industry will accelerate economic growth, job creation, and will contribute to poverty eradication and the general prosperity of Uganda [2–4]. However, each project requires large amounts of capital, technical expertise, and land. The demand for land has led and will continue to lead to the displacement of large numbers of people [3–5].

Irrespective of their purpose, large projects require land, and sometimes very large tracts of land [6]. Many projects cause displacement. If not managed well, resettlement can have severe consequences for local communities [3,6–8] and can create human rights impacts [9,10]. All projects should adhere to international best practices, which inter alia require that involuntary resettlement be avoided or at least minimised, and that, where resettlement is unavoidable, all affected people should be fully and fairly compensated, and have an opportunity to be involved in the resettlement process [6–13]. Each project should be considered as an opportunity to improve the wellbeing of affected people. If international standards are not complied with, land acquisition for projects and associated displacement and resettlement leads to impoverishment and conflict [6,13–16].

Scholars have argued that the extractive industries tend to be associated with the resource curse and issues like corruption, political and social instability, and economic underperformance, rather than with positive and inclusive development [17–20]. Uganda is at a critical point if it wants to avoid joining the growing list of resource curse countries [16,21,22]. It needs to ensure that the land needed for oil & gas infrastructure is acquired in a fair and transparent way, and with the consent of the original land owners. People in local communities need to be fairly and promptly compensated for their land [5,23]. If land acquisition and future revenues are well managed, arguably this could lead to economic prosperity and the improved welfare of Ugandans, however if badly managed, there will be many negative outcomes, including protests, project delays, escalating costs, reputational damage, food insecurity, and conflict [13,24–26].

In this paper, we examine five of the major projects associated with the oil & gas development in Uganda, each of which requires substantial landtake. We discuss the social impacts these projects have had and will continue to have on the livelihoods of local people. We argue that oil & gas development should not lead to a resource curse [27], Dutch disease and/or the Nigerian disease [28]. Instead, Uganda and other resource-rich countries in Africa should ensure that the negative consequences from resource exploitation, and especially from land acquisition, are fully addressed by adhering to international best practice [7,13]. Opportunities for benefit sharing should be properly considered and implemented by the oil companies and the government in a negotiated and coordinated way [6,29]. Should this occur, local communities and the nation at large will prosper, and the oil companies will gain a social license to operate and grow, and be more likely to experience the efficient and effective implementation of their projects [30,31].

LAND, LAND RIGHTS, LANDUSE AND LAND OWNERSHIP IN UGANDA

An issue that complicates the process of project land acquisition in Uganda is uncertainty and conflict over land ownership [34,35]. Article 237 of the Uganda Constitution [36] (p.148) discusses land ownership stating that the national and local governments may "acquire land in the public interest; and the conditions governing such acquisition shall be as prescribed by Parliament". Four types of land tenure are recognised in Ugandan law: (a) customary; (b) freehold; (c) mailo, a specific form of tenure dating back to the Uganda Agreement of 1900 between the British Government and the Kingdom of Buganda; and (d) leasehold. Over 70% of land in Uganda is under customary tenure and usually without any certificate of ownership [37]. Community members may claim customary tenure over land on an individual basis or as collective communal tenure. Changes in landuse patterns and increasing economic activity and investment in the Albertine Graben, coupled with land grabbing, have increased attempts to convert customary land into freehold tenure. However, this is often difficult because of: conflict within communities over who is entitled to land ownership; the cost of conversion to formal tenure; and the cumbersome nature of the process.

The communal ownership of land is not necessarily inclusive in that not all members of a community are always regarded as having a stake, with women typically being excluded from land ownership [38]. This creates tensions during compensation negotiations because, consistent with international standards, the companies and government insist that women benefit equally to men from land compensation. However, customary laws and practices shape individual relationships with land, which are influenced by traditional societal norms and patriarchal conditions. Formal land ownership is generally passed only to males, while women tend only to have secondary access to land, which they gain through males (e.g. fathers, husbands, brothers) [37]. Because of the central importance of land to the livelihoods of local people, and because land can be an avenue of discrimination against women, much care should be exercised when dealing with land ownership and compensation issues.

Like most of Uganda and sub-Saharan Africa generally, the main landuse in the Albertine Graben Region is agriculture (crop farming and livestock grazing) [39,40], but now increasingly commercial infrastructure. Increasing population and economic activity will continue to change landuse patterns towards more intensive use of land and natural resources. Kinyera [4] argued that land is important in many ways, including because of the intangible aspects associated with land, including cultural and spiritual beliefs. This means that land not only has use for food production, but is also a source of inspiration and spiritual fulfilment [8]. The Bunyoro Kitara Kingdom has complained that their ancestral and spiritual grounds have been much affected by the oil developments and specifically that their sacred shrines were damaged during the exploration phase and during construction of oil related infrastructure [41].

For the vast majority of African peoples, land "is a primary and fundamental but also highly symbolic resource" [42] (p.2). Alao also noted that:

> Land is undoubtedly the most important natural resource in Africa. Its importance transcends economics into a breadth of social, spiritual, and political significance. Among other things, it is considered as the place of birth; the place where the ancestors are laid to rest; the place which the creator has designated to be passed down to successive generations; and the final resting place for every child born on its surface. Consequently, every society in Africa sees land as a natural resource that is held in trust for future generations, and the sacredness of this trust lies behind most of the conflicts over land in the continent. [15] (p.63).

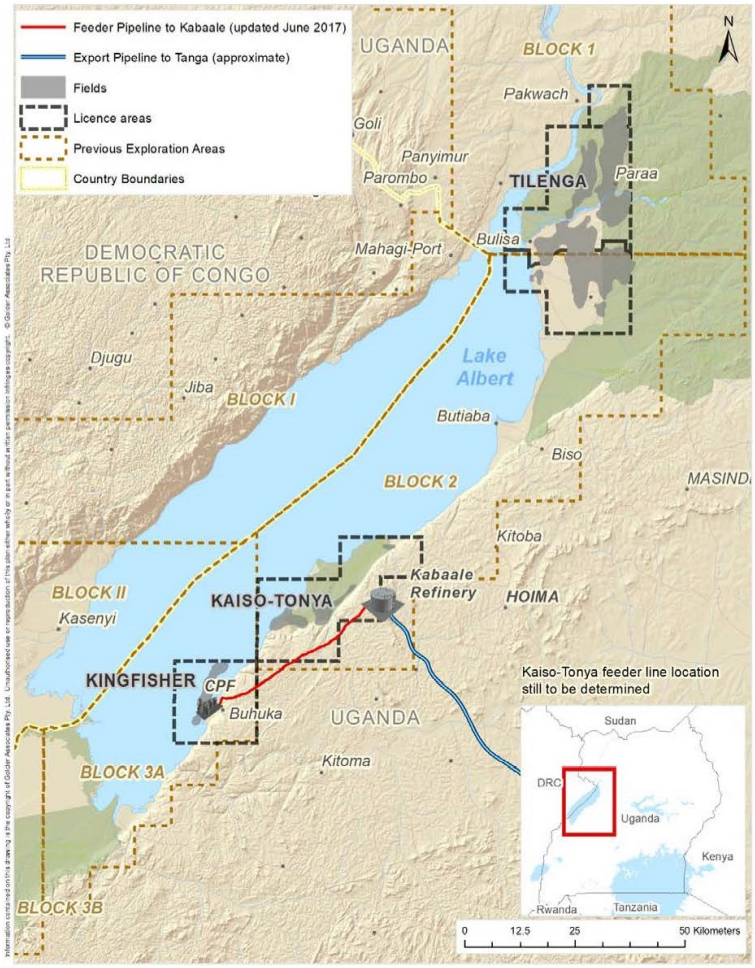
FIVE PROJECTS ASSOCIATED WITH OIL PRODUCTION IN UGANDA

Following the discovery of oil, production licences were issued to the Joint Venture Partners, CNOOC (2014), Total E&P Uganda (2017), and Tullow Uganda Operations (2017). The licences will run for 25 years, with the possibility of renewal. The total cost (outlay) of the oil development in Uganda (including subprojects) is several billion US dollars [43]. Apart from the oil extraction sites, the additional infrastructure needed for oil production and distribution also necessitate much land acquisition, which will lead to the displacement of more communities. We examine the key five projects that, along with many other projects, comprise oil development in Uganda. We specifically consider the social impacts of these projects, especially the impacts associated with resettlement. Because these projects are deemed essential for the development of Uganda, expropriation potentially can be applied, and all land acquisition would be regarded as involuntary resettlement in World Bank terms [6,7,11]. The five projects we consider are: the Tilenga project; the Kingfisher project; the East African Crude Oil Pipeline (EACOP); the Kabaale Industrial Park; and the Hoima–Kampala Petroleum Products Pipeline (HKPPP) (see Figure 1). These projects were selected on the basis that they are major projects in their own right and have substantial landtake. A brief description of these projects follows immediately below, with their social impacts discussed collectively in the next section.

The Tilenga project

Tilenga is an oil exploitation project being implemented by Total, a French multinational oil & gas company [44]. The project lies within the Murchison Falls National Park, in the northwest of Uganda. 'Tilenga' is a combination of the Acholi and Bunyoro names for antelope – *Til* in Acholi and *Engabi* in Bunyoro. Total argues that, along with the other oil & gas projects in Uganda, Tilenga is highly significant for Uganda because of the benefits (especially revenues) Uganda is expected to receive. Total has also asserted that there would be opportunities for many local businesses to supply goods and services to the project, and it also promises to implement sound environmental and social management systems [37]. However, the Murchison Falls National Park is an important biodiversity and tourism area and a designated Important Bird Area, known to support many rare, vulnerable and endangered species [45]. The location of this project in the Park makes this a potentially risky project.

Figure 2: Map of Uganda showing the location of the projects (Source: Golder 2018 [46])



The actual project footprint of the Tilenga project is around 1,170 hectares, within a wider project area of approximately 110,000 hectares [37]. One component of project land acquisition was 317 hectares in Buliisa district for the central processing facility. Altogether, the Tilenga project will physically displace 265 people with people losing residential land, dwellings and structures, while a further 345 will be economically displaced, with their livelihoods, primarily crop production, livestock grazing and natural resource gathering, significantly affected [47].

Land compensation rates have been fixed by the government land valuer at 3.5 million Uganda shillings per acre (equivalent to USD 946). However, some community members are demanding 21 million shillings per acre (equivalent to USD 5,675). A few local politicians have latched on to these community concerns, amplifying them, and potentially inciting more concern [48]. It seems that project affected persons have to go to court in order to receive fair compensation.

A Member of Parliament [49] argued that it was important that things be improved, noting that: people should be given comprehensive compensation; that minimal cash payments for land only

or land-for-land exchanges on their own were not sufficient; and that compensation should include, amongst other things, an allowance for the benefits derived from communal land, job opportunities, and where possible local content.

The Kingfisher project

The Kingfisher oil development project is located on the Buhuka Flats in Hoima District on the southeastern edge of Lake Albert, and is being developed by CNOOC Uganda, a Chinese company [50]. The oil field is approximately 15 km long and 3 km wide, with an area of 32 km^2 [37]. The project's main components are: four onshore wellpads comprising 20 producer wells and 11 water injection wells; a central processing facility located on the Buhuka plain; a water abstraction station; production flowlines and injection flowlines; supporting facilities including camps, helipad, supply base, and safety check station; local service roads; an access road (generally called the Escarpment Road) from Ikamiro to the project site; and a 46 km feeder pipeline running from the Central Production Facility to the Kabaale refinery. This pipeline needs to be heated to 80^0C to enable the waxy crude oil to flow. The pipeline will cross the local river at various locations, and will likely impact the water sources of several surrounding communities. There is a risk of rupture, as well as impacts during construction. This is a major risk to the right to water of local communities.

> "people fear the worst, including an influx of foreign and disruptive people, increasing pressure on land, corrupt practices, increased prostitution and disruption of family life, lack of fair compensation for lost land and increased opportunistic land acquisition by outsiders, including government" [51](p.95).

The total landtake for the Kingfisher Project was approximately 340 hectares [51]. There were 680 affected households with a total affected population of 2,949 persons [51]. This project will have many adverse effects on the local communities. Project affected persons will find it hard to access land for agriculture or grazing. Social cohesion is likely to be impacted, as people are being relocated to different areas away from the lake. Lake Albert was very important to the livelihoods of people in the surrounding communities, especially in terms of fishing, drying fish, water transport, watering cattle, etc. Given that their access to the lake was restricted during oil exploration, they feel their access will be restricted into the future. Therefore, they are very apprehensive about the future. It is also clear that an exclusion zone will be established around the Kingfisher field and associated facilities [3,52].

These developments have exposed the communities surrounding Lake Albert to many uncertainties. The easy accessibility of the region and the subsequent influx of people will mean that the demand for fish, fuelwood and other resources will increase. Given the current overexploitation of fish resources, there is a real concern about over-fishing as well as risk to fish stocks from oil extraction activities [51]. If these vital resources dwindle, this will have serious consequences for local people and will lead to food insecurity. The Kingfisher project will change the livelihoods of local inhabitants forever.

> Based on the extent of land-take on the Buhuka Flats, households will face a reduction in available grazing land for cattle. ... 8.4 % of the available grazing land on the Flats will be taken up by the CNOOC construction footprint. Whilst this will be compensated for, individuals may find it extremely difficult to source sufficient affordable alternatives for feeding livestock. This could result in a disruption of livelihood related activities or even their suspension, with associated increased levels of poverty. This magnitude of the impact is potentially high, with long term consequences for the affected individuals. [51] (p.133)

The East Africa Crude Oil Export Pipieline (EACOP)

EACOP is pipeline intended to bring crude oil from the Albertine Graben to a port where it can be exported to world markets. It is primarily a project of the three joint venture oil companies (CNOOC, Total and Tullow) with Uganda National Oil Company (UNOC) and the Tanzania Petroleum Development Corporation (TPDC) as shareholders [53]. Although the Government of Uganda could have required the three joint venture partners to provide this infrastructure, for various reasons which are not entirely clear (and not relevant to this paper), the Ugandan government decided to be a partner in the project and be responsible for many key activities. Two routing options were considered, one through Kenya and one through Tanzania. Ultimately, the Tanzania route was chosen, running from Kabaale to Tanga [54] (see Figure 2), and the Inter-Governmental Agreement between Uganda and Tanzania was signed on 26 May 2017 [55].

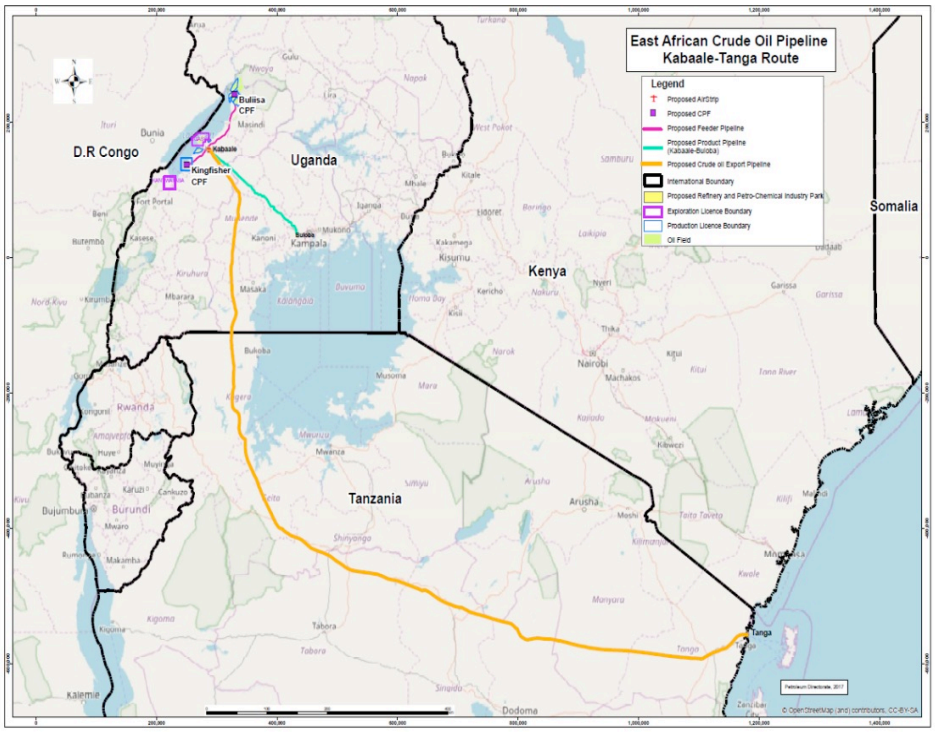
EACOP will be a buried pipeline, 24 inches in diameter, 1,446 km in length (296 km in Uganda and 1,150 km in Tanzania). The project also comprises various above-ground installations and a storage terminal at Chongoleani, Tanga District, Tanzania. The pipeline will be heated and thermally insulated to maintain oil temperature. Six pumping stations and two pressure reduction stations will be needed to establish the appropriate pressure for crude oil flow. Oil will be stored at the terminal until exported via oil tankers from the offshore loading facility at Chongoleani [56].

According to an official from the Ministry of Energy and Mineral Development, the approximate landtake for this project will be 1,255 hectares in Uganda. Passing through nine districts in Uganda (Hoima, Kyankwanzi, Kikuube, Kakumiro, Sembabule, Lwengo, Gomba, Kyotera and Rakai), the project will impact about 4,300 people along the 296 km pipeline corridor in Uganda. According to an EACOP official, with landtake occurring between 2012 and 2014, about 200 residents were physically displaced; while the others will be economically impacted, for which they will be appropriately compensated.

The Kabaale Industrial Park

The Government of Uganda expropriated 2,957 hectares from the communities in 13 surrounding villages in Buseruka subcounty in Hoima District to create the Kabaale Industrial Park in 2014. It was intended that the park would include an airport intended to service the oil & gas developments, as well as an oil refinery, a crude oil export hub, and will have various services including roads, electricity and water supply.

Figure 3: Map of Eastern Africa showing approximate location of the pipeline



Source: Petroleum Authority of Uganda (2019), https://pau.go.ug/uploads/EACOP.pdf

The airport will become Uganda's second international airport. In February 2018, the Government of Uganda selected Solel Boneh International Holdings, a subsidiary of the Israeli infrastructure and real estate development firm, Shikun & Binui [57], to construct the airport at a cost of around US$300 million. Using loan funds from UK sources, the Government of Uganda directly commissioned the airport, as it believes it is critical infrastructure needed to speed up oil production. Construction of the airport commenced in 2018 and is expected to be complete in 2020.

Given Uganda's oil reserves, President Museveni decided it would be a good idea for Uganda to have an oil refinery. The plan was that the refinery would be built on a 500-hectare section of the Kabaale Industrial Park. He tried to make the refinery a condition in the agreements with the three oil companies – CNOOC, Total, and Tullow – however, they were very reluctant. Museveni then sought external partners to construct the refinery. Two companies submitted tenders, RT Global Resources (a Russian company) and SK (a South Korean company), with the contract awarded to RT Global Resources in 2015. The initial intention was that the refinery, which would cost about USD 4 billion, would be owned and financed by private investors (60%) and five East African governments (Uganda, Kenya, Tanzania, Rwanda, and Burundi) with each country having an 8% stake [58]. The East African states had to confirm their participation by 2014, which was extended to 2016 when the first deadline was not met. The initial plan was thwarted when RT Global Resources pulled out in 2016 (and SK also declined), and because Burundi and Rwanda did not have any interest in the scheme. Tanzania had agreed to its 8% stake, although Kenya only agreed to 2.5%, but Total agreed to 10% [59]. Nevertheless, this was still well short of the necessary contributions.

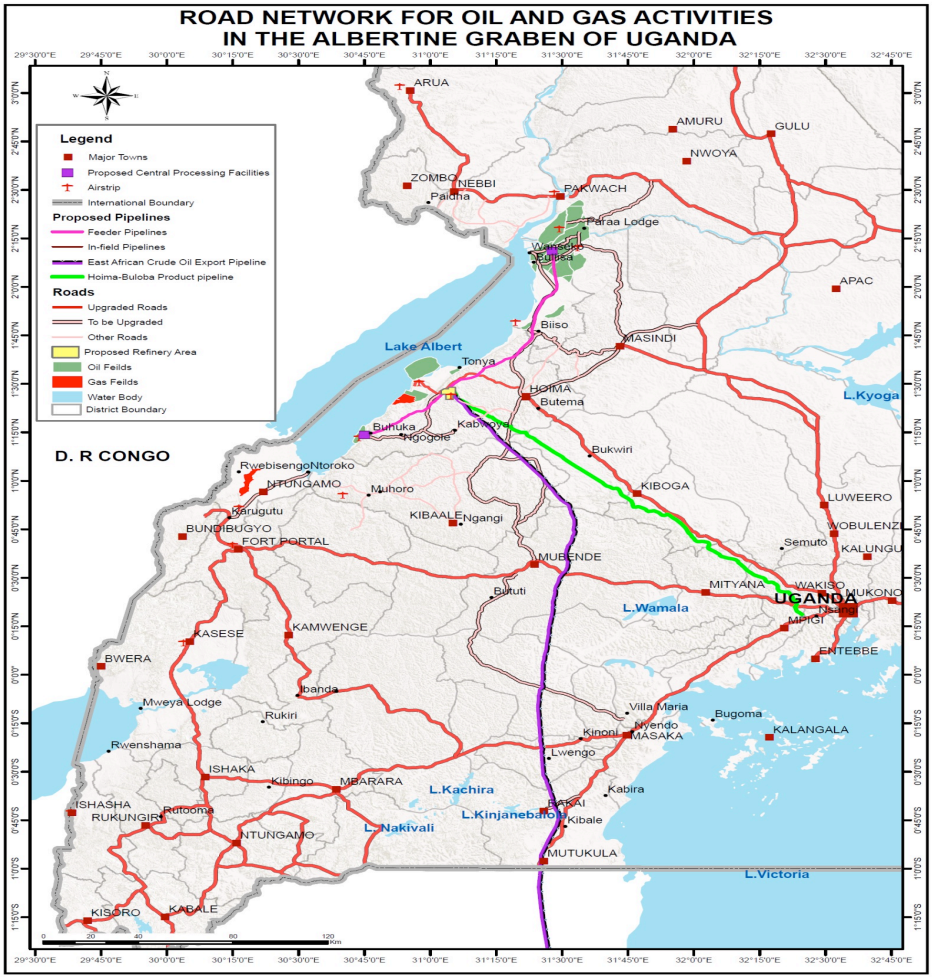
Therefore, Uganda looked to China to finance the project, or at least for the Uganda share, however China declined to fund it. Many Ugandans and others opposed the refinery, arguing it would be a liability. But the President and government dismissed all criticism, arguing it was a strategic decision to construct the refinery, saving Uganda a petroleum import bill of around USD 1 billion annually [60]. Although the exact financing arrangements have not been made clear, in April 2018 it was announced that a deal to build the refinery had been signed with the Albertine Graben Refinery Consortium, comprising YAATRA [61], Lionworks Group Limited [62], Nuovo Pignone International SRL (a General Electric Company located in Italy), Saipem SpA (Italy), and the government-owned Uganda National Oil Company (UNOC) [43]. However, apart from the land having been reserved for the refinery within the Kabaale Industrial Park, as at mid-2019, no progress on the refinery has yet been made.

Land acquisition for Kabaale Industrial Park commenced in 2012. A Resettlement Action Plan was completed in 2012, indicating that some 7118 persons would be affected. Some 93 families chose to be relocated, while 2670 households opted for cash compensation. Payment of cash compensation commenced in December 2013, and by December 2017, the vast majority had been compensated, with only a few complicated cases remaining. In 2013, with the help of an NGO (the African Institute for Energy Governance), some aggrieved persons took court action over what they regarded as unfair compensation [3,4,63]. A Ministry of Energy and Mineral Development official commented that "some NGOs had turned the resettlement issue into a money making agenda" [64]. However, as at mid-2019, this case had not yet resolved. The Petroleum Authority of Uganda argued that those who had not yet been compensated either never formally presented themselves for verification, or were those whose grievances were still being addressed. How the grievances were handled attracted a lot of media and public attention, and potentially has implications for the ongoing development of oil & gas infrastructure. If the project affected people win, it will be a stimulus to other people to take court action. If they lose, it will be difficult for the oil companies to gain a local social licence to operate, and there will be a risk of sabotage of equipment and other protest actions [26].

The Hoima–Kamapala Petroleum Products Pipeline (HKPPP)

The HKPPP will be developed by the Government of Uganda, represented by the Ministry of Energy and Mineral Development. The pipeline (or rather cluster of pipelines) will transport refined oil products from the planned Kabaale refinery in the Kabaale Industrial Park near Hoima to a distribution terminal located in Wakiso district near Kampala (see Figure 4).

Figure 4: Map showing position of the Hoima–Kampala Petroleum Products Pipeline



Source: Petroleum Authority of Uganda (2019)
https://pau.go.ug/uploads/ROAD_NETWORK_AG.pdf

The total length of the pipeline cluster will be approximately 210 kilometres, and the pipeline route will require an additional 121 hectares [64]. The pipeline cluster will be accompanied by communications cables, a dual carriage highway, and power transmission lines, all contained within a 110-metre-wide utility corridor. It is intended that the pipeline cluster will transport various products, including jet fuel, gasoline, kerosene, and diesel fuel.

Apart from the acquisition of land, another social issue will be that the distribution terminal in Wakiso will be near some residential communities, with a potential for death from accidents or sabotage. The consequences of the landtake for the pipeline will be twofold. First, some people will be pushed from their present urban setting into rural areas and will therefore experience a decline in access to social services; while others will be pushed into more urban areas, experiencing higher costs of living. Secondly, it is expected that along the pipeline route there will be an influx of job-seekers. These immigrants may be a source of tension and a threat to

local people in that they will be competing for the few available jobs, increase demand on resources, and contribute to local inflation.

DISCUSSION: THE CUMULATIVE IMPACTS OF LANDTAKE FOR OIL DEVELOPMENT

It is expected that the land acquisition for the projects discussed in this paper will have major social impacts on the lives and livelihoods of the affected communities. They will be displaced from their land, something which is fundamental to their livelihoods. With no access to land, some families will end up in towns, which may lead to impoverishment and reduced wellbeing [14]. The worrying aspect about these displacements is that most project-affected persons are peasants engaged in agriculture, grazing and fishing, and they may find it hard to cope in a new environment with different economic activities [51]. The Kabaale Industrial Park, for example, led to the displacement of over 7000 people, while the Tilenga Project will affect over 600 people. One of the long lasting impacts of land acquisition for oil & gas production is the permanent displacement of people from their land, often without adequate provision of sustainable alternative livelihood options.

Many project-affected persons have grievances relating to the compensation processes [4], and some regretted the decisions they made, which have now rendered them homeless and impoverished. There are fears that the oil developments will contribute to an influx of immigrants, especially in the main urban centres, Hoima, Masindi, Biiso, and Pakwach. It is uncertain whether the immigrants will get the jobs they anticipate [65]. More likely is that they will compete with local people for the few unskilled jobs in the region. There are tensions over job opportunities between local youth (meaning those who are born in the region) and 'foreign people' (Ugandans and others from outside the project areas).

As a result of the project-induced in-migration, the population of the region is steadily increasing. This has many implications. The cost of living will increase, the limited available social services will be over-stretched, and the very poor will not be able to access these services [6]. The Tilenga Project ESIA [37] acknowledged that, because the various projects have different timelines, a high population growth will continue to be experienced for many years. The ESIA observed that the cumulative population growth would exacerbate project impacts, especially access to land and shelter. The increasing demand would result in inflation, including in the price of land and housing. An implication of this is that the project affected persons who have been paid cash compensation will find it very difficult to find replacement land elsewhere, as the prices will likely increase beyond the levels of compensation they were paid, as was experienced by the people displaced by the Kabaale Industrial Park [3,4].

The increasing demand for land has created land speculation in the region. While some owners may consider they will benefit from what they perceive to be high prices they have been (or might be) paid for their land, the majority of land owners are illiterate and potentially lack understanding of the full implications of selling their land. They likely don't have access to legal or para-legal support in the land transaction process, thus they are easily swindled. A further problem is that most land is communally owned, and without land title. Land speculation pushes land prices up and encourages the commercialisation of land. The transition to formal land tenure inevitably means that cash-poor households will opt to sell, and will then become excluded from owning any assets and from continued access to land [6,37,66]. The cumulative landtake for the developments in the area means that there will be less land available for local communities, which might lead to food shortages and to undesirable living conditions, at least for the poorest. Therefore, the government has to ensure that any landtake should not lead to impoverishment; rather it should lead to the betterment of the lives of project-affected persons.

AECOM [37] considered that oil and other infrastructure developments would stimulate the local economy, create jobs and business opportunities, and increase disposable incomes. The taxes and revenues would contribute to local and national government revenue, some of which would be spent on improving public infrastructure and services, which would further promote economic growth. The challenge is to ensure that the government spends this money appropriately. Unfortunately, the Ugandan government is no stranger to corruption and wasteful spending [67,68]. The vast amount of money from oil developments is likely to lead to corrupt behaviours [31], which results from and in weak institutions [69]. Collier [27] regarded the resource curse as primarily a political phenomenon, which generates a range of dysfunctional rent-seeking behaviours.

Rural peasants may be manipulated by middlemen or local agents into selling-off their land at less-than-replacement prices. Sometimes, they are threatened or intimidated into selling. An official from the Bunyoro Kitara Kingdom described the land grabbing actions of highly-connected people in government and noted that the Bunyoro people were helpless against it because the land grabbers were being protected by the government. Land speculation and its displacement has knock-on effects in that people pushed out of higher-value land encroach upon more marginal land, creating inflation at lower levels, with poorer people becoming completely priced out of the land market [39].

The cumulative landtake will ultimately lead to a large-scale conversion of former agricultural land to industrial and commercial purposes [37]. This may render local people vulnerable to food insecurity, prostitution, landlessness, and increased poverty [70]. AECOM [37] identified many pertinent issues and concluded that many economically displaced households would not return to their previous livelihood activities, but were likely to try to find work in urban and semi-urban areas or in the oil projects, which would lead to changes in livelihood and employment patterns in the region, with both positive and negative effects [37]. In the case of the Kabaale Industrial Park, over 7000 people were displaced. Some of these people are no longer in agriculture, which was previously their main livelihood activity. Some ventured in *boda boda* (motor cycle) businesses that have since collapsed. On the positive side, it was noted that the oil developments presented opportunities for those able to get formal jobs, who would likely earn more and would be able to upskill. Conversely, those unable to find employment would experience increased insecurity and impoverishment. The projects will also contribute to community disarticulation and the disruption of people's livelihoods in many ways.

CONCLUSION

This paper examined the social impacts of land acquisition for five projects associated with oil & gas development in Uganda. Should they all proceed as planned, collectively these five projects will consume around 115,000 hectares of land and will displace nearly 15,000 people. The potential and actual social impacts of these projects on the local communities are many and varied, including: increased levels of poverty, conversion of agricultural land to industrial purposes increasing food insecurity, inflation in the cost of goods and services, community disarticulation, and disruption of people's lives and livelihoods.

The influx of immigrants is viewed by local people as a threat to their survival due to increased competition for limited job opportunities. Since most land is communally owned, faced with the prospect of having land bought or expropriated, there are social tensions within communities about how land might be kept sufficiently intact for viable agricultural production, and over how the community might be able to cash-in on such opportunities. Another challenge is how the proceeds from the sale of land should be used. Women are still socially excluded from owning

land, which is a major concern when it comes to fair compensation and their future livelihoods. In most cases, they have been made worse off by the land acquisition for oil development in Uganda.

On a positive side, these projects have created job opportunities for some of those people with the necessary qualifications, although not all those who are qualified can be absorbed. The new roads, dubbed locally as 'oil roads', have greatly improved accessibility to and within the region. The enhanced movement of goods and people has made many things easier and cheaper, although has generated much in-migration. We recommend that the government and oil companies ensure that any land acquisition does not lead to impoverishment of communities. Instead, land acquisition should lead to the betterment of the lives of displaced persons, project affected people and surrounding communities, irrespective of whatever resettlement option they have chosen. Land grabbing and speculation should be seriously addressed in order to protect communities from being manipulated and short-changed.

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CHAPTER 6

Governance challenges related to Resource Financed Infrastructure development in Sub-Saharan Africa: Chinese-funded megaprojects in Uganda

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ABSTRACT

Increasingly-common models of financing megaprojects in developing countries are resources-for-infrastructure (R4I) deals and resource-financed infrastructure (RFI), usually involving Chinese financial institutions and companies. Although having some advantages to the borrower, these arrangements also have various governance and other challenges. In Uganda, expectations of future revenue from oil extraction have led to many megaprojects being commissioned, mostly funded by RFI arrangements. We examined four projects to consider whether they are likely to contribute to positive socio-economic development or be indicative of resource curse outcomes (e.g. Dutch disease, Nigerian disease). The projects we considered were: the Kampala-Entebbe Expressway; the Karuma Hydroelectric Dam; the Isimba Hydroelectric Dam; and a Uganda section of the East Africa Standard Gauge Railway running from Malaba to Kampala. Although R4I/RFI arrangements are viewed positively by some commentators, others (especially local traders and contractors) consider that these deals lack transparency, create unsustainable debt, promote China's interests over the borrowing country, increase unemployment, unfairly compete with local businesses, engage in corrupt practices to win contracts, have poor working conditions, and result in substandard construction. Nevertheless, we conclude that Uganda and other Sub-Saharan African countries have generally benefited from Chinese-funded and built infrastructure, even though there are various issues. There is a greater risk of myth trap than debt trap. However, to ensure positive outcomes for all, national governments and Chinese companies should observe international standards and practice relating to: environmental and social impact assessment and management; human rights; benefit-sharing arrangements; and proper resettlement practice.

KEYWORDS: resources for infrastructure; resource financed infrastructure; resource curse; social impact assessment; extractive industries and society; environmental, social and governance issues

Highlights

- Effective infrastructure is essential for economic growth and development
- It is difficult for developing countries to finance desired infrastructure
- Resource financed infrastructure and resources for infrastructure are new models
- The Exim Bank of China is funding many megaprojects in Uganda and Africa
- Although controversial, these arrangements have pros and cons, and much myth

INTRODUCTION

With the expectation of considerable revenue from the exploitation of oil reserves in the Albertine Graben region, there has been a growing demand for the construction of public infrastructure in Uganda (Ogwang et al., 2018) requiring substantial funding the Ugandan Government currently does not have (Matsiko, 2016a). Uganda needs to invest about USD $1.4 billion per year for the foreseeable future to meet its infrastructure needs (World Bank, 2017a). As with other resource-rich, cash-poor nations, Uganda is presented with a difficult choice: delay construction of desired infrastructure until resource revenues eventuate sometime in the future; borrow money now to build the infrastructure in the short term with the loans being repaid from and secured by future resource revenues, which is called resource-financed infrastructure (RFI); or enter into a resources-for-infrastructure (R4I) deal in which a foreign company (typically Chinese) builds the infrastructure now in exchange for resource concessions (rights, entitlements, access), thus forfeiting a proportion of future resource earnings. We reflect on these options by analysing four infrastructure development projects in Uganda: the Kampala-Entebbe Expressway; the Karuma Hydroelectric Dam; the Isimba Hydroelectric Dam; and a Uganda segment of the East Africa Standard Gauge Railway. We highlight the key aspects of these four cases, including funding arrangements, governance issues, and other concerns. Overall, we consider whether the institutional arrangements around these projects are in the best interests of the nation and its people, and we reflect on the general appropriateness of the concepts of resource-financed infrastructure and resources-for-infrastructure.

Public infrastructure refers to the wide range of facilities, essential public services, utilities and installations essential for the effective functioning of an economy and society (Farooki, 2012), including roads, railways, airports, public transport, telecommunications, sewerage, healthcare, education facilities, electricity and water. To achieve meaningful growth and development, developing countries must improve their essential public services and transport infrastructure (Kumaraswamy and Zhang, 2001; van der Ploeg et al., 2017). To gain the financial resources needed to fund the desired infrastructure works, countries actively encourage foreign companies to invest, sometimes by offering favourable terms and conditions. Chinese firms have responded to these opportunities and have been building most of the infrastructure in Sub-Saharan Africa (Alden and Davies, 2006; Brautigam, 2010; Alden, 2012). Chinese banks, notably the Export-Import Bank of China (China Exim Bank) (http://english.eximbank.gov.cn/en/) and the China Development Bank (http://www.cdb.com.cn/English/), have become significant financiers of infrastructure across Africa (Sanfilippo, 2010; Konijn and van Tulder, 2015; Davies et al., 2016; Muchapondwa et al., 2016). Many of these infrastructure projects are megaprojects (van Marrewijk et al., 2008; Ma et al., 2017; Vanclay, 2017) requiring considerable public funds to be invested (at least in the form of loan repayments) in highly complex projects that have financial arrangements comprehensible only to a few people (Fazekas and Tóth, 2017). Without effective governance mechanisms and the capacity building of government staff, the intended goals of these projects can become compromised, including by distorted project design, inflated pricing, poor quality construction, and construction delays (Fazekas and Tóth, 2017). The appropriateness of projects also needs to be scrutinised.

Africa is faced with a massive infrastructure gap, estimated to be about USD $50 billion per year (African Economic Outlook, 2017). Because of this, about 645 million people in sub-Saharan Africa don't have access to electricity, and only one third of rural dwellers live within 2 kilometres of paved roads (African Economic Outlook, 2017). The infrastructure deficit is exacerbated by frequent disruption to whatever services do exist. The deficit and disruptions severely impact business including local small-to-medium enterprises, and retards job creation and other economic development activities (Hallegatte et al., 2019). This lack of infrastructure has prompted many African governments to seek to invest in public infrastructure projects (Foster and Briceño-Garmendia, 2009; African Economic Outlook, 2017).

The demand for infrastructure, together with the availability of arguably competitive financing from Chinese banks, and competitive pricing and on-time, on-budget construction by Chinese firms, has led to much construction activity across Africa, including Uganda (Gutman et al., 2015). Chinese firms have benefited because most Chinese loans are tied to the procurement of Chinese goods and services (Konijn and van Tulder, 2015). These tied loans are a major concern to local industries in African countries. Chinese construction companies have also been successful in winning contracts through competitive bidding for infrastructure funded by the World Bank, the African Development Bank, and other lenders and aid agencies (Konijn and van Tulder, 2015).

The purpose of this paper is to analyse the arrangements and governance challenges associated with R4I/RFI deals for funding infrastructure projects. The existing literature suggests that these challenges potentially include: a lack of transparency in the bidding process to select construction companies; increasing national debt; inflated pricing; shoddy work by construction companies; and poor working conditions (IMF, 2005; Corkin, 2012; Cheung et al., 2012; Halland et al., 2014; Lin and Wang, 2016). We examine four cases of resource-financed infrastructure in Uganda by considering the potential benefits, financial implications and governance challenges of each project. The four projects we considered were: the Kampala-Entebbe Expressway; the Karuma Hydroelectric Dam; the Isimba Hydroelectric Dam; and the Malaba to Kampala section of the East Africa Standard Gauge Railway. The projects were at different stages of implementation, but were all being financed by the China Exim Bank.

DEFINING KEY TERMS

The traditional approach to funding major public infrastructure in developing countries typically involved a national government securing a loan from an international financial institution (e.g. the World Bank or other multilateral development bank), or a private bank, and then commissioning an engineering/construction firm to complete the project. Now, there is a wide array of project financing and construction models, some of which are tied to the country's mineral resources. Two terms tend to be used: resources-for-infrastructure (R4I) (sometimes called infrastructure-for-resources); and resource-financed infrastructure (RFI). The terms are related (and sometimes interchanged), but they are different in that R4I means that the actual resources are promised/provided to the lender, whereas in RFI, the income from the sale of the resources is used to pay back a loan, and/or the resources provide the needed collateral (surety or backing) to secure the loan. Halland et al. (2014:13) define RFI as "a financing model whereby a government pledges its future revenues from a resource development project to repay a loan used to fund construction of infrastructure". Conversely, an R4I deal or 'swap' can be characterised as an exchange of the actual natural resources for construction of infrastructure, with the infrastructure being provided upfront and the resources being provided into the future (Brautigam, 2010; Ross, 2015; Konijn and van Tulder, 2015; Lin and Wang, 2016).

The governance arrangements in RFI/R4I deals vary and can be quite complex depending on the objectives of the resource-rich country and lender. For the lender nation, the objectives may include securing access to scarce resources, being part of a market-entry strategy (i.e. new country entry), or securing an overseas market for firms in the lender nation. For the resource-rich country, the objective is usually about obtaining desired infrastructure earlier than would have been otherwise possible.

The general concept behind RFI and R4I first emerged in the 1980s under the guise of 'oil-backed lending', often associated with Angola and sometimes called 'Angola-mode deals' (Habiyaremye, 2013; Halland et al., 2014; Konijn and van Tulder, 2015). A special feature of Angola-mode deals was that the lender would make payments directly to the construction company, by-passing the government, thus reducing potential corruption. An early example of

such a deal involved a USD $2 billion loan in 2004 from the China Exim Bank to finance reconstruction following the civil war in Angola. The loan was repaid by a commitment from Angola to provide China with 10,000 barrels of oil per day for 17 years. However, a loan condition was that, for the 17 years of the agreement, 70% of all public tenders for infrastructure projects in Angola had to be awarded to Chinese construction firms (Konijn and van Tulder, 2015). This created many governance challenges and raises the question about whether the arrangement was actually a good deal for Angola or not. R4I arrangements have also been implemented in the Democratic Republic of Congo, with similar concerns about whether or not the deal was good value for the country (Landry, 2018; Maiza-Larrarte and Claudio-Quiroga, 2019).

Build-Own-Operate (BOO), Build-Operate-Transfer (BOT), Build-Own-Operate-Transfer (BOOT), Design-Build-Finance-Operate (DBFO) and other variations of Public-Private-Partnerships (PPPs) can be regarded as forms of RFI in that an external company finances and/or constructs public infrastructure, sometimes without direct payment from the government. In these arrangements, the company recoups its outlay either from the project itself – such as revenues from a tollway or electricity sales from a hydroelectric dam – or from annual payments from the government, or other arrangement. The governance arrangements of such deals may include reduced taxation rates, or provision of free land. Many other inducements may be provided by governments to facilitate the provision by private sector companies of socially-desirable infrastructure that would not otherwise be possible. Therefore, these projects can be complex from financial and legal points of view (Tam, 1999). While these variants of PPPs are relatively self-explanatory, to give some sense of them, a BOT project, for example, can be described as:

> a project based on the granting of a concession by a client (usually a public or governmental agency) to a consortium or concessionaire (usually in the private sector) who is required to 'Build' (including financing, design, managing project implementation, carrying out project procurement, as well as construction), 'Operate' (including managing and operating the facility or plant, carrying out maintenance etc., delivering product/service, and receiving payments to repay the financing and investment costs, and to make a margin of profit), and to 'Transfer' the facility or plant in operational condition and at no cost to the client at the end of the concession period. (Kumaraswamy and Zhang, 2001:196).

ISSUES ASSOCIATED WITH THE GOVERNANCE OF R4I AND RFI

Although many infrastructure projects are successfully completed, whether R4I/RFI or not, they are vulnerable to procurement irregularities (such as the direct appointment of contractors), exaggeration of cost, and elite capture (i.e. primarily serving the interests of certain groups rather than the wider public) (Sanderson, 2012; OECD, 2018). Whether ex ante or ex post, evaluation of project arrangements can be subject to systemic and systematic biases in the way evidence is collected and considered and how decisions are made (Gil and Pinto, 2018). Given the history of clientelism and patronage-based decision making in Africa, capacity building and effective governance are critical if development in any sector is to have positive development outcomes (Gwilliam, 2011).

The story about the alleged benefits of R4I/RFI arrangements relates to China's own experiences, especially its trade relationship with Japan in the 1970s (Konijn and van Tulder, 2015). Like African countries today, back then China was a poor, resource-rich country that lacked technology and infrastructure. In contrast, Japan was a rich, industrialised, resource-poor country, highly dependent on imported raw materials. Desperate as many African countries are today, back then China was keen to import Japanese know-how and technology, for which it was happy to sell its vast coal reserves and crude oil. In 1978, the two governments signed a mutually-beneficial, long-term trade agreement worth over USD $10 billion annually (Brautigam, 2011a; Konijn and van Tulder, 2015).

Despite this positive interpretation of the background to R4I/RFI, there are three important differences between the current Sino-African arrangements and the Sino-Japan case that question the value of R4I/RFI for Africa. The first relates to technology transfer. In the Sino-African situation, there is limited technology transfer taking place, because the infrastructure is being built by Chinese companies with no local involvement and no mechanism for technology transfer or capacity building. The second relates to financing. Japanese companies were not directly involved in investing in China, however Sino-African relations are heavily dependent on financing from Chinese firms, some of which are state owned and not necessarily subject to commercial operational considerations. Finally, labour considerations; in the Sino-Japan case, Japanese workers were not travelling in large numbers to China to work. However, Sino-African deals typically involve armies of Chinese workers going to Africa, and only very limited use of local labour (Alden, 2005, 2012; Habiyaremye, 2013).

China's presence in Africa primarily revolves around China's need to access natural resources as well as its need to expand markets for Chinese exports and professional services (Buckley et al., 2007). Conversely, African governments look to China to contribute to economic development through aid, investment, construction of infrastructure, and trade (Hanauer and Morris, 2014). Obviously, as one of the world's largest resource-consuming nations, China needs to consider access to resources in Africa as well as elsewhere (Klare and Volman, 2006; Hongyi, 2007; Large, 2008; Alden and Alves, 2009). China has invested in over 40 African countries, notably Angola, Chad, the Democratic Republic of Congo, Ethiopia, Gabon, Kenya, Mozambique, Nigeria, South Africa, South Sudan, Tanzania, Uganda, Zambia and Zimbabwe (Fijalkwski, 2011; Cheung et al., 2012). Africa's trade with China has grown considerably in recent years (Brautigam, 2010; Mlambo et al., 2016). Thus, contrary to the negative statements made about R4I/RFI arrangements, the large number of countries that have these agreements with China, and the extent to which they are happy to be repeat customers, provides some evidence of the perceived value of these arrangements to the borrowing countries (Alden, 2012).

In cash-poor, resource-rich countries, natural resources tend to contribute to corruption, social unrest, poverty, and conflict, in other words, the resource curse (Anyanwu and Erhijakpor, 2014; Stevens et al., 2015; Ogwang et al., 2019). Some obvious examples of where there has been a resource curse are Nigeria, Democratic Republic of Congo, South Sudan, and Chad (IMF, 2005). R4I/RFI deals are used by Chinese companies to reduce the risks of doing business in countries with weak institutions, a lack of transparency, and low credit ratings (Konijn and van Tulder, 2015). There are many potential risks faced by companies and banks doing business in Africa, including the non-repayment of loans, nationalisation of the project, and corruption in its many forms (Van Wyk et al., 2004; Mbabazi, 2013; Goumandakoye, 2016; Isaksson and Kotsadam, 2018). Arguably, R4I/RFI arrangements reduce the probability and consequence of some of these risks (Halland et al., 2014). A typical aspect of R4I/RFI deals is that financial flows are managed by the Chinese not host government, and are usually paid directly from the bank to the construction firm, thus by-passing the Ministry of Finance. This is in marked contrast to World Bank and other multi-lateral development bank loans, where payments are only made through the Ministry of Finance (World Bank, 2017b), potentially enabling syphoning-off, embezzlement and misdirection. Because of this, some scholars have argued that R4I/RFI deals are effective in limiting the possibilities of corruption (IMF, 2005; Shaxson, 2009; Brautigam, 2011b; Konijn and van Tulder, 2015).

Despite these arguments in favour of R4I/RFI deals, there are concerns about their use. Depending on the precise terms and conditions, as well as the price of the commodity in question into the future, it is possible that the economics of the deal are not favourable to the resource-rich country and that it ultimately pays a higher effective interest rate than if a conventional loan had been obtained (had it been available) (Maiza-Larrarte and Claudio-Quiroga, 2019). Another issue is the quality of construction of the infrastructure financed by these arrangements. Halland et al.

(2014) considered that some infrastructure constructed through these deals was of poor quality, involved vanity projects not consistent with the country's development needs, was poorly maintained, and therefore some countries may find that infrastructure built this way deteriorates to non-serviceable levels long before the repayment obligations have ceased. Another concern relates to the perpetuation of African countries as sellers of unprocessed raw materials, maintaining them in a state of dependency, and perpetuating neo-imperialism/neo-colonialism (Asante, 2018).

Because the financial arrangements typically require use of Chinese contractors, this limits the ability of the country to use infrastructure development as an opportunity to develop in-country capacity and/or reduce local unemployment. Another concern is that the cost of construction may not be commercially-competitive, given that governments are more concerned about the ability to access finance rather than the specifications and cost of construction (Halland et al., 2014). Further concerns relate to the social impacts from the presence of large numbers of Chinese workers in African communities (Mohan and Power, 2008; Hanauer and Morris, 2014; Urban et al., 2015). There are also concerns about the rights of Chinese workers (Brautigam, 2009; Brautigam and Gallagher, 2014).

It is essential that the serious issue of corruption in infrastructure be addressed by all stakeholders. Corruption in infrastructure is a political, legal and social issue. It is also an economic matter in that it vastly increases costs to the public (Collier et al., 2015; Locatelli et al., 2017). Getting infrastructure governance right is essential to ensure achievement of intended economic and social benefits and to create a predictable and equitable business environment for firms and investors (OECD, 2018). This can be done by fighting corruption, and by having a culture of accountability and transparency that is respected by all stakeholders, including the government, business community, and civil society organisations (Jordana, 2017).

THE EXPORT-IMPORT BANK OF CHINA

The China Exim Bank was established in 1994 as a Chinese state-owned bank with the status of an independent legal entity. Under the control of the Chinese State Council, the bank is dedicated to supporting China's policy on foreign trade, investment and international economic cooperation (China Exim Bank, 2016). Because of their strategic function in promoting Chinese government interests, the China Exim Bank, the China Development Bank, and the Agricultural Development Bank of China are known as 'policy banks' (Ren et al., 2017).

The China Exim Bank is the only Chinese bank able to provide Chinese government-backed concessional loans, i.e. discounted loans where the Chinese government subsidises the difference between the normal commercial interest rate and the discounted rate (Massa, 2011). Arguably one of the world's largest development finance institutions (Brautigam and Hwang, 2019), the China Exim Bank provides a wide range of banking services, including short, mid and long-term loans for foreign trade, export credit, import credit, offshore contracts, overseas investments, Chinese government concessional loans, and preferential export buyer's credit (China Exim Bank, 2016). In 2015, China Exim Bank loans worldwide totalled RMB 1077.4 billion (Ren et al., 2017), which is about USD $151 billion, more than twice the amount of World Bank lending. The China Development Bank had an even larger portfolio.

As at the end of 2019, China Exim Bank was not a signatory to the Equator Principles, the sustainability and risk management framework for the world's financial institutions. The English version of the China Exim Bank website (http://english.eximbank.gov.cn/) does not host the policy statements or environmental, social and governance performance standards that might normally be expected of a major bank (Vanclay and Hanna, 2019). It is also not transparent about its loans (Brautigam and Hwang, 2016). However, its website does contain a *White Paper on Green*

Finance (China Exim Bank, 2016), which articulates some of the procedures it uses, with mention of a 2007 document, "*Guiding Opinions on Environmental and Social Impact Assessment of Loan Projects*", and a 2015 document "*Green Credit Guidelines*".

Scholars who have analysed China Exim Bank's activities have generally found that the bank does not intervene in how the projects it has funded are executed, and it does not insist on compliance with environmental and social performance standards, expecting this to be a matter for the host government and/or construction firm (Kirchherr et al., 2016; Brautigam and Hwang, 2019). However, the Chinese Global Environmental Institute briefing paper (GEI, 2017) and research report (Ren et al., 2017) carefully assessed China Exim Bank's environmental and social policies, comparing them to other international financial institutions. They found that, although the China Exim Bank generally requires environmental and social assessment, it usually accepts host country procedures, which may mean that some issues are not adequately addressed. However, they also note that the 2015 Green Credit Guidelines have significantly strengthened the responsibilities to be taken by the Bank.

The types of loans offered by the China Exim Bank that are being used in Uganda include Export Buyer's Credit (EBC) and Preferential Export Buyer's Credit (PEBC). An Export Buyer's Credit (EBC) is a commercial loan to an overseas borrower to facilitate the export (i.e. purchase by the borrower) of Chinese products, technologies or services (including infrastructure construction). EBCs are targeted to overseas financial institutions, finance ministries, institutions authorized by governments of importing countries, and overseas business owners and importers approved by the China Exim Bank (China Exim Bank 2018a). The interest rate applied to an EBC varies, but typically is between about 2.0% (or 200 basis points) and 4.0% (i.e. 400 basis points) on top of LIBOR. LIBOR (the London Interbank Offered Rate) is the average interest rate banks borrow money from each other, and in effect is the cost of the money to the bank. This rate can vary widely depending on global trends and, for example, between 2010 and 2019, LIBOR varied between about 1.0% and 3.0%, but reached over 5% prior to the 2008 global financial crisis. Because LIBOR can vary over time, there is some uncertainty about what the future interest rate and thus loan repayments will be. EBC loans are fully commercial loans intended for the purchase of Chinese goods and services. Before approving a loan, the bank assesses the risk, and ensures that country-specific risks are under control, in other words, that there is a sufficiently stable economic and political situation in the borrowing country (China Exim Bank, 2018a). The borrower is expected to have a good credit rating, and evidence of being able to repay the loan. A repayment guarantee (such as a sovereign guarantee or other instrument) and/or loan insurance may be required.

A Preferential Export Buyer's Credit (PEBC) refers to a medium to long-term loan with preferential terms and conditions aimed at promoting China's trade and economic cooperation (China Exim Bank, 2018b). PEBC loans typically range from USD $100 million to a maximum of $1.0 billion; usually at a fixed interest rate of 2% per annum; and with a maturity date of up to 20 years. For PEBC (and also EBC) loans, there is typically a 'grace period' of five years during which time no repayments need to be paid although interest does accrue (i.e. strictly speaking in financial terminology, a moratorium). Because these loans are subsidised by the Chinese government, loan conditions are strict and require a signed contract with a Chinese contractor/exporter to be submitted as part of the loan application. Other application requirements include: a project feasibility report; environmental impact assessment report; information about the project owner; and information about the contractor, major subcontractors and suppliers (China Exim Bank, 2018b).

Any fair assessment of the China Exim Bank has to conclude that it is not very different in purpose or procedure than the Exim (or Exim-like) banks of other countries (e.g. USA, UK, India, Korea). However, an important point of consideration is that all China Exim Bank loans are denominated

in Renminbi Yuan (CNY), even though US dollar amounts are typically mentioned in loan documentation. Therefore, future loan repayments are vulnerable to exchange rate fluctuations in CNY. Although predicting the future is always fraught, it is quite likely that the CNY will strengthen over time, especially compared to the borrowing countries, making future repayments more expensive than they were when the loan was established.

CASE 1: THE KAMPALA-ENTEBBE EXPRESSWAY

The Kampala-Entebbe Expressway is a 51 km, four-lane, dual-carriage toll-road linking Kampala to Entebbe Airport. Construction commenced in 2012 and the expressway opened for use in June 2018. However, a delay in updating legislation meant that no toll could be charged until after December 2019 when the new Road Act came into force. At the time of writing (early 2020), the government had not yet selected an operator to manage the tollway. The idea for an expressway had existed for many years, but could not progress until financing was obtained. Eventually in 2011, a USD $350 million PEBC loan was acquired from the China Exim Bank. A requirement of the loan was that the project had to be constructed by a Chinese company, and it was subsequently constructed by the state-owned China Communication Construction Company. All payments from the Exim Bank were made directly to the contractor. The loan is repayable over a 20 year period, with a fixed annual interest rate of 2.0% (applicable to disbursed and outstanding balances). Following a grace period, the first loan repayment was due in July 2019 (Parliament of Uganda, 2011).

In addition to the loan repayments, there were management fees and commitment fees that had to be paid. The Government also had to contribute a further USD $126 million towards construction costs and $40 million to compensate land owners along the route. Overall, the cost of the highway was approximately $2.5 million per lane kilometre, which, despite local media reports that it was amongst the most expensive roads in the world (Twinoburyo, 2013; Buwembo, 2016), is not inconsistent with current cost of highway construction around the world, especially when the engineering issues and geological conditions of the expressway's routing are considered.

The loan agreement required that government make 26 bi-annual repayments each of USD $13.4 million commencing on 21 July 2019 (running through to January 2032). Initially, the government argued it intended to repay the loan from revenue raised from a toll. However, this is problematic because it would be impossible for the expected volume of traffic to generate this amount of money. Also, there was a delay in updating the necessary legislation to allow collection of a toll, meaning that for the first two years of operation (June 2018 to sometime in 2020), no toll was collected. The precise reason for the delay in updating the legislation is unclear, but is probably related to the fact that the Ugandan parliament spent much time debating the proposal (that was passed in Dec 2017) to remove restrictions on the maximum age of a President to allow the 73 year old Museveni, who had been president for the last 30 years, to contest yet another term in office.

In April 2019, a senior government official announced that Uganda could not afford to make the first repayment, which was due on 21 July 2019, because no provision for this had been made in the national budget (Akello, 2019). The official noted that there was an oversight on the part of the Ministry at the time of acquiring the loan, which meant that the government gave no thought as how to make the loan repayments or to schedule them into national budget planning. This oversight is indicative of the governance challenges related to infrastructure projects in Uganda and other developing countries (Gutman et al., 2015). One issue arising from having failed to plan for the repayments is that, to meet the shortfall, the government will have to borrow further or redeploy already-allocated funding, which may deprive citizens of much needed public services, like the health care or education.

The expressway was expected (and has) reduced travel time for the journey between Kampala and the airport from the previous two to three hours depending on traffic, to a fairly reliable 30 minutes or so long into the future. However, despite the lack of a toll, traffic volumes are below expected numbers. There is also a concern that limited entry points to the expressway limit its functionality, and that although the expressway itself is good, the starting point is not easy to reach, and many people are likely to use pre-existing routes. Thus, while some road users are satisfied, it is questionable whether the road is an effective addition to infrastructure in Uganda.

CASE 2: KARUMA HYDROELECTRIC DAM

The Karuma Hydroelectric Dam is a 600MW dam now financed by the China Exim Bank and constructed by Sinohydro. The total cost was approximately USD $1.7 billion, of which 85% ($1.4 billion) was from the China Exim Bank, with the Government of Uganda contributing $253 million (15%). Although securing financing was initially difficult, the government was strongly committed to this project and initiated land clearing in 2012. With an agreement in principle to fund the project being reached between President Museveni and President Xi Jinping in March 2013, construction started in 2013. The formal loan agreement was signed in 2014. There were two components to the financing: an EBC of $645,821,407, and a PEBC of $789,337,275 (Parliament of Uganda, 2015a). The initial scheduled completion date was December 2018, although following various delays, this was changed to December 2019, and then to December 2020.

The EBC component of the Karuma Dam had various conditions including: the repayment period would be 15 years commencing on the day the dam was fully commissioned; the interest rate would be LIBOR+3.5% per annum; a once-off management fee of 0.5% of the loan; a commitment fee of 0.5% per annum on any undisbursed but available amount; it was obligatory for loan insurance cover to be obtained from the China Export & Credit Insurance Corporation (aka SINOSURE) amounting to around USD $65 million for total loan period (Parliament of Uganda, 2015a).

The PEBC component was a loan of USD $789 million, for a term of 20 years, including a grace period of five years. The interest rate was fixed at 2% per annum. There was a once-off management fee of 0.25% of the loan, and a commitment fee of 0.25% on any undisbursed but available amounts each year. Another requirement was a Repayment Reserve Account with the China Exim Bank, which, for the first few years of the loan, would have to maintain the minimum amount needed to meet the next repayment due. The standard application procedures also required: a signed contract with Chinese contractors/exporters; a project feasibility study report; environmental impact assessment report; information about the project owner; and information about the contractor and major subcontractors and suppliers (China Exim Bank, 2018b).

The *Parliamentary Committee Report on National Economy* observed that the conditions of this loan package were not particularly favourable and recommended that the government always examine alternative sources rather than always borrowing from the same source (Parliament of Uganda, 2015a). The complexity of the loan arrangements raises governance questions about the capacity and competence of the actors involved (including oversight bodies), as well as issues relating to accountability, transparency and governance of loan agreements. The report contradicted those who have argued that Chinese loans were cheaper compared to Western donors and had “no strings attached”, as had been claimed by many African leaders including President Museveni (Bwambale, 2012; Kynge, 2014).

As is common with many Chinese-funded projects in Uganda and elsewhere in Africa, there have been many questions relating to the bidding process, contractor selection, procurement issues,

and quality of work. Although an official procurement process was initiated, it was subsequently bypassed, with Sinohydro being directly awarded the tender (*The Observer*, 2013; Parliament of Uganda, 2015a). Although Sinohydro had been among three prequalified bidders, originally it was not invited to tender because the Contracts Committee of the Ministry of Energy and Mineral Development considered that it had not provided sufficient information regarding the roles and responsibilities of the partners in the joint venture. The Contracts Committee indicated that China International Water Electronic Corporation (CWE) was the preferred bidder. Nevertheless, a Presidential Directive ordered that Sinohydro be appointed and the normal procurement procedure was cancelled. The President justified this action by stating his advisors had recommended Sinohydro (Atuhaire and Akella, 2013).

A Memorandum of Understanding relating to construction of the dam and transmission line was signed between Sinohydro and the Ministry of Energy and Mineral Development in June 2013. The same day, CWE wrote to the Ministry threatening to take legal action citing violation of the procurement process. Legal action was abated by CWE being given a contract to build another dam, the Isimba Dam (see below).

It is not clear why Sinohydro was given the Karuma project and/or why the President ordered this. Apparently, the Chinese Government only required the Government of Uganda to choose any qualified Chinese company and left the decision on the choice of company to the Government of Uganda (Atuhaire and Akella, 2013). The Minister for Energy and Mineral Development argued that Uganda's procurement laws "allow bilateral arrangements such as that negotiated by Museveni", while his Senior Minister argued that, "the public had lost faith in the procurement process because of endless allegations [of corruption] and court injunctions" (Atuhaire and Akella, 2013 online).

Given the circumstances surrounding how Sinohydro was awarded the contract to build this dam, it remains to be seen whether Ugandans will get value for money. In future transactions of this nature, the government should ensure there is open competition among the Chinese firms in order to mitigate the negative consequences of no bid contracts, which have damaged the image of the company as well as the government officials involved. There should also be proper supervision and monitoring of any project before, during and after construction.

CASE 3: ISIMBA HYDROELECTRIC DAM

The 183MW Isimba Hydroelectric Dam project commenced construction in April 2015 and became operational in March 2019. Following the objection regarding the contracting process for the Karuma Dam (see above), the China International Water and Electric Corporation (CWE) was directly given the tender for the Isimba project in a Presidential Directive dated 24 July 2013. The project comprised construction of the Isimba Dam and power station, a 132kv substation, and construction of the 41 km Isimba-Bujagali transmission line. The total cost of these projects was USD $568 million, of which 85% ($482 million) was funded by a PEBC loan from the China Exim Bank, with the balance ($86 million) being provided by the Government of Uganda (Parliament of Uganda, 2015b). Given that China Exim Bank's PEBC application procedures require a signed commercial contract to be included, a Memorandum of Understanding between the Government of Uganda and CWE was signed on 22 July 2013 to secure funding (Parliament of Uganda, 2015b). The loan was awarded in 2014.

Some specific aspects of the loan agreement were as follows. The loan would have a fixed interest of 2% per annum. A once-off management fee of 0.25%, equivalent to USD $1.21 million, and commitment fees of 0.25% ($1.35 million) were to be paid in the first year of the loan. The government must establish an escrow account in a commercial bank (potentially in Uganda) that was acceptable to Exim Bank to which all revenues generated by the project (i.e. electricity sales)

must be deposited. The government had to ensure that a Power Purchase Agreement (on 'take or pay' basis) was concluded with the electricity companies. Any shortfall must be met by the government. The government was also required to ensure that the unresolved land acquisition and resettlement issues associated with the Isimba-Bujagali Interconnection Line were resolved before the project was implemented. Finally, the government was required to submit all appropriate financial reports to the China Exim Bank (Parliament of Uganda, 2015b).

CWE came under criticism for shoddy work. Some critics (e.g. Mbanga, 2017) argued that the cost (approx USD $568 million or $3.1 million per megawatt) was excessive. There were concerns about changes away from the approved design and disregard of the advice of a panel of experts about how to fix some identified problems, namely cracks in the dam wall. During one site inspection, the inspection team found that CWE did not have a technical engineer on site to supervise repairs. It was feared that the absence of key technical staff compromised the integrity of the dam; reduced the ability of the dam to produce electricity; and could result in a dam that was below specification (Mbanga, 2017). CWE was accused of ignoring correspondence from regulatory officials, making alterations without approval or informing the Government of Uganda, and shoddy work:

> The most troubling shoddy works at Isimba can be seen with the equipment that will form the gates of the dams, which will control the water flow. The gates are important because they allow how much water can be channeled into the turbines, where the electricity will be produced. For example, the rollers on the gates are carbon steel, and yet what appears to have been agreed in the bill of quantities was stainless steel. The same can be said of the cylinders, a critical component of the gates. Other sloppy works were noticed with the cut-off wall, a structure that is supposed to reduce any water seepages into the dam. (Mbanga, 2017, online)

The Government of Uganda and CWE had agreed that stainless steel would be used. However, CWE ultimately installed cheaper ceramic-coated parts. This may mean that the equipment will corrode more quickly and need replacement in a shorter time, requiring taxpayers to pay to fix the problem (Mbanga, 2017). Although a senior government official in the Ministry of Energy and Mineral Development we interviewed dismissed these concerns as unsubstantiated allegations without merit, it is apparent that there are doubts about the dam's technical integrity and the legitimacy and credibility of the project.

Just like the Karuma Dam, there was no open bidding to construct the Isimba Dam. Because of failure or negligence to follow proper procedures, the dam was constructed without adhering to the original specifications submitted by CWE. All this indicates that, over time, the government will likely require extra funds to rectify problems (Matsiko, 2016b, Matsiko, 2016c).

CASE 4: THE STANDARD GAUGE RAILWAY FROM KAMPALA TO MALABA

The East Africa Standard Gauge Railway project is a grand master plan, costing tens of billions of dollars, that is intended to link various countries in East Africa by rail to Mombasa, a seaport in Kenya. It is called 'standard gauge' because it will be constructed according to the international railway standard of 1,435 mm (historically 4 ft 8 ½ in) rather than the colonial legacy one-metre narrow gauge that was used in much of Africa. The idea is to freight shipping containers by rail rather than road, as is currently the case, reducing the cost of transporting a 40-foot shipping container from Mombasa to Kampala from USD $3500 to $1500 (https://www.sgr.go.ug/). The project has already commenced in Kenya and Tanzania, with the Ugandan sections yet to be developed. It is expected that the network will eventually be extended to South Sudan, Rwanda, Burundi and the Democratic Republic of Congo.

Within Uganda, four sections of the Standard Gauge Railway are planned. The primary section connects Malaba (on the border with Kenya) to the capital city, Kampala. However, a critical component for Uganda is the link between Malaba and Naivasha in Kenya. In May 2017, Kenya

opened the first leg of the railway line (some 472 kms) linking the port of Mombasa to Nairobi, costing USD $3.2 billion. After Kenya secured a loan from the China Exim Bank in May 2017, the 120 km Nairobi-Naivasha section was completed in October 2019. From Uganda's perspective, it is essential for the railway line to be continued a further 375 kms from Naivasha in Kenya to Malaba on the Uganda-Kenya border.

The Kampala to Malaba section (273 kms) was originally meant to have been completed in 2018, however, this was revised because Uganda initially failed to secure financing from China Exim Bank. It is not clear whether Uganda had also approached other banks. In 2019, Uganda was in negotiation with the China Exim Bank. The Bank required that, before it would approve a loan, the Uganda Government must secure guarantees that Kenya will complete the Naivasha to Malaba section (Matsiko, 2017). The Bank also demanded that the Uganda Government compensate all project-affected persons, amounting to some USD $90 million. Another condition was that a study of the financial viability (the business case) of the project had to be conducted. According to Asiimwe (2016), the Bank was concerned about Uganda's ability to meet its repayment obligations and whether construction of the railway made business sense. In November 2019, Uganda resubmitted its application to the Bank, together with the requested feasibility study, but probably without full assurance that Kenya would promptly complete the link from Naivasha to Malaba. Consequently, in March 2020, the China Exim Bank again rejected the application. Uganda immediately announced that it was still committed to the project and would take every action to ensure its success, although clearly this will be some years away.

The current plan is still that the Malaba-Kampala route will be completed within 42 months once finance is approved. John Holland, an Australian-based subsidiary of the China Herbor Engineering Company, will operate the railway line for 10 years before returning it to the government. It will be a classic BOT infrastructure project.

Despite a general positive view about the railway line from many people, there are various detractors. The construction of the first Kenya sections of the line, from Mombasa to Nairobi, and then to Naivasha, had created much controversy. In Uganda, there were complaints that the estimated cost of construction was higher than similar projects elsewhere in the region. After visiting railway projects in Ethiopia and Djibouti, a Ugandan parliamentary committee demanded a review of the project noting that the costs associated with Uganda's section were much higher. The Ethiopia-Djibouti line, which opened in October 2016, cost USD $3.4 billion for 656 km ($5.18 million per km), while the Ugandan leg of 273 km will cost $2.3 billion ($8.4 million per km). Kenya's 472 km stretch will cost $3.4 billion ($7.2 million per km) (Parliament of Uganda, 2016; *The Independent*, 2017).

While Uganda maintains its desire to proceed with the Standard Gauge Railway, the China Exim Bank is setting conditions. With no obvious alternative source of funding, Uganda will need to meet these demands, which, in any case, are similar to the normal conditionalities traditional lenders typically apply. The government has been using all diplomatic means to persuade Kenya to provide the guarantee the Exim Bank expects. But actually, the project is highly complex and complicated, especially in that there will be different operators for different segments of the line. Thus, the Standard Gauge Railway line is a real megaproject, replete with the seven Cs (Frick, 2008; Vanclay, 2017): *colossal* in size and scope; *captivating* because of their size, design or engineering achievements; *costly* in construction and in that costs are typically underestimated; *controversial*, attracting much public protest; *complex* in terms of high risk and uncertainty; laden with *control* issues related to confusion over responsibilities and who manages, operates, or regulates them, as well as potential interference by the project funders; and prone to *corruption*.

DISCUSSION: IS CHINESE FINANCE IN UGANDA DEBT TRAP OR MYTH TRAP

As is evident from the four cases we considered, China is a major player in Uganda and Africa. Many commentators have raised concerns about China's expanding economic presence in Africa. They have warned about a lack of transparency, the hiring of Chinese instead of local workers, the creation of unsustainable debt, the promotion of China's commercial self-interest ahead of the borrowing country, and the absence of conditions regarding good governance (IMF, 2005; Corkin, 2012; Cheung et al., 2012; Halland et al., 2014; Lin and Wang, 2016). As discussed below, it is likely that there is little truth and much myth-making and fear-mongering in these allegations. There certainly is no evidence of any overly-zealous attempt by Chinese companies or banks to push unwanted projects onto Uganda or other African countries.

A major concern of many commentators is increasing national debt. As at mid-2019, external debt in Uganda was USD $8.3 billion (not including undisbursed amounts), about 43% of its GDP (Bank of Uganda 2019). By world standards (https://en.wikipedia.org/wiki/List_of_countries_by_public_debt), this is not necessarily high, and perhaps more significant are the interest rate and potential for unfavourable exchange rate fluctuations. A 2018 Ministry of Finance, Planning and Economic Development report (Kasaija, 2018) indicated that Uganda's debt to the International Development Association (the part of the World Bank that provides concessional loans to the world's poorest countries) was 40% of total debt, followed by China Exim Bank (22%), and the African Development Bank (17%). The Ugandan Parliamentary Budget Committee has raised concern about the extent of government borrowing, arguing that it is beyond Uganda's means, especially given that debt repayments exceed all other budget items (Mulondo, 2017). The Bank of Uganda has warned that, should there be an exchange rate depreciation or slow growth in revenues (such as due to a delay in first oil), there would be increased risk of failure to meet external debt obligations. The Bank also indicated that a high debt burden could slow economic growth in Uganda by discouraging public investment in socially-desirable projects.

With the anticipated loans for the Standard Gauge Railway (USD 12.5 billion) and other projects, Uganda's debt will more-than-double. The Ugandan Government is seeking these loans in the expectation that future oil revenues will service them. The risk to Uganda (and arguably to the China Exim Bank) depends on the viability of the planned projects as well as the certainty of oil revenues in the future, and especially in the short term immediately after the grace period when repayment obligations commence. A complicating issue is that Uganda's tax base is small and, with few alternative sources of revenue, should there be a delay in commencement of oil production (as happened in 2019), stoppages in the future, or a reduction in oil price and thus revenue to Uganda, the government may find it difficult to repay its increasing debt. Uganda has a poor debt repayment history and has previously benefited from debt relief under the World Bank and International Monetary Fund Heavily Indebted Poor Countries (HIPC) initiative in 1998, the Enhanced HIPC scheme in 2000, and the Multilateral Debt Relief Initiative in 2006. Nevertheless, Uganda is now considered to be a good credit risk due to its large oil reserves, which are forecast to net Uganda around USD $43 billion over the next 25 years (Davis, 2017).

Construction of the Karuma and Isimba dams reportedly experienced shoddy workmanship (Matsiko, 2016b). Allegations of bribes and kickbacks, which delayed the procurement process for the dams by almost two years, have continued into the construction phase. Some critics say the projects were 'dammed' from the beginning given that the President directly engaged Sinohydro for Karuma and CWE for Isimba without any competitive bidding process (Twinoburyo, 2013). The Karuma and Isimba projects have come under scrutiny because of alleged substandard works, procurement irregularities, lack of adherence to normal employee welfare issues, and lack of any local content component (Matsiko, 2016c). For both dams, there

have been fatal accidents and health and safety concerns. Sinohydro has been accused of carelessness and negligence relating to the safety of workers (Matsiko, 2016d). When there is not a competitive bidding process, there is a risk that a country will not get value-for-money (Brautigam, 2010). Corruption, opportunism, elite capture, and lack of transparency are not limited to R4I/RFI transactions, and frequently arise in all resource and infrastructure projects (Halland et al., 2014).

A criticism of the Chinese loans relates to their cost (Tan-Mullins et al., 2017). According to Twinoburyo (2013), despite apparently-low interest rates, Chinese project loans are actually expensive, double-edged relationships. Most construction materials must be imported from China even when they can be procured locally (Corkin, 2012; Alves, 2013). Brautigam and Gallagher (2014) advocate that African countries should insist on greater levels of local procurement.

While some critics assert that China is putting Africa into a debt trap, China's position is that it is helping Africa develop, not accumulate debt, and it has denied any 'debt-trap diplomacy' (Blanchard and Shepherd, 2018). China's Special Envoy for Africa has stated that China was not the main creditor of most highly-indebted African countries and stressed that it was senseless and baseless to blame China for Africa's debt problems (Blanchard and Shepherd, 2018). The Envoy also observed that there were many factors that had contributed to the increased cost of financing and reduced income from exporting raw materials, and that Africa's overall debt burden had accumulated over a long time. The Envoy also argued that African countries should export more finished products rather than just raw materials. However, many African countries suffer from structural problems like poor infrastructure, limited power supply, and poor technology that prevent them from transforming raw materials into finished products. Furthermore, many have liberalised their economies to make them attractive locations for multinational companies from developed countries, which has resulted in making many local businesses uncompetitive.

CONCLUSION

Given that the demand for infrastructure is considerable, it is likely that China will continue investing in Uganda and Africa generally. While there are fears that cash-poor, resource-rich countries may become trapped with considerable long-term debt, this issue is problematic. It is true that increasing national debt can cause social unrest as the government will have to spend more on debt servicing than on providing much-needed social services, but the lack of infrastructure is also a social issue. From our four cases, it would be impossible to conclude that China is actively promoting inappropriate borrowings, instead it is likely that the increase in Chinese lending is demand driven.

Even though China has provided finance for infrastructure projects at seemingly better terms than traditional western lenders, there is still a need for the Ugandan Government to invest in economic activities that will spur the development of the economy. In many cases, the conditions of Chinese concessional loans require considerable use of Chinese inputs and construction firms (Brautigam, 2011a; Swedlund, 2017). Thus, in contradiction to the comments of the Ugandan President, Chinese aid actually does come with strings attached (Bwambale, 2012; Kynge, 2014). Cheap as they may sound in interest rate terms, Chinese loans may actually be expensive since they prevent non-Chinese companies from being considered for such projects. The fact that most construction materials must come from China deprives local industries of an opportunity for growing. It also means that there may not be proper scrutiny of development options, construction plans, or of environmental and social impacts. Overall, use of Chinese finance and construction means there is little local market stimulus, little local capacity building, and little regional multiplier effect. Governments should carefully monitor how contracts are awarded and ensure value for money by closely supervising the quality of construction.

China's development cooperation is motivated by a wide range of economic and diplomatic interests, including securing vital resources, opening-up new markets, widening investment opportunities, and forging new political alliances (Buckley et al., 2007). These interests are essentially the same as those of traditional Western lenders. Nevertheless, many Western observers, especially politicians and the media, are prone to recite simplistic themes about Chinese engagement with Africa (Brautigam, 2009).

The surge of the Chinese contractors in Africa is being driven by the perceived willingness of the China Exim Bank to extend what African leaders consider to be cheap and unconditional development finance. Desperate for project finance, Uganda is willing to award contracts to Chinese companies because of the financial backer, the China Exim Bank. However, most contracts are awarded through Presidential directives that bypass standard procurement regulations, making it difficult to ascertain the actual value for money of the projects. African countries should establish how they can ensure they benefit from their engagement with China.

POSTSCRIPT

Commercial oil deposits were discovered in Uganda in 2006. The oil fields were being developed by a joint venture involving Tullow Oil, Total, and CNOOC. At one stage, first oil (commencement of production) was expected in 2017, although this was later changed to 2020 and then to 2021. However, as at early 2020, no final investment decision had yet been declared. In 2018, Tullow Oil decided to reduce its investment in the project and to sell much of its share to Total and CNOOC. However, the proposed sale created a dispute between the Government of Uganda and the oil companies over the amount of sales tax due. With no resolution to that dispute, in August 2019, the oil companies announced a stoppage of all work on the project and associated works (including the resettlement of project-affected peoples). In late 2019, the government backed down, but as at March 2020, the companies had not recommenced work and it is clear that first oil is still many years away. When the infrastructure projects discussed in this paper were conceived and the loans negotiated, it was thought that the grace periods (before repayments were due) would have allowed income from oil to have commenced, and thus the repayments could be easily made from oil revenues. However, with the various delays, the grace periods will now expire long before any oil revenue is received. Thus, Uganda will face a severe budget crisis in the next few years.

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CHAPTER 7

The social and livelihood impacts from the Uganda section of the proposed East African Crude Oil Pipeline

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ABSTRACT

We examined the social and livelihood impacts of the Uganda section of the proposed East African Crude Oil Pipeline (EACOP). The EACOP Pipeline, expected to cost over USD $3.5 billion in total, is intended to transport crude oil from Hoima in the Albertine-Graben region of Uganda to Tanga in Tanzania, a distance of 1443 kms. A multi-methods approach was used, including 86 in-depth interviews, focus group discussions, participant observation, and document analysis. Although construction has not yet commenced, as at early 2020, the route planning and land acquisition for the pipeline had created many environmental and social impacts including: physical displacement, resettlement, economic displacement, disputed valuation, delayed compensation, livelihood disruption, food insecurity, uncertainties, fears and anxieties. The potential benefits when the project starts include employment opportunities (although these will be short term), improved infrastructure and accessibility, and oil revenue to the nation. Perhaps the major impact to date has been caused by delays to the project, which have exacerbated the anxiety and livelihood impacts. A confusion has occurred around the meaning and implementation of the cut-off date. To regain a social licence to operate, we recommend that the various stakeholders given greater consideration to addressing the negative impacts, and to augmenting the benefits from the project. International standards and the implementation procedures used in project land acquisition need to pay more attention to how the meaning of cut-off date is communicated to local communities, especially in relation to what it means for subsistence farming activities.

KEYWORDS: project-induced displacement and resettlement; social impact assessment; extractive industries and society; resource curse; transboundary projects; megaprojects

HIGHLIGHTS

- Oil & gas pipelines potentially contribute to economic growth and development
- Pipelines can cause serious social, environmental and livelihood impacts
- Pipelines create physical and economic displacement and impoverishment
- There are human rights issues associated with pipelines
- Delays in construction exacerbate the social impacts

INTRODUCTION

The existence of commercial oil reserves in Uganda was confirmed in 2006 and they have been progressively developed since then, although with many delays and setbacks. At one stage, first oil (commencement of production) was expected in 2017 (Ogwang et al., 2018), although this has been progressively updated, and at the time of writing in April 2020, first oil was not expected before 2025. However, given the current low world price of oil, it is likely that this will be further delayed. Nevertheless, development of the oil reserves has raised expectations in Uganda about jobs, business opportunities, and possible increased government spending on public services. Various extraction projects (e.g. Tilenga and Kingfisher) and associated infrastructure projects are being developed including: the Kabaale International Airport; the Kabaale oil refinery and feeder pipelines; the 210 km Hoima-Buloba oil products pipeline; and the 1443 km East African Crude Oil Pipeline (EACOP), which will deliver crude oil from Kabaale in Uganda to Tanga in Tanzania where the oil will be exported.

EACOP is a joint venture, currently involving the Uganda National Oil Company, the Tanzania Petroleum Development Corporation, the France-based Total E&P Uganda B.V, and the China-based CNOOC Uganda Limited. The construction cost will be over USD $3.5 billion. As at mid 2020, a Final Investment Decision has not yet been taken, although much preliminary work has been done. Various people and organisations have been promoting the benefits of the pipeline (and oil generally), while others are worried about the negative social and ecological impacts, especially given that the oil fields are in a region of high biodiversity and the pipeline will cross some significant biodiversity reserves (WWF & CSCO, 2017). There is also a concern about corruption associated with the oil developments (Brophy & Wandera, 2019; Oloka-Onyango, 2019). Mitigating negative impacts and ensuring benefits to local communities will contribute to the project obtaining a social licence to operate, the acceptance of local people. An important part of social licence is how the government and project have been dealing with local people in terms of job creation, local procurement, land acquisition, compensation, resettlement, environmental protection, and the management of social issues (Jijelava & Vanclay, 2017, 2018; Vanclay & Hanna, 2019).

Although the EACOP pipeline will also have considerable impacts in Tanzania, this paper is concerned with the social and livelihood impacts created by the Uganda section, especially those relating to land acquisition and the resettlement of displaced people. Because of the involvement of the two national oil companies in EACOP (Uganda National Oil Company and the Tanzania Petroleum Development Corporation), and the fact that the regulatory arrangements are quite different between Uganda and Tanzania, it is appropriate to study the two situations separately. Furthermore, this paper is part of a larger study of the social issues associated with oil development in Uganda.

SOCIAL AND ENVIRONMENTAL MANAGEMENT OF PIPELINES

Around the world, major oil and gas pipelines are becoming increasingly common. A pipeline is a specific type of infrastructure project that has various particularities. It is a linear project that has some degree of freedom of positioning. Nevertheless, it cuts a long swath across the landscape, causing much disruption. The land has to be acquired, or at least a right of way over the land has to be obtained. The pipeline has to be laid, usually buried, requiring the digging of a trench. This disrupts all other use of the land during the laying of the pipeline, and restrictions are imposed on future use of the land (Goodland, 2006, 2007). Unlike a railway line, a pipeline has a greater degree of cornering ability, and there is no noise from operation that needs to be considered. Therefore, the positioning of a pipeline can be done in such a way so as to minimise the need to acquire people's houses (in technical terms, physical displacement). However, the

restrictions on future use of the land where there is a pipeline and the disruption from construction affect people's livelihood activities, thus constituting economic displacement (Smyth & Vanclay, 2017; Vanclay, 2017). There are various arguments either way about whether the project should permanently acquire the land or lease it from local communities, and there are also arguments about whether use of the land by local communities should be permitted or not, and whether it would be possible to prohibit their encroachment onto this land (Jijelava & Vanclay, 2017).

There are several key risk factors associated with pipeline projects: the size of the project; its potential for environmental impacts; its potential impacts on local people, especially Indigenous peoples; and governance arrangements and governance capacity. Some specific significant issues include river and wetlands crossings, protected areas, traversing previously inaccessible areas, presence of endangered species, cultural heritage, whether or not the pipeline includes an offshore component, and whether there is a port (Goodland, 2006; Quintero, 2006; Laurance et al., 2015). A transboundary pipeline is particularly complex in that it is: an international relations, legal and cooperation issue; it is an issue in terms of how to finance; and it is an economic viability issue (ESMAP, 2003; Menegaki, 2011). With the possible exception of an offshore component, all these risk factors exist in the EACOP project, and even EACOP will have an oil tanker loading facility at the Port of Tanga, which will impact on surrounding coastal communities.

Various national and international standards apply to pipeline projects, and will be expected to be complied with by various stakeholders, including regulatory authorities at all levels, company Board and management, the shareholders of the companies involved, national and international NGOs, local people, and international communities of interest. The specific requirements that must be applied with respect to any particular pipeline are determined by company procedure, the regulatory framework of the country in which the pipeline is to be constructed, and by the requirements of the financing institutions. A public sector project might be financed by the World Bank or another multilateral development bank (each of which have their own environmental and social framework), whereas a private sector project might be financed by the International Finance Corporation (IFC), another international financial institution, or a commercial bank. Because almost all project-funding banks that operate in emerging markets have signed up to the Equator Principles (a risk management framework used by the finance industry to assess and manage environmental and social risks), which requires compliance with the IFC Performance Standards, the IFC Performance Standards have become the default model of what is generally expected. Most international environmental and social consulting firms will use the IFC Performance Standards as their default modus operandi (Vanclay & Hanna, 2019). In addition to the IFC Performance Standards, companies are also expected to adhere to, among others: the United Nations (2011) *Guiding Principles on Business and Human Rights*; the *OECD Guidelines for Multinational Enterprises*; the *Voluntary Principles on Security and Human Rights*; and *The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security* (FAO, 2012) (Vanclay & Hanna, 2019).

Pipelines have been associated with serious environmental, social and political issues (Goodland, 2007; McAdam et al., 2010; Boudet et al., 2011; Dimitroff, 2014; Van Alstine et al., 2014; Leonard, 2016). Many pipeline projects have been controversial, especially the 878 km Trans Adriatic Pipeline (Barry & Gambino, 2019); the 931 km South Stream pipeline (Gulakov & Vanclay, 2018); the 1,100 km Chad-Cameroon oil pipeline (Ndumbe, 2002; Ndenecho & Banyuy, 2009; Leonard, 2016; Aristide & Moundigbaye, 2017); the 1,222 km Nord Stream pipeline (Gulakov et al., 2020); the 1,287 km Trans Alaska Pipeline (Dixon, 1978); the 1,768 km Baku-Tbilisi-Ceyhan pipeline (Sovacool, 2011; Jijelava & Vanclay, 2017); the 1,841 km Trans-Anatolian Pipeline (TANAP) (Öge, 2019); and the 1,886 kms Dakota Access Pipeline (Johnson, 2019). The 1,443 km EACOP will likely be another controversial pipeline.

THE EAST AFRICAN CRUDE OIL PIPELINE PROJECT

EACOP is a joint venture that now involves the Uganda National Oil Company (UNOC), the Tanzania Petroleum Development Corporation (TPDC), Total E&P Uganda B.V, and CNOOC Uganda Limited. As at April 2020, the notional shareholdings were Total (45%), CNOOC (35%), UNOC (15%), and TPDC (5%). However, the arrangements are complex and have been changing over time. For example, in April 2020, Tullow sold its 10% share (Tullow Uganda Operations Pty Limited) to Total. The estimated cost of construction of the whole pipeline is estimated to be over USD $3.5 billion. However, a Final Investment Decision has still not yet been made, and the proposed financing arrangements are not clear, especially with respect to how Uganda and Tanzania will finance their contribution to the construction cost. EACOP is unusual as a project in that the Government of Uganda has been having a stronger say than might normally be the case for a project like this. The volatile price for oil and various other country-specific and project-specific risks has meant that there have been various delays to the project. Nevertheless, basic groundwork for the pipeline project has been undertaken, the route has been determined, and land acquisition is in process.

The 1443 km pipeline will transport crude oil from the Kabaale Industrial Park, Hoima District, Uganda; to a storage, facility and offshore tanker-loading platform at Tanga on the coast of Tanzania (see Figure 1). Due to the viscous and waxy nature of the oil, the pipeline will need to be heated to 50°C, making it the longest heated pipeline in the world (EACOP, 2018). Electricity will be used to heat the pipeline requiring provision of electricity along the route. The Hoima–Tanga route was selected over an alternative route to Lamu in Kenya by the President of Uganda in 2016 ostensibly because it was cheaper when all factors were considered. The pipeline traverses 1,147 kms in Tanzania, although this paper is primarily concerned about the 296 km section in Uganda.

Figure 1: Map of the Hoima–Tanga route of the East African Crude Oil Pipeline



Source: PAU (2019) The EACOP ESIA Technical Extract

The Uganda section has four main components: (1) a 296-kilometre-long, 24-inch-diameter buried pipeline; (2) above ground installations including 2 pumping stations, 19 valves at key locations where the oil flow can be reduced or stopped, and 4 electrical substations collocated with valves to power the electrically heated cable; (3) construction of 6.8 km of new or upgraded permanent access roads, 8.3 km of new or upgraded temporary roads for construction; and (4) four combined worker accommodation camps and equipment storage yards.

The development of oil in Uganda and the EACOP project have been beset by delays. Initial planning of the Hoima–Tanga route was done in 2016, with the formal intergovernmental agreement between Uganda and Tanzania being signed on 26 May 2017. An indication of the project's intentions on signing was placed on their website (www.eacop.com) and as at the time

of writing this paper, (April 2020) remains there (see Figure 2). The project's expectation was that pipeline construction would commence in early 2019 and first oil would be in 2020. However, as at April 2020, the Final Investment Decision has not yet been taken, construction has not commenced, and first oil is nowhere in sight.

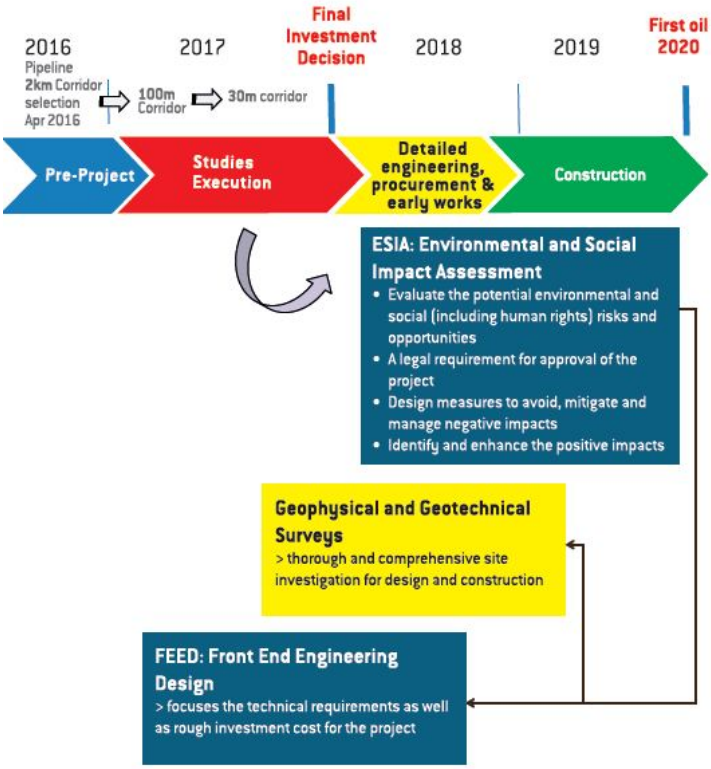


Figure 2: Project Schedule for the EACOP project
Source: EACOP website: http://eacop.com/project-schedule/ (copied 30 April 2020)

There were many reasons for the delays. They partly relate to the decision of the Government of Uganda to have an oil refinery in Uganda, something the oil companies did not want, since it affects the viability of the pipeline. This may have led to the companies dragging their feet. Another reason for delay related to the financial viability of Tullow, which was experiencing cash flow problems, and consequently in 2018 Tullow decided to sell its share to Total and CNOOC. However, the proposed sale created a dispute between the Ugandan Government and the oil companies over the amount of capital gains tax that was due. In August 2019, with no resolution to that dispute, the oil companies stopped all work on EACOP and other oil related projects, with a further delay to the Final Investment Decision. Eventually the government backed down, and Total finalised the purchase of Tullow's holding in April 2020. Meanwhile, however, the COVID-19 pandemic gripped the world, and the oil price dropped to a record low. The Final Investment Decision looks to be delayed for quite some time yet. This paper considers the social impacts associated with the Uganda section of EACOP up until about mid 2019, before the stoppage of work.

A noteworthy aspect of the project schedule is the details of the planning process, which involve first the identification of a 2km corridor, followed by a 100 metre corridor, and then a 30 metre corridor (see top-left corner of Figure 2). Because pipeline route planning is a complicated process, such a narrowing-down procedure is typical practice. However, this procedure does lead

to considerable uncertainty, stress and expectations among the people within the 2 km corridor. The final pipeline pathway will be a 30 metre wide (15 metres either side of the pipeline) right of way (or wayleave). For the Uganda section of the pipeline, the Government will acquire (expropriate) all land needed for the project, and lease it back to EACOP.

EXPECTATIONS AROUND THE POTENTIAL BENEFITS OF THE PIPELINE

The ESIA for the project reported that Hoima Municipality is likely to experience benefits through:

> a general economic boost due to the beneficial cumulative impacts from employment, training and purchasing associated with the EACOP project and its associated facilities (Tilenga and Kingfisher projects), and other third-party developments. The upgrade of the EACOP project access road and the third-party road upgrades is also a long-term beneficial cumulative impact, which will enhance access to the national road network and to health care and reduce travel times including response times in emergency situations. (RSK & Eco, 2019, p.26)

Many opportunities have been created and more are expected from the construction of the pipeline. According to the Chairperson of Nyamasoga village (Buseruka subcounty, Hoima District), some infrastructure built for the oil industry has benefited local communities. They are optimistic that EACOP will enhance the benefits that have already occurred from the oil-related activities. In focus group discussions, residents also stated that EACOP would benefit them. The Chairperson noted that:

> As a community, we will greatly benefit from jobs for our children, and already some children here have been given jobs in the airport construction activities. Our area has already become a national focus of development because many activities are taking place here that, of course, never used to happen before oil was discovered. We now have a first-class tarmac road, the airport is being constructed in the neighbourhood here, I hosted two presidents, one from Uganda and that of Tanzania the other day. All people whose property will be affected will receive compensation, and business will boom here.

Another person stressed that they were optimistic about EACOP because they had received much information from their local leaders on what to do:

> Our leaders at the sub-county and district levels have been on radio stations so many times to tell the masses about how we should prepare to benefit from this resource. If people prepare enough to tap the opportunities from this resource and the government does its role of fair compensation for the people's affected property and extend services like water, electricity, schools and hospitals, this oil resource will surely be a blessing to the subjects of Bunyoro Kitara and the nation.

Many project-affected persons were concerned about whether they will receive fair compensation for their land, assets, and cash crops, e.g. coffee, bananas, and other fruit. A local government leader argued that EACOP had affected people's livelihoods, both positively and negatively, depending on how one looks at it. He noted that:

> Some people have been motivated to plant more crops so as to tap more compensation in case their crops were cut down [destroyed] due to the pipeline construction activities, while some other people have been discouraged from growing more crops and trees as they fear that their crops will be cut down and they will receive little or no compensation.

There are high expectations from the communities along the pipeline route that they will get access to electricity. However, it is not clear whether this has been agreed to by the project partners. It is an expectation in international standards that the project should lead to improvement in the lives and wellbeing of the affected communities, and it is normal that when an electricity or gas corridor is established, that affected communities also benefit from this (Vanclay, 2017; Vanclay & Hanna, 2019). If their expectations are not met, this could lead to grievances towards

the project partners, which should be avoided if the project is to have smooth operations and continuity of project activities (Hanna et al., 2016).

Local leaders have devised strategies to maximise the benefits from EACOP, including encouraging people to grow more crops so they can benefit from the large demand for food from construction workers. People have also been warned about land speculation, and advised not to deal with land speculators. Information meetings have been held to inform people how compensation rates are calculated. Another village chairperson observed that the various oil projects had positively transformed the area and that the communities were in full support of EACOP, noting that:

> We are hoping for the best. First of all, there will be more jobs available for our educated children. The community will benefit from compensation and will be in position to construct good houses, and improve their standard of living. While for all people who prefer relocation, the government will construct houses for them, just like it did to some individuals who opted for relocation in the oil refinery land. The market for our products will improve. That's the reason why we are so much encouraging our community members to grow more crops so they can prepare to benefit from this market. The health standards of my sub-county have also been boosted due to oil, for example, construction and renovation of Buseruka Health Centre III has happened, Kabaale Health Centre III, Buseruka Primary school, Nyahaira and Kyapuloni Primary schools have been all been constructed or renovated due to oil discovery here.

He stressed that, as leaders, they were strongly agitating for local content, adding that they also "want the government to offer fair and prompt compensation to all those people who will be affected by the pipeline project construction". Many local people were positive about the other existing projects, and hoped that the pipeline will bring more benefits. One media report indicated that some jobs were specifically allocated for local Ugandans (in industry jargon, 'ring-fenced'), including in security, catering, logistics, and health, safety and environment (Musisi, 2017).

In Hoima, many people interviewed asserted that the access roads would improve the transportation of goods and enable them to access markets along the pipeline route. They observed that business activities like hotels and merchandise shops were already doing well because of the increasing number of people in the area.

One demand of the oil companies on the government was to allow the use of foreign labour (noting that CNOOC is a Chinese company). While the oil companies insist they want a block number of permits, President Museveni is reported to be insisting that the companies nominate the skills required, which would then be scrutinised by the government, and work permits would be issued only when the skills were not available in Uganda (Mpagi, 2019). How this will work out remains to be seen, and may depend on the financing arrangements, which have not yet been fully resolved. While the oil sector demands highly skilled personnel, the government has repeatedly stated that they have been preparing for this opportunity for some time. Given Uganda's local content law, many technically qualified Ugandans expect to be employed by the project. However, there is concern that the companies will manipulate the system to avoid using local staff (e.g. by setting the bar too high).

With the cash compensation local people will receive, it is expected that their purchasing power will increase and this will have a regional multiplier effect. However, it will also lead to inflation. More service providers will be attracted to invest in these areas as they try to take advantage of the presence of oil workers and business opportunities. The tax base for local authorities will increase. Increased tax revenue is expected to be directed towards the provision of much-needed social services to serve the local population, hence improvement in their welfare.

LIKELY NEGATIVE IMPACTS CREATED BY THE EACOP

Landtake, displacement, resettlement and compensation

The total project landtake for the EACOP project in Uganda will be 1402 hectares (PAU, 2019). The project ESIA (RSK & Eco, 2019) noted that 300 to 400 households will need to be resettled and some 1700 to 3000 households will be economically displaced. The land acquisition will lead to some temporary and some permanent loss of agricultural production and thus food shortages, which will be concentrated in the villages along the pipeline route. Our research identified that the project-affected communities were worried about being displaced and whether the government would provide fair and prompt compensation, given their awareness of the negative experiences reported by people affected by the Kabaale Industrial Park in Hoima (Ogwang & Vanclay, 2019).

Boom and bust

Because there have been and will be many short-term jobs available to local people to service pipeline construction, creating local inflation, social and economic impacts will occur from their loss of employment when construction is finished. When the pipeline is completed and operational, only a very few workers will be needed, so the pipeline will have a boom and bust cycle. Another impact is that, because oil jobs are better paid, the various oil-related projects are collectively diverting workers away from existing local businesses and public sector jobs. Also for market gardeners, many people want to get quick income from immediate wages rather than wait for the next harvest to sell produce they have grown, thus there is a shift in the economic base of the society. Other people are being encouraged to sell their land or houses, intending to use the money to establish businesses that will capitalise on the presence of company workers. Often, these businesses end up failing, rendering them much worse off, because they have lost their assets.

As a mitigation measure to this known risk, in their recruitment process and in the work contract, the project proponents are emphasizing that the employment is only temporary and that the workers should try to maintain existing livelihood activities (RSK & Eco, 2019). However, this is unrealistic because most workers do not have secure livelihoods, which is the reason why they seek to work for the oil projects. The projects will create many temptations and could lead to young people dropping out of school to seek employment, especially because most parents struggle to pay the school fees. When the project jobs will be over, these young people will have no jobs, and no education. Another risk is that competition for these jobs will be high, rendering all workers to precarious employment. Altogether, the period of pipeline construction will create a short-term boom, followed by a bust, which will ultimately leave people worse off.

Meeting and managing unmet expectations

Over time, there have been many cases of dissatisfaction arising from unmet expectations associated with the oil projects, especially in relation to the limited employment opportunities available to local people. Many youths have resentment about the much-hyped opportunities promised by the government, many of which have not eventuated. These opportunities have by-passed most local people, either because they did not have the required qualifications, or because they lacked the experience needed by the oil companies. The oil companies have not employed many of the people who completed the technical courses that were set up to support the development of the industry. Mindful of this issue, the oil companies have promised that they will undertake community engagement activities specifically focused on generating realistic expectations regarding livelihood options and employment opportunities.



Photo 6: Some of the school age going children are seen selling boiled eggs at the Buhuka Flats, in Kyangwali Sub County, Kikuube district where Kingfisher Development Area is located and operated by CNOOC. Oil and gas activities have created temptations of small startup businesses, which are affecting the education of children.

Inadequate or delayed compensation

The applicable compensation rates are determined at the district level and set by the Chief Government Valuer. The rates are final, unless legal action is taken, which is expensive for an ordinary person in Uganda. One council chairperson exhibited optimism in arguing that local people do not expect their land will be taken without fair compensation "because we were informed that the EACOP is a government program. So, we are anticipating a lot in this regard". However, one project-affected person suggested that: "we cannot know the negative impacts at present, although we anticipate that people here will be fairly compensated. But even then, we cannot do much; our fate is in their hands even when we are given peanuts for our valuable land, we cannot fight them [the government]". Some respondents were sceptical about the adequacy and timeliness of compensation. They observed that, while they might receive compensation for their land and assets, they were worried about the amount of money they would receive. Although the negative impacts might not yet be visible to some people, it was already evident that they had been impacted by the project because of their expressed fears about inadequate compensation, delays in payment, and feelings of hopelessness and helplessness. Regarding farming, they noted that:

> We sometimes get confused whether to plant crops or not. Sometimes when we want to plant trees or crops, we are told that we don't need to plant more trees or crops because they have already earmarked the places where the pipeline will pass yet we have not yet been compensated. This is affecting us from carrying out of our agricultural activities smoothly.

In one focus group discussion, a person observed that the pipeline will displace some of the community members, others will lose land, and there will be more disruptions to how they

manage their farms. There is a real fear that the government will not fairly compensate them. One person elaborated: "You see, the government is too powerful. Even if they unfairly compensate you, you cannot halt the passing of the proposed pipeline through your land". In another focus group, these sentiments were similar.

> We anticipate that our land will be taken away and we will receive little in terms of compensation. The construction activities are also likely lead to the loss of some of the important native trees … and even if the contractors carry out tree planting, they are likely to only plant eucalyptus trees, which cannot provide some important functions [medicinal herbs]. Culturally, these construction activities are most likely to tamper with cultural sites and the graveyards of our buried relatives and kings. And of course, this will bring back the agony and bad memories of our lost dear ones.

Disputed valuation and rent seeking tendencies

There were concerns by many project-affected persons about the process of valuation, which was undertaken by private consultants that were contracted to undertake land acquisition on behalf of Total E&P. Some project-affected persons were concerned that the valuation exercise was being conducted in the local languages but the forms were written in English. They wondered whether the forms were being 'interpreted correctly'. They observed that they were not being left with copies of the forms rendering them vulnerable to what they called "manipulation and lack of evidence to argue our cases in future should things go wrong". Some vulnerable people, like the elderly and female-headed householders, complained that the valuation teams did not want to consult them without the presence of other people, like relatives, which deprived them of their privacy.

Brightwell (2019 online) reported that there were "signs of corrupt practices and intimidation" and that project affected persons were "harassed and forced to sign different forms without clear explanation". It was claimed that they had been told, "to fill the valuation forms using a pencil, and then sign in ink", so that they could easily be altered later. These are clear indicators of inappropriate practices, which should be investigated by the relevant authorities.

Delays and disruptions to livelihood activities

According to the ESIA (RSK & Eco 2019), the original publicized cut-off date was 15 March 2018, but work on developing the Resettlement Action Plan (RAP) for the Uganda section only commenced in October 2018. Although it was likely completed in 2019, as at April 2020, the Uganda RAP has not yet been made public, perhaps because in August 2019 the oil companies stopped all work due to the tax dispute over the sale of the Tullow holding (although the RAP for the Tanzania section is available). The various delays (in 2019 and early 2020) have meant that land acquisition for the project has not proceeded as planned, and local people have been in limbo since the cut-off date was announced.

The cut-off date is a key concept in land acquisition and resettlement. As Vanclay (2017) explained, it is a date set by the developer (usually in conjunction with the government), communicated to affected people, announcing that a census or inventory of people, dwellings and assets (including crops) has been done (or is about to be done). The intention of the cut-off date is to stop further development or investment by the affected community and it is a legal mechanism intended to protect the developer by preventing claims for compensation for improvements undertaken after this date. Whether or not a cut-off date is intended to stop people from planting crops is a vexed issue. Although a cut-off date is clearly intended to stop local people from making major improvements and from planting crops that have a long timeframe (e.g. fruit trees, cassava, coffee, cashew), resettlement can never be implemented immediately, and therefore local people in subsistence economies would need to continue to undertake their subsistence farming practices in order to live. To be compliant with international standards,

considerable care needs to be taken in relation to how the cut-off date is understood, communicated and implemented (Vanclay, 2017; van der Ploeg & Vanclay, 2017, 2018).

With EACOP in Uganda, local people got the impression that the cut-off date meant that they could do nothing and/or that they would be resettled promptly. In any event, many people did not plant any crops after the announcement of the cut-off date, which resulted in people's livelihoods being severely affected. In June 2019, a group of six NGOs issued a formal demand to Total to improve its practices, and then took Total to the High Court of Nanterre in December 2019 as a test of France's new law on duty of vigilance (see https://www.totalincourt.org/). This issue of the cut-off date was one of the concerns they raised. In response to the notice of demand, Total issued a press release on the 30 September 2019 along with various flyers/infograms in which it addressed some of the specific points of concern. One of flyers (see Figure 3) specifically focussed on the land acquisition process, and admitted that there may have been a misunderstanding in the way the cut-off date was promulgated.



Figure 3: Infogram from Total relating to confusion about the cut-off date
Source: Total 2019
https://www.sustainable-performance.total.com/sites/g/files/wompnd1016/f/atoms/files/uganda_totals_response_september_2019.pdf

Another issue was that the ESIA and resettlement policy framework proposed that land users without title deeds would not be compensated for land, but would only be paid for lost buildings

and crops. Given that Uganda is a country with a high proportion of land under customary tenure arrangements, this would appear to be unfair and not consistent with international standards (IFC, 2012; Vanclay, 2017).

During one public hearing undertaken in October 2019 for the EACOP ESIA, there were concerns that those who were using land classified as wetlands would not be compensated. According to the project-affected persons, this was unfair because they had been using that land as their source of livelihoods for many years. Strictly speaking, the law does not allow people to use the wetlands for farming or other activities, however, the reality is that many people derive their livelihoods from the wetlands, which they use for growing vegetables, sand mining, and brick making. During the interviews, one asked rhetorically: "where was the government all this time only to turn up to chase us away now [from the wetland] because of EACOP". They argued that they should be compensated promptly and adequately so that they establish alternative livelihood activities. Whether or not Uganda would allow compensation for this, to be compliant with international standards, the consortium partners (Total especially), would need to insist that there be compensation for these livelihood activities.

EACOP will lead to the permanent loss of access to some artisanal mining sites and some people, e.g. artisan gold miners in Mubende District, will lose their livelihoods. Other mining activities like sand extraction and quarrying will also be affected at various locations along the route. The linear nature of the project will inevitably mean that there will be severance of land and loss of access for many people. As most rural people in Uganda depend on land in many different ways, this will inevitably lead to permanent or temporary disruption to their land based livelihoods (de Zeeuw & Kuschminder, 2016).

According to the project proponents, there will be temporary loss of access to some fishing grounds (rivers, lakes, dams and ponds) due to temporary road closures and access restrictions. How long these temporary restrictions will last and what the compensation arrangements will be is not well publicized. There are fears among the local communities who depend on fishing and other related activities that their livelihoods will be negatively affected because of these restrictions and that they will not be properly compensated.

Population influx and related social issues

As with major projects everywhere, when pipeline construction starts, EACOP will lead to an influx of people, not only of project workers, but to a wide range of other people keen to find opportunities (IFC, 2009). In fact, the oil developments have already led to project-induced in-migration in the region (Ogwang et al., 2018). There are concerns among the local population that the project will exacerbate social issues like prostitution. Petty crime is also expected to increase due to the influx of people. The baseline study for the EACOP project already acknowledged the presence of sex workers in major towns (notably Hoima and Mutukula). There will be a range of other implications from a population influx. For example, there will be local inflation, and thus the cost of living will increase, rendering people with low income more vulnerable. Ultimately, such people might be forced to relocate to remote areas, which may lack essential amenities, as is the case in many rural areas of Uganda.

Fears, uncertainties, and anxieties

In early 2018, during the first round of data collection for this research, some affected communities were not sure where the pipeline would pass, which increased their speculation, anxiety and stress levels. However, these tensions and anxieties had reduced by late 2019 when the routes were finally disclosed to the affected communities. Unfortunately, land is the main source from which people derive their livelihoods.

Many people along the pipeline route were concerned about possible rupture at some time in the future, causing devastating effects. Although the project proponents have attempted to reassure the public that the pipes cannot burst, in part because they will be buried, there is widespread awareness of examples of where pipelines have ruptured and caused disasters (e.g. in Nigeria). The fear that the pipeline will burst is an anxiety these people will have to live with well into the future.



Photo 7: A woman is seen washing her clothes in River Rutoba in Kyangwali sub county, Kikuube district. The proposed Kingfisher feeder pipeline to the oil refinery will pass at this exact spot thereby causing impacts on the local people.

DISCUSSION AND CONCLUSION

Uganda is a very poor country and desperately in need of development opportunities. Exploitation of resources is seen as its best chance for economic, political, and social independence, and for a transition to a modern industrial economy (Bainomugisha et al., 2006; Van Alstine et al., 2014; Holterman, 2014). The EACOP pipeline is an essential piece of infrastructure for the oil extraction activities in Uganda. Without the pipeline, there can be no export of oil, and no oil income to Uganda. After oil production commences, oil revenues to Uganda are estimated to be USD $2 billion per year for over 20 years, although this may be over-optimistic (Lakuma, 2019). In anticipation of this oil revenue, Uganda has already commenced a program of public works and is now completely reliant upon oil revenue to meet the loan repayments. Consequently, the delays to completion of the pipeline and to first oil are severely problematic for the people and Government of Uganda.

The delays are also problematic in terms of the social impacts created by the project on local people. From an affected community perspective, the delays drag the process out, exacerbating the impacts, many of which relate to expectations, anxieties and uncertainties. The delays have

also caused food shortages and livelihood impacts, especially because of the misunderstanding around the implementation and meaning of the "cut-off date".

From an international standards and human rights perspective, the situation in Uganda with EACOP is far from ideal. Arguably, the project has created human rights impacts in terms of the right to food, the right to adequate living conditions, the right to earn a livelihood, and the right to property (Bushnell, 2009; van der Ploeg & Vanclay, 2017). Despite the EACOP's projects claims that it was following international standards, there are many ways in which the project falls short, especially in relation to the delays and the provision of adequate compensation.

The issue of misunderstanding of the cut-off date and how it was implemented is deeply disconcerting, and indicative of a general confusion about this issue. Although cut-off date is a key concept in resettlement practice (Vanclay, 2017), actually there is not a precise definition in the IFC Performance Standards or in the accompanying guidance notes (IFC 2012). However, an earlier IFC (2002, p.ix) document, *Handbook for Preparing a Resettlement Action Plan,* defined cut-off date as follows:

> **Cut-off date**—Date of completion of the census and assets inventory of persons affected by the project. Persons occupying the project area after the cut-off date are not eligible for compensation and/or resettlement assistance. Similarly, fixed assets (such as built structures, crops, fruit trees, and woodlots) established after the date of completion of the assets inventory, or an alternative mutually agreed on date, will not be compensated.

The Guidance Notes for IFC Performance Standard 5 outline some key points of understanding of this concept, which clearly indicate that the period between cut-off date and resettlement must be kept to a minimum.

> The time between the establishment of the cut-off date and compensation of displaced individuals and communities should be limited. Losses generated by this restriction of land use should be compensated for by the client. The client should also consider ways to minimize impacts from cut-off restrictions such as planning development activities, so that affected farmers can harvest crops prior to displacement. Also a firm timetable should be adhered to or the client must be prepared to pay compensation for the delay. For example, when communities do not plant crops in anticipation of a move, which is then delayed, the community may need assistance in meeting their food needs because they did not have a harvest that year (IFC, 2012, GN33).

It is very evident that the EACOP project has failed in relation to its obligations to minimise the time between cut-off date and compensation/resettlement. It is also evident that communication about what was restricted by the announcement of a cut-off date was unclear. We suggest that the international resettlement practice community need to develop clearer guidelines about the meaning and use of the cut-off date, especially in relation to the planting of crops (including fast-growing vegetables) in subsistence communities.

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CHAPTER 8

Conclusion: Mitigating the negative impacts and enhancing the wellbeing of the people

INTRODUCTION

This thesis set out to analyse whether oil discovery in Uganda is an opportunity or a looming curse, and the potential implications for conflict and the social development. Given that Uganda is still one of the poorest countries in the world, it does need to have opportunities for development if it is to escape the extreme poverty, which grips it. Potentially, oil production can bring benefits to the nation and region at large. The central research question of this thesis was: *To what extent, and under which conditions, does the exploitation of natural resources lead to a resource curse?* In answering this question, I developed subordinate questions from which I developed five papers, which are in the preceding chapters in this thesis.

There are many benefits, which the oil & gas industry has brought in Uganda, and the region at large. The industry has presented many businesses and jobs opportunities for those with perquisite qualifications, both at the local and national levels through the creation of Directorates like Petroleum Authority of Uganda, Uganda National Oil Company. However, it is important to note that not all qualified people can be absorbed by the industry and some of those who are currently employed are expected to lose their jobs when production begin. There are a number of infrastructure projects that have been built, especially the "oil roads", which have improved on the time spent, and accessibility to markets by the farmers from within and outside this region.

RESOURCES CURSE: ADDRESSING THE MANIFESTATIONS

Oil development has led to the displacement of many people and has created much resentment, primarily because of the inadequate way in which the resettlement and compensation arrangements have been implemented. These negative developments have largely fuelled social conflict, fear and uncertainty in the Albertine Graben in particular, and Uganda in general. This unfortunate situation prompted some aggrieved residents to sue the government in pursuit of fair compensation, and this case has not been disposed of as of early 2020.

The discovery of oil and gas in Bunyoro region has led to the influx of migrants and land grabbing. This research has revealed that there are many cases of what the locals considered sophisticated land grabbing in the Albertine Graben. There have also been reported killings of people because of land use conflicts created by the oil developments, and land grabbing. Local people view the influx of immigrants as a threat to their well-being, due to increased competition for the limited job opportunities. Since most land is communally owned, faced with the prospect of having land bought or expropriated, there are social tensions within communities about how land might be kept intact for viable agricultural production, and over how the community might be able to cash-in on such opportunities. Another challenge is how the proceeds from the sale of land should be used. Women are still socially excluded from owning land, which is a major concern when it comes to fair compensation and their future livelihoods. In most cases, they have been made worse off by the land acquisition for oil development in Uganda.

The discovery of oil and gas has also seen Uganda embark on more borrowing. There are concerns that Uganda's appetite for more loans has increased, and some of which are obtained specifically to fund oil and gas activities. Some of these projects include the construction of Kabaale International airport based in Hoima, and many roads in the region to facilitate the development of oil. Uganda also ventured in military procurement and tagged the loan repayment to future oil revenues (Brophy & Wandera, 2020). This practice is not good for the embryonic sector, because the pilling debts will become a burden to the government and some of the essential public services like health care and education will largely be affected. To make matters worse, some of these loans conditions are not in Uganda's favour.

One of the key issues, which emerged from this research, has to do with compensation rates for landtake for oil and gas related infrastructure (these are extensively discussed in chapters 3, 4, 5, and 7). In most of these land acquisition, the locals have complained that they were paid little money for their land and assets. Some of them complained that the government never fulfilled some of the promises, which were made before they gave up their land. For instance, they were promised that they would be given the land title for the land that they were relocated to. However, by the time of writing this thesis in early 2020, some of them had not been given their land title. To make matters worse, some of the people who were displaced and relocated to Kyakaboga village to give way to Kabaale Industrial Park, will be displaced for the second time by the EACOP project. This double displacement has caused resentment and annoyance to some of the affected people.

In analysing how rent-seeking practices lead to a local resource curse and to social conflict at the local community level in Uganda's emerging oil economy (Chapter 4), the study concluded that rent-seeking practices involved sophisticated land grabbing, land scarcity and fragmentation, corruption and bribery, unfair compensation rates, food insecurity, ethnic polarization and speculation. In many poor rich resource countries, the discovery of natural resources raises the issues of weak governance, corruption and patronage, which are all interlinked and becomes more complex and impacts on the livelihoods of the people negatively. These rent-seeking practices have undermined the potential benefits from the oil developments for local communities. These outcomes were interpreted by the local people as a local resource curse, which have led to social conflict among the communities in the Albertine Graben region of Uganda.

Oil & gas development and associated infrastructure projects require large landtake, which have inevitably led to the displacement of people and affected their livelihoods. There are many projects, which have displaced, and will cause more displacement of the people and their livelihoods. For example, there are five projects, some are ongoing while others are planned, will consume around 115,000 hectares of land and will displace nearly 15,000 people (Ogwang &Vanclay, 2019). The potential and actual social impacts of these projects on the local communities are many and varied, including increased levels of poverty, conversion of agricultural land to industrial purposes increasing food insecurity, inflation in the cost of goods and services, community disarticulation, and disruption of people's lives and livelihoods. Nevertheless, when the needed resettlement is done well and when all other social impacts are properly addressed, this harm can be minimised.

Another potential source of future conflict has to do with the ways project affected persons are being resettled. As opposed to the agreed conditions in the Resettlement Action Plan (RAP), the current situation leaves many loopholes. In the rural setting, were most of the displacement is taking place; the families normally have their houses on the very land that they cultivate on and rear their animals. However, the situation for Kyakaboga, for example, is that all the houses for the project-affected persons who agreed to be relocated, were constructed in one place, contrary to what was stated in the RAP agreed on, to accommodate all the affected families who accepted to be relocated. This "quarters style" of arrangement has brought what I call modernisation in rural areas, which these communities were not prepared for. This quarter arrangement has also created conflicts among families over petty issues like hygiene and sanitation arising from staying together.

Conflicts exist between different actors, such as the central and local governments, this is mainly over revenue allocation and taxes. Another area of conflict is between Bunyoro Kingdom and the central government. Bunyoro Kingdom is demanding for more revenues from the central government, contrary to what is stipulated in the Public Finance Act, 2015 in which all the recognized traditional institutions within the Albertine Graben were allocated 1 percent of the oil revenues to be shared among themselves. The kingdom is also demanding for a bigger representation of their "sons and daughters" in key job positions within the government ministries

and Directorates, as well as in oil companies. The local communities are accusing their local governments of "neglecting their needs" which has caused tensions between the local government and the communities. Within the communities, there are many sources of conflict ranging from how joint resources like community grazing land should be compensated, and who should be elected in to leadership positions. There are also high levels of ethnic polarization where identity is top on the agenda. The manifestations of the local resource curse were considered to be loss of property, economic displacement, and community disarticulation (discussed more in details in Chapter 3). There are also major concerns over access, and use of natural resources, which are traversed by the oil and gas projects. Others are concerned with environmental pollution, and the subsequent impacts this will have on the livelihoods of the people. The exploration and development of oil has also led, and will continue to lead to the disturbance of the environment in many ways.

ENHANCING THE WELL-BEING: SOCIAL DEVELOPMENT

On a positive side, these projects have created job opportunities for some of those people with the necessary qualifications, although not all those who are qualified can be absorbed. The new roads, dubbed locally as 'oil roads', have greatly improved accessibility to and within the region. The enhanced movement of goods and people has made many things easier and cheaper, although has generated much in-migration.

Many Ugandans have also benefited from the skills development in oil & gas industry. These have mainly come from the oil & gas companies through scholarships, practical hands on training, as well as government efforts to skill the artisans in the areas of metal welding and fabrications through earmarked institutions like Kigumba Petroleum Institute.

This research also revealed that China is becoming a major player in Uganda's economy in many fronts. Like the western powers, China's development cooperation is motivated by a wide range of economic and diplomatic interests including, securing vital resources, opening-up new markets, widening investment opportunities, and forging new political alliances (Buckley et al., 2007). These interests are essentially the same as those of traditional Western lenders. Nevertheless, many Western observers, especially politicians and the media are prone to recite simplistic themes about Chinese engagement with Africa (Brautigam, 2009). The surge of the Chinese contractors in Africa is being driven by the perceived willingness of the China Exim Bank to extend what African leaders consider to be cheap and unconditional development finance. However, a major concern with Chinese loans by the business community has to do with the limited local content despite the existence of the law which in in place.

RECOMMENDATIONS

Given the above analyses, this study proposed a number of recommendations to enhance the benefits and mitigate the negative impacts from the development of oil and gas in Uganda. Uganda and other resource-rich countries should ensure that all negative consequences from resource discovery and development are fully identified, and addressed. I found out that rent seeking takes many forms, which results in local resource curse. I am proposing that the government should strengthen its over sight institutions to address the effects of rent seeking more seriously. This can be done in cooperation with civil society, which are normally on the ground, by creating new laws or amending the old laws, which are friendly and consistent with international best practices relating to land acquisition and resettlement.

There is also need to have adequate laws that carefully address land acquisition and land ownership issues, especially in terms of customary or communal tenures, are needed (Oloka-Onyango, 2020). The active involvement of local and religious leaders in preaching peace to communities should be encouraged. NGOs can also play a key role. As a poor country in a conflict-infested region, Uganda should avoid falling prey to corruption practices (Brophy & Wandera, 2020) and the perils of the resource curse, which could lead the country to armed conflict, thereby undermining all the achievements the country has made until now. The grievances and concerns of local communities should be taken seriously so that government, developers and local communities reach a win-win-win situation (Ogwang, 2020).

I am also recommending that the government and oil companies should ensure that any land acquisition does not lead to impoverishment of the affected communities. Instead, land acquisition should lead to the betterment of the lives of the displaced persons, project affected people and the surrounding communities. The local and central governments should seriously address land grabbing and speculation in order to protect communities from being manipulated and short-changed.

In this thesis, I examined the role of China in funding Uganda's infrastructure projects. As discussed in Chapter 6, China's financial contribution to African countries have been enormous. Due to shortage of such funds especially from the traditional lenders, Uganda seems to have found the solace in securing funds from China. While this is a good opportunity for Uganda to capitalise on, much care should be taken on how and where the funds are spent to spur more growth in the economy. While many critics point their fingers at China claiming that Uganda' s debt is getting out of hand, in this thesis, I drew the conclusion that China was being unfairly targeted for this perceived debt crisis. Given that the demand for infrastructure is considerable, it is likely that China will continue investing in Uganda and Africa generally. While there are fears that cash-poor, resource-rich countries may become trapped with considerable long-term debt, this issue is problematic. On the one hand, Uganda is very much in need of infrastructure but lacks the funds to construct them, while China is ready with the required funds and the required expertise. It is true that increasing national debt can cause social unrest as the government will have to spend more on debt servicing than on providing much-needed social services, but the lack of infrastructure is also a social issue. From the four cases discussed in this thesis (Chapter 6), it would be impossible to conclude that China is actively promoting inappropriate borrowings; instead, it is likely that the increase in Chinese lending is demand driven by poor rich resource countries. The government should endeavour to strive for better terms and have a win-win situation. Once this loan has been secured, the government should make sure the funds are utilised within the agreed loan period, to avoid paying for the excess interests.

Even though China has provided finance for infrastructure projects at seemingly better terms than traditional western lenders, there is still a need for the Ugandan Government to invest in economic activities that will spur the development of the economy. In many cases, the conditions of Chinese concessional loans require considerable use of Chinese inputs and construction firms (Brautigam, 2011; Swedlund, 2017). Thus, in contradiction to the comments of the Ugandan President, Chinese aid actually does come with strings attached (Bwambale, 2012; Kynge, 2014). Cheap as they may sound in interest rate terms, Chinese loans may actually be expensive since they prevent non-Chinese companies from being considered for such projects. The fact that most construction materials must come from China deprives local industries of an opportunity for growing. It also means that there may not be proper scrutiny of development options, construction plans, or of environmental and social impacts. Overall, use of Chinese finance and construction means there is little local market stimulus, little local capacity building, and little regional multiplier effect. Governments should carefully monitor how contracts are awarded and ensure value for money by closely supervising the quality of construction.

Desperate for project finance, Uganda is willing to award contracts to Chinese companies because of the financial backer, the China Exim Bank. However, most contracts are awarded through Presidential directives that bypass standard procurement regulations, making it difficult to ascertain the actual value for money of the projects. African countries should establish how they could ensure they benefit from their engagement with China

In chapter 7, I analysed the social and livelihood impacts of the proposed Ugandan section of the EACOP and its associated facilities. Even when the project activities have been put on hold, there are many indications that this project is already having impacts on the local communities. Like in all the other chapters, the EACOP project has created and will create more opportunities for jobs and services for the local people. There are also prospects for better infrastructure in terms of access roads, which will potentially link the rural areas to the much-needed markets. Once assessed, collected, and spent properly, the tax base will also increase giving the central and local governments the much-needed funds to provide the social services to the population.

However, there are many negatives impacts, which have been registered so far, like displacement, delayed compensation, restriction to livelihoods, food insecurity, social evils, environmental and ecological impacts, and transboundary impacts among others. I strongly recommend that the negative impacts, which have been identified so far, be addressed and the potential socio-economic and environmental impacts of the EACOP be avoided, minimised, or mitigated. Socially, people's expectations should be managed by the project proponents by avoiding making promises, which cannot achieved.

I am also proposing that those whose land have been earmarked for such projects (like EACOP) should receive fair, adequate, and prompt compensation for their land and assets. Resettlement should be done in accordance to internationally acceptable practice in order for the project to gain social license to operate. This should cater for all the categories of project-affected persons especially the needs and interests of the vulnerable people like the widows, and the elderly be addressed adequately in the Resettlement Action Plans.

Being a transboundary project, all the environmental impacts should be avoided and mitigated, given the fact that the pipeline traverses through shared water bodies used by millions across the region. There should be an inclusive, open decision-making and conflict resolution mechanisms to address the negative impacts, which have been identified, or may crop up in future, to avoid any potential outbreak of resource-based conflict in the region.

Finally yet importantly, I am calling upon the different stakeholders, especially the oil companies and the government, to mitigate the impacts brought by the oil and gas developments, as well as other development projects in order to have mutually beneficial outcomes for both parties, and the country in general. Instead of the court cases, killings, social harm and project opposition that has befallen Uganda in the advent of oil and gas discovery, it should be possible to bring about a new situation of peaceful resolution of issues, with a fair sharing of benefits to all stakeholders, enabling the efficient implementation of these projects of national significance.

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Is de ontdekking van olie in Oeganda een kans of een vloek?

Samenvatting

Sinds er in 2006 commerciële olievoorraden ontdekt werden in Oeganda, hebben de talrijke winningsactiviteiten grote sociale impact gehad. Oeganda is nog steeds een van de armste landen ter wereld en heeft ontwikkelingskansen nodig om aan de extreme armoede te ontsnappen. In dit proefschrift heb ik besproken hoe de opkomende olie-industrie in Oeganda een kans kan zijn als deze goed wordt gemanaged, maar hoe deze ook een 'grondstoffenvloek', 'Hollandse ziekte' of 'Nigerian Disease' kan blijken als deze slecht wordt gemanaged. Ik heb me gebogen over de gevolgen voor de conflicten en de sociale ontwikkelingen in Oeganda. De onderzoeksvraag die in dit proefschrift wordt onderzocht luidt: *In welke mate en onder welke voorwaarden leidt de exploitatie van natuurlijke hulpbronnen tot een grondstoffenvloek?* Om deze brede vraag te kunnen beantwoorden, heb ik de opkomende olie- en gasindustrie in Oeganda onder de loep genomen aan de hand van een aantal deelvragen:

1) Wat is de 'grondstoffenvloek'?
2) Wat zijn de potentiële voordelen van het winnen van grondstoffen (met name olie) in Oeganda?
3) Wat zijn de mogelijke negatieve gevolgen van het winnen van grondstoffen?
4) Hoe kunnen de mogelijke negatieve gevolgen beter worden gemanaged om ervoor te zorgen dat ze zich minder snel zullen voordoen of minder impact zullen hebben?
5) Hoe kunnen de potentiële voordelen van het winnen van grondstoffen worden gegarandeerd en hoe kunnen ze nog worden uitgebreid?
6) Wat zijn de belangrijkste sociaaleconomische en politieke aspecten (waaronder het gevaar van conflicten) in de context van Oeganda en het Grote Merengebied, en van de ontwikkeling van hulpbronnen in het algemeen en van olie in het bijzonder?

Ik heb een reeks kwalitatieve technieken voor gegevensverzameling gebruikt, waaronder diepte-interviews, focusgroepgesprekken en observaties in het veld, en ik heb relevante secundaire bronnen bestudeerd. Ik heb me hoofdzakelijk gericht op zes onderwerpen. Eerst heb ik de groeiende sociale spanningen en conflicten onderzocht die in verband worden gebracht met de olie-exploratie en -winning in Oeganda. Daarbij heb ik geanalyseerd hoe gemeenschappen en andere groepen binnen de samenleving zijn beïnvloed door de inbreuken die de zoektocht naar olie op allerlei vlakken met zich meebracht. Ik heb de verschillende mechanismen en interventies onderzocht die zijn ingezet om deze spanningen aan te pakken. Aangezien er nog steeds behoefte is aan meer land om tegemoet te komen aan de stijgende vraag naar olie- en gasinfrastructuur, zou het verstandig zijn om tot een duidelijke beschrijving van de potentiële omvang van de verplaatsing van de bevolking te komen, en duidelijke informatie te verschaffen over de compensatie en plannen voor het herstel van het levensonderhoud. In het hervestigingsactieplan dient een goed gecommuniceerde compensatieregeling te worden opgenomen voor al diegenen die mogelijk en daadwerkelijk schade lijden door het project.

In hoofdstuk 2 heb ik gekeken naar de huidige en toekomstige gevolgen van de oliehausse voor het levensonderhoud van de lokale bevolking in de regio Albertine Graben in Oeganda. Ik heb een aantal uitdagingen onderzocht die in verband worden gebracht met de ontwikkeling van de oliereserves in de regio Albertine Graben. Door de oliewinning hebben veel mensen moeten verhuizen en dit heeft veel rancune gewekt, vooral vanwege de ontoereikende wijze waarop de hervestigings- en compensatieregelingen zijn uitgevoerd. De oliewinning heeft grote sociale impact, zowel in positieve als in negatieve zin, en heeft de bestaande conflicten, angst en onzekerheid aangewakkerd. De omvang van deze onrust heeft ertoe geleid dat sommige inwoners de regering voor de rechter hebben gedaagd om een eerlijke vergoeding te eisen. Er zijn ook mensen vermoord vanwege conflicten over het gebruik van het land als gevolg van de oliewinning. Olieproductie kan in principe voordelen opleveren voor het land en de regio, maar

een groot infrastructuurproject waar veel grond voor nodig is, heeft altijd gevolgen voor de mensen die er wonen. Niettemin kan de schade tot een minimum worden beperkt als de hervestiging goed geregeld wordt en alle sociale gevolgen naar behoren worden aangepakt. Als ontheemde bevolkingsgroepen ruimhartig worden ondersteund, is het mogelijk om een resultaat te bereiken dat gunstig is voor beide partijen. In plaats van de rechtszaken, moorden, sociale schade en het verzet tegen het project die in Oeganda aan de orde van de dag zijn, zou het mogelijk moeten zijn om vreedzame oplossingen te vinden, waarbij alle betrokkenen meeprofiteren en dit project van nationaal belang efficiënt uitgevoerd kan worden.

In hoofdstuk 3 heb ik onderzocht hoe *rent-seeking* ('de jacht op politieke rente') is uitgelopen op een lokale grondstoffenvloek en sociaal conflicten op gemeenschapsniveau in de regio Albertine Graben. Ik heb ook de verschijningsvormen van de lokale grondstoffenvloek geanalyseerd en besproken wat de gevolgen zijn voor de lokale gemeenschappen, en hoe deze praktijken de potentiële voordelen van het project voor de gemeenschappen ondermijnen. In het onderzoek wordt deze *rent-seeking* – waaronder uitgekiende landroof, corruptie en omkoping, oneerlijke vergoedingspercentages en speculatie – in kaart gebracht en zijn de gevolgen hiervan voor de verschillende spelers besproken. De ontdekking van natuurlijke hulpbronnen maakt kwesties als zwak bestuur, corruptie en cliëntelisme complexer. Ik wilde vooral inzicht krijgen in de manier waarop deze praktijken van *rent-seeking* de potentiële voordelen van de oliewinning voor de lokale gemeenschappen ondermijnen, om zo te kunnen bepalen hoe de grondstoffenvloek zou kunnen worden vermeden. Ik heb ook onderzocht hoe de oliewinning een reeks sociale problemen met zich mee heeft gebracht, waaronder landroof, grondschaarste en fragmentatie, voedselonzekerheid, corruptie en etnische polarisatie. Deze uitkomsten zijn door de lokale bevolking geïnterpreteerd als een lokale grondstoffenvloek en hebben geleid tot sociale conflicten binnen de lokale gemeenschappen. Deze praktijken, die volgens de lokale bevolking niet voorkwamen voordat de olie werd ontdekt, zullen de potentiële voordelen van de exploitatie van olie en gas waarschijnlijk ondermijnen. Ik analyseerde ook hoe de grondstoffenvloek zich manifesteerde in verlies van eigendom, economische ontheemding en ontwrichting van de gemeenschap. Ik heb onderzocht hoe de lokale grondstoffenvloek leidt tot sociale conflicten op lokaal niveau. Er zijn conflicten tussen de verschillende spelers, zoals de centrale en lokale overheden, het vorstendom Bunyoro en de centrale overheid, de lokale gemeenschappen en de lokale overheid, en binnen de gemeenschappen. De onenigheid die hiervan het gevolg is, is nadelig is voor de toekomstige groei van de olie- en gasindustrie en voor Oeganda als geheel. Ik heb vastgesteld dat *rent-seeking* allerlei vormen kan aannemen. De lokale grondstoffenvloek is zichtbaar in de landroof, de ontheemding van mensen, de vernietiging van hun eigendommen wanneer hun grond is aangekocht voor de projectinfrastructuur, ontoereikende of vertraagde betaling van compensatie, veranderingen in de landbouwproductie die leiden tot lokale voedseltekorten en zo de sociale spanningen verergeren, en conflicten tussen de lokale gemeenschappen.

In hoofdstuk 4 heb ik de sociale gevolgen van de aankoop van land voor enkele grote projecten in verband met de olie- en gaswinning in Oeganda beoordeeld. Ik betoogde dat het winnen van olie en gas niet mag leiden tot een grondstoffenvloek, maar dat Oeganda en andere arme landen in Afrika die rijk zijn aan grondstoffen ervoor zouden moeten zorgen dat de negatieve gevolgen van de exploitatie van grondstoffen, en met name van de aankoop van land, uitputtend worden aangepakt, aansluitend bij internationale *best practices*. Deze projecten hebben grote potentiële en feitelijke sociale gevolgen voor de lokale gemeenschappen, bijvoorbeeld in de zin van toegenomen armoede, de omschakeling van landbouwgrond naar industriële bestemmingen waardoor de voedselonzekerheid toeneemt, de inflatie van de kosten van goederen en diensten, ontregeling van de gemeenschap en ontwrichting van het leven en het levensonderhoud van de mensen. De lokale bevolking beschouwt de toestroom van immigranten als een bedreiging voor hun voortbestaan vanwege de toegenomen concurrentie om de beperkte arbeidsmogelijkheden. De meeste grond is gemeenschappelijk bezit. Geconfronteerd met het vooruitzicht dat hun grond

verkocht of onteigend zal worden, ontstaan er binnen de gemeenschappen spanningen over manieren om de grond voldoende intact te houden voor een levensvatbare landbouwproductie, en over manieren waarop de lokale gemeenschappen kunnen profiteren van mogelijke kansen. Een andere uitdaging is het gebruik van de opbrengst van de verkoop. Vrouwen kunnen nog steeds geen land bezitten en dat is reden tot zorg is als het gaat om eerlijke compensatie en hun toekomstige levensonderhoud. In de meeste gevallen is hun situatie verslechterd door de aankoop van land voor de oliewinning in Oeganda. Een positief aspect is het feit dat deze projecten werkgelegenheid hebben gecreëerd voor mensen met de juiste kwalificaties, hoewel niet iedereen die gekwalificeerd is, in dienst genomen kan worden. De nieuwe wegen, die lokaal de 'oliewegen' worden genoemd, hebben de bereikbaarheid van en binnen de regio sterk verbeterd. Het toegenomen verkeer van goederen en personen heeft veel zaken gemakkelijker en goedkoper gemaakt, al is hierdoor ook de immigratie toegenomen.

In hoofdstuk 5 heb ik de uitdagingen op bestuurlijk gebied onderzocht die samenhangen met de ontwikkeling van de *resource funded infrastructure* (RFI) in Afrika ten zuiden van de Sahara door te kijken naar vier megaprojecten in Oeganda die worden gefinancierd en gebouwd door Chinese bedrijven. Ik heb me gebogen over de vraag of deze projecten zullen bijdragen aan positieve sociaal-economische ontwikkelingen of eerder een indicatie zijn van de gevolgen van de grondstoffenvloek. Ik heb de potentiële voordelen en financiële implicaties van elk project geanalyseerd. Het ging hierbij om de snelweg van Kampala naar Entebbe, de Karuma Waterkrachtcentrale, de Isimba Waterkrachtcentrale en de standaard spoorlijn van Malaba naar Kampala. Hoewel RFI-regelingen door sommige commentatoren positief worden beoordeeld, zijn anderen (vooral lokale handelaars en aannemers) van mening dat deze overeenkomsten ondoorzichtig zijn, onhoudbare schulden creëren, de belangen van China boven die van het lenende land stellen, de werkloosheid verhogen, oneerlijk concurreren met lokale bedrijven, corrupte praktijken in de hand werken om contracten binnen te halen, slechte werkomstandigheden creëren en resulteren in ondermaatse bouwwerkzaamheden. Toch ben ik tot de conclusie gekomen dat Oeganda en andere Afrikaanse landen ten zuiden van de Sahara over het algemeen hebben geprofiteerd van de door China gefinancierde en gebouwde infrastructuur, ook al zijn er verschillende problemen. Het gevaar van mythevorming is groter dan dat van een schuldenval. Om te zorgen dat iedereen profiteert van de situatie, moeten nationale overheden en Chinese bedrijven de internationale normen en praktijken in acht nemen met betrekking tot de beoordeling en het beheer van milieu- en sociale effecten, en met betrekking tot mensenrechten, regelingen voor het delen van voordelen, en een behoorlijke aanpak van de herhuisvesting.

In hoofdstuk 6 heb ik onderzocht wat de sociale gevolgen en de impact op het levensonderhoud zijn van het Oegandese deel van de voorgestelde East African Crude Oil Pipeline (EACOP). De EACOP Pipeline, die naar verwachting in totaal meer dan 3,5 miljard dollar zal kosten, zal ruwe olie vervoeren van Hoima in de Oegandese regio Albertine-Graben naar Tanga in Tanzania, een afstand van 1443 km. Hoewel de bouw nog niet is begonnen, hebben de routeplanning en de aankoop van land voor de pijpleiding begin 2020 veel milieu- en sociale gevolgen gehad, waaronder verplaatsing van de bevolking, herhuisvesting, economische verplaatsing, betwiste waardebepalingen, vertraagde compensatie, verstoring van het levensonderhoud, voedselonzekerheid, onzekerheid en angst. Wanneer het project van start gaat, zijn potentiële voordelen onder meer kansen op het gebied van werkgelegenheid (hoewel het daarbij vaak om kortetermijnwerkgelegenheid zal gaan), verbeterde infrastructuur en toegankelijkheid, en olie-inkomsten voor het land. Tot nu toe hebben de vertragingen in het project misschien wel de grootste impact gehad, omdat daardoor de onrust en de impact op het levensonderhoud zijn toegenomen. Er bestaat verwarring over de betekenis en de uitvoering van de '*cut-off date*', een mechanisme dat bedoeld is om projectontwikkelaars te vrijwaren van opportunistisch gedrag van de getroffen mensen. Om de publieke acceptatie te herstellen, heb ik de aanbeveling gedaan dat partijen meer aandacht moeten besteden aan het aanpakken van de negatieve effecten en het vergroten van de voordelen van het project. Verder betoog ik dat er in de internationale normen

en procedures die bij de aankoop van grond voor projecten worden toegepast, meer aandacht moet worden besteed aan de wijze waarop de *cut-off date* aan de lokale gemeenschappen wordt gecommuniceerd, vooral met betrekking tot de impact die dit heeft op de landbouw voor eigen gebruik.

Oeganda maakt zich op om rond 2025 de eerste olie uit de grond te halen. In het licht daarvan concludeerde ik dat Oeganda en andere arme landen die rijk zijn aan grondstoffen ervoor moeten zorgen dat alle negatieve gevolgen van de ontwikkelingen op het gebied van natuurlijke grondstoffen worden aangepakt en dat alle kansen voor het delen van voordelen naar behoren worden overwogen en doorgevoerd om te voorkomen dat de exploitatie en winning van natuurlijke hulpbronnen zal uitmonden in de paradox van de grondstoffenvloek.

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