Oil Politics in Uganda’s Presidential Race

Which candidate wins the oil round?
TABLE OF CONTENTS

INTRODUCTION .................................................................................................................. 4
TRANSPARENCY IN THE OIL SECTOR ............................................................................. 6
REGULATION OF OIL SECTOR .......................................................................................... 10
REVENUE SHARING ......................................................................................................... 14
LOCAL CONTENT MINING .................................................................................................. 16
WOMEN AND LAND .......................................................................................................... 18
PRESIDENTIAL DEBATES AND OIL ................................................................................ 20
CONCLUSION ....................................................................................................................... 21
With Uganda expected to start oil production sometime in 2018, during the tenure of a president to be elected this February, the plans that the country’s eight presidential candidates have outlined for the oil and gas sector take on a special significance ahead of this year’s general election.

Uganda has oil deposits in the mid-western districts of Hoima and Buliisa, as well as the northern district of Nwoya. Since the first discovery in 2006, a total of 6.5 million barrels of oil and 500 billion cubic feet of gas have been confirmed.

Two years after Uganda discovered oil, the government formulated the National Oil and Gas Policy. The major goal of this policy is to ensure that the country’s oil and gas resources contribute to early achievement of poverty eradication and create a lasting value to society.

Uganda aspires to become a middle-income status country by 2020 with a per capita income of $1,033 (about Shs3.4 million). Currently, Uganda’s per capita income stands at $788 (about Shs2.6 million).

On December 31, 2015, President Yoweri Museveni also declared in his New Year message to Ugandans that Uganda strives to become an upper middle-income country by 2040, a growth pattern he expects to be aided by the production of oil slated to start in 2018.

To derive maximum benefit from the country’s oil and gas resources, the government plans to build a refinery with a capacity to process 60,000 barrels of oil per day, with the hope of expanding it to 120,000 barrels per day.

Museveni, who is also the NRM presidential candidate for the 2016 elections, believes this will pave the way for the faster growth of Uganda through infrastructure development and improving the country’s human resource capacity.

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1 National Development Plan (NDP) II, which covers the period 2015/16 to 2019/20
“Even if we are to sell only 120,000 barrels per day, according to a price of US$60 per barrel, that will give Uganda an additional income of about US$ 3 billion. This money will be dedicated to infrastructure, science innovation and some of the high level science education institutions. It is considerable. We have been doing so much with so little. What will happen now that we are getting quite a bit of additional money?” he asked, while speaking to the nation on New Year’s Eve.

Sceptics, however, abound. In the eastern Uganda district of Kumi, 30-year-old Benjamin Tukei is one of those not yet entirely convinced about the likely impact of the oil sector on all parts of the country. He says the NRM government has not been open to Ugandans about the resource.

“Ever since we started hearing about the oil business, the government has never come out openly to inform citizens about it,” he complains.

Tukei’s reasons for being sceptical are varied; what kind of production sharing agreements did the government strike with foreign investors in the country’s oil sector? Why has the government not been transparent about the oil deals? How will the government ensure the oil wealth benefits all Ugandans? What if a new political party is voted into power; what plans have they put in place for the oil sector?

This is why the government has often had to resort to arbitration in international tribunals to secure money that the oil companies should ordinarily pay to Uganda as a matter of course.

In a bid to end secrecy, Global Rights Alert last year led a series of civil society organisations to launch an online petition to implore the current government to sign up to Extractive Industries Transparency Initiative (EITI).

EITI is an international standard for openness around the management of revenues accrued from natural resources such as oil, gas and minerals. At its centre, oil and mining companies publish what they have paid to governments and governments, in turn, publish how much they have received from oil and mining companies.

Below, we assess the manifestos of four leading presidential candidates who have put their respective visions for Uganda in writing, with special focus on the oil and gas sub-sector, and the mining sector, which currently contributes only 0.3 per cent to Uganda’s Gross Domestic Product (GDP) but has the potential to contribute a lot more with better management. The five major issues that this paper handles are transparency, regulation, revenue sharing, local content mining, and land ownership for women in Uganda.
The contents of Uganda’s oil production sharing agreements (PSAs) and other contracts signed with private companies set to drill the resource have hitherto remained shrouded in mystery, with the government keeping a tight leash on the information.

During Uganda’s first-ever presidential candidates’ debate on January 15, 2016, there was an awkward moment when the moderators asked the seven candidates present (President Museveni was not present) whether any of them had ever seen the country’s oil agreements.

None of the candidates put up their hand; not even former Prime Minister Amama Mbabazi, who was the leader of government business until September 2014 when he was relieved off his duties and was part of the team that negotiated the oil contracts.

However, as the leader of government business, Mbabazi’s official mandate was to oversee government business and all major government business was part of his mandate. It is therefore unlikely that he never saw the oil contracts.

In fact, between 2011 and 2013, Mbabazi (as well as Foreign Affairs Minister Sam Kutesa and the then Energy Minister Hilary Onek) were subjects of a parliamentary investigation following accusations that they took money from Heritage Oil and Gas and Tullow Plc to influence the
The veil of secrecy on the oil sector must be lifted in order to ensure that Uganda does not follow other African countries whose oil wealth has become a curse rather than a blessing.

Dr Kizza Besigye, while campaigning in Masindi district on January 1, 2016

Award of favourable contracts. The three ministers were however exonerated of the bribery allegations in 2013.3

Indeed, the ruling NRM party of incumbent Museveni is quiet on the issue of transparency in its manifesto. Even Mbabazi does not mention the issue.

The chairman of the Inter religious council of Uganda, Archbishop John Baptist Odama of Gulu Archdiocese, says there needs to be transparency and serious accountability in the oil sector because the resource belongs to all Ugandans.

“This is a natural resource of this nation and the citizens have a right to know. It is like a family; when you have the property of a family, the children have a right to know what is their property and how will it be shared, or how will the proceeds benefit the family members. That to me is very fundamental because it is a natural right,” he said.4

At the presidential debate, independent candidate Venansius Baryamureeba said, “Oil companies and government must make public the details of the contracts.” In his manifesto, Prof. Baryamureeba warns that lack of transparency on the management of oil resources could see Uganda follow the many African countries for whom oil wealth has led to disasters rather than development.

“In many African countries oil revenues have more or less become a resource curse and led to high-level corruption and lack of transparency,” he says.

From Global Rights Alert interactions with citizens during the compilation of the citizen’s manifesto 2016-2021, residents of mineral rich areas have a number of concerns among which transparency was key.

“Since independence, successive governments have either directly or indirectly concentrated on stealing from the public and abusing the public trust,” says the citizen’s manifesto. “Governments have demonstrated their inability to protect the public trust resources placed under their trusteeship as mandated by our constitution.”5

Campaigning in Masindi district on January 1, 2016, Dr Besigye said the veil of

3 Oil bribes: MPs fail to pin Mbabazi, Kutesa, The Observer, Wednesday, 15 October, 2013
4 Telephone interview with the writer on Monday, 11 January, 2016
5 Citizens’ Manifesto 2016-2021
secrecy on the oil sector must be lifted in order to ensure that Uganda does not follow other African countries whose oil wealth has become a curse rather than a blessing.

“The law regulating the oil sector gives a lot of power to the minister and that was a matter of contention during the debate that preceded its passing,” he said.

The key to better management of the oil sector, according to Fdc, is in ensuring there is “responsible stewardship.” Fdc says in its manifesto that it will ensure “transparent, efficient and effective use of revenues from oil, minerals and other natural resources.”

Although Fdc does not breakdown the issue of transparency in its manifesto, its policy agenda says, “An Fdc led Government will adhere to the highest standards of transparency and accountability in the governance of oil and mineral resources and will be an active participant in internationally recognised and legitimate transparency mechanisms such as the Extractive Industries Transparency Initiative (EITI) and the Open Government Partnership (OGP).”

Fdc also says it is committed to ensuring transparency in the collection, management and utilisation of revenues from oil, minerals and other natural resources.

“This will be achieved by ensuring provision of information and creating appropriate mechanisms that increase the oversight of Parliament and civil society over the operations of public sector agencies and private companies engaged in the management of natural resources or natural resource based enterprises. Uganda will also participate in major transparency and accountability initiatives such as the Extractive Industries Transparency Initiative (EITI) and the Open Government Partnership (OGP),” explains the party’s policy agenda.

Baryamureeba, on the other hand, says, “I will ensure that oil revenue transparency is anchored on three principles: “publish what you pay”—oil companies disclosing the revenue payments they make to government; “publish what you earn”—the government disclosing the revenues it receives from extractive companies; and “publish what you spend”—government publishing its budget expenditures. This way, citizens will be enabled to hold accountable their government.”

Among Baryamureeba’s five measures for improving transparency in the oil sector, he lists ensuring audited revenue disclosure, putting in place Extractive Industries Transparency Initiative in order to improve the investment climate, setting up a transparent oil funds and/or resource transparency legislation, as well as ensuring that there is contract transparency.

“Fulfilment of the public’s right to access oil contracts, or at least provisions affecting the public interest, would help civil society determine whether the government has struck deals with extractive sector projects that are in the public interest and whether the promised revenues actually materialise,” says Baryamureeba’s manifesto.
Access
PUBLIC’S RIGHT TO CONTRACTS

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The incumbent NRM government of President Museveni, which has superintended over the oil and gas industry since the first discovery was announced 10 years ago, takes the credit in its manifesto of building the foundation for Uganda’s to benefit from its oil resources.

“The initial phase involved building our own local capacity to assess the existence and quantities of the oil and gas,” says the NRM manifesto. “We have ensured the country benefits from taxable incomes applicable in line with the legal frameworks governing the petroleum exploration, development and production activities.”

The NRM government spearheaded the formulation of the National Oil and Gas Policy, thereby giving direction to the enactment of the necessary laws for smooth management of the sector and creation of institutions required for the sustainable harnessing of the petroleum industry.

The main laws put in place are: the Petroleum (Exploration Development and Production) Act, 2013, which created the Uganda Petroleum Authority to regulate the petroleum industry, monitor and ensure compliance; the National Oil Company to manage the country’s commercial interests in the sector; and the Petroleum Refining, Conversion, Storage and Transportation Act 2013, which provides for the facilitation of investment and development of oil and gas infrastructure. There is also the Public Management Act 2015, which provides for the management of the oil revenue.

The NRM government also superintended the development of a National Content Policy and Implementation Strategy and Plan, which covers the tenets of employment for Ugandans, procurement of locally produced or available goods and
services, national enterprise development, enhanced vocational and higher education and training, and measurement and monitoring of national content.

In addition, the government has licensed three international oil companies to undertake exploration of oil and gas in the country. The trio are Tullow, China National Oil Offshore Corporation (CNOOC) and Total.

“These companies all hold equal equity participation in the existing contract areas. Investment in seismic surveys, exploratory and appraisal drilling reached a total of $2.832b by the end of 2014,” says the NRM manifesto.

In a bid to ensure more Ugandans find employment in the oil industry, the government says it has successfully regulated the influx of expatriates into the sector. As a result, some 52 per cent of direct and 95 per cent of the indirect and induced jobs are occupied by Ugandans.

Other developments include the establishment of the country’s first petroleum technical institute, on-going preparations for the construction of the oil pipeline, as well as the compensation and resettlement of land owners from areas where the pipeline is to be laid.

Daniel Kibirige, a resident of Mubende district, believes the government should also incorporate small scale and artisanal miners into the economy, just like Kenya is doing, through providing a better regulatory framework.

“In Uganda you find that small scale mining is still so informal that people are doing it on their own. But if most candidates were saying, ‘most of these people doing mining in these areas which are under-developed and hard to reach, if we can mobilise the people on the basis of a specific policy are there are benefits for doing it formally,’ then I really believe that policy would succeed,” he said.

6 Telephone interview with the writer on Monday, 11 January, 2016

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The district is bordered to the north by Arua District, Zombo to the west, Amuru and Nwoya to the east, Buliisa to the south-east and the DRC to the south-west. The district is estimated to have a population of 346,200 people according to the Uganda Bureau of Statistics (2011) projections of 2010. The district has had considerable oil exploration engagement over the years.
WHAT THEY SAY ABOUT UGANDA’S OIL

@graUganda: A presidential manifesto does not include policies. I have put in my manifesto strategies for ensuring oil revenue transparency and once elected President my government shall review the existing policies on oil and natural resources with the aim of making them better and where need be put in place new ones.

Abed Bwanika: My Government shall be routed on integrity and if EITI is going to aid the cause with no hidden agenda, Why not @UGPresDebate
One contentious issue, which has become a main campaign talking point, is how the government will share proceeds from the oil with local communities.

While campaigning in the oil belt districts of Masindi, Hoima and Kibaale, Dr Besigye promised that the government would share the oil proceeds with the kingdom, but did not commit himself on the percentage.

“It is important that the area where oil is discovered gets a clear percentage of the oil revenue, besides a fund that goes into managing the environmental impact of oil exploration,” stated Dr Besigye.

The ambiguity on this matter is likely to be a point of contention between whichever individual or party wins the 2016 presidential elections and the respective communities that are expected to share some of the oil proceeds.

Bunyoro Kingdom demands that 12.5 per cent of the proceeds from the oil should be reserved for an area housing a significant number of the oil wells.

Northern Uganda, which claims to be home to up to 60 per cent of the country’s oil, already feels sidelined by the fact that the refinery will be constructed in another region. They are also edgy about revenue sharing.

According to Prof. Ogenga Latigo, the chairperson of the Acholi Technical Working Committee on Oil & Gas, and a former leader of opposition, the issues of royalties should be addressed at an Acholi-wide level – rather than at district level – on the basis of Article 178(b) of the Constitution that deemed Acholi districts to be cooperating.7

“As per the Public Finance Act now, however, in spite our huge royalty potential and the need to use it to address development challenges of all Acholi, only about Shs 5 billion, equal to its “unconditional grant”, would be availed to Nwoya district annually, and the rest kept “by the minister,” he notes.

If locals in the oil communities are yet certain of their fate, then those in far flung communities such as Kumi or Katakwi in eastern Uganda have even greater challenges to overcome before they can benefit from the resource. There is, however, already a precedent in the Mining Act (2003), which provides for the central government takes 80 per cent of the net total royalties from a mineral, a district where the mineral is mined takes 10 per cent, while the sub counties and the owner take 7 per cent and three percent respectively.

Kibirige believes that the presidential candidates should in fact commit to using that formula to share the $1 billion that Uganda has accumulated from capital gains tax as one way to show their adherence to laws already in place.

“Now we have the Public Finance Act, the sharing of the revenues as provided for in the law is effected now and not tomorrow because the oil sector has been generating money from the capital gains tax,” he said.

With some of the intended beneficiaries calling for an overhaul of the current law, it is unlikely that the incoming government will not face resistance if it attempts to implement the provisions in the Mining Act.

7 Acholi only seek honesty in the oil pipeline debate, The Observer, Monday, 09 November, 2015.
If locals in the oil communities are not yet certain of their fate, then those in far-flung communities such as Kumi or Katakwi in eastern Uganda have even greater challenges to overcome before they can benefit from the resource.

A gold miner in Mubende pulls out soil containing gold dust from a deep pit.
Despite the rich array of mineral wealth that Uganda enjoys, the mining sector has plunged from the highs of the 1960s when it contributed about 30 per cent of the country’s GDP.

Since presidential campaigns began in November 2015, candidates made sporadic promises to different communities around the country about reviving the sector.

For instance, while campaigning in the mid-western district of Kasese on November 18, 2015, Mbabazi said he would give a shot-in-the-arm to mining in an area rich in copper deposits.8

“When I become president, I will ensure I develop your airfield into a modern airport and develop the mining sector in this area,” he said.

FDC’s Besigye has made similar promises to the people of Karamoja sub-region. While campaigning in Amudat on January 9, Besigye said the NRM government had given a raw deal to Karamoja allowing investors to process some minerals mined from the sub-region in other parts of the country.

“It is a shame that they transport Karamoja minerals to make cement in Tororo and call it Tororo cement and yet people here have no jobs. Instead of youth here working in factories, they are burning charcoal,” said Besigye, who promised to construct a cement factory in Amudat.

Generally, Uganda has at least 27 commercially viable minerals besides oil, according to the ministry of energy. These include copper, gold, cobalt, tin, phosphates, tungsten, iron ore, marble, kaolin, uranium and other rare earth elements/metal.

On oil, there is a general consensus among all presidential candidates that a refinery should be built to process it locally in order to benefit from the jobs and the petroleum by-products that would otherwise end up with foreigners.

The trio of NRM, FDC and Mbabazi’s Go Forward all commit to adding value to Uganda’s mineral resources from within the country’s borders.

NRM says, “In the next five years we will encourage the export of minerals in finished form by ensuring value addition. This will result in creation of jobs, growth in national revenue from the exports and facilitation of the country’s industrialisation process.”

Go Forward says, “Our government commits to promoting the extraction and processing of our minerals for the benefit of all miners, the communities in whose land the minerals occur and the economy in general. We will fast track the establishment of new mines and revamp existing ones.”

The NRM states 10 areas in its manifesto where it intends to put special focus over the next five years. They include strengthening regulation, increasing private sector investment in the sector, setting up of tin, tungsten and beryllium smelting plants to produce pure metals from these ores, setting...
Richard Todwong, the deputy secretary general of NRM, notes that other candidates’ manifestos are scanty and feeble and only speak in generalities about their policy positions on management of oil and gas.9

“Without any clear-cut policy on the management of oil and gas and other mineral resources, what would happen if by a miracle FDC flag bearer Kizza Besigye or Independent candidate Amama Mbabazi won the elections?” he asks. “Weak states, bad governance, impotent policies and laws on the management of oil and other resources has ensured that the rich and more organised warlords benefit the most from the resources as opposed to the citizens.”

“A miner in Lujinji gold mining village, Mubende district holds a stone containing gold dust. Mubende is one of the leading gold districts in Uganda.”

“Our government commits to promoting the extraction and processing of our minerals for the benefit of all miners, the communities in whose land the minerals occur and the economy in general. We will fast track the establishment of new mines and revamp existing ones.”

Go Forward

9 What if oil was discovered under Besigye, Mbabazi rule?, Daily Monitor, Saturday, January 16, 2016
Before the start of oil production, land has been arguably the most divisive issue for the sector, with controversy often surrounding the displacement of people and compensation to individuals and families whose land the government acquires for construction of a refinery and pipeline.

Besigye has kept the brightest spotlight on this issue, saying it is part of the incumbent government’s plan to keep Ugandans in poverty. In its manifesto, FDC accuses the ruling NRM of having “engaged in or either given tacit approval to systematic alienation of land belonging to communities and the public across the country.” The opposition party promises to undertake a re-organisation of land sector agencies to establish a Public Lands and Assets Trust Agency.

*“The fundamental challenge of our country today is to reverse a predatory culture where the powerful or those with powerful connections continuously sponsor or acquiesce in all forms of land grabbing and encroachment on critical life-support ecosystems ranging from forest reserves to wetlands, community lands and land belonging to schools, hospitals and local administrations,”* says the FDC manifesto.

However, Lands Minister Daudi Migereko argues that the NRM government has played by the rules in the Constitution, including carrying out extensive consultations for 10 years before coming up with a National Land Policy.

*“There is no any other subject matter that has received as much attention from..."*
President Museveni and the NRM leadership like the issues of land; save for security and infrastructure,” he notes.

“The Land Policy which was approved by Cabinet in February 2013 after a series of Cabinet meetings, all of them personally chaired by President Museveni, seeks to find solutions to historical land injustices in Uganda, land disputes and conflicts, optimal utilisation of land, demarcation and titling of land for individuals and communities among other things.”

The NRM notes that during its current tenure in power, it has ensured that those who forfeit their land to the oil sector are compensated and promises to do more of the same.

“Government has procured a consultant to implement the Resettlement Action Plan and compensate land owners for the Uganda portion where the pipeline for the refined petroleum products from Eldoret (Kenya) to Buloba — near Kampala — is laid,” says the manifesto.

Mbabazi also promises to compensate those affected by the refinery project but his manifesto is short on specifics. He says, “All communities affected by the land acquisition for the refinery in Hoima will continue to be compensated for loss of economic activities and livelihoods on top of being paid the land rates at the prevailing market prices.”

However, apart from FDC which makes a fleeting reference to “a commitment to ensure that the rights of women are secured and promoted,” none of the other manifestos focus on compensation of women, who face higher risks of manipulation due to inherent inequalities in Ugandan society.

Kibirige believes that part of the key is in harmonising two contradictory pieces of legislation; the Land Acquisition Act of 1965, which allows government to compulsorily acquire people’s property and the 1995 Constitution whose Article 26 entitles people to adequate, fair and timely compensation.

“The candidates should be saying they want to put in place a modern law on the acquisition of land to cater for those who may not be having titles, or those who own customary land. Most of those who may not own but are using the land are women,” he said.
One of the glaring exposures from the presidential debate was that without the help of documented information, a considerable number of the candidates do not have a firm grasp of the issues in the oil and gas sector.

In an attempt to rationalise why none of the candidates said they had seen the agreements, Archbishop Odama explained that it could have been due to the fact that they did not want to take on the responsibility of explaining complex issues in the sector yet they are not in government.

"May be they wanted to keep it confidential to themselves without saying anything about it," he said.

In that case, the absence of President Museveni from the debate robbed Ugandans of a chance to hear from the country’s chief executive about the agreements he committed the country.

Of the candidates present, Maureen Kalya Walube exposed her ignorance of basic facts such as where Uganda’s oil was discovered, when she mentioned Tooro rather than Bunyoro or Acholi sub-region. If Kalya, who has risen to a position where she is contesting for the presidency, does not know such information, then one can only imagine how ignorant the ordinary Ugandan is about the oil sector.

Candidate Joseph Mabirizi also demonstrated little knowledge of the oil sector, but he ably articulated the fact that Uganda should not depend on only oil to develop the country. Mabirizi argued that should invest more in agriculture than oil because “oil price are going down all over the world.”

Agriculture still remains the biggest source of employment in Uganda, with the sector providing jobs to at least 80 per cent of the working population and contributing nearly 40 per cent to the country’s Gross Domestic Product (GDP).
CONCLUSION

The on-going presidential campaigns offer instructive insights into the public knowledge of a sector that has been identified as a potential key driver of Uganda’s economy going forward. For starters, it is evident that few of the decision makers have sufficient information about the sector. This calls for more transparency on the part of government.

Secondly, while there is agreement on adding value to the oil and other minerals extracted from Uganda, there is some polarisation among public officials and political leaders about the best ways to reap benefits from the country’s mineral resources, including sharing of revenues. This will require a harmonisation of positions if the country is to make the most of the proceeds from its mineral wealth.

Despite the progress made in terms of regulation of the oil sector, Uganda will also need to improve its regulatory environment if both the individuals and the government are increase their gains from mining.

Finally, it is evident that as a result of the limited information available about the oil sector, the majority of the presidential candidates did not articulate comprehensive plans in their respective manifestos about what they intend to manage a sector that is expected to be a key driver of the country’s economy for the next few decades.

Only the ruling NRM provides a fairly detailed plan for the management of the oil sector, showing that they benefit from President Museveni’s knowledge of the sector. However, the government’s decision to keep the information under wraps means even the NRM does not reveal sufficient information for Ugandans to have a satisfactory understanding of the sector.

ECONOMY DRIVER

SCANTY PLANS

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