



OIL IN UGANDA

Everyone's talking about oil. We capture the whole conversation.

Oil for agriculture

Oil and gas may be the in-thing today, but agriculture will outlast it.

By Chris Musiime and Arthur Larok

Sir Winston Churchill reverently called Uganda the Pearl of Africa in his 1908 book, "My African Journey." Churchill's affection for Uganda was driven by what he described as the country's "variety of form and colour" and its "profusion of brilliant life."

Indeed Uganda is gifted with diverse flora and fauna supported by conducive weather and climate. Just as an example, Uganda hosts more than 1000 bird species, representing over half of the bird varieties in Africa. In terms of mineral wealth, besides oil and gas, Uganda is underlain with over 27 commercially viable mineral resources. These include gold, copper, cobalt, tungsten, wolfram, tin, rare earth elements/metals, kaolin, marble, iron ore, phosphates to mention a few (see page 18).

Oil and gas may be seen as the 'in-thing' today for cash-hungry governments in East Africa, but agriculture will outlast it. The wise choice now, therefore, would be to use a good chunk of the money earned from oil and gas to, among other things, support investment in agriculture.

Agriculture will remain the most profitable, infinite resource to Uganda, not just because the majority of our people are involved in it, but because it is a sector of both comparative and competitive advantage. We should dispel the myth that agriculture is backward, traditional and Uganda should 'move on from it.' With the steadily increasing global population and rising demand for food in the foreseeable future, Uganda could easily earn much more from exporting agricultural products than it expects to earn from oil, and at the same time have every individual agricultural family in the rural areas earning money and feeding properly.

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Photo: ActionAid Uganda

Editorial

This is the tenth issue of this newsletter as part of our modest contribution towards keeping Ugandans informed about developments in the oil and gas sector. We still believe that we can play a role in the transparent and sustainable management of Uganda's oil and gas resources by filling the information gap between the citizenry, government and other stakeholders.

This edition is a little different. We have dedicated a significant number of pages to the mining sector in Uganda, pretty much for the same reason we started this initiative-to nationalise the debate on transparency and accountability in the sector.

Uganda, as you will see on page 18, is endowed

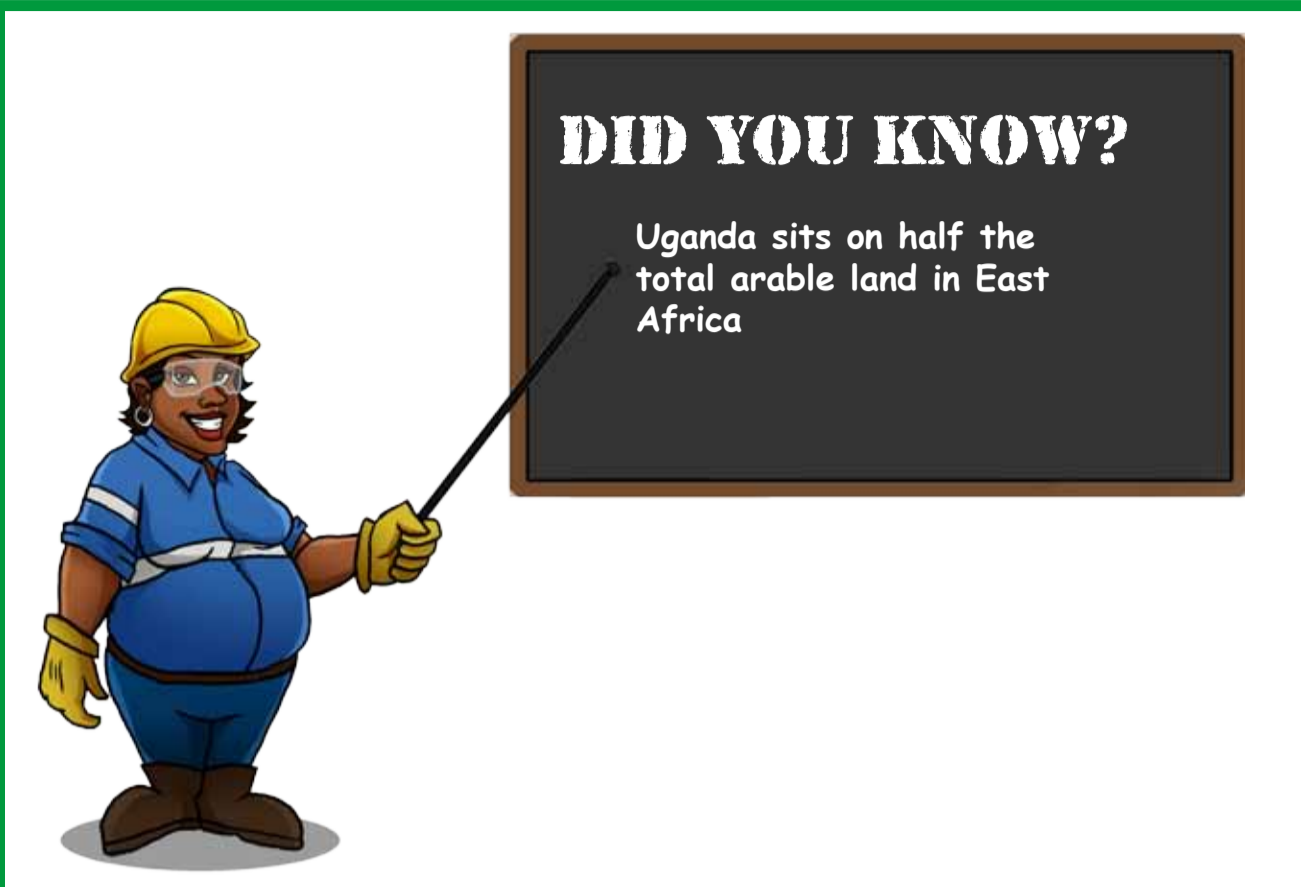
with at least 27 minerals, all with immense economic potential. Just like oil and gas, we see a big opportunity for Uganda to build its economy and transform its rural poor using these resources, but their exploitation has to be transparent and sustainable. We shall therefore increasingly pay more attention to developments in the mining sector in order to regularly give Ugandans the information they need to hold the government and other stakeholders accountable.

We have also taken the oil discourse out of Kampala and the Albertine Region, to a few of the non-oil-producing districts in Western and Central Uganda. The results, on page 14, are quite surprising.

Notably, we were shocked to learn that even people in non-oil-bearing areas are terrified of the subject of oil, and would rather keep their opinions about the sector to themselves. We believe that this phobia is not good for the sustainable management of the country's oil, gas and mineral resources and encourage government to promote initiatives that enhance meaningful debate about the country's extractive resources.

Finally, we want to thank ActionAid Uganda, the Ford Foundation, the Australian Department of Foreign Affairs and Trade (DFAT) and the Democratic Governance Facility (DGF) for supporting our operations,

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Forgotten Jewel

Unlike oil which will surely run out someday, Uganda is endowed enough to support agriculture for a long time to come. Right from our days in Primary School, we were told that 'agriculture is the backbone of Uganda's economy'.

It still can remain so despite the rather forced ideological arguments and misguided strategies that have rendered the sector quite unprofitable.

Even with the vast mineral wealth, agriculture remains the one sure sector that can lift Uganda and its people out of poverty. Research shows that agriculture-induced growth globally can reduce poverty 4-6 times faster than any other sector. Agriculture, if well harnessed can be the foundation for an agro-based industrial transformation that can see us add value and become very competitive regionally and globally.

A number of countries that have made significant progress in poverty reduction have invested massively in agriculture. For instance, China's success in modernising agriculture and transforming the rural economy over the last 30 years provided the basis for its rapid growth. From 1978-2008, China's economy grew at an average rate of 9% with agricultural GDP rising by about 4.6% per year. Farmers' incomes in the same country grew by 7% annually. As a consequence, China's poverty incidence fell from 31% in 1978 to 9.5% in 1990, then to 2.5% in 2008.

Uganda can do even better. While China has about 200 million small scale farmers each working on averagely half a hectare of land, Uganda's population is much smaller, allowing individual farmers to utilise bigger chunks of much more fertile land. Uganda has other advantages over China: like the world's most favourable template climate for food production with potential for all year round harvests. 75% of Uganda's geographical area is suitable for cultivation, pasture, or both. Uganda has over 202,000 hectares of potential land for irrigation fed by abundant fresh water sources.

A painkiller that will not cure the disease of poverty

Over the last eight years, there has been a lot of talk about Uganda's oil and gas potential. There seems to be a lot of excitement within the political, elite and business class that oil will redeem the country and achieve the prosperity that the government badly craves for. The country seems firmly on course to start

producing oil at the turn of this decade, exporting some of it through a crude export pipeline to the coast and refining the rest at a refinery that is planned to be built in Hoima.

However, the prevailing fall in prices of crude oil should serve as a reality check that oil will not solve all the country's problems and its habitual price volatility should encourage the government to build a solid fall-back position-agriculture.

The global political economy of oil reminds us about the volatility of oil prices controlled by larger players, fears about oil funded terrorism, Russia's resurgence with all the problems it comes with as we have seen in Ukraine and Crimea and America's focus on alternatives to conventional oil creating a kind of 'race to the bottom.'

Africa is littered with examples of countries that are regretting the consequences of neglecting their agricultural sector. Nigeria is the largest oil producer in Africa and its economy is heavily dependent on the oil and gas sector, which accounts for over 95% of export revenues, 85% of government revenues, and about 52% of GDP. But the vast majority of its 178 million citizens have seen little benefit from this legacy of wealth, with the country which is said to be the biggest economy in Africa, ranking 152 out of 187 on the UN Human Development Index. More than one third of the population lives in extreme poverty—defined by the World Bank as earnings of under \$1 per day—while 9 out of 10 Nigerians live on under \$2 per day. Most people lack access to basic services such as clean water, electricity and health care.

Interestingly, Nigeria is predominantly still an agricultural society with approximately 70 percent of the population engaging in agricultural production at a subsistence level. Nigeria has vast arable land-84 million hectares, suitable for almost every kind of agricultural produce. In fact before that country attained independence, agriculture was the most important sector of the economy. But now the country allocates only 1.6 percent of its budget to agriculture and has moved from a position of self-sufficiency in basic foodstuffs to one of heavy dependence on imports.

Let us 'Oil Agriculture'

Both Oil and Agriculture are blessings to Uganda - gifts of nature from God just like the iconic Rwenzori Mountain. However, by far, agriculture remains the fore-runner in Uganda's context and we must work

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The hype around the potential returns from the oil and gas sector needs to be toned down a bit, for Uganda is not Saudi Arabia, Iraq nor Nigeria

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to 'oil' that sector for the ripple benefits it will come with

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OIL^{IN} UGANDA

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Refinery on course amidst difficult times

By Oil in Uganda Team

Government determined to refine its crude oil irrespective of unpredictable business environment.

Uganda made a historic announcement in February this year, awarding the multi-billion dollar refinery contract to a consortium led by RT Global Resources from Russia.

The RT-Global Resources-led consortium beat off a challenge from another consortium led by South Korea's SK Group to win the multi-billion dollar project that will involve development of a refinery and product storage facilities in Hoima, Western Uganda, as well as a 205 kilometer product pipeline to a terminal near the capital, Kampala.

The other companies in the consortium are GS Engineering Construction Corporation from South Korea; Capital Plc a subsidiary of VTB, the second largest Russian-owned bank; Telconet Capital Ltd Partnership, a Cayman-based Russian company and Tafnet JSC a Russian oil company.

RT Global Resources is a subsidiary of Russian state corporation, Rostec, which also owns Kalashnikov Concern, a weapons manufacturer. The company's website describes Kalashnikov Concern as "Russia's top developer and manufacturer of combat automatic and sniping weapons, guided missiles, hunting and sporting firearms."

Rostec has been involved in large arms deals across the globe, including Uganda. According to *defenceweb*, Rosoboronexport, another subsidiary of Rostec, supplied six Russian made Sukhoi Su-30MK2 jet fighters to Uganda a few years ago in a deal that was said to be worth almost two trillion shillings. The same firm will supply 500 billion shillings worth of classified military equipment to Uganda if a request by the Uganda Peoples' Defense Forces (UPDF) for the supplementary funds is approved by Uganda's Parliament.

Some analysts now believe that this military relationship with Rostec could have tilted the refinery decision in favour of the consortium led by its subsidiary.

"The motivation in this case was the military expectations from Russia as opposed to the capacity to execute the work well, and usually this is the axis of problems," claims Youth MP Gerald Karuhanga, also a member of the Parliamentary Forum on Oil and Gas.

Uganda's Military Spokesperson, Col. Paddy Ankunda, disagrees, arguing that the company won the contract on merit.

"It is not because we have been working with them, am not aware of that. Even if so, we don't discuss that publically but to say that (they won because) they supply military equipment, that is wrong."

According to Energy Minister, Irene Muloni, the South Korean-based

consortium that was runner-up did not demonstrate how they would raise the financing for the project and their operating plan was unsatisfactory.

The Petroleum and Production Department's Senior Communications Officer, Gloria Sebikari also maintains that the RT Global Resources led consortium was selected because it met the evaluation criteria.

Interestingly, Uganda has several running partnerships with South Korea in the agricultural sector with the latter supporting Ugandan small holder farmers to boost their agricultural production. The government of South Korea is also behind an upcoming fruit processing plant in Teso, Eastern Uganda, as well as the establishment of a Ugandan National Farmers Leadership Centre in Mpigi District, near Kampala.

Russia is the second largest conventional arms exporter after the United States, with over \$14 billion worth of exports in 2014. However, declining sales to Asia and North Africa due to the crises there have forced the country to seek other markets. Oil-rich Uganda is no doubt seen as one of those markets according to some Russian media reports.

Rosoboronexport's Chief, Anatoly Isaikin, revealed at a defence exhibition in Abu Dhabi early this year that Russia targets to export weapons worth \$15 billion this year, irrespective of the sanctions imposed on Moscow by the United States and European Union over the crisis in Ukraine. The sanctions also extend to several senior political and business figures in Russia including Rostec's billionaire Chief Executive, Sergei Chemezov. Chemezov is a former KGB officer and close associate of Russian President, Vladimir Putin.

When asked by the *Financial Times* if the government was concerned about doing business with a company whose leadership is under sanctions, government Spokesman Ofwono Opondo responded, "If the West has problems with (President) Putin, that is their problem."

Troubled history, difficult times

Uganda's plans to build its own crude oil refinery have waded through some muddy waters from the onset, with the International Oil Companies (IOCs) initially opposing the country's value-addition plans. The IOCs advised Uganda to focus on building an export pipeline to the coast for them to start recovering their investment as fast as possible. But after some hard, protracted negotiations, an agreement was reached—a middle-ground of sorts, that would see the pipeline and refinery developed almost concurrently.

Meanwhile as the government and IOCs haggled over the

refinery, pipeline, taxes, local content and other 'contentious issues', the oil prices, notorious for their volatility, started falling. This led some industry analysts to question the viability of government building its own refinery but President Museveni and technocrats at the Petroleum Exploration and Production Department (PEPD) were unfazed. "We will build our refinery in Uganda whatever the oil price will be," President Museveni said while appearing on a local radio talk show early this year. "We will build it."

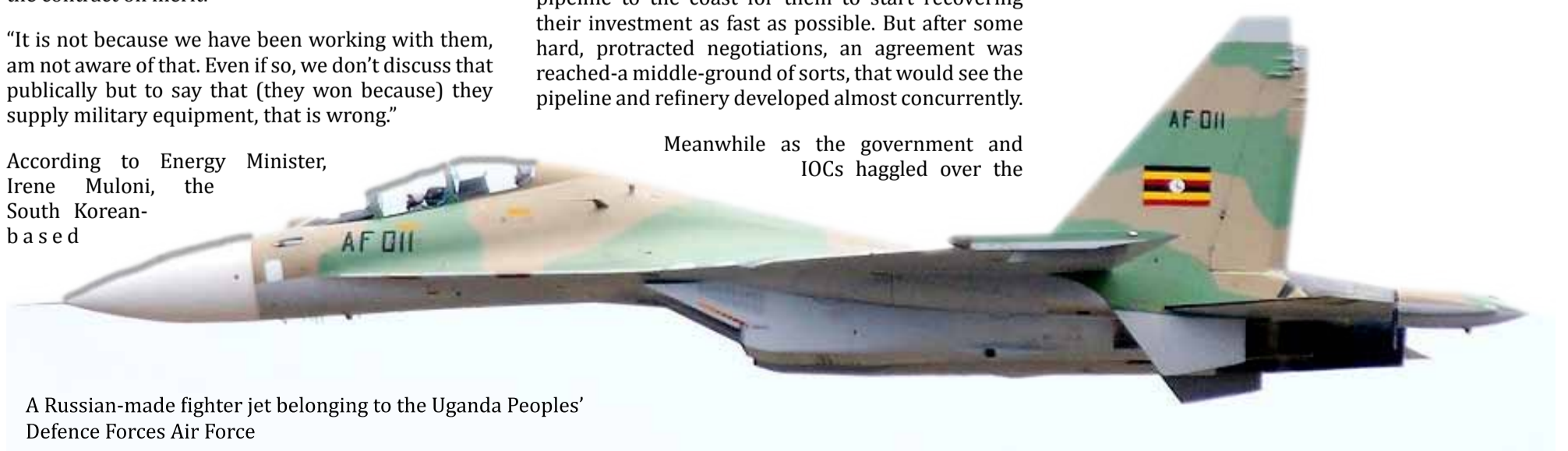
The President and his team may have a point though, with Uganda's first oil still four or more years away, one cannot tell with absolute certainty what the oil price will be when Uganda finally starts producing oil.

On a global scale however, not many players are as calm and confident about the sector as Uganda is.

With global investment firm Goldman Sachs predicting that oil prices will stay low in 2015 and 2016 averaging just \$50 per barrel in 2015 and rising to \$70 per barrel in 2016, companies have been making adjustments, shedding some of their weight in a bid to stay afloat.

In the US alone, almost 250,000 jobs are at stake, the bulk of which are in the oil-rich state of Texas. Last year, majors Chevron and Shell laid off workers. Giant Houston-based oil and gas contractor, Schlumberger, has announced it will slash up to 9,000 jobs this year, joining fellow sector giants Halliburton and Suncor that have already laid off people. BP and Conoco Phillips also announced plans to cut back on staff in an attempt to mitigate the shock. North Sea oil producer ConocoPhillips is laying off 230 workers in Britain, while BP is expected to let 300 people go, almost 10% of its workforce deployed in the North Sea. It is estimated up to 15,000 jobs could be lost in the UK alone.

In Uganda, the three IOCs must be feeling an even bigger pinch. While they have to come to terms with a general reduction in income across their other portfolios globally caused by the low crude prices, they remain uncertain on how much longer they will wait for the government to give them production licenses. This has forced some of them to lay off redundant staff. If nothing changes soon, more job cuts and sweeping financial and operational adjustments are inevitable in the short term. ■



A Russian-made fighter jet belonging to the Uganda Peoples' Defence Forces Air Force

A SUMMARY OF MAJOR EVENTS

2015, February 24:

Energy Minister, Irene Muloni, announces Uganda's first competitive licensing round for six blocks totalling 2983 square kilometres. They include: Ngassa (410 Sq.Km) in Hoima; Taitai and Karuka (565 Sq.km) in Buliisa; Ngaji (895 Sq.Km) which traverses Rukungiri and Kanungu districts; Mvule (344 Sq.Km) in Moyo/Yumbe; and Kanywataba (344 Sq.Km) in Ntoroko district.

2014 September 24:

Global Witness releases two copies of the Production Sharing Agreements signed between Uganda and Tullow Oil in 2012. The documents outline the share of oil revenues the Government of Uganda will get and almost every aspect of its relationship with the oil companies. According to Global Witness, the contracts show that "government has got a good financial deal for the country's oil but has failed to put in place crucial environmental and human rights safeguards." The Petroleum Exploration and Production Department dismisses the leaked documents as fake.

2014, August 28:

Government announces an increment in Uganda's oil resources from 3.5 billion to 6.5 billion barrels. However, the recoverable oil increases marginally by 200 million barrels.

2015, February 17:

A consortium led by Russia's RT-Global Resources is announced winner of the bid to build Uganda's crude oil refinery in Hoima. Another consortium, led by South Korea's SK Group comes second. Many industry observers are quick to point out that RT Global Resources' Russian-owned mother company, Rostec, is a military contractor that has been involved in large arms deals across the globe, including Uganda.

2014, December 8:

More than 70 houses are burnt and several people injured when Bunyoro Kingdom loyalists attack inhabitants of Kaseeta Parish, Kabwooya Sub-county in Hoima. The fight followed disagreements over the control of a seven square mile piece of land bordering the proposed refinery area which the King's subjects insist belongs to the Kingdom.

2014, August 25:

Two hundred families in Rwamutonga village, Hoima District, are evicted by unidentified men accompanied by armed uniformed police acting on the orders of a businessman called Joshua Tibangwa. The land, totalling 485 hectares, was being claimed by Mr. Tibangwa for lease to American company McAlester Energy Resources Limited to construct a waste management facility.

2014, December 17:

The 92 km road between Hoima and the oil-rich Kaiso-Tonya is completed as part of several other infrastructural developments in the Lake Albert Region.

2015, February 2:

Embattled oil waste management company McAlester Energy Resources that was at the centre of a land deal gone bad in Hoima that left almost 200 families homeless announces it is ceasing operations in Uganda. Apparently, the bad press the case had attracted could not allow it to continue doing business in Uganda. The company also reveals it had initiated proceedings to recover the \$300,000 paid to Hoima businessman Joshua Tibangwa for the land.

2014, July 16:

The Uganda Tax Appeals Tribunal rules against Tullow Oil and orders the company to pay \$ 407 million to the Uganda government in accumulated Capital Gains Tax resulting from the sale of its oil blocks to China National Offshore Oil Corporation (CNOOC) and Total E&P in 2012. Ugandans laud the verdict as a victory for developing countries against 'big business.' Tullow Oil vows to challenge the ruling.

2015, January:

Total E&P's General Manager, François Raffin, is recalled to Paris, six months after he took up his appointment in Uganda. Industry insiders take it as an indicator of the French Major's growing frustration over the slow progress of Uganda's oil and gas industry.

IN THE PAST YEAR

2014, JULY 14:

President Museveni nominates members of the National Petroleum Authority and the National Oil Company. Eleven nominees are passed by the Appointments Committee of Parliament but two are rejected on grounds of inadequate experience. Businessman Emmanuel Katongole is approved to Chair the National Oil Company.

2014, July:

Total E&P Uganda applies for a production license for the Jobi Rii discovery in Exploration Area 1, the company's second application in eight months. Exploration Area 1 is partly located in Nwoya District and falls within the Murchison Falls National Park.

2014, June 28:

East African Partner States issue a bid for the planned regional crude oil pipeline amidst reports that more oil has been found in the South Lokichar Basin, North of Kenya.

2014, June 6:

President Museveni delivers his annual State of the Nation address, stressing that Uganda will begin producing oil in 2017. He blames the delay on 'contentious issues' during negotiations with the oil companies.

2014, June 22:

Total E&P's General Manager, Loic Laurandel, leaves Uganda after four years at the helm of the French Major's operations in Uganda, to take up another assignment in Bolivia, South America. He is replaced by Francois Rafin.

2014, June, 24:

The selection of a contractor to build Uganda's first refinery and related downstream infrastructure narrows down to two companies, a Consortium led by South Korea's SK Group and another Consortium led by RT Global Resources from Russia. A total of 75 companies had expressed interest in the project in 2013 but only six submitted expressions of interest, from which the two consortia were selected.

2014, May 2:

Joint Venture Partners (Total, CNOOC and Tullow) launch the results of a three-month survey they commissioned revealing that Ugandans lack the skills to acquire jobs in the oil and gas industry. The survey also gives some figures on jobs that will be generated by the sector, reporting that at production stage, only 13,000 people will be directly employed by the sector which has the potential to generate up to 150,000 new jobs through 'indirect and induced' opportunities in other sectors that will be feeding off it.

2014 March:

Government secures land where former residents of the refinery area who opted for physical relocation will be resettled. The land measures 530 acres and is located in Kyakabuga village, Nyakabingo parish in Buseruka sub county, Hoima. Out of the 2473 property owners on the 29 square kilometre refinery area, 96 opted for resettlement, while the majority preferred cash compensation.

2014, February 12:

The Wall Street Journal reports that Tullow Oil plans to sell its Ugandan assets. Tullow officials in Uganda decline to comment, with General Manager dismissing the recurrent talk as "a rumour that has no basis."

2014, January 15:

Ahmed Waduwa Wafuba, replaces Abbas Byakagaba as the new Commander of the Uganda Police Force Oil and Gas Operations Unit. The Unit's sole responsibility is securing the country's oil and gas assets.

2014, January 17:

Tullow Oil announces two new oil discoveries in the Turkana area in Kenya.

2014, February:

The National Environment Management Authority (NEMA) licenses four companies to construct and operate waste management facilities to handle oil drilling waste. They are: Strategic Logistics limited, Enviro Serve Uganda Limited, White Nile Consults Limited and McAlister Energy Resources Limited. The licenses are valid for one year.

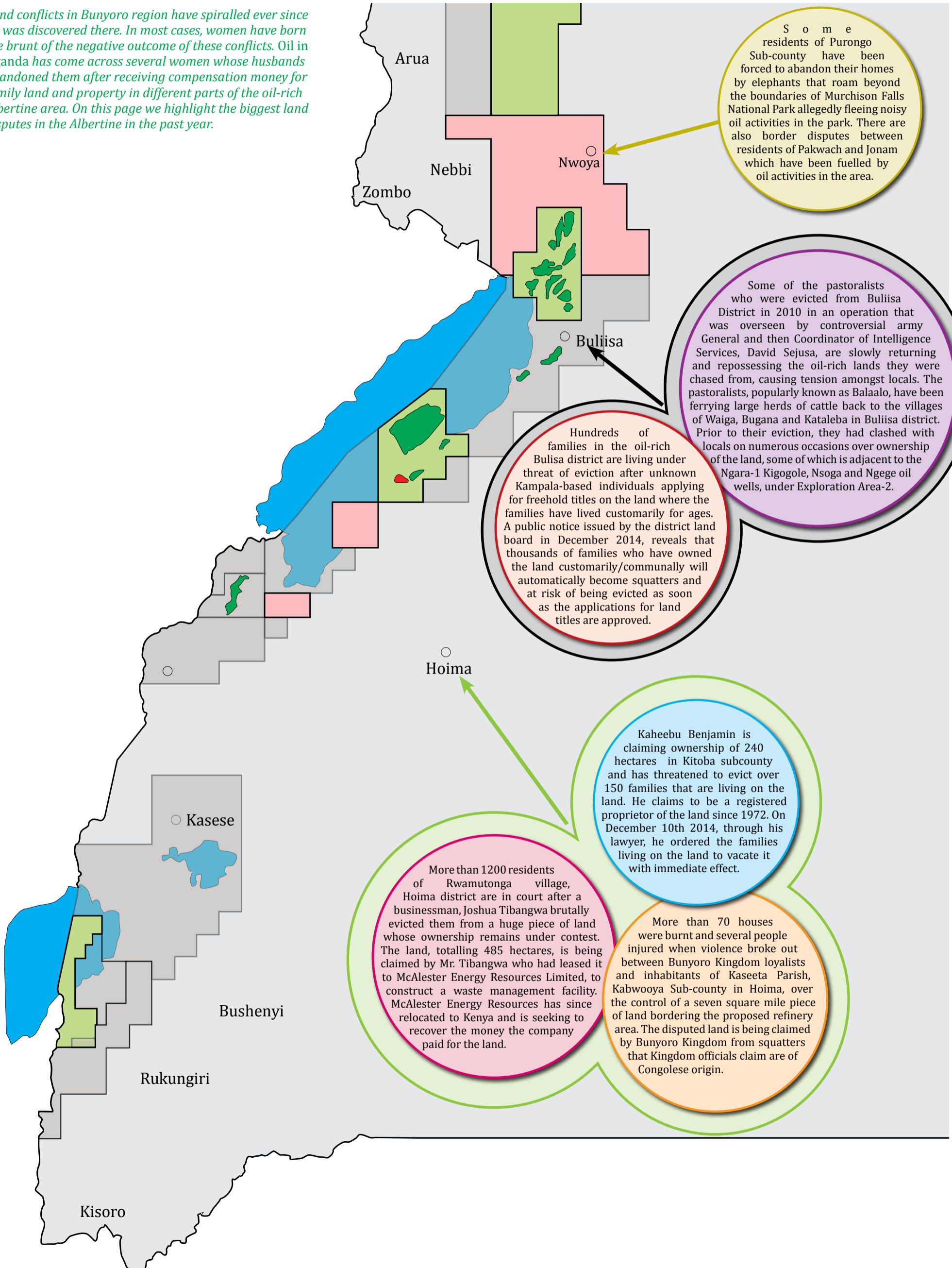
2014, February 5:

The Uganda government signs a Memorandum of Understanding (MoU) with the three oil companies detailing a roadmap for the commercialization of the country's petroleum resources. Particularly, they agree that the country's natural gas will be used for power generation, a refinery will be built as well as a crude export pipeline to the sea.

With input from Sidsel Bjerrum

Oil and land conflicts in the Albertine

Land conflicts in Bunyoro region have spiralled ever since oil was discovered there. In most cases, women have borne the brunt of the negative outcome of these conflicts. Oil in Uganda has come across several women whose husbands abandoned them after receiving compensation money for family land and property in different parts of the oil-rich Albertine area. On this page we highlight the biggest land disputes in the Albertine in the past year.



Some residents of Purongo Sub-county have been forced to abandon their homes by elephants that roam beyond the boundaries of Murchison Falls National Park allegedly fleeing noisy oil activities in the park. There are also border disputes between residents of Pakwach and Jonam which have been fuelled by oil activities in the area.

Some of the pastoralists who were evicted from Buliisa District in 2010 in an operation that was overseen by controversial army General and then Coordinator of Intelligence Services, David Sejusa, are slowly returning and repossessing the oil-rich lands they were chased from, causing tension amongst locals. The pastoralists, popularly known as Balaalo, have been ferrying large herds of cattle back to the villages of Waiga, Bugana and Kataleba in Buliisa district. Prior to their eviction, they had clashed with locals on numerous occasions over ownership of the land, some of which is adjacent to the Ngara-1 Kigogole, Nsoga and Ngege oil wells, under Exploration Area-2.

Hundreds of families in the oil-rich Buliisa district are living under threat of eviction after unknown Kampala-based individuals applying for freehold titles on the land where the families have lived customarily for ages. A public notice issued by the district land board in December 2014, reveals that thousands of families who have owned the land customarily/communally will automatically become squatters and at risk of being evicted as soon as the applications for land titles are approved.

Kaheebu Benjamin is claiming ownership of 240 hectares in Kitoba subcounty and has threatened to evict over 150 families that are living on the land. He claims to be a registered proprietor of the land since 1972. On December 10th 2014, through his lawyer, he ordered the families living on the land to vacate it with immediate effect.

More than 1200 residents of Rwamutonga village, Hoima district are in court after a businessman, Joshua Tibangwa brutally evicted them from a huge piece of land whose ownership remains under contest. The land, totalling 485 hectares, is being claimed by Mr. Tibangwa who had leased it to McAlester Energy Resources Limited, to construct a waste management facility. McAlester Energy Resources has since relocated to Kenya and is seeking to recover the money the company paid for the land.

More than 70 houses were burnt and several people injured when violence broke out between Bunyoro Kingdom loyalists and inhabitants of Kaseeta Parish, Kabwooya Sub-county in Hoima, over the control of a seven square mile piece of land bordering the proposed refinery area. The disputed land is being claimed by Bunyoro Kingdom from squatters that Kingdom officials claim are of Congolese origin.

Answers to 15 commonly asked questions on acquisition, valuation and compensation of land in the Albertine Graben

1 What happens if my land is affected by oil and gas activities?

You will be contacted by an official (Liaison officer) and told how you will be compensated. This may also include important deadlines that you will need to observe.

2 How will I be compensated?

You will be compensated in accordance with laws governing compensation in Uganda; mainly the Constitution of the Republic of Uganda (1995), the Land Act 1998 (as amended in 2010), the Land Acquisition Act 1965, the Mining Act, 2003 Oil and Gas (Exploration, Development and Production) Act, 2013 and the Local Government Act, 1997 (as amended). Your land will be surveyed, valued then you will receive your compensation,

3 Who will Survey my land?

An official Land Surveyor appointed by the Oil and Gas company will move with you in the presence of your neighbours and the area Local Council one (LC 1) or his/her representative to take measurement of your land. Your affected land will be mapped out and the area calculated and passed on to the appointed Valuation Surveyor to do the valuation.

4 How will my land be valued?

Your land will be assessed and valued according to the market value of similar land use in your area. For example, if it is used for crop growing, the value of your land will be at the same rate as of other land used for crop growing in your area. The appointed Valuation Surveyor will inspect your land and record all information needed to arrive at the market value of your land.

5 What type of information will the Valuer need?

The Valuer will need your name, the name of other people who share ownership or use the same land, what the land is used for i.e. commercial, residential, agriculture, forestry or any other developments on the affected land.

6 How is my crop valued?

The Valuer will count and describe your crop in accordance to the district (e.g. Hoima) Compensation Rates. Your crop may be recorded, described and assessed as seedling, young, average, medium, mature, very good, good, fair, poor and valued as per stem, per clump, per stool, per tree, per cluster, per square metre, per acre or per hectare. In addition, a photograph of your claimed property will also be taken.

7 What is District Compensation Rate (OCR)?

The OCR is a list of prices of crops, trees, semi-permanent structures, graves and other items common in the District, The rates are compiled and annually reviewed by the District Land Board under the supervision of the Chief Government Valuer. They are based on replacement values/ or prices of such items in the District as guided by section 77 of the Land Act 1998 and section 24 of the Land Regulations, 2004.

8 What about buildings; how will they be valued?

Buildings and structures will be inspected,

measured, described and recorded in the compensation forms. Permanent buildings will be assessed at replacement cost or at market value while semi-permanent buildings will be assessed at replacement cost according to the OCR.

9 How will I know that the Valuer has recorded the right information?

The valuation is done transparently- At the end of data collection, you will be asked to witness the information gathered and recorded by appending your signature. The LC1 and another witness will also append their signatures on the data collection form. If there is a disagreement, the Valuer should be able to address it before you append your signatures. When all is fine, a copy of the assessment form will be given to you to keep for future reference.

10 What happens after the assessment of my claim?

The forms are taken and your information is entered in the computer. Valuation is done and a draft report is submitted with supporting documents to the Chief Government Valuer (CGV) for comment. The CGV will then visit your property and inspect the claims before your compensation award is approved.

11 What happens after the approval of the compensation report?

The acquiring entity will disclose to you how much you have been assessed. They will also explain to you how your payment will be made and what you need to do. In case you are not satisfied with the award, the disclosure team will explain to you how it was arrived at. If you are still not convinced, your complaints will be recorded and examined on a case by case basis. Those that require revaluation shall be forwarded to the valuation team for reconsideration.

12 Do I deserve the right to harvest my assessed crops and salvage materials from my house?

Yes. In certain Circumstances you may be allowed to salvage materials that have been assessed for compensation. However, if you do not remove such materials or crops within the stipulated time, the acquiring authority may without further consideration take full possession of the land. For crops, the entire garden may be cleared. Similarly, your right to salvage material may also be restricted by the acquiring authority. In either case, you will be rightly informed.

13 Will I be given enough time and money to resettle upon my compensation?

Compensation is not meant to make you better or worse off than you were before disturbance. The Land Act requires that you be awarded a 30% disturbance allowance as bonus on your total assessed value if you are given less than six months' notice to vacate your land upon receipt of compensation. If it is more than six months, the disturbance allowance is 15%.

14 What are the other available options to cash compensation?

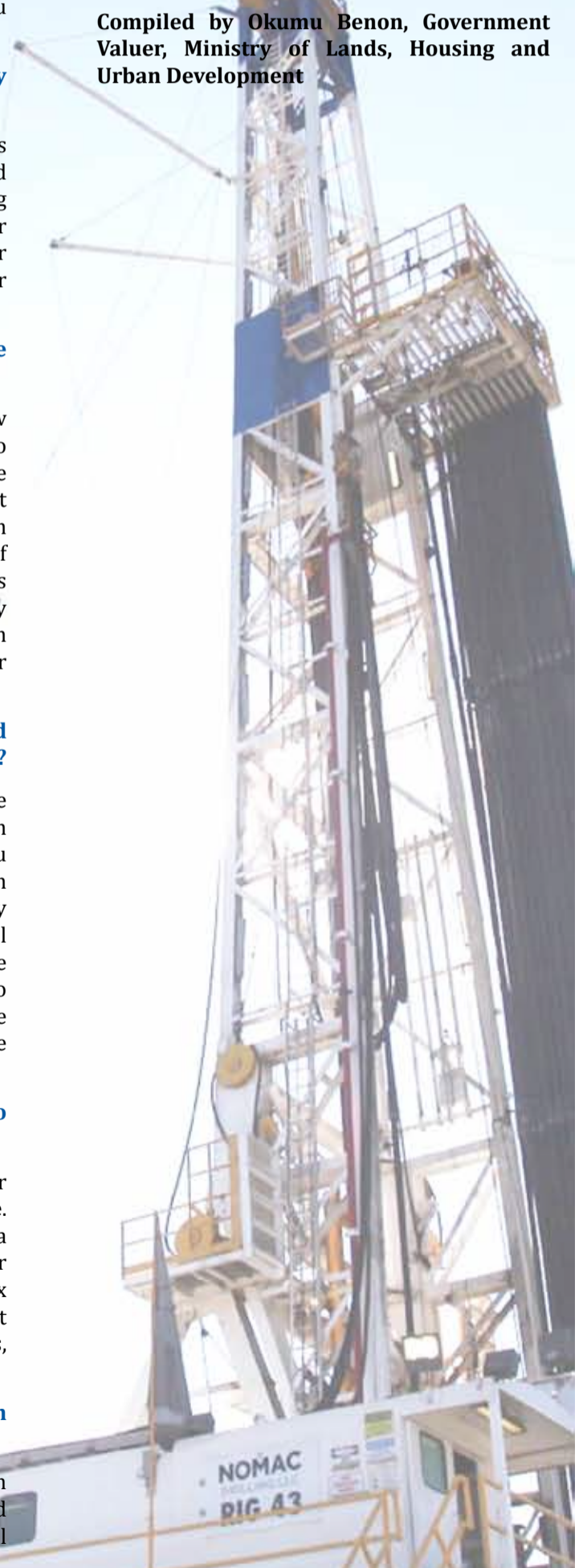
Resettlement is another available option to cash compensation. In this case, you will be moved and resettled on an alternative land of equal

value as the acquiring authority may determine. However, Ugandan law on resettlement is yet to be enacted. Another option is to exchange your land with another similar land that is already acquired by the acquiring authority. All these options will be disclosed to you during the compensation process.

15 How do you value communal land?

Communal land is valued with full involvement of the community just like other informal land rights. However, the affected communities are advised to form communal land associations for the effective management of the communal resource. Examples of communal property include hunting grounds, grazing land, water sources, burial sites, places of worship, etc.

Compiled by Okumu Benon, Government Valuer, Ministry of Lands, Housing and Urban Development



“Oil money should fund agriculture”

Prof. Zerubabel Nyiira Mijumbi is the outgoing State Minister for Agriculture who has just been appointed Junior Fisheries Minister. He spoke to Oil in Uganda about how the extractives sector can be used to facilitate the growth of agriculture to avoid the so-called Dutch Disease.

Can extractives and agriculture really co-exist?

Extractives are basically good for the economy. Selling oil and gas brings in money that supports the economy at international level. At the same time the oil and gas industry brings opportunities to individuals to make money because they provide services to the oil industry.

The opportunities along that line also extend to farmers because the farmers find where to sell their produce. So in a way, the oil industry promotes agriculture: indirectly by providing money to the economy which money government feeds into the development of agriculture and also supports agriculture and farmers to sell their products to institutions and people in the oil industry.

For instance, the industry will automatically steer fertilizer production for the agriculture sector. When you extract oil, you get ammonium which comes from methane gas. Ammonium nitrate is used to manufacture fertilizers for agriculture. By supporting the agriculture industry, you are actually supporting agro based industries and there is value addition on the crops in agriculture and it is from that angle that you begin looking at agriculture and extractives opportunities.

What is government doing to maximise those opportunities for Ugandans?

Government creates conditions and an environment which allows the people to exploit the opportunities. For instance, the government has built a road to the oil fields and that alone attracts the population to utilise the opportunities and facilities that shall be along that line but also to easily access the oil area.

In Hoima there is a new market. That new market has been constructed not because the people in Hoima require a bigger market but because the oil activities are likely to attract more people there. There is likely to be an airport and electricity has been taken to those places. All these are taking place as a result of the oil industry. When you say has government prepared itself, you will never find a paper written that government has prepared like this, all these are part and parcel of the plan. A simplistic person will think government should start building for the people-No. In fact, government facilitates the process, like what you are doing yourselves now is part of government.

How?

Because you are educating the people. It is a responsibility of the Non-Government Organizations and government to merely facilitate the process.

How does government plan to fully utilise all the bi-products from the oil refinery?

Naturally, there are plans of putting up industries. The government does not put up industries, that is one thing that must be clear. Government has created conditions that are suitable for investors to establish themselves and that is why there is peace, security and political stability which are factors that attract investors. So the issue is how we plan because in studying the oil industry, we studied all these possibilities. The Energy Ministry has all these plans laid out, how the products of oil are going to be used, how they are going to deal with the by-products, how they are going to deal with the environment and so on. So when the government gets this report it becomes part and parcel of the work investors are going to do to invest in that potential.

So even the fertilizer plant will be constructed by investors?

Yes, government is not an investor, it just creates conditions.

But it is going to invest in the refinery?

It is not an investment per say. We used to have a cooperation that was a joint venture in which government had interests. So if you take it like that then government has interests in almost all sector industries because it is government that has an interest to bring investors into the country.

In the past before we had a Structural Adjustment Plan which was proposed and implemented by the World Bank that tampered with government engagement in direct investment, government had investments. It had hotels through the Uganda Hotelier Association. But the Structural Adjustment Plan recommended that government should keep away from direct investment and leave it to the private sector.

You talked about farmers directly benefiting from the oil sector but in Masindi and Hoima small scale farmers are having difficulty supplying produce to the oil companies. Some of the food consumed in the camps is imported.

I don't agree with you, I know of small farmers in Masindi who are producing mangoes and these mangoes are being sold to workers in the Albertine Region. I know the farmers and I can take you there. I have farmers in Teso who are producing oranges and they bring them to be sold to oil companies.

Which people are buying these products, is it the casual labourers or the oil companies?

Now that is where I wanted you to bring this out because most people do not understand provision of goods and services, they do not understand how they will benefit from the oil industry. They think that the investor will move to them and ask for pineapples.

When they talk about international standards, food is food. The food that is going to be feeding those people working there is not international. You will have sweepers, you will have moppers, even dogs will be eating food so you cannot say they will import food from Russia to be feeding dogs. Who will say that this meat should be international?

But I also agree with you that some food stuffs are imported for instance, apples, they will get them from South Africa and they will actually have the guts to say that your apples are so small we shall not buy them. That is trade and industry, that is what I have been telling

people here. When we go international we go into commerce and trade and we go global. Every country looks for opportunities to sell their products.

So while these people are bringing their apples and pineapples, we are also taking ours to Somalia. In the meantime, we are also selling our maize to South Sudan and Rwanda and the Rwandese are selling theirs to Botswana.

Have you made any efforts to link these village farmers to the oil companies because to them, the oil companies are 'unreachable'?

The environment that is provided is to make it easy for the farmers and traders to sell their produce, so if the government ensures that there is infrastructure in place like roads, to ensure that there is security and peace so that people move freely, there is no body who stops the people from selling. People are free to come together and form cooperatives.

The government does not provide markets, it does not take you to India and get you market there, it provides the environment so that you can move and go get market in India. When you get this market in India, the government now provides the environment so that when you are taking your produce to India you are not constrained.

When you look at mineral-rich areas, there is competition for land for either mining or agriculture. For gold mining for example, the miners use mercury which is hazardous for the environment. How is your Ministry addressing these issues?

Mining has got to be done so that we get money for the national economy but how it should be done, ensuring safety and quality of land, is a different issue. It is a regulatory issue. But if I were to ask, What does not destroy land? Even burying people spoils land, in fact we are not supposed to do agriculture where people have been buried.

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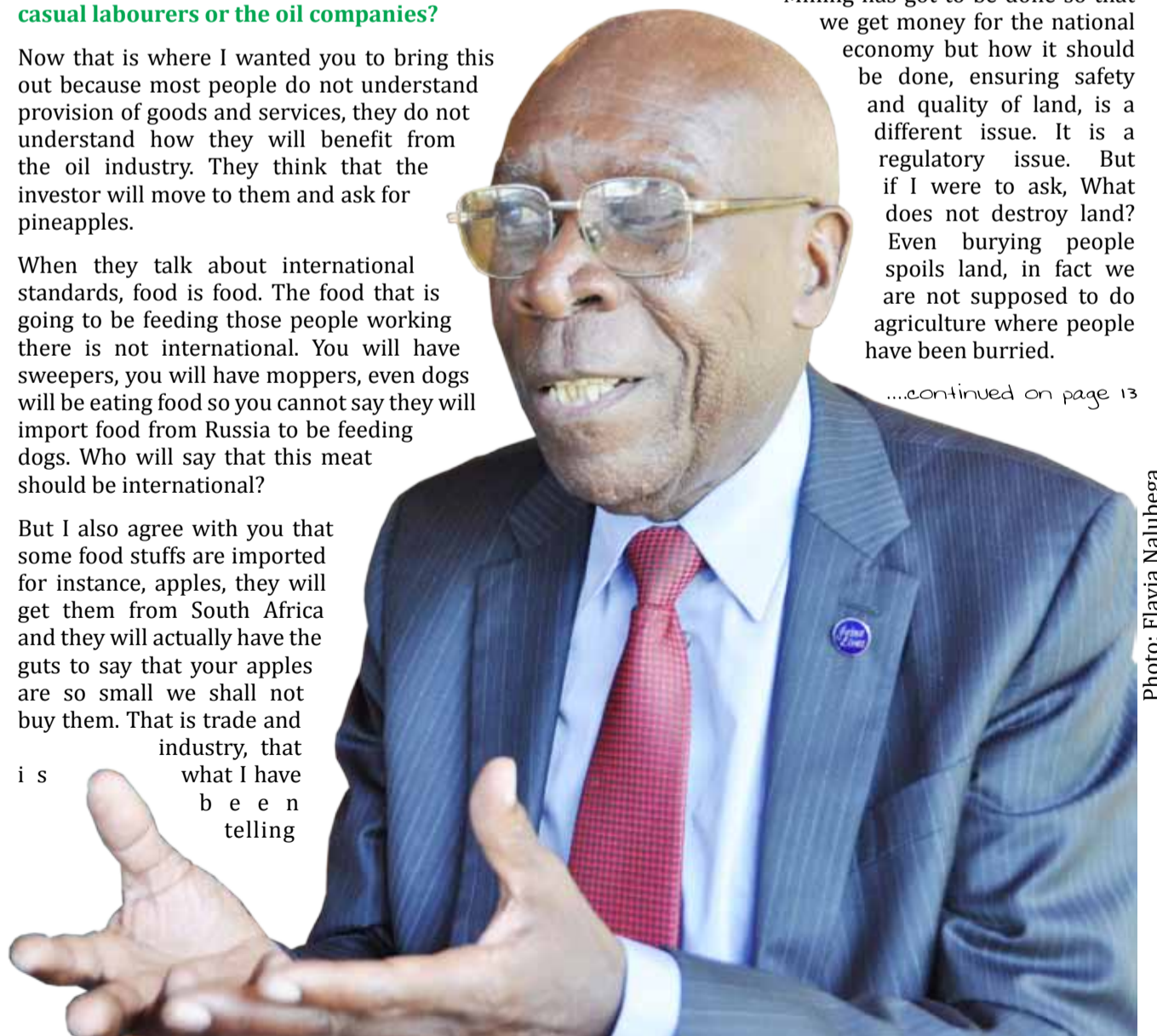


Photo: Flavia Nalubega

Ugandan farmers can reap big from oil



H.E. Dónal Cronin is the Ambassador of Ireland to Uganda and Rwanda who has had a long career in development and governance work. In this interview, he spoke to Oil in Uganda about Irish efforts to improve the state of governance in Uganda, as well as the opportunities that are right under the noses of Ugandan farmers, as the country's oil and gas industry prepares for take-off in the not-so-distant future.

Oil in Uganda: Your government is one of the development partners that contribute to the Democratic Governance Facility which has been very central in supporting governance work in Uganda. Tell us about the program and your contribution to this facility

H.E. Dónal Cronin: Democratic Governance Facility (DGF) is a hugely important initiative. As a facility, it is one of the largest of its type in Sub-Saharan Africa.

It brings together a number of development partners around the table for us to be able to pool our resources and be coherent in terms of what we are supporting and how.

The whole aim of DGF is to be able to foster good governance, accountability and conflict resolution with the aim of advancing Uganda's development.

The critical aspect of the DGF is that it works with partners such as civil society, the Parliament of Uganda and bodies such as Uganda Human Rights Commission and the Electoral Commission to enable them to advance their objectives, fulfill their functions and ensure that there is a high degree of transparency and accountability in Uganda.

All of these are implemented very much in cooperation with the partners that we work with, including government.

DGF is not a fund which tackles one or two specific issues across the board, it tries to work on advancing a number of agendas and that is why for us, it is a very exciting initiative and we are very happy to support it.

The support to *Oil in Uganda* is a good example, where DGF is supporting a home-grown initiative, which is playing an important role in raising awareness around the oil industry in Uganda at this very important time.

The project is able to engage with partners, bring information together, provide a platform for advocacy and learning from experiences elsewhere, reach out to stakeholders and add on to what needs to be a very vigorous debate in this country in relation to what the oil industry is, what it is going to provide for the Ugandan people and what its future direction will be.

That debate is healthy and good and can only add to the ownership that the people have of the resources that are underneath their territory.

Besides the work you are doing through DGF, do you have any other initiatives as an Embassy targeting good governance of the extractives sector?

Yes, there are specific engagements that we have in relations to the extractives industry. We support,

for example, national institutions towards better accountability.

We support the Office of the Auditor General to develop its forensic auditing capacity to be able to move fast and have the necessary skills and capacity in technology to carry out forensic audits.

We very much support Karamoja as a region. In fact, the majority of our financing is directed to that part of Uganda which is the poorest in the country in terms of depth of poverty. There, we work with local governments, central government, local community leaders and groups to increase transparency and accountability.

We have had special interest in the extractives industry in Karamoja because there is lots of potential there as we now know.

There are a lot of opportunities in that region in terms of natural resources that are found under the ground but there needs to be a greater degree of preparedness and transparency in terms of how those resources are going to be used.

There are also many artisanal miners there and there needs to be a considerable approach on how that sector can be regulated, supported and advised on some of the pitfalls that we all know the extractive industry possesses.

You also support Traidlinks in Hoima, do you think the local farmers are benefiting?

About Traidlinks, one thing that is very critical to their work in Hoima is that they were scaling up for an oil industry which in 2009, was said to become a boom in 2011/12. The enterprise centre which you find run by Traidlinks in Hoima was established with that timeframe in mind.

In fact, there has been a quieter period because most of the camps and oil activities slowed down because it was taking long for the bits and pieces to be in place like production licenses, land and compensation and the preparedness of the oil companies and the government in terms of legislation and overall policy framework.

All these are taking far longer than perhaps was expected back then. Probably no need to hurry because we need to get things right, but you have an enterprise centre which was scaling up for large activities which instead has reduced over the last two years.

The oil companies however do tap into local agriculture production. I saw it myself how producers and farmers bring in produce. However demand will upscale dramatically when production licenses are granted.

The preparedness for that is very important and there is still going to be need for properly certified, well sourced and traceable agricultural produce which meets the demands of the oil companies to be able to supply their market.

In some countries in Africa, they are importing beef steaks for \$12 or \$15 a steak, that is the ridiculousness that we need to act against. Uganda's beef is the best you can find so the local producers should be ready to provide because there will be demand.

There is also another Irish company called Devenish and they have been working with a piggery cooperative in Hoima to develop a pork industry. It's amazing that if you go to the shop to buy bacon or sausages in Uganda, you will find them in the freezer because they are from Kenya when in fact you have potential here.

The population of Ireland is 5 million, Uganda it is about 37 million, yet we produce more pigs than Uganda does.

Devenish is going to come in, working with Traidlinks and the local pig cooperatives, to establish a model pig farm and a feed mill to be able to provide the necessary feeding for the livestock. So there are initiatives that Traidlinks has been involved in which hopefully will lead into real lasting impacts.

Actually we believe there is a huge amount of learning that is available for Uganda from Ireland and vice-versa. If you look at the areas that we concentrate on; agro-processing would probably come first because like I told you, we have a population of 5 million people but we produce dairy and beef enough for 50 million people every year. That shows you how export-driven we are. We are the 4th largest exporters of beef in the world!

Now Uganda has signed up for the Economic Partnership Agreement with the European Union and this is a golden opportunity to have a modern trade agreement in place to enable better access to Ugandan goods and services in Europe. ■

Questions put by Beatrice Ongode and Flavia Nalubega

Read the full interview in the INTERVIEWS section on our website, www.oilinuganda.org

Mining threatening food security

A new report by Gaia Foundation, a UK based organisation that is passionate about protecting the earth and its natural resources, has condemned mining activities for impacting negatively on food productivity hence threatening food security.

Dubbed “*Under Mining Agriculture - How the Extractives Industries Threaten our Food Systems*”, the report highlights the accumulative effects of mining on agricultural land.

It explains that mining is destroying the conditions essential for healthy and productive agriculture as communities testify to experiencing livestock deaths, soil pollution, acidic water supplies, desertification of agricultural lands, and forceful evictions.

It notes that promises of job creation and economic growth are exaggerated, short-lived and only benefit a few while denying many a livelihood they would have attained from engaging in agricultural activities.

“Local, small-scale farmers grow 70% of the food we eat on less than one-third of the agricultural land available. These farmers grow and develop a diversity of nutritious crops, using less land and water than the large-scale industrial food system, while also building up healthy soils that absorb soil carbon (as opposed to contributing to climate change, as industrial agriculture has been shown to do). Despite efforts to make the public believe otherwise, it is these small farmers that feed the world. And yet it is precisely these farmers - their land, water, livelihoods and capacity to produce food - that are being undermined for the extraction of minerals, metals and fossil fuels,” the report notes in part.

The extraction of minerals, it further states in part, pollutes areas far wider than the actual mining sites and for many years after the closure of operations. And yet, governments promote mining and provide incentives, arguing that it is in the “national interest” and “contributes to economic growth”, with little evidence of either. In many cases the land is grabbed from farming communities and converted into vast open cast pits while the waste is dumped on farmland, forests and grazing lands. These ecosystems and farmlands can never be restored to their original state, neither can the potential for communities to enjoy food sovereignty.

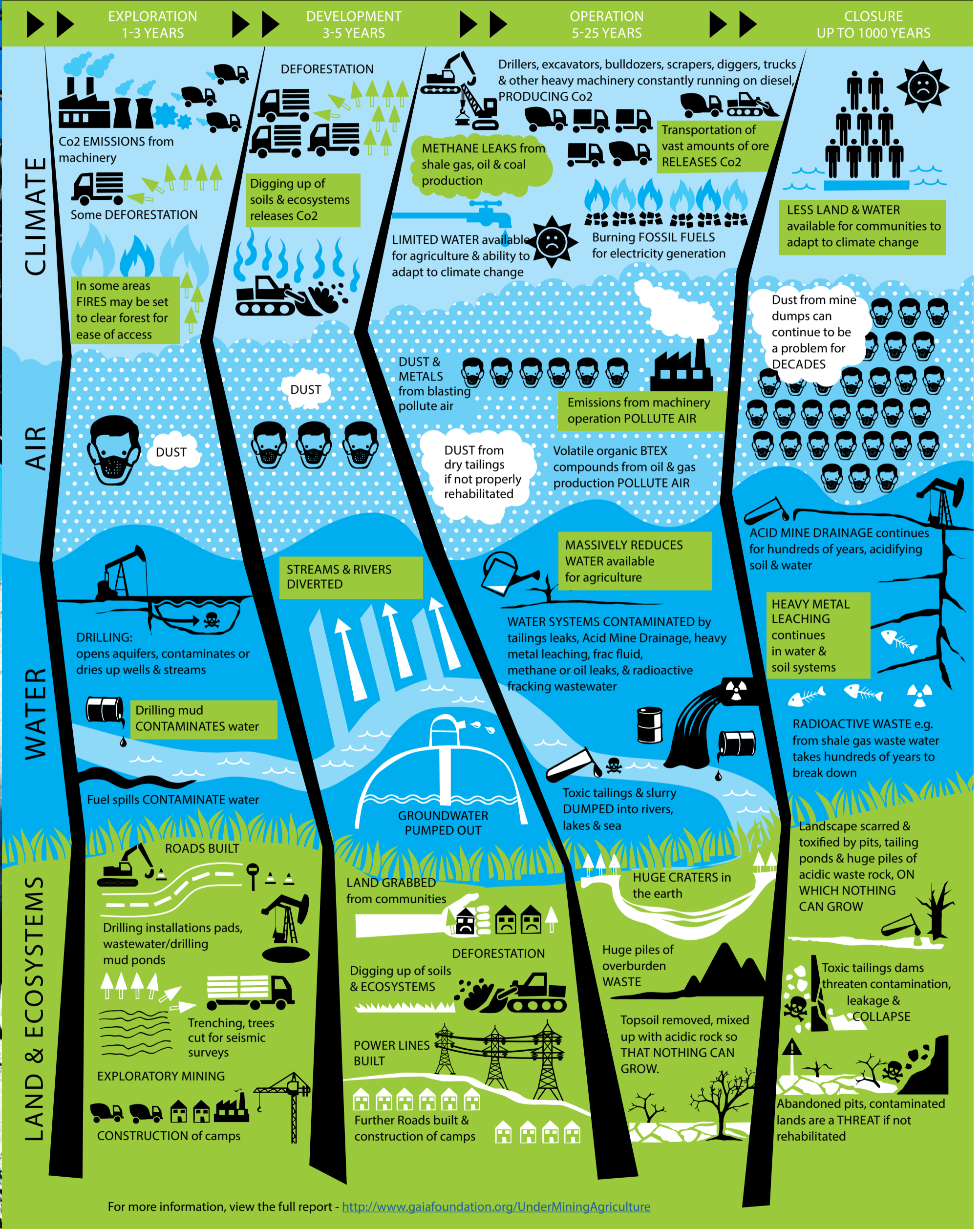
For this, the report reveals that the world’s food production and millions of small farmers and communities are under threat. In Uganda in particular, that report states that oil mining threatens the livelihoods of fishing and farming communities thus government needs to re-think their commitment to this ‘black gold’, which may only benefit the corporate class while affecting the peasants who are the majority.

It affirms that mining may provide some jobs for a few decades, but its impacts can leave landscape and community livelihoods ruined for hundreds of years. Thus, it advises that national priorities need to be re-evaluated to protect food for now and the future. Agricultural land and the water system that serves the sector should be recognised as a no-go area for mining and extraction.



UnderMining Agriculture

How the extractive industries threaten our food systems



For more information, view the full report - <http://www.gaiafoundation.org/UnderMiningAgriculture>

A Good Deal Better?

What do leaked oil contracts mean for Uganda's future?

By George Boden

Revenues from Uganda's oil sector could help lift millions of people out of poverty. But that will only happen if the fledgling industry is managed carefully.

Poor management could just as easily entrench corruption and poor governance, damage the environment and spark local conflicts.

To make sure oil is a blessing not a curse, governments should be open about the deals they do, and show that they have put safeguards in place to protect people and the environment.

Production Sharing Agreements (PSAs), or oil contracts, are key documents which dictate how revenues are shared and what protections are in place, but in Uganda, these documents are not made public. This means the people have no way of knowing what deal has been struck for their oil or if their rights have been secured.

In September last year, Global Witness published two PSAs signed by the Ugandan government and international oil companies in 2012. The report – A Good Deal Better shows that the government has secured a good financial deal whereby they will collect over 80% of oil revenues, and improvements on the 2008 financial terms such as ensuring that companies will pay capital gains tax on lucrative sales of assets in Uganda. But there are still significant weaknesses in the oil contracts and laws that could leave people and the environment at risk.

There is a window of opportunity to correct this, but it is closing fast. The companies currently operating in Uganda are due to receive production licences soon paving the way for production which the government maintains will be in 2018. The government is also finalising its model PSA, which will form a template for these future deals, and further regulations to protect people and the environment.

In its report, Global Witness identified a number of weaknesses in the existing contracts and oil laws

which should be urgently addressed.

Where is the oil money going?

The Ugandan government has succeeded in securing more money for its oil in the 2012 contracts - which could bring in hundreds of millions of dollars in additional revenue. But people cannot currently follow the money. Under new EU and US legislation all three major oil companies operating in Uganda will soon have to publish the payments they make to the government, and Tullow Oil already is. However it is not possible to trace those payments into government accounts, which makes it very hard for citizens, MPs and journalists to know how the money is spent. The government should publish revenue information divided by type, project, source and date.

Where are the key documents?

There is currently no guarantee that key documents such as oil contracts, environmental impact assessments and, safety inspection reports will be made available. This makes it extremely difficult for ordinary people to make informed decisions about how oil operations will affect them, or to hold government and companies accountable.

Protecting Uganda's people and environment

Much of the drilling is taking place in, or adjacent to, national parks and other protected areas. The Albertine region is of international environmental importance and millions depend on it for their livelihoods. Global Witness' analysis shows that weak provisions in the contracts and laws could place people and environment at risk.

Companies are not required to draw up plans or put aside funds for decommissioning and clean up at an early enough stage. This means companies could 'cut and run' potentially leaving the government to foot the bill for environmental damage left behind.

Global Witness also identified a lack of community consultation and the absence of an effective system for resolving disputes with companies.

Security and Human rights

Oil operations are taking place on the border with DRC in areas with existing social tensions. Yet the contracts and laws say nothing about human rights or regulating military and private security contractors. Experience shows that careful regulation and mitigation is necessary to avoid human rights violations.

Transparent allocation

A competitive bidding process for oil contracts will help to secure the greatest possible benefit from the country's natural resources. The current oil laws state that the process ought to be 'open, transparent and competitive' but don't spell out what this should look like. Before any more contracts are allocated, regulations are needed to ensure open bidding and full disclosure of documents, so that the public and parliament can see what's happening.

Mr. Boden is a Campaigner with Global Witness.



“Oil money should fund agriculture”

...continued from page 8

Look at how much land is being taken up by real estate, literally wherever there was agricultural land here in Kampala in a radius of 20 miles from the city centre has been taken up by real estate. Development is changing land use.

So what Government has to do and is doing is to start rationalising land use so that we get to understand how best to use land, and that is going into the agrarian reform, a study of understanding the partitions pertaining to people's needs and balance them with agriculture so that good land can be protected for agriculture. We can then do real estate in certain places, but good land must be protected to be able to meet the demand for agricultural produce in future.

Do Ugandan farmers have the capacity to supply the produce that shall be needed when development of the oil and gas sector finally kicks off?

It depends on demand and the market. Yes, our farmers have the capacity but they need to be organised to meet the demand. They must be educated, that is why we need extension services, that is why we need NAADS because you can use it to produce more and more so that we go and look for those markets out there.

Are you worried that some farmers may abandon agriculture and look for casual employment in a possibly better paying oil and gas sector?

As a country grows and develops, it offers more opportunities for people to choose what to do. When there is not much to do in villages, people eventually get caught up in agriculture, but when you have opportunities coming up, people move from rural to urban areas to go and get work there. So what you are asking is if people are moving away from agriculture to other sectors, yes they are because they are looking for better opportunities. Naturally people will move away from agriculture to other areas and go to where it pays better when the opportunity presents itself.

Don't you think that is going to lead to the so-called Dutch disease?

No we should not fear, for example in USA, the entire population there is fed by 5 percent of the farmers. So the capacity to produce is not numbers, it is how prepared people are to produce so when people run away from the agricultural sector to go work elsewhere, it stimulates those who are remaining to work harder, to employ modern mechanical methods because the labour intensive methods are becoming

less productive. So they must use advanced methods of production so that they use their money to increase production.

And commercial agriculture does not mean you need a big piece of land, it means you engage yourself in agriculture as a business. When you do this, because of the demand involved, you will be forced into opening up other pieces of land or using the land you have with good technology so that you are able to obtain more from the land.

I believe the oil and gas industry is going to be useful for the development of the agricultural sector but for this to happen, it has to be planned very well so that the proceeds from oil are used well to boost agriculture so that we avoid the oil curse.

People should not think that the money is going to move from oil and gas into their pockets but they should utilise the opportunities that have come with the oil discovery to benefit from the sector. They should produce things the people in the oil industry are going to buy.

Questions put by Flavia Nalubega

Skilling Uganda: The bigger picture

People in the Albertine must be supported to develop the necessary skills to fully exploit oil opportunities so that they are not left behind.

By Sarah Palmer

As the oil economy grows in Western Uganda, opportunities for local people to diversify livelihoods beyond agriculture are emerging. However, it is not within the oil industry that the opportunities for the majority of people living in the region lie. New sectors and businesses are rapidly emerging and people in the Albertine region must be supported to develop the necessary skills to capitalise on these new opportunities to avoid getting left behind.

Living Earth Foundation has worked with communities in oil producing regions for over 20 years, including Alaska, Russia and the Niger Delta. Based on this experience we have learnt that the billion dollar investments rarely result in an economic boom felt by the poorer parts of society, it is therefore critical to look for ways in which these benefits can be shared.

There is a wealth of experience and learning from around the world, including countries in Africa already producing oil like Ghana and Nigeria focused on workforce development and how to develop the most relevant skills. Living Earth has brought this experience together into a report *Vocational Training In The Context Of Oil And Gas Developments: Best Practice And Lessons Learnt* to share learning at this crucial time, as Uganda gears up for oil production.

The extractive sector is second only to agriculture in sub-Saharan Africa, yet it will never rival agriculture in relation to jobs and employment. The recent Joint Venture Industrial Baseline Survey for Uganda highlights that whilst expectations for job creation within the oil industry are high, in reality the number of jobs created in oil production are very low. The survey states that at its peak in the construction phase, the oil industry will create 13,000 direct jobs from projects around Lake Albert, but the majority will only be temporary with only 3,000 lasting for the longer-term. A recent study of the skills gap for the petroleum related education in Tanzania carried out by Norad draws on international experience and shows that for every person directly employed by the oil industry, at least four times as many indirect jobs



A blind tailoring student undergoing training at a project run by Living Earth Foundation

are created and ten times as many induced jobs.

According to the World Bank, a strong focus on skills enhancement will be a key factor for African countries to transform their natural capital into long-term economic development. A broad view of skills development is therefore required, which not only looks at the skills and businesses required to support the oil industry and its wider supply chain, but also the broader economy – for example the growth of service industries such as hospitality and tourism, and industries related to the growing population such as waste management and energy. Skills in agriculture and value addition for agricultural produce should not be forgotten in this mix.

Our report highlights the experience that all too often skills development programmes have focused on the upstream (exploration and production) part of the value chain, and neglected the skills required downstream in areas such as marketing and distribution. In Ghana for example, recent research has shown that the vocational skills training focus will have to broaden away from upstream skills if it is going to have any significant impact on employment.

Therefore, transferable skills have to be central to the vocational trainings in order to best equip the prospective workers with the needed flexibility.

Beyond developing relevant and appropriate vocational skills training courses, there is also a need to improve teaching and learning practice in vocational education. From recognizing the unique nature of vocational teaching, to exploring ideas such as skills development through informal apprenticeships and addressing the barriers to girls' participation in a wider range of vocational skills.

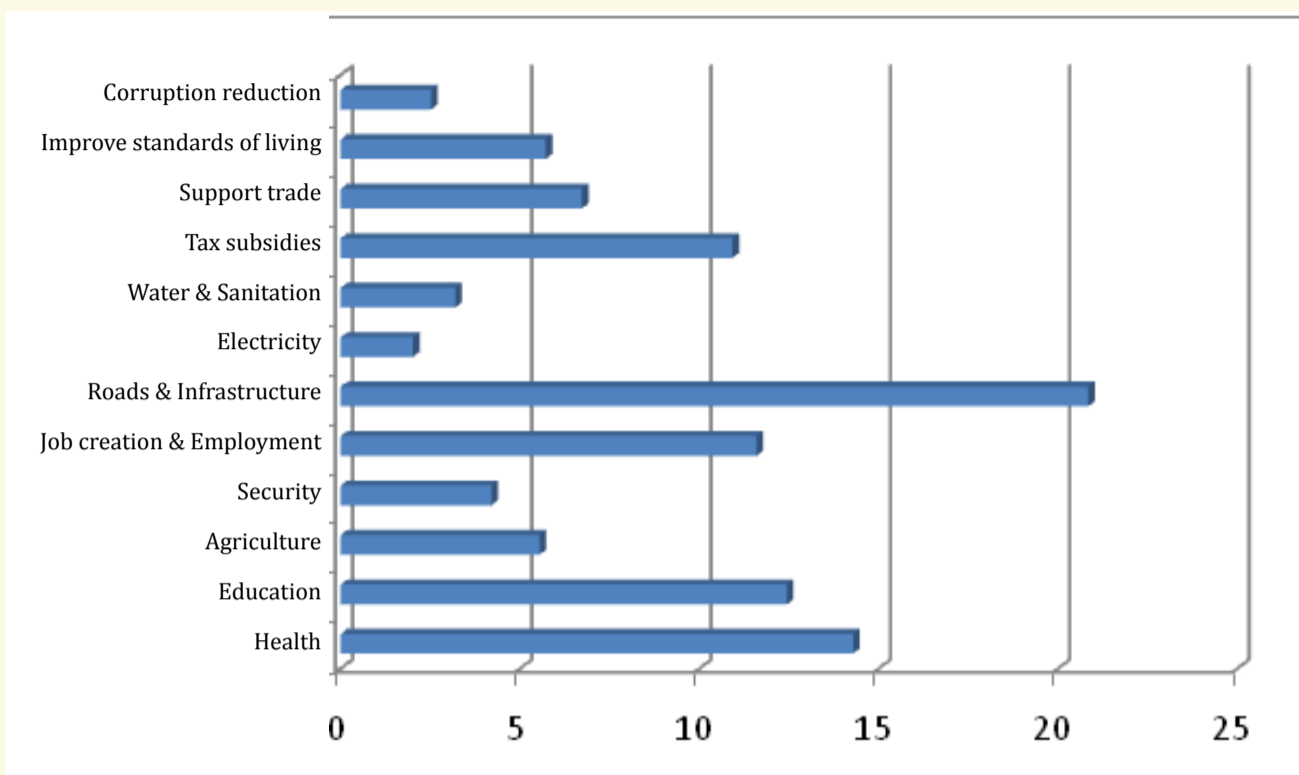
Learning from and building on the experiences of others, and developing vocational skills programmes with a broader focus and longer term vision than the initial rush to start production, will provide a greater chance for people living in the region to realise the benefits from Uganda's oil.

Sarah Palmer is a Programme Manager for Living Earth Foundation. Their Jobs and Oil programme funded by the EC, DFID and Comic Relief is focused on improving access to employment, training and decision making for people in Western Uganda.

Photo: Courtesy of Living Earth Foundation

► Special Report

Invest oil money in infrastructure, health



A survey commissioned by *Oil in Uganda* in Western and Central Uganda has revealed that a bigger percentage of Ugandans there would like the government to invest oil proceeds in improving road and transport infrastructure.

The survey was conducted in the three districts of Ntungamo, Mbarara and Masaka to identify what sectors ordinary Ugandans in non-oil bearing areas would like to see prioritized when the country starts earning from its oil and gas resources in the near future.

Out of a total of 595 respondents that our team randomly interviewed in the three districts, 21% said they would like the government to spend oil money on improving feeder roads in the rural areas. 14 % said they wanted to see improvements in the health sector, 12 % vouched for education while 11.6 % revealed they would prefer the oil money was used to create more jobs and employment for Ugandans. 11 % of the people our team spoke to suggested that government takes advantage of the additional revenue from oil to institute subsidies that would reduce Ugandans' cost of living.

Regarding the health sector, the respondents proposed that government uses oil money to build more hospitals and health facilities especially in the rural areas; equip the existing ones with modern equipment and drugs, increase the salaries of the medical personnel and also consider recruiting more medical personnel.



Douglas Smith- Hotel stock taker (Mbarara)

"If some money could be injected in the sports sector, our athletes would perform better"



Amaitum Benjamin- OC Ntungamo Police

"Agriculture is the backbone of our economy, so I think the oil revenue should be used to boost the agriculture sector"



Justine Kemigisha - Hair stylist (Mbarara)

"They should build highways, improve health facilities, provide piped water to villages, and create more jobs".

In line with government's priorities

Uganda government officials, including the President, will be happy to learn that a significant section of the public supports their plan to use oil money to build infrastructure to boost the country's economy.

Uganda's Vision 2040 also identifies oil, gas and minerals among the fundamental opportunities the country can harness to finance its development as well as building energy and transport infrastructure to maximise their exploitation.

President Museveni has repeatedly stated this vision on several occasions. "Oil money should be used for development of power generation and other critical infrastructure like bio gas," he told Uganda's Parliament in 2012.

However, according to the respondents, electricity generation was the least of their priorities.

Oil is a scary topic

Many respondents who were approached by the survey team declined to answer their questions because they were scared of discussing oil issues in public, while only a few of those that agreed to respond allowed the team to publish their names and photos.

Although the team easily got the permission to proceed with the survey in Ntungamo, they faced difficulty in Mbarara and Masaka Districts where authorities expressed uneasiness with the exercise. The authorities in Mbarara later allowed the team to proceed after lengthy negotiations but in Masaka, they were out rightly turned down ■

Visit www.oilinuganda.org for the full report.

Value addition: Presidential directive rattles miners

Photo: Sidsel Bjerrum

By Flavia Nalubega

A 2011 directive from President Yoweri Museveni forbidding Ugandan miners from exporting unprocessed minerals remains largely unenforced to date, with some of the miners describing it as impractical.

In a meeting with representatives of the miners at State House in November 2011, President Museveni directed the Energy and Mineral Development Ministry to halt miners from selling minerals in raw form because they were robbing the country of income and employment.

“When it comes to minerals such as Phosphates, Wolfram, Cobalt, Copper, Coltan, Nickel among others, it is criminal to export them as unprocessed ore,” read the presidential statement that was circulated at the meeting. “We lose money and jobs by so doing.”

The President equated exporting unprocessed ores to selling “mere soil” that would not fetch any significant returns. “Wolfram, when processed, produces tungsten which can be used in the manufacture of alloys (strong steel) that are used in the manufacture of aircraft engines, drilling equipment, etc,” he said.

More recently at the just concluded retreat of the ruling NRM party in Kyankwazi last month, President Museveni reiterated his proposal to place a ban on the exportation of unprocessed minerals in the country.

“Make it a culture not to allow minerals to go out of this country unprocessed. We must educate our people to defend our economy. I do not want to be part of these historical mistakes”, he told the MPs.

Big dreams

However, many players in the sector have criticised the President’s value addition plans, arguing that they are big dreams which may not apply to Uganda’s context at the moment given the huge investment required to set up the necessary facilities.

“It is not a question of processing, it is a question of quality processing, they (Ugandan products) might be inferior in quality and no one will buy them,” points out Isingoma Amooti, the Head of Krone



A piece of iron ore picked from a Kabale mine

Uganda Limited, arguably the biggest Wolfram and Tungsten extractor in Uganda.

“The whole thing is academic, it is not practical for a small country like Uganda,” he adds. “Sanity and common sense must prevail.”

The Chairman of the Small Scale and Artisanal Miners Association, Johnny Sasiirwe also explained that some of the miners are hesitant to get involved in value addition because of the limited market for

the finished goods. “For instance I have a shop that sells gold rings in town, but I can sell about two rings in a year,” he said.

But State Minister for Minerals, Peter Lokeris, insists that the Presidential directive is being implemented and warns against miners violating it. He said some Wolfram dealers have already fallen victim to the ban.

“You are supposed to smelt it (Wolfram) into a fine product, minimum at least into a sponge,” he told *Oil in Uganda*.

Meeting with the Prime Minister

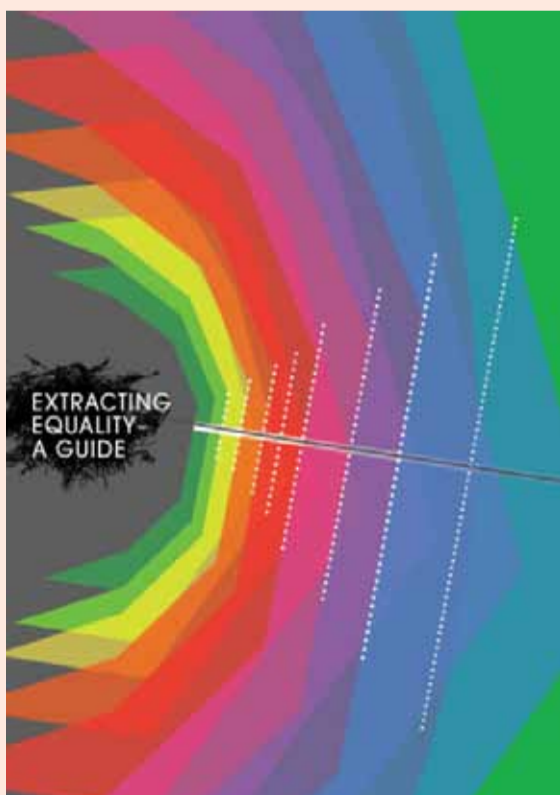
In March, through the Uganda Chamber of Mines and Petroleum, representatives of small scale and artisanal miners met with Prime Minister Ruhakana Rugunda and Energy Minister Irene Muloni in Kampala.

They requested for a grace period to enable them complete ongoing obligations with their clients before the directive is enforced. They revealed that most of them were also servicing loans with commercial institutions which they would fail to pay if they ceased operations.

They advised government to set up a national mineral processing plant that would be capitalised enough to buy the unprocessed minerals from them.

“We proposed that we sell to government which can process the minerals,” Emmanuel Kibirige, an artisanal gold miner from Mubende District told *Oil in Uganda*. “That way, it will be a win-win situation for both of us.”

For now, the miners are optimistic that government will let them continue their operations for a while, but are also exploring the possibility of setting up an iron and steel factory somewhere in the Kigezi region. Such an investment however will require 1.8 trillion shillings which they are not capable of raising at the moment ■



BOOK REVIEW

UN Women and Publish What You Pay (PWYP) released a toolkit “Extracting Equality – A Guide”, that demonstrates how to approach the issue of gender within the extractive sector. The toolkit provides a simple and effective way to reduce the risk of marginalising the involvement and participation of women in the extractives sector.

Studies have shown that women are often the first to bear the negative impact of extraction, as they lose the land they work on and still have to find ways to provide for their families. The influx of migrant workers and cash makes them more vulnerable to sexual violence while pollution means they often have to travel further distances to collect water, which can expose them to danger.

The toolkit is targeted at those involved in the extractive industries sector: community members, civil society organizations, NGOs, oil, gas and mining companies, as well as governments and UN agencies.

It examines all 12 steps of the extractive value chain, from finding out how much natural resources a country has to looking at how a project should be dismantled. At each step, the toolkit offers a clear picture of the specific considerations to make and questions to ask in order to ensure women are not left out of natural resource governance. ■

For this toolkit as well as other resources, visit our RESOURCES section on www.oilinuganda.org

“Compulsory acquisition of land is the last option”

Kato Vincent is the Principal Exploration Geologist in charge of designing and implementing exploration programs in the Department of Geological Survey and Mines in the Ministry of Energy and Mineral Development. Oil in Uganda talked to him about the mining sector in Uganda.

What is the status of the mining sector in Uganda?

The Government is in the process of reviewing the Mining Act 2003, to mainly deter speculative practices, illegal trading, and mineral smuggling which have adversely affected the mining sector.

Government is proud to support and provide leadership to the mineral sector and is planning to put back part of the Non Tax Revenue to the implementing Department of Geological Survey and Mines to supervise, monitor and enforce mining standards. The government is up-grading and refurbishing its laboratories to analyze for minerals and rocks to attract investment in the sector.

Geo-scientific data acquisition is aggressively going on as a routine in Karamoja and other parts of Uganda. Data is being packaged and is easily available to potential investors. This follows earlier airborne geophysical surveys which identified several mineral exploration targets all over the country. Geoscience data dissemination is on-going online. The Government formulated, equipped and trained staff for the Mining Cadaster function to transparently handle mining concessions. Human capital development is on-going in different aspects of mineral exploration and development. Uganda is also working on the mineral certification process as obliged.

The infrastructure challenge is enormous for the mining industry but government has studied the infrastructure needs and plans to develop the necessary infrastructure to provide for the burgeoning mining industry and in tandem with mining sites development (roads, power lines, water, rail). Government recognizes the importance of infrastructure to support investment in the mining

sector and will seek support from development partners.

Access to land for the purpose of mineral exploration and mining continues to be an issue for the mining industry in Uganda. Government is committed to ensuring a fair and equitable balance between the competing interests of surface rights and mineral rights owners.

What are government's plans on value addition?

It is government policy to maximize local value addition on mine products as opposed to export of low value mineral concentrates. This will ensure government captures the benefits from its mineral resources.

When Uganda exports concentrates, we lose other minerals associated with that mineral. So by smelting or refining our mineral here, we recover several other minerals associated within the concentrate. For example copper ores may contain copper, nickel, gold, zinc, lead and molybdenum. Secondly, we create jobs for Ugandans who are working in the smelter or refinery plant.

China may import our raw concentrate of gold but on reaching China they smelt it and recover other minerals like silver, and also generate jobs for their people. We can compete favorably because we have cheap labour, incentives on machinery, tax and fiscal incentives.

Are there any efforts to integrate mining in agriculture?

The Ministry has carried out analysis of rocks and minerals essential for agriculture. These

are phosphates, limestone, vermiculite, pottasic rocks, gypsum, sulphur, magnesium; these have been studied and quantified. Phosphate at Tororo has been leased to a Chinese firm to manufacture phosphates for Ugandans and for export. Lime is being manufactured in Muhokya, Hima, Kaku, Bwera, Tororo for applying to acidic soils. Vermiculite at Namekhara is being researched on at Makerere University and also applied by farmers nearby the mine. Ultrapottasic rocks in Bunyaruguru, Fort Portal and Katwe-Kikorongo are good for bananas and research is being undertaken with the Agro-Geology Association of Uganda.

There is progress on using locally available rocks and minerals to replenish nutrients in our soils. The Ministry is working with Agro-Geology Association of Uganda on this. This Association is an affiliate of Rocks for Crops, an international organization promoting use of locally available rocks for crop productivity. This non-profit association has farmers as members and carries out trials on their farms to adapt new technology.

Is the government serious about compulsory acquisition of mineral rich lands?

Regulation, administration and technical procedures relating to mineral exploration and development are dealt with by the Department of Geological Survey and Mines pursuant to the Mining Act 2003.

The Mining Act 2003 which regulates the mining sector clearly spells out the need for adequate compensation of surface rights owners before mining starts. Also NEMA demands that you undertake Environmental and Social Impact Assessment where by you as developer have to show evidence of agreement or consent with the land owner before you are issued with NEMA certificate which is a pre-requisite to obtaining a Mining Lease to undertake mining.

The landowner is entitled to compensation for financial loss, hardship or inconvenience resulting from exploration on an exploration license. This may be negotiated directly between the owner and operator, or determined by a government valuer. It is only when the surface right owner fails to cooperate or if an agreement cannot be reached that government opts for compulsory acquisition in national interest. It is a last resort after failed negotiations and it is done in public interest because minerals are national resources needed to develop the economy and for everyone to benefit.

In most cases, developers know how to handle communities through international experience and best practices. Options are there to build them alternative homes and provide some money to start a living somewhere. Sometimes they can have a share in the mining project. Developers know that they need a “Social Permit” in addition to the Mining Lease to operate effectively.

Questions put by Flavia Nalubega



An artisanal miner extracts iron ore from a mine in Kabale district

“President Museveni’s Advisors misleading him on value addition”

Sasiirwe Jonny is the National Chairman of the Artisanal and Small Scale Miners Association in Uganda. He has been involved in mining for over 26 years and owns the Kasita Mining Company in Mubende District. He talked to Oil in Uganda about working in an industry that he joined at the age of 24, shortly after the NRM regime came to power through a guerrilla war that he took part in.

What is the difference between artisanal and small scale mining?

The difference is that artisanal miners use sticks and axes to work while small scale miners use some better equipment like tractors and bulldozers. But in Uganda, there isn't a big difference.

There is a location license that can be issued to small scale miners where the requirement is that you must invest 10 million shillings. Now if you look at 10 million shillings in terms of equipment, one can only buy a generator and some few other things making his operation so limited.

The investment is very small to make viable business. So you find that they (government) want to give you the license but also make you very poor. For instance when you go to the Mubende mines, by law, the equipment they are using is illegal because it is a little bit mechanised yet they (government) do not want you to mechanise anything. You cannot give me a license then you limit me on how much money I should invest in the mine if you want me to make money.

I have proposed to government to consider issuing artisanal licenses, small scale licenses and large scale licenses so that the difference is clear.

As the National Chairman, what does your job involve?

I was elected in 2001 and since then, there has never been any meeting or election that has taken place. The Association does not collect money from people so it means there is no way it can function as an association without resources. But what I have been trying to do is use my own resources to reach miners in Karamoja, Busia, Mubende and some parts of Ankole who want our support.

How many registered members do you have?

We tried to register but it was difficult. An artisanal miner who is in Busia has been doing that job for 20 or 30 years and does not really see your role or what you are going to improve in his life. So even if you go to government and talk about artisanal mining challenges, he is not concerned. By the way, a number of artisanals do not even want to be registered.

If you go to Bushenyi, mining is seasonal; if it is a dry season they will mine and if it is a rainy season they farm. You can reach there and find nobody in the mines. They will only return to the mine when they have finished their harvest. Others will even go to the mines at 10 a.m. and leave by 1 p.m., unlike some miners in Mubende and Busia who rely on mining as full time jobs.

So what sort of issues do you help artisanal miners with?

Mostly it is conflicts with the license owner.

The artisanal miners claim the license holders are not doing anything...

There are many speculators. People normally acquire licenses thinking that they are going to get investors. You find that people have very big licenses but they cannot develop them because even taking one sample of soil costs about \$50. Now if you have a license that is 200 kilometres, it will be costly.

I normally tell the owners of the licenses that

artisanals are the sniffer dogs who will do a lot of work for you because there is no way you can walk each metre of the license. A lot of gold has been found by local people and artisanals.

For me I use the artisanals a lot on my licenses. I take my samples to the communities and they will tell you that they know areas that have such kind of soils.

What are your thoughts on value addition?

Adding value on a mineral is very difficult in most cases. For instance, if you are going to add value on Tungsten, the power in terms of electricity you need, Uganda cannot produce it. Then even the quantity of raw material that you need to produce, Uganda does not have it. In the whole world there are only three smelters, two for Tungsten and one for Tantalum. So you can see how impossible it is even if you wanted to do it locally.

But for Gold, it can be easily turned. You can turn gold into wedding rings but you find that the value which you have added on is really small. The people who want a lot of gold like the Indians, will force you to sell it as it is.

This gold that you see is sold at international prices so why would one bother making a ring? You will have entered into another business of expensive jewellery which is complicated and needs a lot of money. Personally I do not think you can add value. Maybe it is not even necessary because if you change one kilo of gold into jewellery it will be about \$200,000. Where will you get buyers from in Uganda?

At times the President also talks innocently because he does not know it is not possible. He thinks for the case of iron ore, everybody can bring a smelter which is not possible. His Advisors fear him so they do not advise him properly. Now for example how many years has he talked about adding value to coffee? How many instant coffee factories do we have in Uganda? Zero. This is because if you look at Uganda, how many people drink coffee? You cannot add value on something you do not use yourself.

What are some of the challenges that you have encountered in mining?

Min
ing
has
a
lot
of

challenges and it needs a lot perseverance because it is not a get-rich-quick business. You can find a lot of gold at one time then take up to three months to be lucky again.

There are a lot of challenges especially relating to inadequate capitalisation and lack of support from government, but if you are focused you can continue with your business and thrive.

When you look at the so-called ‘companies’, there is no difference between them and us. There maybe 3000 licenses but how many mines are operational on international standards? None. Yet when you look at Uganda’s production data, artisanal miners produce about 4 tonnes of gold a year and maybe 50 tonnes of Tantalum. That is why one time the United Nations put a ban on Ugandan gold. They thought we were smuggling gold from (Democratic Republic of) Congo because we do not have a big mine here. So if there is no big mine, where is all the gold coming from? When you travel all over Uganda, you will find artisanal miners who are producing this gold.

But some of the gold was being smuggled in from Congo...

Very little, and by the way I don't call it smuggling, I call it trading. There are even people who take gold from Uganda to Kenya.

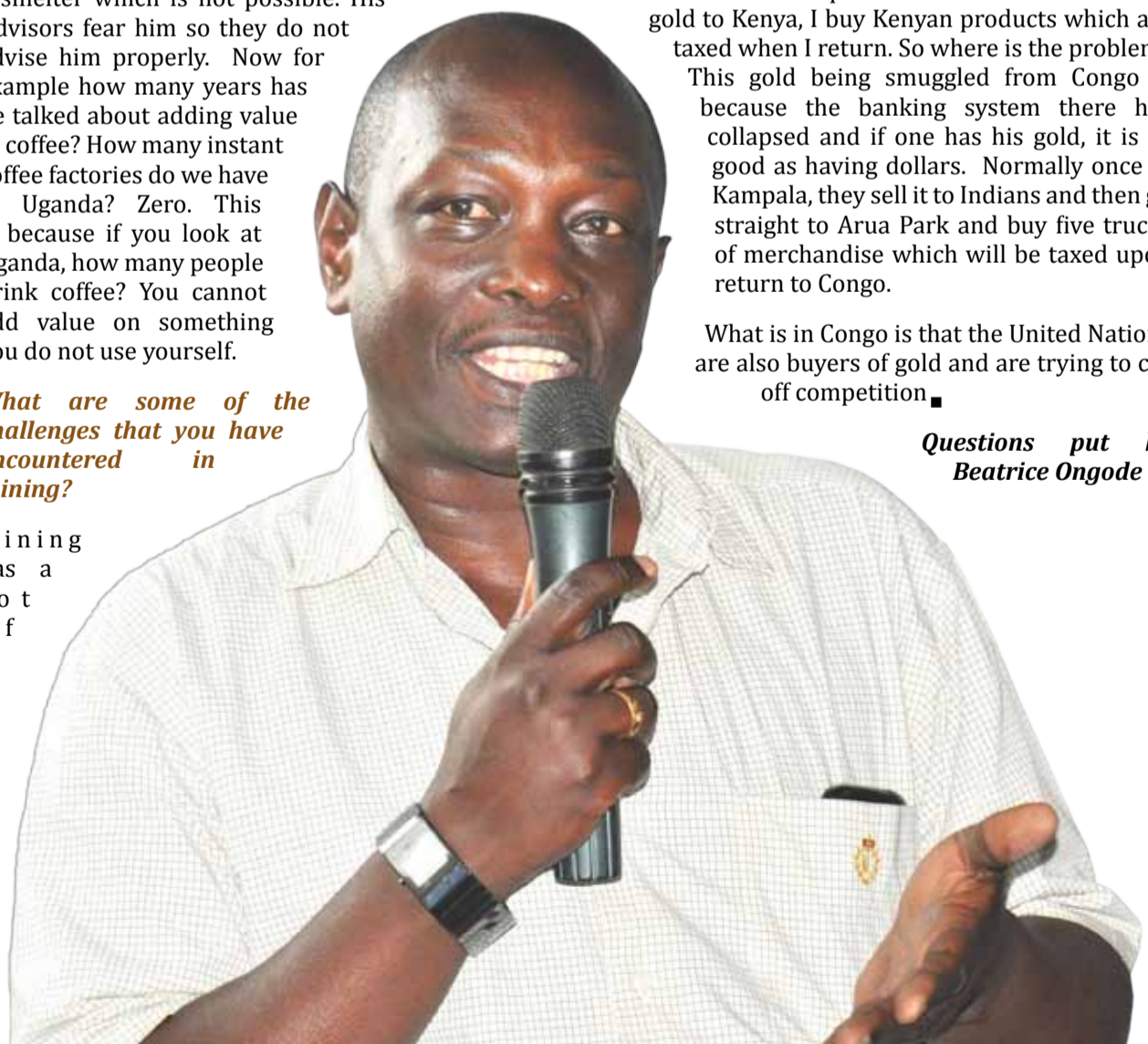
Well it is smuggling because it goes across the border undeclared

At the border in Busia they do not even know that it is gold and at times when you declare it to the border officials they can steal it from you. So why do we need to do that?

For me I think it is pure business because if I take gold to Kenya, I buy Kenyan products which are taxed when I return. So where is the problem? This gold being smuggled from Congo is because the banking system there has collapsed and if one has his gold, it is as good as having dollars. Normally once in Kampala, they sell it to Indians and then go straight to Arua Park and buy five trucks of merchandise which will be taxed upon return to Congo.

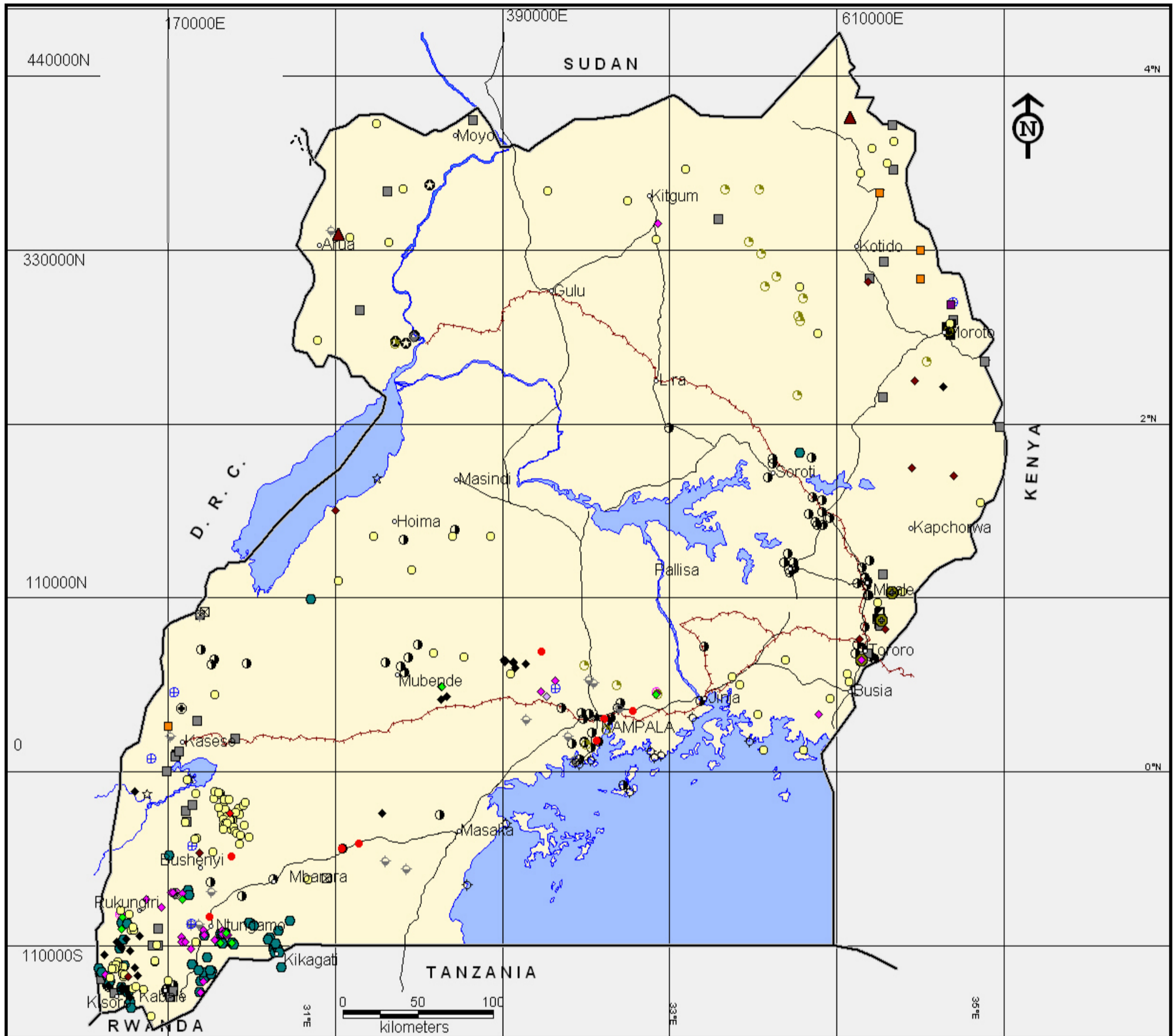
What is in Congo is that the United Nations are also buyers of gold and are trying to cut off competition. ■

*Questions put by
Beatrice Ongode*



What is Uganda's mineral wealth and where is it?

Source: Department of Geological Survey and Mines



INDUSTRIAL MINERALS	
▲	Asbestos
●	Clay
⊕	Diatomite
✦	Feldspar
●	Granite Gneiss
⊕	Graphite
⊠	Gypsum
⊖	Kaolin
⊕	Kyanite
■	Limestone
■	Marble
●	Mica
⊕	Phosphates
☆	Rock salt
◇	Silica sand
⊕	Talc
■	Vermiculite

METALLIC MINERALS	
◆	Beryl
◇	Bismuth
✦	Columbite Tantalite
■	Copper
■	Chromite
◆	Diamond
●	Gold
◆	Iron Ore
●	Tin (Cassiterite)
◆	Wolfram (Tungsten)

LEGEND	
—	Roads
—+—	Railway lines
■	Lakes

Africa being looted

Track it!
 Get it!®



Illicit Financial Flows

The United Nations Economic Commission for Africa (UNECA) High Level Panel was commissioned by the African Union and the Economic Commission for Africa's Ministers of Finance, Planning and Economic Development in 2011. In January, the Panel released its final report *Illicit Financial Flows: Track it! Stop it! Get It.*

According to that report, Africa loses at least 60 billion dollars annually in Illicit Financial Flows (IFFs), much more than what the continent receives in Official Development Assistance from donor countries and organisations. In other words, Africa is a net creditor to the rest of the world, not a net debtor as it is perceived. The Panel describes IFF as money illegally earned, transferred or used.

Expectedly, extractive industries play a big role in

aiding IFFs out of Africa through weak transparency laws and corrupt governments. The phenomenon of Africa losing billions of dollars through corrupt exploitation of its minerals and other natural resources is not new, and dates as far back as the colonial reign of Leopold II, former King of Belgium and Sovereign of the Congo Free State in the late 19th century. Modern day rulers like the late Muammar Gadhafi and Nigeria's Sani Abacha have upheld this 'tradition' and overseen regimes that plundered their countries' natural resources in unbelievable proportions, stashing away large sums of stolen money in foreign bank accounts.

Below are ten key findings from the report that was subsequently adopted by the African Union Heads of State.

Illicit financial flows from Africa are large and increasing: IFF from Africa increased from about \$20 billion in 2001 to \$60 billion in 2010.

Financial secrecy jurisdictions must come under closer scrutiny. Tax havens & financial secrecy jurisdictions ease registration & enable corporate special purpose vehicles & nominal owners (fronts) to mask the real culprits.

Weak national and regional capacities impede efforts to curb illicit financial flows. IFFs reduce capacity of African governments to give essential public services such as health, education & physical infrastructure which ultimately impacts most on the poor.

Ending illicit financial flows is a political issue because the process involves highly powerful actors & interests.

The dependence of African countries on natural resources extraction makes them vulnerable to illicit financial flows. Poorly structured natural resource extraction contracts are used to reduce or eliminate legitimate earnings from royalties or tax.

Transparency is key across all aspects of Illicit Financial Flows

New and innovative means of generating illicit financial flows are emerging, increasing challenges in stopping it.

Commercial routes of illicit financial flows need closer monitoring because corporations under-declare export quantities of oil, gas, minerals, and agricultural products such as timber and fish.

Money laundering continues to require attention and there is need to harmonise laws on anti-money laundering required to address criminal acts.

IFFs undermine state institutions, rule of law & state capacities hence public confidence & divert public money to private uses. IFFs skew income distribution and are linked to inequality.

A look back at global oil prices

Global oil prices have tumbled over the last several months, sending shockwaves in an industry that has a notorious history of risk and unpredictability. But this is not the first time that oil prices have stunned the market. Below, Oil in Uganda traces previous events that sent crude oil prices plummeting or spiking:



With input from Sidsel Bjerrum