

Blessing or curse? For many Ugandans, costs outweigh benefits of natural resource extraction

Afrobarometer Dispatch No. 645 | Makanga Ronald Kakumba

Summary

Although Uganda's mining industry is small, accounting for only 2.3% of gross domestic product, it is projected to grow dramatically as a result of recent oil discoveries (Oketch, 2021). Oil production is expected to start by 2025, and the World Bank estimates that Uganda could earn up to U.S. \$3 billion (about Shs. 11.4 trillion) per year from oil exports of up to 60,000 barrels per day at peak commercial production (Musisi, 2022).

This presents a unique opportunity for the country to usher in a new phase of economic growth and development – if it can escape the “resource curse.”

In other oil-rich countries in sub-Saharan Africa, such as Nigeria, Angola, Equatorial Guinea, the Republic of Congo, and Gabon, oil wealth has often benefited only a few in or close to state power, without trickling down to the pockets of the poor (Bello, 2017; Mohammed, 2021).

Since initial oil-extraction activities in Western Uganda's districts of Buliisa and Hoima got underway, many residents in affected communities have complained of meagre compensation for their land, forceful evictions, and a lack of transparency, accountability, and local employment from the oil companies. Land disputes have intensified in the area, and many locals have lost their traditional livelihoods in agriculture (Taylor, 2020; Ssekika, 2011; Onyango, 2021).

The planned construction of a 1,443 km oil pipeline, which is supposed to transport crude oil from Western Uganda to the Tanzanian coast, has sparked controversy as well. Last year, the European Parliament passed a non-binding resolution that seeks to delay development of the East Africa Crude Oil Pipeline in the two countries, citing environmental and human-rights concerns (Independent, 2022). Oxfam (2020) estimates that about 14,000 households will lose land and hundreds will have to be resettled to make way for the pipeline.

Another cause for worry is Uganda's rampant corruption (Kakumba, 2021). Will the oil project open new avenues for corruption to flourish?

According to the most recent Afrobarometer survey, Ugandans cast a critical eye on their natural resource extraction industry, with half seeing its costs as outweighing its benefits. Fewer than half think local communities have a voice in decisions about natural resource extraction or receive a fair share of the revenues, and a majority want the government to regulate the industry more tightly to protect the environment.

In addition, a majority of Ugandans think that corruption is getting worse in their country and that their government is doing a poor job of fighting it.

Afrobarometer surveys

Afrobarometer is a pan-African, nonpartisan survey research network that provides reliable data on African experiences and evaluations of democracy, governance, and quality of life. Eight rounds of surveys have been completed in up to 39 countries since 1999. Round 9 surveys (2021/2023) are currently underway. Afrobarometer conducts face-to-face interviews in the language of the respondent's choice.

The Afrobarometer team in Uganda, led by Hatchile Consult Ltd., interviewed 2,400 adult Ugandans between 7 and 25 January 2022. A sample of this size yields country-level results with a margin of error of +/-2 percentage points at a 95% confidence level. This was the 12th Afrobarometer survey in Uganda since 1999.

Key findings

- Fully half (51%) of Ugandans see the costs of natural resource extraction, such as environmental pollution, as outweighing its benefits, such as jobs and revenues. Only 41% value the benefits more highly than the costs.
- A majority (56%) of citizens say that communities do not receive a fair share of resource extraction revenues, while only 35% think they do.
- Fewer than half (44%) of Ugandans think ordinary citizens have a voice in decisions about natural resource extraction near their communities.
- More than eight in 10 citizens (83%) want the government to regulate natural resource extraction more tightly to reduce its negative impacts on the environment.
- More than two-thirds (68%) of respondents say corruption in the country increased during the year preceding the survey. The proportion who believe that graft increased "a lot" rose by 18 percentage points between 2019 (40%) and 2022 (58%).
- Eight in 10 citizens (80%) say the government is performing poorly in its fight against corruption. Dissatisfaction with government efforts to reduce corruption has grown significantly since 2005 (52%).

Natural resource extraction: Costs vs. benefits

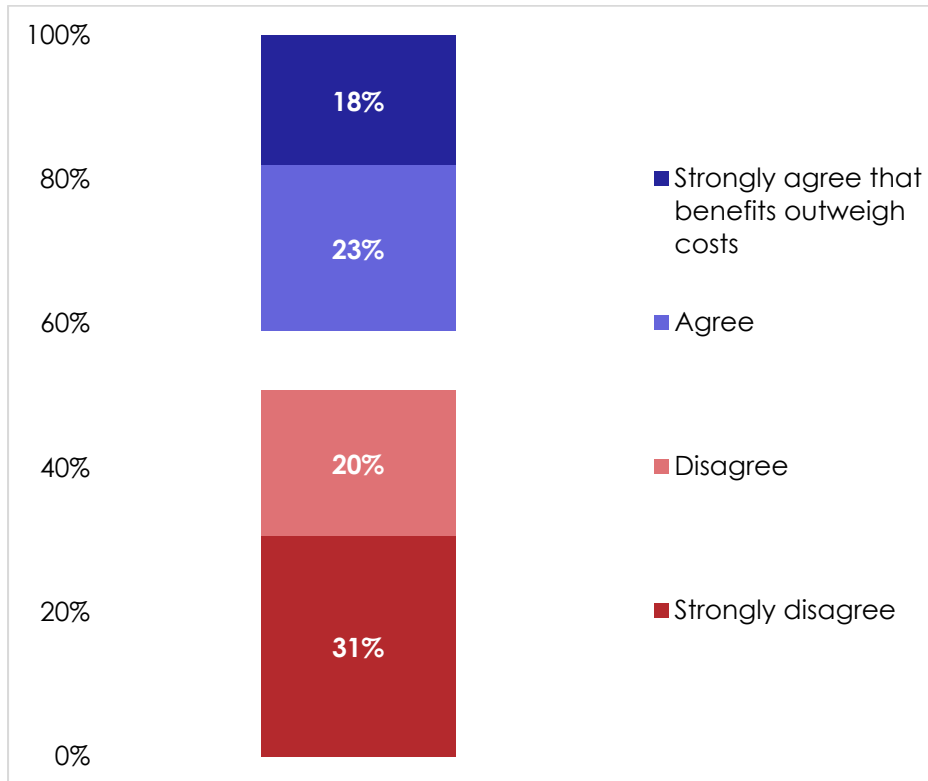
Natural resource extraction such as mining, oil drilling, and wood harvesting can bring benefits, such as jobs and revenue. At the same time, it can pose problems for nearby communities, such as pollution or deforestation.

Ugandans appear to be concerned about the latter. Only four in 10 citizens (41%) say the benefits of natural resource extraction outweigh negative impacts such as pollution, while half (51%) see the costs as being higher than the gains (Figure 1).

The view that the costs of natural resource extraction outweigh its benefits is most prevalent in the oil-host subregion of Bunyoro (66%), where some residents have complained of low compensation for land, forceful land evictions, and loss of farmlands due to oil activities (Taylor, 2020; Ssekika, 2011; Onyango, 2021). This view is also more common in Tooro (60%), Busoga (57%), and Buganda (57%) than in other subregions (Figure 2).

Citizens experiencing high lived poverty¹ (57%) and those who feel close to the political opposition (54%) are more likely to see the costs as outweighing the benefits than the economically better off (48%-50%) and those who feel close to the ruling National Resistance Movement (NRM) party (46%).

Figure 1: Natural resource extraction: Do benefits outweigh costs? | Uganda | 2022

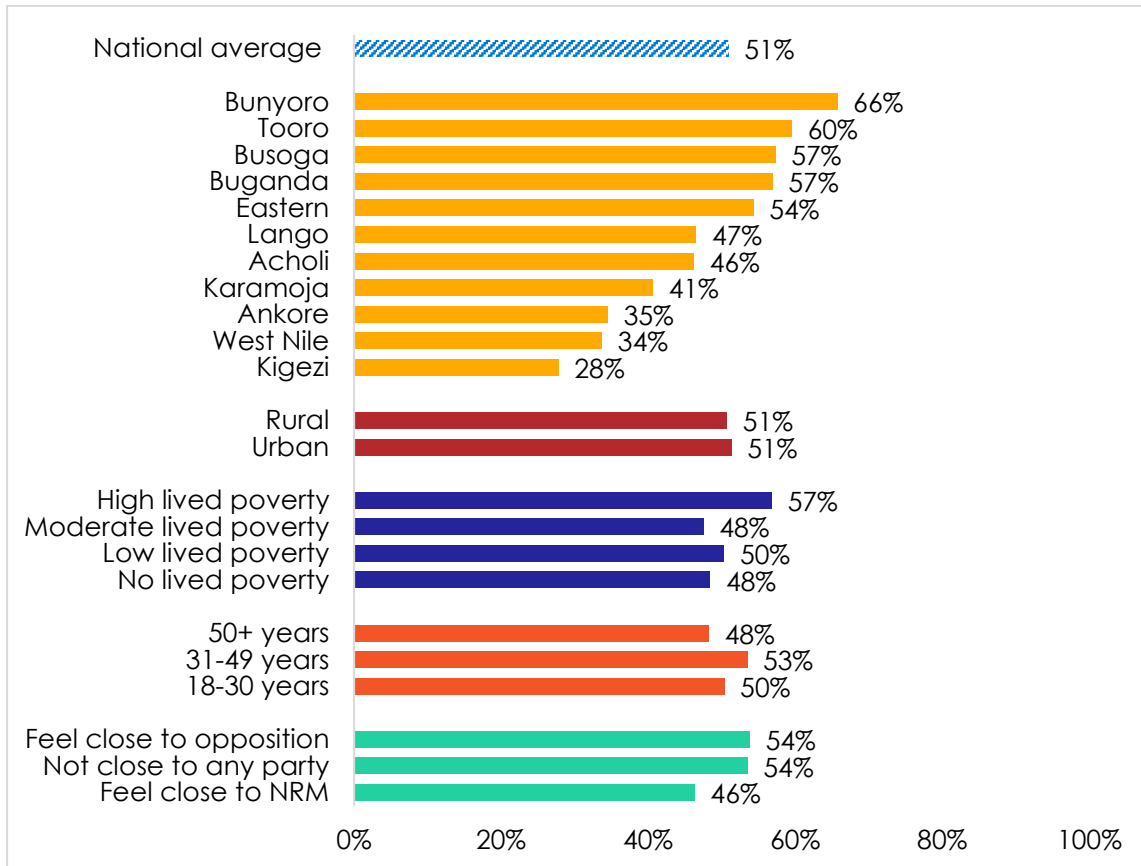


Respondents were asked: Natural resource extraction such as mining, oil drilling, or wood harvesting can have benefits, such as jobs and revenue. But it can also pose problems for nearby communities, such as pollution or deforestation. Please tell me whether you agree or disagree with each of the following statements: In general, the benefits of resource extraction activities to local communities, such as jobs and revenue, outweigh the costs, such as pollution.

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¹ Afrobarometer’s Lived Poverty Index (LPI) measures respondents’ levels of material deprivation by asking how often they or their families went without basic necessities (enough food, enough water, medical care, enough cooking fuel, and a cash income) during the preceding year. For more on lived poverty, see Mattes and Patel (2022).

Figure 2: Natural resource extraction: Benefits do not outweigh costs | by demographic group | Uganda | 2022



Respondents were asked: Please tell me whether you agree or disagree with each of the following statements: In general, the benefits of resource extraction activities to local communities, such as jobs and revenue, outweigh the costs, such as pollution. (% who “disagree” or “strongly disagree”)

Do communities receive a fair share of revenues?

Until the recent arrival of oil, natural resource extraction in Uganda on a fairly modest scale has focused on gold, copper-cobalt, iron ore, lead, lithium, niobium, tin, titanium, and tungsten (Uganda Investment Authority, 2010).

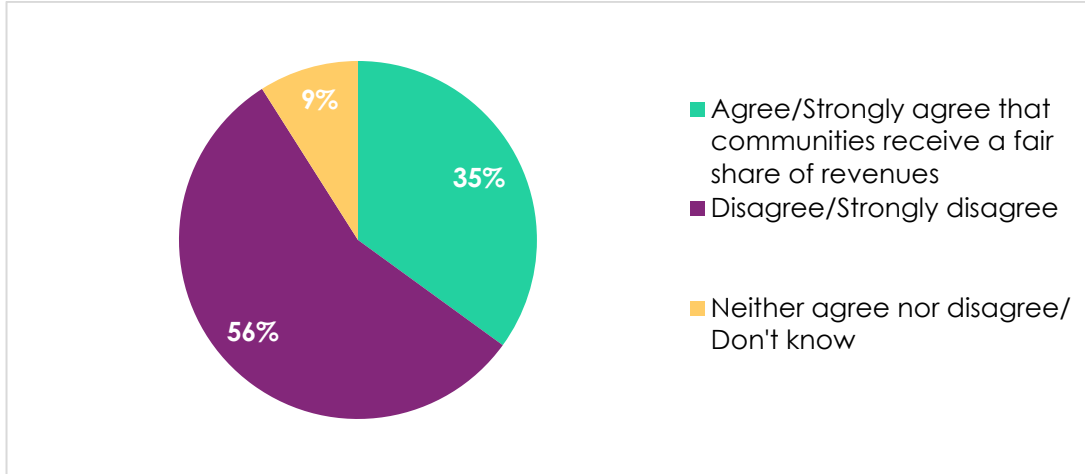
According to Afrobarometer findings, a majority (56%) of citizens say that communities do not receive a fair share of the revenues from natural resource extraction, while only one-third (35%) think they do (Figure 3).

The view that communities do not enjoy a fair share of revenues is particularly common among citizens experiencing no lived poverty (63%), opposition supporters (62%), and urban residents (61%) (Figure 4). But even among those who feel close to the ruling party, 53% say local communities don't receive a fair slice of the national cake from natural resource extraction.

Geographically, residents in Kigezi (70%), Eastern (62%), Tooro (62%), Bunyoro (59%), and Ankore (59%) subregions are more likely to say their communities fail to get a fair share of revenues than residents in other areas.

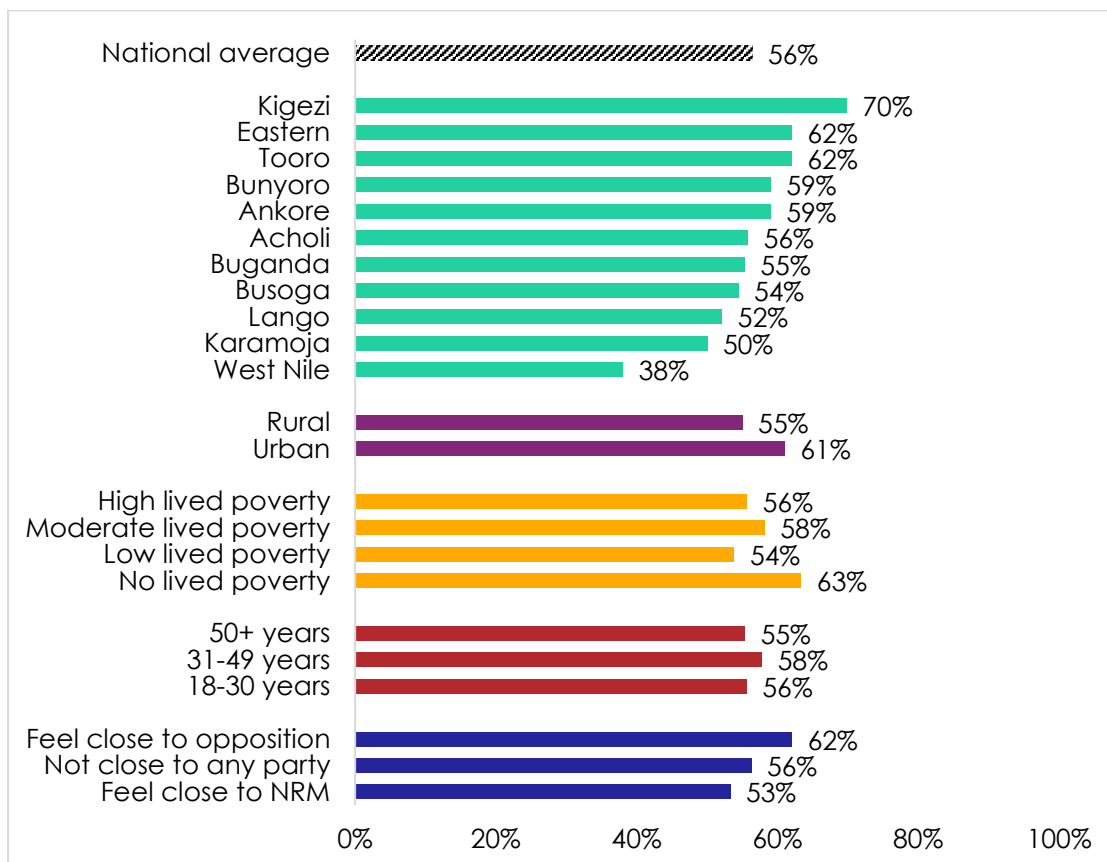
These perceptions, too, may reflect some local residents' dealings with oil companies, including the feeling that they are not getting fair compensation for their land.

Figure 3: Do communities receive a fair share of resource extraction revenues?
 | Uganda | 2022



Respondents were asked: Please tell me whether you agree or disagree with each of the following statements: Local communities currently receive a fair share of the revenues from natural resource extraction that takes place near their communities.

Figure 4: Communities do not receive a fair share of resource extraction revenues
 | by demographic group | Uganda | 2022

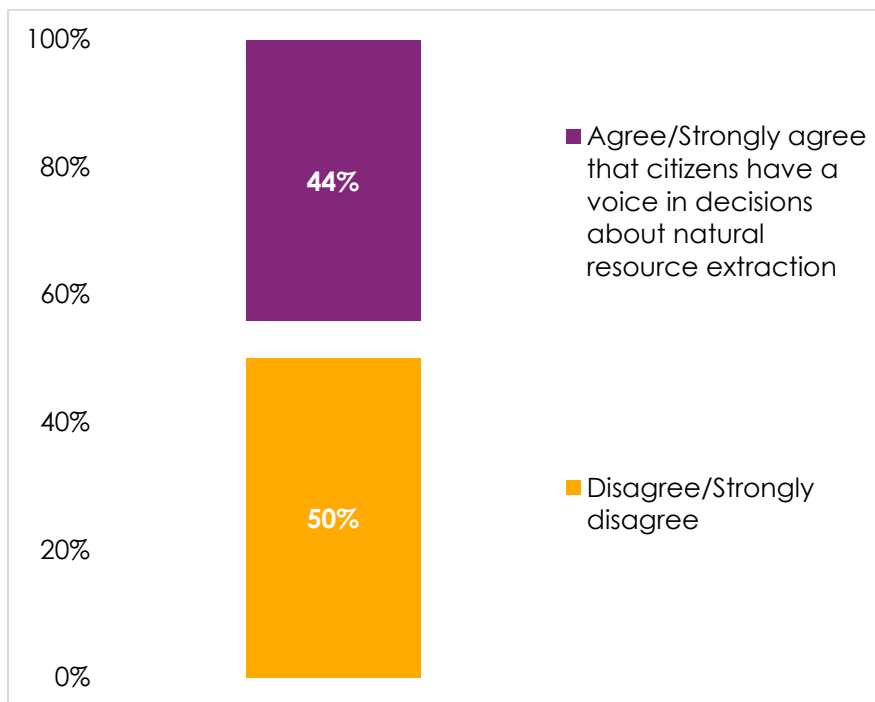


Respondents were asked: Please tell me whether you agree or disagree with each of the following statements: Local communities currently receive a fair share of the revenues from natural resource extraction that takes place near their communities. (% who “disagree” or “strongly disagree”)

Citizens' voice in natural resource extraction

If local communities are to see the extraction and use of natural resources as legitimate and welcome, they must be able to participate in decisions concerning how these activities are conducted. But fewer than half (44%) of Ugandans "agree" or "strongly agree" that ordinary citizens have a voice in decisions about natural resource extraction near their communities, while half (50%) disagree (Figure 5).

Figure 5: Natural resource extraction: Do citizens have a voice? | Uganda | 2022

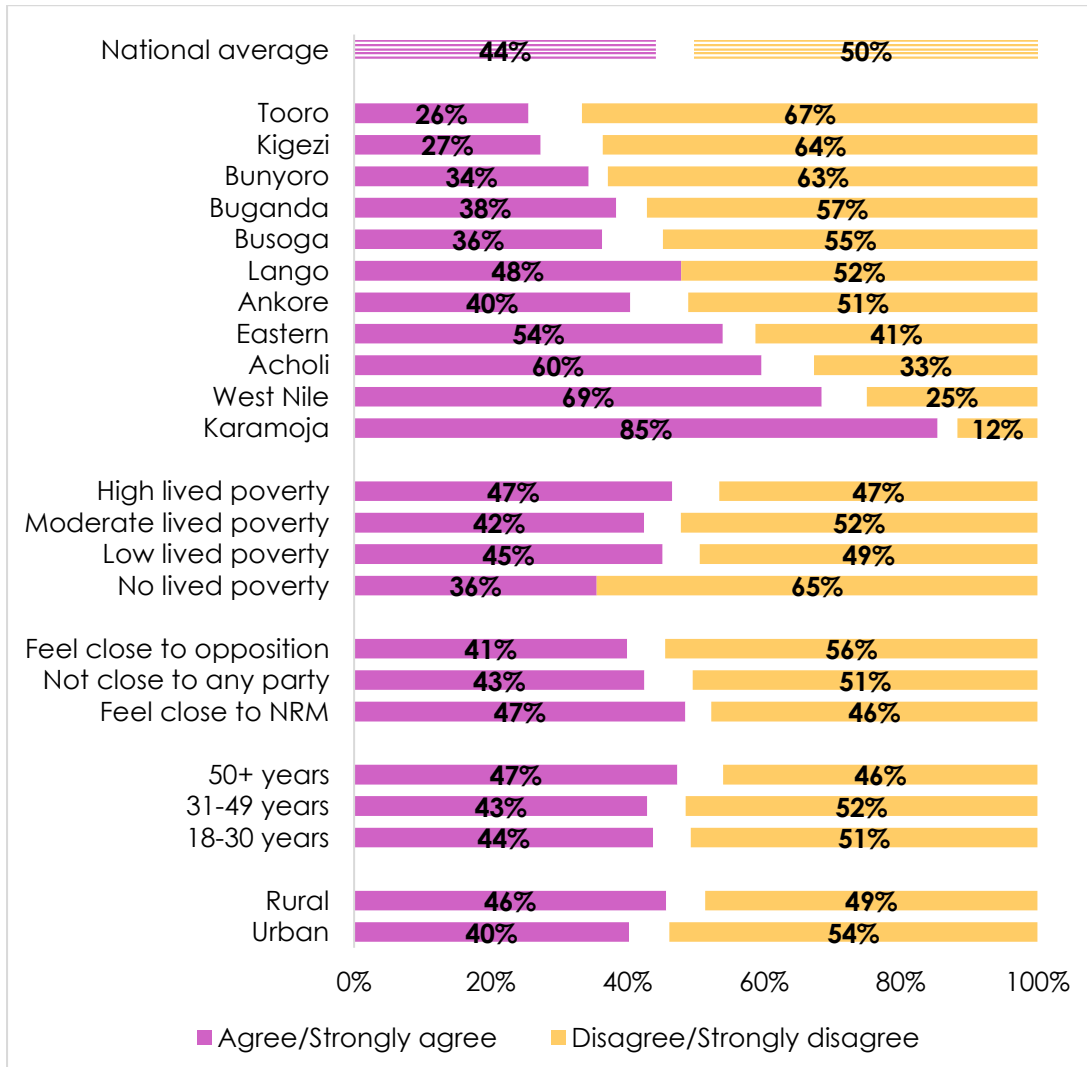


Respondents were asked: Please tell me whether you agree or disagree with each of the following statements: Ordinary Ugandans currently have a voice in decisions about natural resource extraction that takes place near their communities.

The view that ordinary people are not consulted in such decisions is particularly common among the economically best-off citizens (65%), among supporters of the political opposition (56%), and among urban residents (54%) (Figure 6).

Geographically, residents in the Tooro (67%), Kigezi (64%), and Bunyoro (63%) subregions are most likely to feel voiceless in decisions about natural resource extraction, while majorities in the Karamoja (85%), Acholi (69%), West Nile (60%), and Eastern (54%) subregions believe they can participate in such decisions.

Figure 6: Natural resource extraction: Do citizens have a voice? | by demographic group | Uganda | 2022

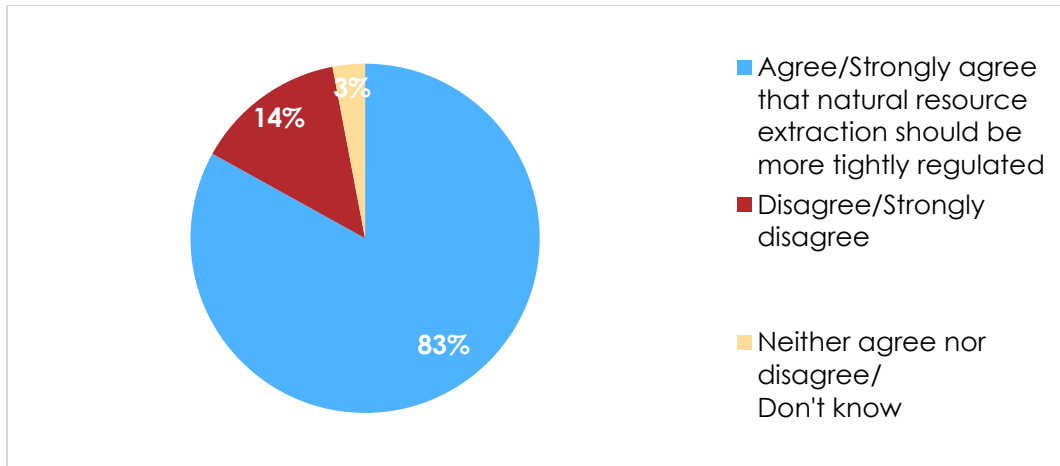


Respondents were asked: Please tell me whether you agree or disagree with each of the following statements: Ordinary Ugandans currently have a voice in decisions about natural resource extraction that takes place near their communities.

Regulation to protect the environment

More than eight in 10 citizens (83%) say the government should regulate the natural resource extraction industry more tightly to reduce its negative impacts on the environment. Only 14% disagree (Figure 7).

Figure 7: Should government tighten regulation of natural resource extraction?
 | Uganda | 2022



Respondents were asked: Please tell me whether you agree or disagree with each of the following statements: In this country, natural resource extraction should be more tightly regulated by government to reduce the negative impacts on the environment.

Perceived level of corruption

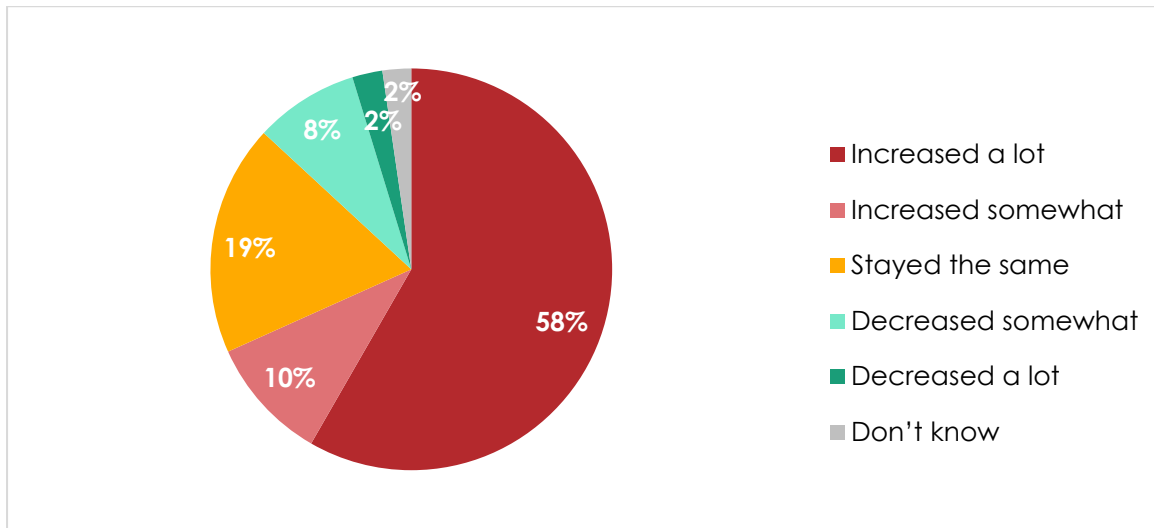
The recent oil discoveries in Uganda have heightened concerns about corruption in a country where it is already pervasive. Critics argue that the government has kept most oil deals secret, limiting public access to essential information regarding oil-sector contracts. In 2012, Uganda's lawmakers petitioned the government demanding transparency and accountability in deals with various foreign oil companies (Monitor, 2021).

Uganda's burgeoning oil sector faces many corruption and leakage risks in contract negotiations, corporate tax planning and tax-base erosion, political deal-making, institutional mismanagement of funds, and a lack of oversight and accountability. In 2011, three ministers were accused of grand revenue embezzlement in cooperation with oil companies, though they were ultimately cleared (Brophy & Wandera, 2019).

Perceptions of widespread – and growing – corruption in the country in general give cause for caution. According to the most recent Afrobarometer findings, more than two-thirds (68%) of Ugandans say that overall levels of corruption increased during the year preceding the survey, including 58% who believe it “increased a lot” (Figure 8).

Between 2019 and 2022, the proportion of citizens who say corruption levels “increased a lot” surged by 18 percentage points, reversing a downward trend between 2015 and 2019.

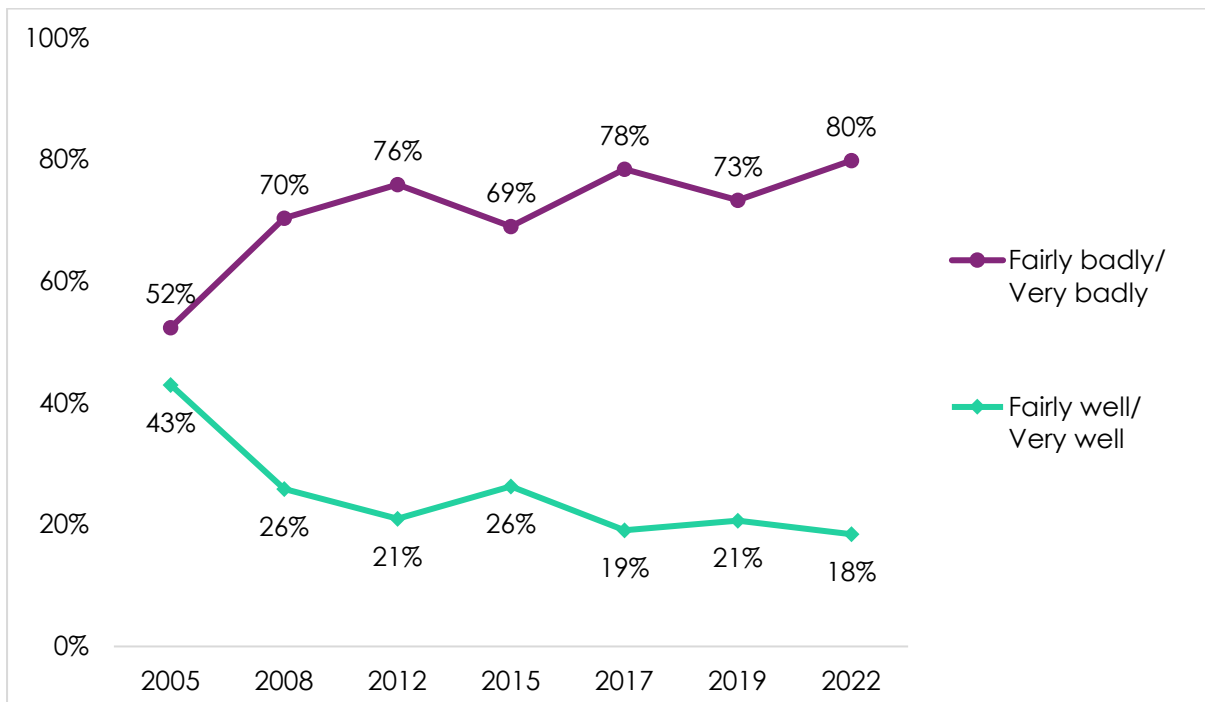
Figure 8: Perceived level of corruption | Uganda | 2022



Respondents were asked: In your opinion, over the past year, has the level of corruption in this country increased, decreased, or stayed the same?

Alongside their perceptions of worsening corruption, citizens' assessments of the government's performance in the fight against graft are becoming increasingly negative as well. Eight in 10 Ugandans (80%) say the government is doing "fairly badly" or "very badly" in its fight against corruption. Over the past decade, dissatisfaction with government anti-corruption efforts have climbed by 24 percentage points (Figure 9).

Figure 9: Government performance in fighting corruption | Uganda | 2015-2022



Respondents were asked: How well or badly would you say the current government is handling the following matters, or haven't you heard enough to say: Fighting corruption in government?

Conclusion

While hopes for oil wealth are high, survey findings show that Ugandans cast a wary eye on the natural resource extraction industry. Only a minority of citizens think that local communities receive a fair share of revenues or have a voice in decisions about extraction activities. Indeed, fewer than half think the industry's benefits outweigh its costs, and most want tighter regulation to reduce its negative impacts on the environment. Moreover, a majority of citizens think their government is failing in its efforts to fight worsening corruption.

Uganda's fledgling oil industry has the potential to propel the country to upper-middle-income status, benefit all Ugandans, and transform livelihoods in local communities. However, for this to happen, the government will need to put in place strategies to avert the curses that have bedeviled other oil-rich countries. Regulations are needed to ensure that natural resource extraction is carried out in an environmentally friendly manner, along with more concentrated efforts to combat growing corruption. The participation of local communities in making decisions, and in sharing the benefits, will boost the industry's legitimacy and chances of being a success for all of Uganda.

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