BRIEFING **AUGUST 2014**

OIL AND UGANDA'S BUDGET FOR FY 2014/15

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In another four years, if all goes well, Uganda will begin to produce its oil that it discovered eight years ago in 2006.

Present reserves are estimated at 3.5 billion barrels of which between 1.2 and 1.7 barrels are recoverable using present technology. The New York based Natural Resource Governance Institute (NRGI) has estimated that at peak production of 200,000 barrels per day (bpd), expected anywhere from 2025 to 2035, Uganda may collect up to US$3.3 billion annually in petroleum receipts – an equivalent of half of the country's current budget.

"Under the right economic and fiscal conditions, such a level of production would generate substantial public revenue that could catalyse economic growth through public investments in infrastructure, education and other social services," notes NRGI.

On account of such projections, the oil and gas sector holds greater promise to radically change the country sooner than any other. Already, investments in it, among a few other areas, account for Uganda's continued position among the top ten recipients of foreign direct investment (FDI) in sub-Saharan Africa, notes the country's budget plan for the Financial Year (FY) 2014/15. By the end of 2012, for instance, total cumulative investments in the sector had reached US$1.8 billion, which was expected to increase to US$2.5 billion by the end of 2013, according to the National Budget Framework Paper (NBFP) 2014/15.

The government is keen to ensure everything goes fast and according to plan in order to produce its first oil by 2018. Before the year ends, for instance, it will have announced the successful lead investor/operator for its refinery whose full capacity is 60,000 barrels per day. The government views this infrastructure as critical in its singular emphasis to add value and maximise earnings from its crude. It has already nominated officials to head the National Oil Company and the National Petroleum Authority – two key institutions in the exploration, development and production of petroleum in Uganda.

These are commendable efforts but more focus on people is needed if citizens are to fully enjoy the changes the sector will make on the country. After all, all a country's mineral (and other) wealth belongs to its people. Governments are only but custodians even if Uganda's constitution does not make this explicitly clear.

It its vagueness, Articles 26 and Article 244 (1) say the entire natural wealth of Uganda "are vested in the Government on behalf of the Republic of Uganda". The ambiguity of such phrasing only succeeds in promoting poor governance and accountability. That it requires urgent review requires little emphasis.

A national budget is one of the foremost areas that articulate a government's spending priorities. It is the place to look at to ascertain, with regards to oil development and production, how much focus the government places on people especially in respect to compensation and resettlement of those the flagship project of the refinery will directly affect. In her presentation of the budget to parliament on June 12, 2014, Maria Kiwanuka, the Minister of Finance, Economic Planning and Development, restricted her discussion of the oil and gas sector to three out of the total 154 paragraphs of the 10,678-word text.

Key in her remarks, government has to date compensated half of the 7118 people it is displacing for the oil refinery, the selection of its lead investor is nearly complete, and construction is slated to begin next year upon completion of the engineering designs.

The refinery will be built on about 29 square kilometres of land in Kabaale Parish, Buseruka Sub-County in Hoima District.

The 2014/2015 budget does not prioritise compensation and resettlement of remaining people the refinery will affect that, technically, have been labelled Project Affected Persons (PAPs). If indeed the government is serious about starting construction of the refinery next year, this should have been priority. Development of the oil and gas sector ought to be of benefit to Ugandans, none more so than those who are directly suffering the inconvenience of displacement for the refinery.

The remaining PAPs in the refinery area are enduring deplorable conditions, according to research Global Rights Alert and multiple other organisations have done. The breakdown in social services is marked by thick bushes where once there existed footpaths, wells, animal watering points, schools and, in some cases, health centres. This growth has re-attracted wild animals, which further imperil people's already fragile security. It is not uncommon, for instance, for elephants to cross from the national park and roam around the communities, or what remains of them.

Among the first batch of PAPs that was purportedly compensated, none got full payment. So while they packed and left their villages, nobody knows where they went. Nor is it clear when their outstanding arrears will be paid. Both uncertainties offer early glimpses of looming social-economic challenges that arise out of inadequate planning. There are reports, for instance, that some people who are vacating the refinery marked area are settling in the national park. This will not only create an untenable existence with wild animals, it is a perfect setting for running battles with law enforcement personnel who will be more than keen to drive them out.

Among the affected persons are also those who opted for resettlement. Not only can they not use the land they are supposed to vacate, since the Ministry of Energy and Mineral Development (MEMD) stopped them from using and/or developing it after assessment two years ago, there is no evidence to show that the government has already secured the land on which to resettle people as it promised. It has not issued tenders for construction of houses, schools or churches that should be in the resettlement village. Yet MEMD expects to complete the process of compensation and resettlement by September 2014.

This deadline, like the two ones before it, is unlikely to be met. The budget framework paper says Ush35 billion is required to pay out the remaining people. It is not clear whether this is earmarked for only those who have not received any money at all or whether it also includes the ones waiting upon outstanding arrears. What is more, it does not say where this money will come from. Already, there is another Ushs32 billion needed to fund other priority outputs in the sector that is not in the Ministry's spending plans.

Clearly, compensation is not a priority. The only hope that exists is if parliament insists to appropriate the required money. There is good ground for this over and above it being the role of the people's representatives to look out for their best interests. In August 2013, the women's parliamentary association UWOPA moved a motion for parliament to make a resolution on matters of compensation and resettlement. Later in November, the Parliamentary Forum on Oil and Gas also demanded the Ministry for Lands Urban Planning and Development to streamline regulations in respect to assessment and payment of compensation to avoid project delays and related disputes. These are strong building blocks to

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make the case for people who are otherwise vulnerable and voiceless. Yet with a strained resource envelope as a result of declining Official Development Assistance, it is unimaginable how parliament will succeed in this effort. This is especially more so as parliamentarians begin to train their focus on re-election in 2016. As usually happens, their assertiveness slides into abeyance for fear not to be seen to antagonise and therefore invite unnecessary challenge from the government that tends to reduce interpret such people demands politically.

So the million dollar question is: for how long will the affected people have to wait when already, the government is issuing them eviction notices in spite of reneging on its promises? How long can people's patience hold?

The government does not need to be reminded that the compensation and resettlement exercise should be fair, timely and adequate as provided for in Article 26 (b) (i) of the constitution! By failing to prioritise the people directly, the government is creating unnecessary anxieties the consequences of which might prove more costly than it would have spent to do the right thing as the Uganda Human Rights Commission (UHRC) concluded in its special report in 2013 on emerging human rights issues in the exploration, development and production of oil in Uganda.

"Denying people the right to participate in decisions, policies, processes and practices in the oil and gas industry would have far-reaching ramifications for achieving the development goals in Uganda as it would negatively affect human rights," the report read in part. The government, as UHRC advises, must pursue meaningful participation by enhancing transparency and information sharing – two critical prerequisites in the effective management of the oil and gas industry.

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