

# **Oil Conflict-Livelihoods Nexus:**

## **A Case of Amuru District, Uganda**

**Caxton Etii**

**DISSERTATION.COM**



Boca Raton

*Oil Conflict-Livelihoods Nexus: A Case of Amuru District, Uganda*

Copyright © 2010 Caxton Etii

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without written permission from the publisher.

Dissertation.com  
Boca Raton, Florida  
USA • 2012

ISBN-10: 1-61233-929-8  
ISBN-13: 978-1-61233-929-0



## **Dedication**

I dedicate this piece of academic work to my father, Jeremiah Ocan Aryangi (RIP). Without his unwavering care, love and support I would not have had the opportunity to contribute to this conflict discourse.

## **Acknowledgement**

I am sincerely thankful to those who generously provided insight and support without which the publication of this piece of work would not have been possible. The guidance from Professor Kisirinya, Dr Yunus Lubega and Ms Eunice Akullo, from the onset to the final stage of this research helped to shape my understanding of issues relating to oil-conflict and livelihood.

I cannot forget to thank Hon. Lily Adong, Florian Schatz, Brou Djekou, Lillian Rwomushana, and Grace Tino Asianut for the technical support they accorded me during the research.

Lastly, my sincere thanks go to all those who supported me in any respect during the completion of this challenging but exciting project. I owe this accomplishment to you all.

**Caxton Etii**

# Contents

Dedication .....	ii
Acknowledgement .....	iii
List of Figures .....	v
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>GENERAL INTRODUCTION .....</b>	<b>1</b>
1.0 Introduction.....	1
1.1 Background to the Study.....	2
1.2 Statement of the Problem .....	2
1.3 Definition of Terms .....	4
1.3.1 Oil Conflict .....	5
1.3.2 Livelihood .....	5
1.4 Objectives of the Study .....	6
1.4.1 General Objective .....	6
1.4.2 Specific Objectives.....	6
1.5 Significance of the Study .....	6
1.6 Conceptual/Theoretical Framework .....	8
1.7 Scope of the Study.....	10
1.7 Limitations .....	11
<b>LITERATURE REVIEW .....</b>	<b>12</b>
2.0 Introduction.....	12
2.1 Resource Conflict Theories.....	12
2.1.1 The 'Resource Curse' Theory .....	13
2.1.1.1 The Globalizing Effect of Oil .....	14
2.1.1.2 Oil Wealth and Social Structure .....	14
2.1.1.3 Oil Wealth and Governance.....	16
2.1.2 The 'Rentier State' Theory .....	18
2.1.2.1 Challenging the Rentier Assumption .....	20
2.2 Oil and Livelihood incongruity .....	22
2.3 Oil Exploration and Human Rights.....	23
2.4 The Case of Nigeria .....	24
2.5 Unveiling Conflict in Africa .....	26
2.6 Conflict a Necessary Evil? .....	29
2.7 Political Economy of Conflict.....	30
2.8 Towards a More Peaceful Continent .....	30
2.9 Conflict Sensitive Approaches to Development.....	31
<b>RESEARCH METHODOLOGY .....</b>	<b>33</b>
3.0 Introduction.....	33
3.1 Research Design.....	33
3.2 Study Population .....	34
3.3 Sample Size and Sampling Methods.....	34
3.4 Data Collection Methods and Instruments.....	35

3.4.1 Available information.....	35
3.4.2 Key informants .....	35
3.4.3 Observation .....	36
3.4.4 Interviews .....	36
3.5 Data Analysis .....	36
3.6 Validity and Reliability .....	37
<b>CHAPTER FOUR.....</b>	<b>39</b>
<b>PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS .....</b>	<b>39</b>
4.0 Introduction.....	39
4.1 Analysis and Discussion of Findings .....	39
4.1.1 Livelihood in Amuru.....	39
4.1.2 Livelihood Constraints.....	39
4.1.3 Oil Conflict in Amuru. ....	41
4.1.4 Social and Environmental Conflict .....	46
4.1.5 Oppression and Human Rights Violation.....	47
4.1.6 Anticipated Impact of Oil in Amuru .....	47
4.1.7 Mitigating Factors.....	48
4.1.7.1 Addressing Communication.....	48
4.1.7.2 Alternative Livelihood.....	49
4.1.7.3 Mitigating Environmental Impact.....	50
4.1.7.4 Mediating Competing Claims .....	51
4.1.7.5 Averting Economic Shocks from Oil Dependence.....	54
4.1.7.6 Enhancing Governance .....	54
4.1.8 Critical Policy Needs in the Oil and Gas Sector .....	55
<b>CONCLUSION AND RECOMMENDATIONS .....</b>	<b>56</b>
5.1 Conclusion.....	56
Recommendations .....	58
Appendix II: Survey Guide .....	61

## List of Figures

Figure 1: Map of Uganda showing the oil blocks in the Albertine Graben

Figure 2: A conceptual framework linking oil conflict and livelihood

Figure 3: Simplified diagrammatic illustration of accelerated evaporation process

## Acronyms

APG	Acholi Parliamentary Group
CHA	Cessation of Hostilities Agreement
DRC	Democratic Republic of Congo
EARS	East African Rift System
GNP	Gross National Product
GDP	Gross Domestic Product
GoU	Government of Uganda
IMF	International Monetary Fund
LRA	Lord's Resistance Army
NGO	Non-Governmental Organization
NOGP	National Oil and Gas Policy
OPEC	Oil Producing and Exporting Countries
PEAP	Poverty Eradication Action Plan
PGB	Presidential Guard Brigade
PSA	Production and Sharing Agreement
UBOS	Uganda Bureau Of Statistics
US \$	United States Dollar
USAID	United States Agency for International Development
UWA	Uganda Wildlife Authority

## Abstract

Realism contends that conflict is intrinsically linked to natural resource endowment. This is the basis upon which the '*resource curse*' theory is premised. Idealists on their part however view natural resource endowment as an avenue for economic growth and improved social and economic welfare of resource-rich communities. Their strong belief in the progressive potential of natural resources underpins the '*rentier state*' theory.

Soon after the discovery of a 'world class' oil deposit in Amuru district in northern Uganda, the 'black gold' discovery has quickly proved its unpleasant consequences on the already war-affected population, just emerging from a two decade human instigated crisis into the recovery mode. Widespread land disputes, environmental damage, illegal land acquisition, population displacement, suspicion over oil deal manoeuvring and other undesired consequences of oil activities are already posing a real threat to the capabilities, the assets base, resilience and copying mechanism essential for livelihood in Amuru. Sooner or later this ever lingering question will be answered: "*Is the discovery oiling conflict or development in Amuru?*" It is becoming apparent that the discovery more likely portends doom than it heralds prosperity for host communities in Amuru.

This research juxtaposes the two resource conflict theories: the '*resource curse*' and '*rentier state*' against the socio-economic realities in Amuru as a basis for understanding the context of the new conflict landscape in the district. The study unravels a close relationship between oil conflict and livelihood in Amuru district therefore backing up the long held general view that oil-rich countries especially in the developing world have been plagued by conflicts, abject poverty, environmental degradation and bad governance contrary to expectations that oil would propel these economies to growth and sustainable development.

Based on analysis of the findings, the research recommends practical measures to transform the violent process of resource acquisition by local and foreign agents towards a free multilateral cooperative enterprise, a win-win arrangement that will benefit all stakeholders and create an environment conducive for local, national and regional as well as international peace and prosperity.

# **CHAPTER ONE**

## **GENERAL INTRODUCTION**

### **1.0 Introduction**

This study examined the relationship between conflict related to oil exploration and livelihood in Amuru District, Uganda. The different ways in which oil conflict affects livelihood are variously articulated with empirical evidence. Given the reliance of most oil rich communities on the environment, the effect of oil activities on the environment is cited as an example to illustrate how oil conflict affects livelihood. Thomas Homer-Dixon in his writing notes that the environment is linked to the livelihood of most oil-rich communities and thereby provides fertile grounds for either conflict escalation or its management (Homer-Dixon, Thomas F. 1999). Menke and Weinthal affirm this position noting that environmental cooperation and peacemaking present a potential for reduction of tension and promoting peace (Menke B & Weinthal E. 2009).

The relationship between conflict arising from oil exploration and livelihood and ways in which the relationship can be harmonized to facilitate long term peace is central to this research. The study is organized as follows: Chapter one examines the background to the current oil-conflict in Amuru district of northern Uganda with a special focus on the post-conflict period (2006-2009); chapter two provides a theoretical grounding for the research and reviews relevant literature and case studies; chapter three describes the methodology used to obtain research findings; chapter four presents the analysis of the research findings in light of opinions of various authors and authorities on oil conflict and livelihood; finally, chapter five summarizes the work and provides vital recommendations related to the topical issue discussed.

## **1.1 Background to the Study**

In 2006, the Government of Uganda and the Lord's Resistance Army signed the Cessation of Hostilities Agreement (CHA). This landmark agreement that has since its signing provided hopes for the return of peace to the war-affected people of northern Uganda coincided with the discovery of oil in Amuru. The recent discovery of natural resources including oil spells doom to realists while to idealists the discovery ignites hope for stability and development in a region where 64% of the people still live below the poverty line (Kasirye, 2009).

On February 22, 2009, the independent newspaper, Daily Monitor reported that the discovery of oil deposits in Amuru District had triggered several land disputes involving various stakeholders including: investors, private individuals and government officials. The newspaper also noted that Heritage Oil Company was employing private guards to provide security at the oil site while on its part government had deployed elite army personnel from the Presidential Guard Brigade (PGB) in and around the oil wells. The dramatic deployment in these high-value areas of armed personnel representing various interests in the virgin oil industry has been a precursor for tension and anxiety pointing to the possibility of latent conflict turning violent.

## **1.2 Statement of the Problem**

Managing an oil industry is undeniably a challenge for developing countries and Uganda might not be spared of this curse. History offers abundant examples of governments that have failed to efficiently develop policies, institutions

and processes for an oil industry. Studies also show how these governments have failed to use oil revenue to finance policies that favor both growth and poverty reduction. Other studies reveal socio-economic and political distortions brought about by the development of an oil industry often leading to conflict that presents a real challenge for the social economic welfare of oil-rich communities. Nigeria stands out as a country endowed with oil but where the oil-wealth has been the source of misery contrary to expectations that oil abundance would propel the country to economic prosperity and improved social welfare for the citizenry.

Amuru district like other districts in the region recently begun its recovery from a civil war of epic proportion: a war that severely plagued the region for more than two decades costing lives of hundreds of thousands of people, displacing over two million inhabitants from their homes, creating thousands of child soldiers, and completely destroying northern Uganda's predominantly agricultural livelihood.

The Lord's Resistance Army (LRA) war lasted for a long time arguably because of the economic imperatives of elites on the one hand and failed livelihood for citizens on the other hand. The deplorable state of public services, the grinding and widespread poverty, the high unemployment among the youth and the limited livelihood options in the region are symptomatic of the level of poverty that the district and its environs have continued to endure. Whether the discovery of oil and the expected oil revenue will mitigate the situation depends in part on the willingness of government to streamline the oil and gas industry for the benefit of all.

The oil in Amuru district estimated at over 400 million barrels provides both an opportunity and challenge for peace and development in Uganda. Despite

the promising growth rates in FY2008/2009 standing at 7% (UBOS, 2009), arguably a reflection of considerable levels of prosperity in Uganda, a failure by government to develop effective institutions and policies that ensure the harnessing and equitable distribution of these resources will continue to expose most communities especially in northern Uganda to abject poverty further widening the gap between the 'haves' and 'have nots'. This glaring disparity already sets a bad precedent for the emergent oil and gas sector that is distinctively characterized by socio economic and political inequalities.

Akin to situations in the developing world where oil exploitation has been linked to internal conflicts, environmental destruction and worsening poverty, the debate on Uganda's future with oil is whether this abundant natural resource will be a basis for the eruption of violent conflict or a source of improved livelihood and stability for the peoples of Uganda and in particular the host communities in Amuru. The fact that conflict management is clearly an important goal aimed at curtailing a possible escalation of the ongoing latent conflict and preventing it from becoming a full blown violent underlines the need to address the conflict conditions in Amuru. Whether this aspiration is achievable in light of previous experiences elsewhere is a matter of debate that this piece of work attempts to expound.

### **1.3 Definition of Terms**

This study defines two terms (a) Oil conflict and (b) Livelihood.

### **1.3.1 Oil Conflict**

Herman Schmid defines *conflict* as a struggle over values or claims to status and power among two or more parties that perceive incompatible interests or express hostile attitudes that damage other parties' ability to pursue their interests (Schmid, 1968). In this piece of work, oil conflict refers to disagreement over oil-linked resources. This conflict involves either physical or non-physical harm. While physical harm may involve such violence as destruction of property or life, theft, rape, and forceful occupation of lands among others, non-physical damage is '*establishment violence*', the use of violence by government apparatus which may involve such damages as corruption, segregation, starvation, denial, conspiracy, deception, dumping of waste as well as trade imbalances. This latter form of violence however is often hard to prove with evidences and yet constitute the most widespread causes of conflict in natural resource endowed communities.

### **1.3.2 Livelihood**

From economic and social perspective, the concept of livelihood refers to sources of household incomes including both material and immaterial resources and activities that contribute to decency in living.

## **1.4 Objectives of the Study**

### **1.4.1 General Objective**

The research examined the relationship between oil conflict and livelihood in Amuru district with an overarching objective of recommending measures to avert possibilities of the evolving oil conflict in Amuru becoming manifest and ultimately violent in nature.

### **1.4.2 Specific Objectives**

The research is built on the following objectives:

- (i) To identify the effects of oil exploration on the livelihood of the people of Amuru
- (ii) To assess the relationship between oil conflict and livelihood in Amuru.
- (iii) To find out ways through which oil conflict can be mitigated in Amuru.

### **1.4.3 Research Questions**

- (i) What are the effects of oil exploration on the livelihood of the people of Amuru?
- (ii) What is the relationship between livelihood and oil conflict in Amuru?
- (iii) What are the ways through which oil conflict can be mitigated in Amuru?

## **1.5 Significance of the Study**

This research is undeniably unique because it brings out the relationship between oil resources, livelihood and conflict. The objective of the research is to

provide stakeholders in the oil and gas industry with a conflict-sensitive approach to harnessing of natural resources.

The study has generated a domino effect that could improve the oil industry to the benefit of all stakeholders including government, investors and citizens. Besides, the research findings are hoped to promote among stakeholders in Amuru a spirit of understanding, acceptance, and non-violent coexistence that could inspire cooperation among peoples removing obstacles and risks to global peace and development.

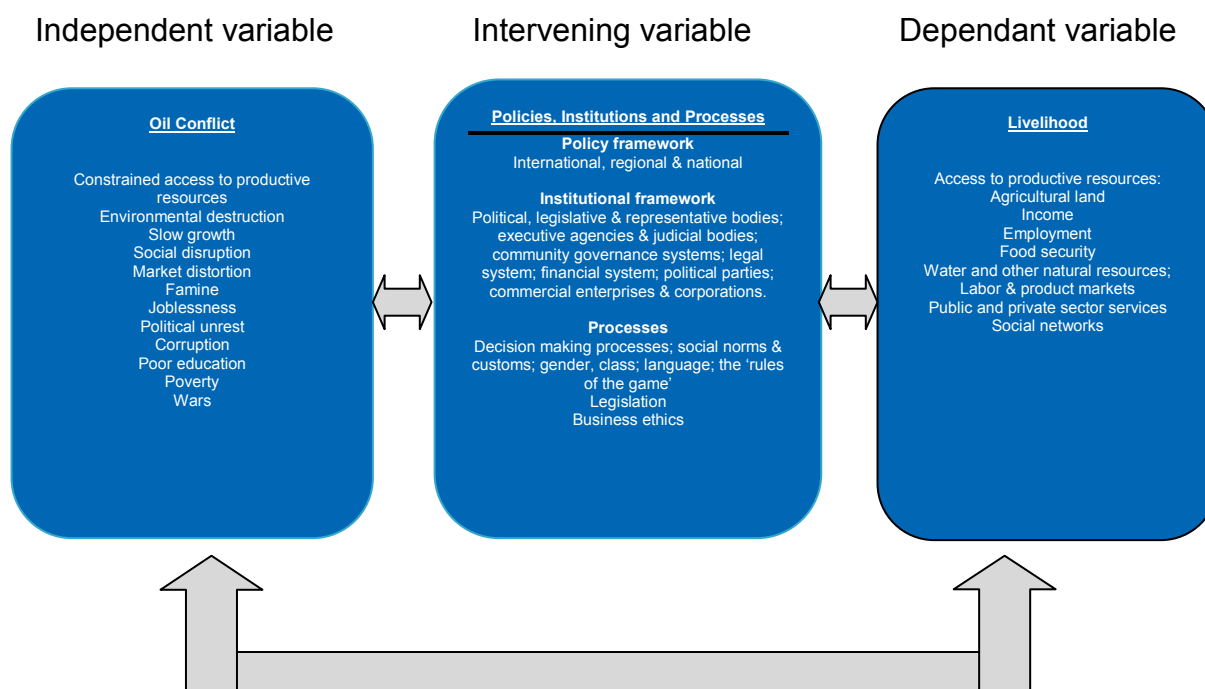
The findings of this research contribute to the body of knowledge for the academia and development practitioners in the broad areas of natural resource management, livelihood and resource conflict.

Finally, this research is significant as it is a requirement in partial fulfillment for an academic award in International Relations, a precept of global cooperation that is increasingly viewed as a critically important recipe for global peace and development.

## 1.6 Conceptual/Theoretical Framework

The link between oil conflict and livelihood in oil-rich areas can be conceptualized as a relationship in which a set of underlying factors related to oil conflict determines the livelihood outcome of oil-rich communities. This final outcome can be modified by factors within the intervening variable.

Figure 2: A Conceptual Framework Linking Oil Conflict and Livelihood



Source: Adapted from USAID's Toolkit on Minerals and Conflict

Any attempt at assessing the impact of oil conflict on livelihood must recognize the existing policy, institutional environment and processes as intervening variables that modify the original relationship between oil conflict (causal factors) and livelihood (effect). The existing land tenure system, the range of economic activities, environmental safeguard laws, human capital in the community as well as labor laws are some of the intervening variables that influence access to livelihood

means such as productive resources, household income, productivity and employment.

The quality of the policies, institutions and processes then determine the social welfare of people in oil-rich areas. Well thought out oil and gas policies, effective and efficient institutions and well streamlined processes may result in mutual coexistence among stakeholders leading to growth and development. However, if policies, institutions and processes are lacking or malfunctioning then undesirable consequences including abject poverty, environmental degradation, slow growth, social disruption, market distortion, joblessness, political unrest, low education and civil as well as regional wars may present themselves and justify the 'resource curse' hypothesis that ironically links poor economic performance to oil endowment.

This conceptual framework integrates some considerable parts of the framework proposed in USAID tool kit on minerals and conflict. In this tool kit a combination of two or more of: employment, economic diversification, access to credit opportunities for host communities, access to and ownership of land, marketable skills among host communities, favorable labor laws, and community-based value added activities, business and trade policies have the prospect of bringing about improved livelihood with the potential of mitigating conflict in resource-rich areas.

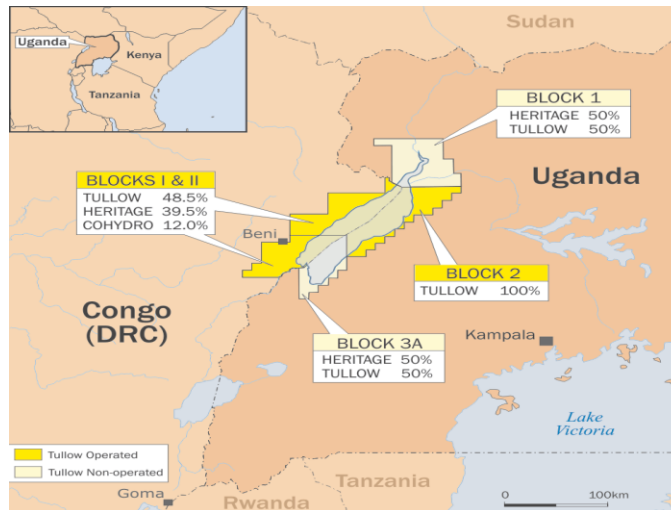
Appreciably the focus on livelihood as a remedy to resource conflict came in handy to provide the practical and policy anchorage that the research needed to propose recommendations that would ensure a win-win situation for all stakeholders

of the oil and gas sector. These bodies of knowledge on the sector provided the research with a sound foundation for the conceptual framework because it could draw on these extensive and collaborated theories to devise a common understanding, guiding principles and reference points from which to structure discussion and analysis of livelihood and conflict issues.

### **1.7 Scope of the Study**

In this research, the scope of the study refers to geographical, time and content scale of observations. On the geographical and content scope, the research focused on the relationship between oil exploration, livelihood and conflict in Amuru, the district where Block 1 comprising *Giraffe- 1* and *Buffalo-1* oil wells are located. Due to time and financial constraint, this research focused on the relationship between oil related conflict and livelihood in Amuru during the period 2006-2009, a period that marked the signing of the Cessation of Hostilities Agreement (CHA) and the discovery of oil in Amuru.

**Figure 1: Map of Uganda Showing the Oil Blocks in the Albertine Graben**



Source: Tullow oils plc

Amuru District is found in northern Uganda. It is located between longitude 30-32 degrees East; latitude 02-4 degrees North. It is bordered by the South Sudan in the North, Gulu District in the East, Kitgum District in the North East, Masindi District in the South, Oyam District in the South East, Adjumani District in the North West, Nebbi District in the South West and Arua District in the West. The District Headquarters, Amuru is at a road distance of 377 km from Kampala (the Country's capital city) via Gulu town (Wikipedia).

## 1.7 Limitations

The key limitations that might have affected the quality of the research include: the limited time and financial resources to conduct the study that should have involved and elicited information from a wide range of stakeholders in the oil industry; the rather small sample size could have undermined the representativeness and reliability of data obtained; and given the sensitivity of the oil and gas sector it is suspected that respondents interviewed from the oil company may have concealed some vital information on rather sensitive questions.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter reviews available literature on oil operation as a source of conflict. It also examines existing records on the effect of oil activities on socio-economic performance of oil endowed communities. Supporters of oil-led development who believe that oil resources provide benefits in the areas of economic growth, employment opportunities, increased revenue that could finance poverty alleviation plans have faced consistent challenges as more and more oil rich economies especially those in developing countries have been associated with slow growth, obstruction to economic diversification, high levels of poverty, socio economic disparity and joblessness. Resource rich countries in general and oil-endowed ones specifically have been characterized by undemocratic tendencies including among others: patronage and rent-seeking with dire consequences on economic and social wellbeing of local people always resulting into unresolved grievances, a precursor to violent conflict. The foregoing statement confirms the belief that natural resources in broad terms are a 'curse' rather than a 'blessing'.

#### **2.1 Resource Conflict Theories**

The research draws on several documented experiences and theories as foundation stones for organizing ideas on conflict and livelihood in oil-rich areas. The cynical realism about human society propounded by Machiavelli and Hobbes

reveal individuals' behavior in terms of their self-interests in a material world of threat and violence. They view social order as being founded on organized coercion (Randall, 1974). The perspective that social order is founded on organized cohesion is premised on an underlying world of struggles over power, ideas and morals to serve parties with often divergent interests. Marx's study of human society further reveals that the material condition of living forms an integral part of people's lifestyle. The relentless strife to support oneself brings about social classes crafted along conflicting lines of control over resources.

Two major conflict theories, the '*resource curse*' and the '*rentier state*' have been used to discuss resource conflict in resource abundant and dependent communities.

### **2.1.1 The '*Resource Curse*' Theory**

Literature available on the '*resource curse*' (Sachs & Warner, 1995; Auty, 2001) and the '*paradox of plenty*' (Karl, 1997) relate both resource abundance and resource dependence to: low levels of human development, corruption, repression, poor economic performance and conflict. Studies conducted on peace and war reveal that resource abundance present both finance and motivation for armed conflict and therefore produce economic and institutional causes of violence (Ross, 2003; Humphreys, 2005; Fearon, 2005). Other studies including those conducted by Collier & Hoeffler, and de Soysa have produced further evidence that natural-resource dependent countries indisputably are more prone to violent conflict than their less natural-resource endowed counterparts.

#### **2.1.1.1 The Globalizing Effect of Oil**

Once oil is discovered, these oil-rich countries will soon become part of the global primary commodities market that is characterized by long-lasting price deflation and price volatility which are detrimental to economic development. As a result of their reliance on oil export these economies are more likely to face acute boom-bust cycles, (Jeffvail on February 5, 2009) with their associated problems including but not limited to poor budgetary discipline, negative influence on the control of public finances as well as poor state planning, low investment and skewed income distribution.

Generally, the oil industry is characterized by weak linkages to the broader economy. Firstly, the location of most oil mining areas is isolated, and far away from inhabited areas. This enclave characteristic of the industry combined with its capital- and technology intensive nature does little to create employment and other benefits for the host communities. Terry Karl says this failure to create employment for locals is because of very limited backward and forward linkages that typify the industry (Karl, 2007).

#### **2.1.1.2 Oil Wealth and Social Structure**

From a social perspective, dependence on oil wealth skews the social structure in oil mining communities. Firstly, the capital and technology intensive nature of oil mining means only foreign nationals with the necessary financial power and technical skills to invest and work in oil mines will have the opportunity to benefit from the oil boom. Secondly, the local elites will develop alliances with these foreign

companies causing economic and political patronage, in turn leading to a wide gap between the rich and the poor. The resulting disparity is often a source of grievance that can escalate into violent conflict targeting especially the middle and professional working class in the oil industry.

Research done by Karl confirms that oil mining and exporting countries have some of the highest levels of rural-urban migration in the world. The rural poor experience economic pull to cities as the urban areas created by oil promise new opportunities for the rural migrants. The rural urban migration not only leads to decreased population in the rural setting but also causes a bias against agriculture and agrarian interests with far reaching implications on rural as well urban livelihood.

Oil resources have also led to skewed social structure in oil mining areas. The dominance of the oil sector by western companies has given birth to modernity based on the market rather than indigenous cultures. Oil producing and exporting countries have been more exposed to western influence compared to non-oil countries. Failure of the modernizing effect of oil has however given rise to conservative anti-western sentiments (Karl, 2007) that manifest in oil pipe pillage and kidnaps targeting foreign nationals operating in oil mining areas. Oil exporting countries have been characterized by perceived and in some cases real inequalities. The perception of inequality is exaggerated by the sheer presence of oil wealth. The locals feel rich because oil is in their soil and yet feel alienated from the oil wealth. It is this 'rich-but-poor' irony that acts as an impetus for most conflicts in resource endowed areas. In a traditionally conservative and egalitarian setting where democracy and societal fairness is espoused, oil has been a source of cultural

shocks especially when rulers have turned out to be irresponsible, extravagant and repressive. This bad governance in hitherto democratic societies has been a source of social and political upheavals in these oil-rich communities.

Collier's study reveals a relationship between macroeconomic dependence on mineral including oil wealth and socioeconomic vulnerability of oil-dependent countries. Over-dependence on oil, this study reveals has resulted into concentration of resources into the oil sector at the expense of other sectors (Collier, 2003). In addition to this over reliance on oil export, oil producing countries have also been exposed to the global commodity market characterized by global price fluctuations and foreign investor manipulation. The Asian financial crisis that Zambia was a victim of at the close of the 20<sup>th</sup> Century led to a 40 percent decline in sales of Zambian copper, the country's primary export presenting a high inflationary tendency with disastrous consequences on public spending (Parris, 1999).

#### **2.1.1.3 Oil Wealth and Governance**

The high inflationary tendency and deliberate concealment of oil revenue flow by foreign mining companies and governments have combined to undermine equitable distribution of oil benefits. Oil wealth has also been used by leaders to reinforce their military capacity and pay off opposition and cronies to ensure their grip in power. This patronizing and undemocratic stance has led to social disorder and underdevelopment exhibited in: high child mortality rates, low life expectancy, poor education, and overall social and economic inequality (Ross, 2001b). Corruption and bad governance have been widely recognized as characteristic