

"OIL DISCOVERY IN UGANDA: MANAGING EXPECTATIONS"

DISCUSSION BY PROF. AUGUSTUS NUWAGABA (PhD)

reevconsult@infocom.co.ug

1. It is pertinent that a careful analysis of management of expectations is taken because if poorly handled, it can spell disaster rather than stimulating transformation.

2. Resource Curse: There is no such a thing as resource curse. It is only poor management of the resource that creates and entrenches a perception of "resource curse". This is particularly so given the cross-cutting nature of rampant poor governance regimes in Africa that almost qualify the would be resource regimes as "curse". The poor pervasiveness governance creates political behavioral patterns that become "conventional" hence creating such concepts as "resource curse"

3. Evidence of Resource abundance and Transformation

- a) There is no direct relation between resource abundance and socio-economic transformation of an economy (Congo-DRC, Gabon, Nigeria, Sierraleon, Liberia etc).
- b) Mauritius: no resource abundance but significant transformation (only African country in high income category)
- c) Portugal: was the first country to pioneer colonial policy seeking raw materials (Vasco Da Gama in 1497). However, due to poor management, most of the proceeds from the "stolen" resources, from Africa and other countries ended in United Kingdom which was relatively better managed.

4. Dutch Disease

This is a real phenomenon clearly deriving from poor management of the expectations from the available natural resources. The result is usually reverting to a monolithic economy which works against the principle of economic diversification with calamitous consequences on people's livelihood. For example, Uganda's non-traditional exports (fish, flowers, casual labor-Nkuba kyeyo) contribute significantly to our capital account. The latter contributed US \$ 1.2tn in FY 2009/2010 but the discovery of a resource such as oil "kills" this diversification hence creating an economy that is prone to price-fluctuations and hence volatile BOP.

5. Political Conflicts

This is the worst result of poor expectation management. While countries such as Norway and Botswana have successfully created political and economic institutions that have ensured good governance, most countries lack such institutionalization (sometimes institutions exist but are not entrenched in shaping political and socio-economic behavior) which has fomented conflict resulting in what is mistakenly referred to as "resource curse"

6. In Uganda's case, there are already signals of disharmony emerging from Bunyoro-Kitara including harboring of secessionist tendencies, yet no oil has started flowing. This clearly demonstrates the importance of transparency and accountability in management of the oil resources. Bunyoro-Kitara is now starting to claim the "so called" lost counties (Buwekula, Bululi, Bugelele-Kayunga and; Luwero and Singo). One can see the danger of poor management of expectations. Instead of focusing on economic development of the area, you can see the focus.

7. Good Governance

There is no substitute for accountable governance with effective institutions that stimulate and uphold principles of equity and justice. Lack of this in form of increased corruption and impunity will only confirm that oil in Africa is a "curse". We hope this hypothesis will be disproved. If the latter obtains, the people will have the last laugh.