



OIL IN UGANDA

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

Ntoroko well disappoints Chinese

The first exploration well drilled in Uganda by the Chinese National Offshore Oil Corporation (CNOOC) failed to find oil, and it appears that the 'Kanywataba prospect' will now be relinquished for possible future re-licensing by the Ministry of Energy and Mineral Development.

The news was broken not by CNOOC but in a July operational update from the Chinese company's partner in Uganda, Tullow Oil. According to the update:

"The Kanywataba exploration well (operated by CNOOC), in the southern part of the Lake Albert Rift Basin, commenced in May 2012 and results of drilling, wire-line logging and sampling show that the reservoir is water bearing. This wildcat well was drilled 20km from the nearest well control. This was the last exploration well in the southern part of the basin with this exploration licence expiring in August."

The Kanywataba area is part of the Semliki basin which was explored

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No end to land wrangles

| By Oil in Uganda Staff

Land disputes in the oil-rich regions are often complex, but two things seem clear: oil discovery has encouraged opportunists, and many ordinary people are cursing.

A year ago, President Museveni tried to quell growing tensions in the oil-rich Bunyoro region by banning further land deals while a committee investigated the matter. No official committee has yet reported—but investigations by Oil in Uganda show ample evidence of continuing strife.

In Kasenyi, Buliisa District, villagers complained that one Franco Kahwa, a local entrepreneur widely named in speculative land deals, has bought community land from two men who had no right to sell it. Villagers who protested the deal say they were attacked by thugs and police.

In Kigorobya, Hoima District, locals reported that a senior Internal Security Organisation officer, Major Herbert Asiimwe Muramagi, has acquired 1,205 hectares of land from a Credit and Savings Society whose original ownership of the leasehold is bitterly contested. Major Muramagi denied buying rights to the land and supplied documents naming one Christine Mirembe as the buyer. Yet testimonies from local people, including a parish priest and even the Credit and Savings Society seller, all suggest that the Major was prominent both in making the deal



Photo by Stephen Wandera

Eriakimi Kaseegu, LC 1 Chairman of Kasenyi, in Buliisa District, says he was beaten and arrested in May after contesting the unlawful sale of community land, including the site of Tullow Oil's Kasemene-3 well.

and in later developments. Longstanding 'squatter' occupants of the land complain of intimidation and violence from armed police and soldiers.

Further south, in Ntoroko District, a family accused local leaders of leasing to outside investors land that the Toro Kingdom gave their forefathers 60 years ago. Some of the disputed land was leased to Mineral Service Ltd, an

oil and gas logistical support company that was originally contracted by Heritage Oil and Gas, and whose services have been retained by the China National Offshore Oil Corporation.

Pages 3 and 4 carry more detailed reports on these cases, while pages 6 and 7 present a broader analysis of the linkages between land and oil in Uganda.

Alpha Oil fails to turn a profit

| By Nick Young

Three private entrepreneurs stood to make a fortune by giving a small British oil explorer access to Uganda's Albertine Rift.

In 2007, a little-known Uganda company, Alpha Oil Ltd., obtained an exploration licence over a large chunk of the Albertine Graben and stood to gain multi-million dollar profits from a passive partnership with an international explorer—but those hopes evaporated early this year when the chosen partner was swallowed by a bigger company that has abandoned the area.

Alpha was established at the end of 2005 by three entrepreneurs: Richard Kaijuka, a former Minister of Energy and Mineral Development who later held a senior position at the World Bank; Abbas Mawanda, a well-known

banker and Managing Director of the Kisita Gold Mine in Mubende, and Hennie Mulder, a South African citizen who, Mr. Kaijuka says, was a gold-mining associate of Mr. Mawanda's.

These three co-directors each put in 33 million Ugandan shillings (USD 18,500 at 2005 exchange rates) as start-up capital for Alpha.

In an exclusive interview Mr. Kaijuka told *Oil in Uganda* that the Government of Uganda gave the company an exploration licence for "the whole of Block 4," covering those parts of Lake Edward that lie within Ugandan territory

and a considerable portion of adjacent land in Rukungiri and Kanungu districts.

Asked why the Ministry of Energy, by then headed by Daudi Migereko, should concede a licence over such a large area to a company with minimal registered capital and no oil exploration experience or expertise, Mr. Kaijuka replied that it was because Alpha "had the capacity to attract" qualified international investors.

"We were required to get technically competent, financially sound, proven

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Ntoroko well disappoints Chinese

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by Heritage in the early 2000s, with only moderate success. A large deposit of methane was discovered, but it was too contaminated with carbon dioxide to be commercially viable.

Tullow later bought Heritage's prospecting rights in the Albertine Graben and earlier this year sold equal interests in their Ugandan assets to TOTAL and CNOOC. The Chinese company is now acting as 'operator' of the fields in the south of Lake Albert, but all three companies will have an equal stake in any eventual profits.

It is not clear whether the three partners will seek an extension to the exploration licence in the Kanywataba area.

Ms. Chai Wei, a Corporate Affairs representative for CNOOC in Uganda, regretted that she was unable to comment on the apparently disappointing performance of the Ntoroko exploration well, or to elaborate on CNOOC's future operational plans.

She explained to Oil in Uganda that CNOOC has only recently established an office in Kampala, and that media enquiries still have to be "handled by Beijing."

The company will, however, continue to develop the Kingfisher fields, where commercial quantities of oil and gas have already been found. Fisher fields, where commercial quantities of oil and gas have already been found.

Oil in Uganda is published by ActionAid International Uganda with funding support from the Ford Foundation and the Democratic Governance Facility.

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Layout Design: Grand Brand

Alpha Oil fails to turn a profit

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[international] partners for us to proceed. Because we realised that we needed deep pockets to get into this business. On our own we couldn't have done anything."

Mr. Kaijuka says he approached several large companies, including Petrobras of Brazil, but they were not interested, so Alpha instead made a deal with UK-based Dominion Oil.

Alpha agreed "to hand over the block [to Dominion] so that they could technically carry the job." A Uganda-registered subsidiary, Dominion Uganda Ltd., would bear all the costs of exploration and keep 95 percent of any eventual profits, while Alpha would take 5 percent. In effect, Alpha's cut would be a reward for getting Dominion access to Uganda's oilfields.

Alpha's directors agreed to this on April 27, 2007, authorising Mr. Kaijuka to make the deal with Dominion. The government signed a Production Sharing Agreement with Dominion three months later, on July 27, 2007. Mr. Kaijuka served for several months as the first Chairman of Dominion Uganda Ltd.

'Wildcatters'

Far from having "deep pockets," Dominion was a 'wildcatter'—a small company that raises venture capital to explore 'high-risk' areas. If they find oil, such firms usually sell on the production rights, for very large profits, to bigger players.

Yet by 2007 the Albertine Graben was no longer 'high risk.' Ten years of exploration by earlier wildcatters—Heritage, Hardman and Energy Africa—had resulted in discoveries that proved the Graben's oil potential.

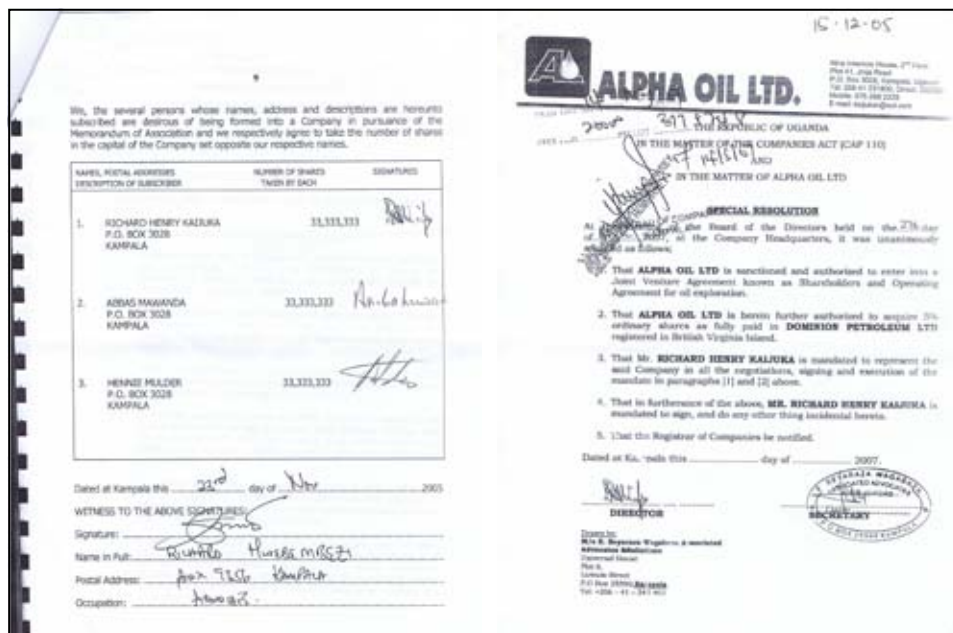
This was thus a highly attractive opportunity for Dominion—secured not through a transparent, competitive process but through their relationship with the well-connected Alpha Oil.

Nevertheless, Mr. Kaijuka insists that the arrangement with Dominion "was absolutely normal because they filled all the requirements."

Dominion's woes

Registered in the Virgin Islands, a tax haven, Dominion listed in 2006 on the London AIM (Alternative Investment Market) exchange—which allows share trading with few regulations and low capital requirements.

The company had little ready cash to invest. Worse, according to a report in The Financial Times, one of the world's foremost business newspapers, "legal disputes between executive shareholders drained funds and confidence in Dominion." During the European credit crisis of the late 2000s, the company struggled to raise capital to service its debts and to fund



exploration in the East African blocks where it held rights.

Nevertheless, Dominion managed to carry out aero-magnetic surveys of the Lake Edward area in 2008 and, in 2010, to drill one well, Ngaji-1. This found "valuable geological data" that "confirmed the presence of excellent quality reservoir sands," the company said. But it didn't find oil.

Enter Ophir

In February 2012, Ophir Energy bought Dominion for US\$ 180 million in a "friendly take-over."

Like Tullow Oil, the UK-based Ophir is a rising star in East African oil and gas exploration. Both companies started out in much the same league as Dominion, but grew fast as a result of big discoveries. Ophir was boosted by gas finds off Tanzania's coast.

Ophir would not talk to *Oil in Uganda* but it seems that they mainly wanted to acquire licences that Dominion held in offshore Tanzania, to consolidate their own holdings in that highly lucrative field.

In March, Ophir signed a "Letter of Intent" to give 80 percent of its rights in the Ugandan block to a start-up Canadian explorer, Octant Energy. Octant would have to pay all further exploration costs and, if they found oil, Ophir would take 20 percent of any profits. As with Alpha's earlier arrangement, this would be a way to retain a share in possible profits without bearing any financial risk.

Yet Octant had no money. Listed on Canada's online TSX exchange, designed for new ventures seeking capital, it was a newborn wildcatter, trying to raise US\$ 65 million to invest in exploration.

To attract that capital it commissioned an independent evaluation of the Lake Edward prospect by DeGolyer and MacNaughton, a consulting company. Their "best estimate" was that, combined with an area licenced to Dominion in the DRC part of the Lake,

the area contained 316 million barrels of oil, and possibly as much as 1.14 billion.

Exit Ophir

Like Ophir, Octant declined to talk to *Oil in Uganda*, but it seems possible that their fundraising campaign bore little fruit.

For, in May, Ophir closed down the Dominion offices in Kampala and apparently relinquished the licence, leaving several unanswered questions behind. Had Dominion fulfilled all its work plan obligations? Was there in fact some dispute over the licence--which Dominion had applied to renew in April, 2011, but which had not been formally renewed by the time of the Ophir take-over? Was it this that prompted Ophir to cut their losses and pull out, preferring to concentrate on Tanzanian waters where they have bigger fish to fry?

A Ministry of Energy spokesperson was only able to tell *Oil in Uganda* that he believed the exploration area would now "revert to government," and that exploration rights may be offered again in future licencing rounds.

Mr. Kaijuka was also unable to cast light on recent events. He says he was not consulted and had no advance knowledge either of the Dominion takeover or of the Ophir withdrawal, only learning of these from the newspapers. "I don't even know when they pulled out. I don't know the end of the story, I myself am trying to find out."

He is left ruing the fact that "Alpha didn't make even one dollar out of this."

Less well-connected Ugandans haven't made a dollar either, or even had the chance to, in all the wheelings and dealings and rent-seeking of an industry that to most people remains as opaque as a lump of Uganda's waxy crude.

More detailed coverage of this story can be found on our website, www.oilinuganda.org

The great land rush

| by Chris Musiime and Frederick Womakuyu

The Bunyoro oil rush has been accompanied by a land rush, and the police and local authorities appear to side with investors who are acquiring leasehold and freehold titles by dubious means.

KASENYI, BULIISA DISTRICT: Villagers here were beaten by hired thugs and detained by police this May after contesting the fraudulent sale of community land, including a plot where Tullow Oil's Kasemene-3 well is located, according to LC 1 Chairman, Eriakimi Kaseegu.

"In 2010, one Kahwa Franco, a rich Mugungu who stays in Kampala, bought land from two Congolese," Kaseegu told Oil in Uganda.

"Local leaders had let them settle some time back because the area was largely uninhabited, although useful for grazing. But these Congolese did a deal with Kahwa, who then sold off a chunk of the land to Tullow Oil."

In the living room of his small, grass-thatched house, Kaseegu passionately describes the events that followed.

"We summoned the so-called sellers to a village meeting, where they admitted selling the land. One of them, Benja Tepolo, said that he had sold the land where the oil well is situated for about one million shillings (US\$ 400)."

The men agreed to refund the money to Kahwa and try to repossess the land, but it appears that this never happened. In 2011, workers arrived to fence off the area enclosing the oil well.

This April, Kaseegu was astonished to receive a letter from Buliisa Town Council informing him that they were coming to inspect and demarcate Kahwa's land. The letter, which Kaseegu showed to *Oil in Uganda*, instructed him as local Chairman to inform the villagers and mobilise them for a meeting with the town council officials.

"I wondered how they could refer to the community's land as Kahwa's!" Kaseegu exclaims.

Violence and arrests

On May 2, Town Council officials arrived for the meeting. But no sooner had it started than men armed with sticks, bows and arrows descended on the 80 or so villagers.

"A group of about thirty men, a mixture of Congolese and Bagungu, started beating up people. One John, a Mugungu from Wanseko, appeared to be commanding the group."

Shortly after the violence began, Kaseegu says, the Resident District Commissioner, Florence Beyunga, arrived on the scene in the company of the District Police Commander and several police officers.

"The attackers seemed to know the authorities were coming, because just as they [the authorities] were about to reach, John ordered his men to hide their weapons. Rather than rescue us, the police started beating us too, arresting the ones they thought were ring-leaders."

Kaseegu and two others were taken to Buliisa Police Station, and then transferred to Masindi Police Station.

"It was a horrible experience. I was suffering from tuberculosis, but the police who arrested us would not even allow me to drink water or make a short call along the way to the police station. I almost urinated on myself," says Kaseegu.

He says that he was detained for five days after which he was taken to court in Masindi and released on bail. The cases against him and one other villager were later dropped, but a third man was still required to report to court monthly.

Kaseegu adds that many people were beaten by police but feared to report this because they believe that the police are agents of Kahwa.

New insecurity of tenure

After narrating his ordeal, Kaseegu led *Oil in Uganda* on a tour of the area, much of which seemed to be uncultivated bush. About two acres have been cleared and fenced off around the Kasemene-3 well site.

Asked how much more of the surrounding area was included in the sale, Kaseegu said he didn't know. "All I know is that we have lost our land," he replied.

It was not possible to establish exactly how much land Kahwa and others have acquired. But the anxiety and anger of the local population was perfectly clear.

Land tenure in the region is overwhelmingly customary. Local leaders allocate families the rights to use land, and those rights can be inherited by new generations in a family; but the occupants do not have land titles and they are not entitled to sell the land.

With some members of the community now cutting deals with outside investors, others have lost all sense of security, and are preyed upon by the fear of eviction.

The Kahwa trail

Tullow's Corporate Communications Manager in Uganda, Cathy Odengo, clarified that Tullow leases, rather than buys, land where it operates, but



Picture credit: Steven Wandera

This young Kasenyi resident faces an uncertain future

said that Tullow is not "mandated" to disclose who it leases land from. "We would recommend that you approach the Buliisa District Land Board as the appropriate authority to prove land ownership of land in the area," she wrote in an email.

Tundulu Sabiiti, Chairman of the Buliisa District Land Board, said in a telephone interview that he could not comment on the case, adding only that "Those land arrangements are between government and the company. You ask them." When asked whether he had heard of Kahwa Franco, he hung up.

People elsewhere in Buliisa frequently mention Kahwa's name in connection with dubious land deals, however.

Documents compiled by the Buliisa District Land Board in 2010 show that Kahwa Franco had by then applied for freehold purchase of 13 plots totalling 2,613.5 acres. The great majority of these applications are marked 'Provisionally approved.'

Sl. No.	NAME OF APPLICANT	LOCATION OF PLOT	FORM OF TITLE	AREA OF LAND	LAND BOARD REF. No.	STATUS OF PLOT
1	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/001	Provisionally approved
2	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/002	Provisionally approved
3	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/003	Provisionally approved
4	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/004	Provisionally approved
5	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/005	Provisionally approved
6	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/006	Provisionally approved
7	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/007	Provisionally approved
8	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/008	Provisionally approved
9	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/009	Provisionally approved
10	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/010	Provisionally approved
11	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/011	Provisionally approved
12	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/012	Provisionally approved
13	Kahwa Franco	Buliisa	Freehold	1000	BL/10/10/013	Provisionally approved

A social worker who cares for orphans in the area told Oil in Uganda that land sales are on the rise as more and more local people seek to mint money from selling "idle" land.

"Initially it was only some few tycoons like Kahwa who were buying land," she said "But now the local people are involved and it has turned clans against each other. They grab each other's land." She added that some opportunistic people claiming to have been born in the area are now surfacing, saying that their forefathers were buried there and so they are entitled to land.

The Paris-based regional publication, *The Indian Ocean Newsletter*, has also linked Kahwa to land deals on behalf of senior Ugandan politicians. Its December, 2010 issue reported:

"The current Minister for Information and former chairwoman of the National Resistance Movement parliamentary group, Kabakumba Maiko, is high on the list of... landowners who hope to see their land increase in value when the oil exploration comes under way. She is believed to have obtained the land through cooperation with another landowner, a certain Kahwa Franco, who supervised the transaction in collusion with Fred Lakumu, the head of the Buliisa district council. Among the other landowners in this zone are the Second Deputy Prime Minister Henry Kajura as well as some DRC nationals who have obtained land deeds from the Uganda Land Commission, like Raphael Soriano, a wealthy businessman from Katanga. The latter may be one of the financial backers of the Congolese rebel Gadi Ngabo, currently living in exile in Uganda."

Senior ISO Officer named in land dispute

KIGOROBYA, HOIMA DISTRICT: A senior official in Uganda's Internal Security Organization (ISO), Major Herbert Asiimwe Muramagi, has been named in a complex land dispute here, with some locals saying that last year he illegally acquired the lease on 1,205 hectares of land.

Villagers in Kisukuma Parish, Kigoro bya sub-county, further allege that when they resisted demands to vacate the land they were beaten and arrested by armed police and soldiers.

"We protested by occupying the land and not allowing any activity to take place," said Aloysius Kyaligonza, the Local Council II Chairman of Kisukuma Parish.

In October 2011, according to Kyaligonza, a truck load of soldiers assaulted and beat the protestors, some of whom were also arrested. "We suffered silently and no district officials came to our rescue," Kyaligonza says.

Edward Bende, a 41 year old army veteran, says that last September he and some 50 villagers took their complaint to the Hoima Deputy Resident District Commissioner, Abdul Swammad Wantimba.

"We told him our issue and he told us to report to police and open a case. He told us he would arrange a meeting with the buyer and asked us to return in a week's time. To our surprise, as we were leaving, [four of us] were arrested by police, accused of stealing 350 cows belonging to Muramagi. We were remanded to Hoima Prison for over three months and released on January 12 this year."

"I came home and was told to resume tilling my land. I had to fill in some forms, in fact all villagers were required to fill in these forms".

Bende says he has lived in the area all his life. "My grandfather is buried here. Personally I had thirty acres, where I was planting cotton, maize, cassava."

He adds that his new landlords are constantly bullying him. "The new owners are now planting pine in our gardens, which we must look after alongside our crops. If they find a tree under your care has dried up, they arrest you or threaten you."

He and other villages also report that police in blue camouflage uniforms are now regularly deployed to guard the area.

A disputed history

In a telephone interview, Deo Birinaiwe, the Secretary Manager of a Bunyoro Teachers Cooperative Savings

and Credit Society, confirmed selling the lease, saying that Major Muramagi bought it from the Society for 500 million shillings (US\$ 200,000). According to Birinaiwe, the Society was formed in 1951 and had acquired the lease for a ranching scheme.

This account is bitterly contested by one Erineo Rugondo, who insists that he is the bona fide leaseholder.

He says that in 1965 the Bunyoro Kingdom Land Office granted him a renewable lease in the name of Kababwa Ranching Scheme—but that he allowed some 80 local families to continue using parts of the land.

Rugondo claims that some years ago, in "an outright fraud," Birinaiwe obtained a 49 year lease on the same land, from the District Land Board, in the name of the Teachers Cooperative—which, Rugondo claims, exists in name only.

In 2007, as confirmed by documents shown to *Oil in Uganda*, Rugondo wrote petitioning the Commissioner of Lands over the case, and in 2010 he wrote to the Land Committee Chairman in the Office of the President, claiming that the file recording his original lease (LWD 3200) had been "hidden for over ten years" by Deo Birinaiwe, and that "There is another file (No. LWD 5900) being used in the process of that land."

Meanwhile, he and the other occupants of the land continued to use it—until the sale to Major Muramagi, who, Rugondo says, has since been intent on evicting them.

Rugondo's daughter, Mercy Rugadya, lodged a complaint against the ISO officer with the Uganda Human Rights Commission. The Commission Secretary, Gordon Mwesigye, wrote to Major Muramagi on February 12, 2012, requesting that he "desist from harassing the squatters on the land pending hearing of the matter by a court of competent jurisdiction."

Denials and retractions

When contacted by telephone, however, Major Muramagi—who is Maritime Director of the ISO, responsible for security on Lake Albert—denied involvement. "It is all lies. I do not own any land in Hoima and I have never owned land in Hoima," he told *Oil in Uganda*.

Yet Josephatia Mboneraho, the Chairman of Hoima District Land Board, also contacted by telephone, said that a sale had indeed taken place, and that Major Muramagi was issued with a title.

In a follow-up visit to Kigoro bya, *Oil in Uganda* spoke to a Catholic parish priest, Father James Aliomu Sabiiti, who reported that Major Muramagi had personally approached the church for help in resolving a dispute between himself and local people over the contested land.

"He is the one who requested that the parish priests handle the matter in a bid to solve the issues amicably," Fr. Sabiiti said. "He came here and asked

the Fathers in this parish, as spiritual leaders, to help him to mediate."

However, the priest added that "many months have gone" since then and Major Muramagi "has been dodging here and there" without following up his request for mediation. Meanwhile, according to Fr. Sabiiti, the Major has been "putting up projects [developments]" on the land.

Yet, shortly after *Oil in Uganda* spoke to Major Muramagi, Deo Birinaiwe contacted us saying that the Major had asked him to call. "It was a mistake," Birinaiwe said, referring to what he had previously reported about the land transaction. "He [Muramagi] did not buy the land, we did not sell it to him. Christine Mirembe bought it."

Asked who Ms. Mirembe was, Birinaiwe described her as "a Kampala lady," adding that "I did not follow her much." He said she had paid 300 million shillings (not the 500 million he had claimed in the earlier interview) and that the sale took place "last year sometime, around April."

Asked why he had previously named Major Muramagi as the buyer, Birinaiwe said "He had got interested in it, we had dealt with him for a long time, so his name was always the one that came to mind. But when I finally checked the records, I found it was Christine Mirembe."

The following afternoon, *Oil in Uganda* received a call from Mugenyi Mulindambura, a Kigoro bya sub-county councillor. He said Major Muramagi had asked him to explain the situation. A few days later the councillor delivered to our office a packet of documents that appear to confirm Christine Mirembe as the legally registered owner of the lease to Plot 8, Bughaya Block 6 at Kyamgando, Kigoro bya.

Dossier

The file of documents includes a copy of a sale agreement, dated April 5 2011, between Bunyoro Teachers' Cooperative Savings and Credit Society and Christine Mirembe of P. O. Box 7026, Kampala, indicating that Ms. Mirembe bought the land rights for 300 million shillings.

Photocopied land title certificates (reference number LWB/5900) show the Savings and Credit Society as holding a 44 year lease—starting in September 1991 but granted retrospectively in 2007—which was transferred to Ms. Mirembe on April 20, 2011. These were accompanied by an A3 size colour photocopy of a boundary map of the land in question, drawn up by the Commissioner of Lands and Surveys

Also enclosed were copies of compensation agreements, dated between August and October 2011, between Christine Mirembe and six occupants of the land she had acquired. These appear to show that the 'squatters' agreed to accept sums ranging from 5 million to 7 million shillings (US\$ 2,000—2,800) each in

return for vacating the land.

In addition, the file included a Notice of Eviction, served on September 9, 2011 by the Kampala law firm Kateera & Kagumire "on behalf of our client, Christine Mirembe," against a seventh occupant, who had allegedly accepted a 5 million shilling compensation package but then refused to vacate.

Oil in Uganda phoned Kateera & Kagumire to verify whether they were acting on behalf of Ms. Mirembe. Managing Partner, Yusufu Kagumire, a renowned conveyancing lawyer and former Chief Registrar of Titles, confirmed that Ms. Mirembe was his client but declined to discuss her business affairs or relationship to Major Muramagi.

Finally, the Mulindambura dossier contained documents relating to an alleged case of threatening violence and malicious damage.

A photocopied, handwritten letter, dated June 27 2011, from LC 1 Chairman of Ndaragi II village, Tegras Kaahwa, reports to the Kigoro bya Police Post a complaint from one resident. He, the letter says, had been threatened by a group of villagers who "instructed him to take them to the manager of the Bunyoro Teachers Savings and Credit Cooperative Society investments which are being pursued [sic] at their land." They then, allegedly, "grabbed him towards the construction site [and] destroyed the construction materials at the site."

This is accompanied by six colour photographs of damaged construction materials, and by a Uganda Police "ammended [sic] charge" sheet, dated October 10, 2011, naming seven individuals as "threatening violence."

It is further accompanied by a photocopy of a handwritten letter, signed on October 30, 2011 by eleven family members of a detained prisoner.

"The family of Mzee [name withheld by *Oil in Uganda*] with grate humbleness would like to request you kindly to release their son [name withheld] who was arrested and remanded at Hoima prison under allegations of malicious damage, theft, violence and others which happened in your farm ..."

The letter, signed in front of LC 1 Chairman, Tegwas Kaahwa, is addressed to "Mr. Asiimwe Habert."

Concluding puzzles

It is impossible from our limited research to reach any conclusion on the rival claims of Deo Birinaiwe and Erineo Rugondo over the original ownership of the contested land lease.

It is also hard to unravel claims and counter-claims about violence, arrests and detentions that have taken place since the April 2011 sale.

It seems certain, however, that this sale and later efforts to 'vacate' the land of its occupants sparked resis-

tance in the community, arrests and detentions.

It is also notable that, before the sale, this 1,205 hectare plot of land was being leased for a total rent of just 120,000 shillings per year—a mere 100 shillings (US\$ 04 cents) per hectare. Why would anyone, whether an ISO man or a “Kampala lady,” spend many hundreds of millions of shillings buying a lease that now has only 23 years to run? (Bearing in mind that the costs included not just the purchase price—whether 300 or 500 million—but, according to the Mulindambura dossier, significant compensation for ‘squatters’ and also the services of Kageera & Katumire, Uganda’s “oldest law firm,” according to its website, and doubtless one of the most costly.)

What expected, eventual profit could justify such expenditure?

Another important question: What is the connection between Christine Mirembe and Major Muramagi? Who is the principal and who is the agent? Who is acting for whom?

Despite his denials of ownership, numerous testimonies point to the Major’s involvement in the purchase and development of the land. Deo Birinauwe, in a third version of his story, related over the phone when contacted for further clarification, claimed that the Major had initially agreed to buy the land for 300 million shillings and made a down-payment of 45 million, but “After a week, he came back and said he had changed his mind, so we refunded his money.” It was only then, Birinauwe added, that Ms. Mirembe appeared with her offer.

Yet even after the sale, the Major has apparently been prominent in developing the land and, as the letter pleading clemency for a jailed man seems to show, in the disputes surrounding it. Community members, including Father Sabiiti appeared genuinely baffled when told by *Oil in Uganda* that the Major denied ownership. “Then why doesn’t he leave us alone?” one young man asked.

The Major’s strenuous efforts to prove he did not buy the land are also puzzling. The rapid mobilisation of the meticulously presented Mulindambura dossier was apparently intended to distance the Major from the case. In fact, it tends to achieve precisely the opposite.

Finally, the single most disturbing aspect of this case is the possibility that Major Muramagi may have used the armed force of the state to pursue private business interests, whether for his own sake or on behalf of others. Various interviewees insist that this has happened. And even Deo Birinauwe, in our last interview with him, hinted that it might. “Muramagi is a big man in this country,” he warned *Oil in Uganda*, “And if you want to take him on, you may suffer.”

A more detailed version of this story appears on our website, www.oilinuganda.org

Portraits from refinery site

Early this year, the government announced that a site had been chosen, in Kabaale Parish of Hoima District’s Buseruka sub-county, for a 29 square kilometre oil refinery complex.

A Kampala-based consulting company, Strategic Friends International, was contracted to develop a compensation and resettlement plan for an estimated 20,000 people who will need to be relocated from 16 affected villages.

According to Bashir Hangi, a communications officer for the government’s Petroleum Exploration and

Production Department, the consultants have involved local people by forming Resettlement Action Plan committees.

“Apart from village chairpersons, the other 16 members on the committees were elected,” Hangi says. The committees are intended to establish the real owners of the land and determine whether they prefer compensation in the form of money or in the form land elsewhere.

Still, it’s not going to be an easy job. Over many years, people have migrated into the area from dif-

ferent parts of Uganda and neighbouring countries. Land allocations have mainly been informal and go unrecorded. On a recent visit, *Oil in Uganda* heard from long-term residents that in-migration has increased significantly since the discovery of oil—and even more so since the refinery project was announced, as incomers arrive hoping for some crumbs from the compensation cake. The five pen-portraits presented here illustrate the varied origins and backgrounds of people living in the parish.

Report and pictures by F. Womakuyu



Esther Igonja has spent 50 of her 80 years in Kabaale.

She came to Uganda with her husband, Moses Kasavubu, from Kasai Province in Congo in 1961, after Patrice Lumumba was assassinated. “We are of the same origin as Lumumba and were being witch-hunted,” Igonja recalls.

The couple first stayed in Arua but moved to Kabaale in 1965. Together, they farmed 20 acres, producing seven children who have now borne more than 25 grandchildren, all living on the same land.

It has not been easy. Igonja never attended a day’s schooling, and her family has never risen above

grass-thatched housing or earned more than a dollar a day. Her seven children were all born at home, and five others did not survive.

“Now we are going to be thrown off our land and we don’t know where we are going,” she laments. “Our family cannot go back to Congo, Uganda is now our home.”



Zebulon Kaawa, 35, describes himself as “the richest man in Kaiso village” which lies at the heart of the proposed refinery complex.

His father, a trader from Mpigi, moved into the area in the 1970s. “He bought five acres of land

from a Munyoro man and we have known no other place,” Kaawa says.

Kaawa attended the village primary school but did not progress to secondary. Instead, he started fishing and eventually saved enough to open a small shop.

The business prospered and Kaawa, who has two wives and fifteen children, now oversees a thriving beer and soda wholesale outlet, netting two million shillings a month. He also owns and rents out a local minibus taxi.



Winnie Ayabare, 41, was born in a Bahima pastoralist community in Ntungamo District, but her family moved to Luwero after the 1986 war that brought Yoweri Museveni to power.

In 2005, she says, her brother acquired 25 acres

of land in Kabaale for cattle raising. Last year, she bought two of those acres from her brother, and began to build a small house. She planned to move there with her six children and to open a restaurant in Kyapoloni trading centre.

News of the refinery project has since put those plans on hold. She is, meanwhile renting a back room in the Kyapoloni market, where she is already operating a small restaurant.



Lawrence Ozelle, 20, was born in Kyapoloni to parents who had migrated from the West Nile region in the 1980s. They were seeking refuge from revenge attacks after the overthrow of Idi Amin.

Ozelle’s father died in 2009, leaving two grass-

thatched huts and around four acres of crop land.

Ozelle completed only the first year of primary education, but is supplementing his income from farming by mending bicycles. This is the only skill he knows, he says, but he was managing to

make a reasonable living. Now he is worried by the changes that lie ahead.

“Our future lies in balance,” he says. “It has disorganized us and we cannot plan for our lives.”



Cattle herding brothers Stephen Rucogoza and Samson Rugambwa fled Rwanda during the 1994 genocide.

They first reached Luwero, in central Uganda, but soon after moved to

Kabaale Parish, which had plentiful grazing.

“It was a game reserve, with vast land and few people lived here. We built a few huts and grazed in the reserve, moving from one end to

the other without any interference,” Rugambwa, 53, recalls.

The brothers have 20 children between them, all raised in Uganda, but none has studied beyond primary school.

Land, oil and dispossession

By an unfortunate twist of fate, Uganda's oil and many other mineral resources lie beneath some of the poorest and most marginalised areas of the country. According to the 1995 Constitution, the state holds these resources in trust for the people; but the great risk is that they will be captured by predatory elites, rather than used for the benefit of the people as a whole.

The early colonial era achieved the contradictory results of stitching together disparate kingdoms and communities into a single 'protectorate' yet at the same time embedding regional and class divisions within it.

Buganda, along with parts of Toro and Nkore, was developed as a cash crop economy, supplying cotton to the British textile industry. In these areas, after the Crown had claimed 'vacant' land, the rest was shared as freehold (*mailo*) land between 1,000 chiefs and clan leaders, whose clansmen henceforth worked the land as tenants. This was a radical transformation of previous social and economic relations.

In the rest of the country cash cropping was introduced later and less extensively, and nearly all land remained under customary tenure, used for mainly subsistence agriculture or pastoralism. Well over half of Uganda's land remains under customary tenure to this day.

Dispossession

Along the Albertine rift, large tracts of land were gazetted as forest or game conservation areas.

In much of Bunyoro, people were left to meet their needs from a relatively narrow corridor between gazetted land to the east and Lake Albert to the west. Combined with the fact that the kingdom was forced to cede land to Buganda as a penalty for resisting colonial occupation (and as a reward to Buganda's leaders for their help

people do not see land as a mere commodity, property to be bought and sold, but as more deeply connected with their way of life, traditions and culture.

in bringing Bunyoro and other areas under British rule), this created a lasting sense of historical grievance. The discovery of oil in Bunyoro could not help but bring those grievances to the fore.

Yet the Banyoro were not alone in being dispossessed. As the sun set on the British empire, many people were displaced and resettled in the process of creating national parks. In some cases entire ethnic groups were relocated, with generally dire consequences for them. This happened, for example, to the Ik people, who were removed from their ancestral hunting grounds to make way for the Kidepo National Park, and went into terminal decline.

Karamoja, already being prospected for gold and other minerals, may well now become a new frontier in oil exploration, given recent discoveries across the border in Turkana, Kenya.

Much of Karamoja's surface land technically belongs to the state. This will likely be news, and highly unwelcome news, to the great majority of Karamajong people, who saw negligible development in the 20th century and who now risk being classified as 'squatters'—like the Baganda tenant farmers before them—on their ancestral lands.

Land markets

Secure property rights are often said to form the bedrock of market economies—the foundation on which the rule of law is built, giving rise to general development and prosperity. This was a central argument of John Locke, the British philosopher whose thought greatly influenced the founding fathers of the United States of America. It remains an article of faith in the thinking of mainstream development economists.

Yet across much of Uganda—and many other places too—people do not see land as a mere commodity, property to be bought and sold, but as more deeply connected with their way of life, traditions and culture. For this they are often chastised as having 'backward' ideas.

Uganda's 1995 Constitution and 1998 Land Act confirmed the four kinds of tenure instituted under British rule—*mailo*, freehold, leasehold and customary—but government policy has been to encourage a shift from customary to freehold. A family that has inherited customary rights may apply to the local Land Board to have a freehold title issued.

This, however, has proceeded only very slowly. The process involves significant costs, as the land must first be surveyed and demarcated, and other community members must



Graphic: Nina Narvsten

recognise the family's claims. Many families, in any case, cannot see point of obtaining a piece of paper to formalise their tenure.

Yet this leaves them vulnerable to outside entrepreneurs, developers and speculators.

"Speculation is legal"

Land speculation is certainly rife in oil-rich areas but it is not illegal, a senior central government official, who preferred not to be named, told *Oil in Uganda* recently.

Local entrepreneurs, he acknowledged, have been buying up plots from individual farmers, perhaps on behalf of wealthy families from elsewhere and with the assistance of District Land Boards, which have jurisdiction over land titles and are independent of central government control.

The apparent aim is to aggregate smallholdings into substantial parcels that can be sold on at much higher prices to private developers as an expected oil boom gathers pace. Compensation settlements for land that is compulsorily purchased for oil infrastructure or related public works are another source of potential profit.

Yet this does not break any law, according to the official. A buyer may reach a private agreement with a customary landholder, have the land surveyed and receive a freehold title provided that the community confirms that the seller did have customary rights over the land.

The official acknowledged, however, that District Land Board staff "may not be doing their jobs properly" in visiting the community to verify that the seller has rights and that those rights are recognised by his neighbours.

Moreover, although land registries are, in theory, public documents, in practice they are jealously guarded by Land Boards, adding to the suspicion that local officials are complicit in the accumulation of land by a lucky few.

"Speculator's honeymoon"

Stephen Mukitale, the NRM Member of Parliament for Buliisa County, Buliisa, has long been waging war on land speculation in Bunyoro.

For several years, he claims, around 30 families "from Kampala" have been using local agents—including Franco Kahwa, named in our article on page 3—to buy up land along the whole Albertine Graben.

He also alleges that he has been harassed and intimidated by local security chiefs and police because of his efforts to expose this. On December 2, 2010, he complained in parliament that:

"Every time I appear, he [Officer in Charge of Buliisa police, Edison Muhangi] comes with an AK 47 and some people . . . They have shot at me three times . . . I request that this matter is urgently handled if we really want to prevent a Niger Delta and an Ogoni [situation] in the Rift Valley, because I can see the speculators, the oil sharks, moving so fast to even recruit in the security, even to recruit political leaders, even to recruit those who should be protecting the community."

The MP claims that his investigations prompted President Museveni to announce a ban on further land transactions in Bunyoro, in a bid to calm the situation.

Yet Hon. Mukitale believes this has now turned into a "speculators' honeymoon" because it has prevented locals with customary tenure rights from obtaining freehold titles.

And after oil?

If the past and the present are both marked by dispossession of the many for the benefit of the few, the danger is that the future also will be.

When the oil is gone—in around 30 years from now—the soil will remain. Uganda’s land, much of it prodigiously fertile, is the country’s most enduring natural resource. Its fertility may be threatened by local and global climate change, but it is likely to remain a critical resource for many generations to come.

But when the oil is gone, who will own Uganda’s soils?

The local oil rush is coinciding with a global land rush. Higher commodity prices—driven by the growth in the number of people, especially in Asia, able to afford significant consumption—are driving large scale land acquisition by commercial investors. According to a recent report in *This is Africa*:

Africa’s land is attracting unprecedented commercial interest from governments, sovereign funds, pri-

vate companies and asset managers, from neighbouring Qatar all the way to South Korea. Around 53 million hectares – roughly the size of France – has been sold, leased or licensed globally since 2001, and that only covers deals with reliable sources. The true figure could be over 200 million hectares.

In Uganda’s case, the land rush—involving local elites at least as much as international investors—may in future be spurred by what economists call ‘Dutch disease’ (see page 11). At its simplest, the ‘disease’ will, as a result of oil revenues and increased government expenditure, raise the value of the Ugandan shilling. That will make agricultural exports, the current mainstay of Uganda’s economy, less competitive.

It is highly likely that policymakers will cite Dutch disease as another reason to encourage large scale, commercial agriculture. Big farms, it will be said, can achieve economies of scale, mechanisation, and higher productivity, and so could sustain the competitiveness of agricultural exports even during an oil boom.

In short, oil wealth could be a significant factor in leading the country towards the kind of plantation agriculture that, by a quirk of colonial history, Uganda largely avoided in the 20th century.

Yet if that happens, what will become of the many millions of Ugandan families who still live from subsistence farming and cash-cropping, and to the smaller but still substantial number of pastoralist families?

The oil industry will certainly not absorb them. A few thousand skilled workers—welders, fitters, etc—will be needed over the next few years to build the infrastructure required to extract the oil. But once it is flowing regularly the operation will be overseen by just a few hundred highly trained technicians and managers.

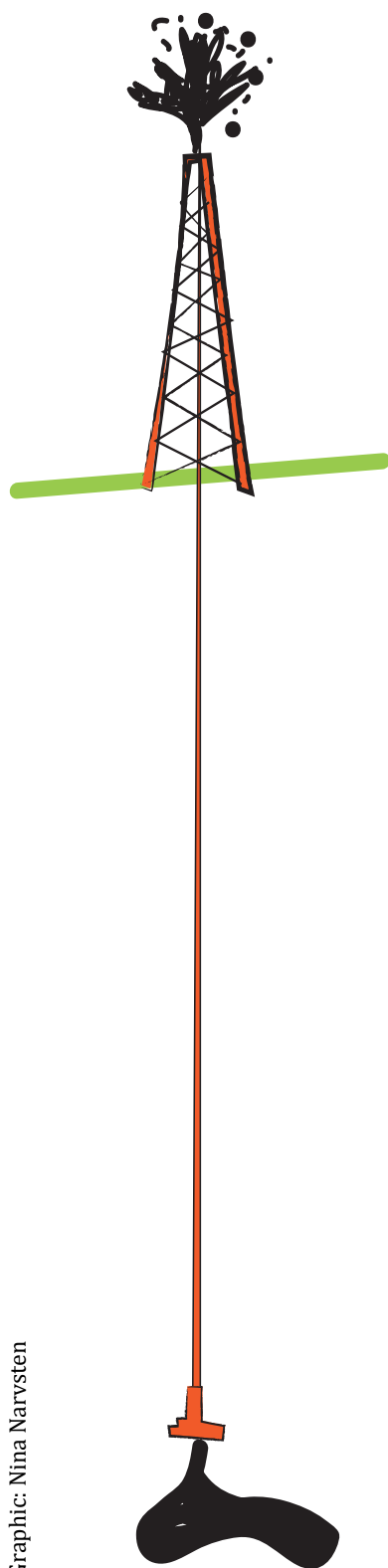
With Uganda’s population currently growing by 3.3 percent each year, the livelihood challenge won’t get any easier. According to the World Bank, even if family sizes decline steadily in response to improved life expectancy, “in 2050, Uganda’s population is likely to exceed 80 million people,”

compared to some 34 million now. And by then there will be no more oil.

All of which is good reason for policymakers to use oil wealth to support, and not to dispossess, the small scale farmers.

When the oil is gone—in around 30 years from now—the soil will remain. Uganda’s land, much of it prodigiously fertile, is the country’s most enduring natural resource.

Drilling down to the deeper issues



Surface issues: As oil production gets under way, are there workable procedures in place to assess and pay fair compensation to people whose land is compulsorily purchased, occupied, or otherwise affected by the extensive infrastructure that will be needed for production, storage, transport and waste disposal, and for associated public works?

Just below the surface: There is now ample evidence that substantial areas of land in the Albertine Rift have been acquired—‘grabbed’ is the usual, Ugandan way of putting this—by local and national elites. The presumed motive is investment in land whose value, as the region becomes an oil-boom area, is soaring. Profit may come either from later compensation deals, or by re-sale for private developments.

Because land in the region is, overwhelmingly, held on a customary tenure basis, most communities believe that they have secure and hereditary rights over it—and are dismayed to find that it is being sold from under their feet in deals of, at best, dubious legality.

Yet when these deals lead to conflicts, local authorities and police appear generally to side with the buyers.

Gender dimension: It is invariably men who decide to sell land—whether it is theirs to sell or not—and who decide how to use the proceeds. If these are spent in a consumption splurge, women are often left struggling to feed the family.

Cultural identity and conflict: Land for many people, especially under customary systems, is intimately entwined not only with livelihood but also with issues of cultural heritage and identity. Purchases by outsiders, even with due legal process, can be experienced as cultural encroachment and invasion.

In Bunyoro, these issues are amplified by a widely held sense of historical grievance over lands forfeited in the colonial era, and subsequent economic marginalisation.

Yet this is further complicated by the fact that Bunyoro is not, in fact, communally homogenous. Tensions over land have already sparked inter-community conflicts.

An uncertain future: Most economists agree that, even with good management, oil revenues will tend to strengthen Uganda’s currency, raise the price of services such as construction, and make agricultural exports less competitive. One effect of this ‘Dutch disease’ may well be to increase policy pressure for concentrating land holdings in larger-scale, commercial farms—whose economies of scale, it will be argued, make them better able to compete on world markets. But what will happen when the oil runs out? If Uganda is not able to absorb former subsistence farmers into other occupations, the country may be left with a large, impoverished and landless underclass.

Graphic: Nina Narvsten

Heritage Oil malpractice reveals waste management flaws

| By Chris Musiime and Nick Young

The dumping of oil waste on a farmer's land raises serious questions about Uganda's capacity to manage wastes when production starts in earnest

NWOYA DISTRICT. A farmer who says that Heritage Oil dumped dozens of truckloads of waste in a pit dug on his land, a few kilometres north of Murchison Falls National Park, is still waiting for the National Environmental Management Authority (NEMA) to give him the results of tests they conducted in 2009, and for the waste to be removed for permanent disposal elsewhere.

Douglas Oluoch, 43, relates that he first came into contact with Heritage in his capacity as a local councillor (LC II) in Purongo sub-county of what is now Nwoya District. In 2008, he says, a Heritage official, who he can identify only as "Albert," offered to pay him for accepting waste from exploration wells dug within the National Park.

Oluoch told *Oil in Uganda* that he received 750,000 shillings (USD 300) for accepting the waste, adding that "They said it was not harmful and would act as a fertiliser."

The company, he went on, sent an excavator to dig a 25 metre by 25 metre pit, 10 metres deep, on part of his 8-acre plot, which is adjacent to a murram road leading from the Karuma-Pakwach highway to the north gate of the National Park. For a week, two trucks ferried waste to the site, each truck bringing three or four loads a day. Finally, the pit was covered with topsoil.

As far as Oluoch knows, the pit was not lined with concrete or plastic. While the operation was in progress, he says, "They stopped me from ac-

cessing the place and said nobody should go there."

Oluoch described the waste as a kind of greenish clay, oozing liquid. It is not possible to confirm what it actually comprised and whether it was first treated. However, along with spoil from test wells—some of which are sunk more than a kilometre below the surface—exploration waste can include the remains of chemical lubricants and coolants used in the drilling process.

Although claiming that "Albert" told him it would be safe, within a few months, to plant crops on top of the pit, Oluoch became concerned when NEMA officials visited the farm where he lives with three wives and ten children. They advised the family, he says, not to eat the cassava they had planted on the site of the pit. He adds that NEMA officials have since visited the site several times, and in 2009 dug a deep hole to carry away samples of the waste for analysis, but that he has not yet been told the results.

Oluoch also says that he has since been "stigmatised" by his neighbours, who were alarmed by the official visits to the site. They fear that it might contaminate ground water in the area.

Confirmation

Officials in the National Environmental Management Agency's Directorate of Monitoring and Compliance confirmed that they knew of the case but were unwilling to discuss it with *Oil in Uganda*.

Emmanuel Omara, the District Environmental Officer of Nwoya District—which was carved out of Amuru District in July, 2010—was more forthcoming. "It is true that a sample was taken [by NEMA] but the results have not been received formally here," he said. When Heritage sold its interests in the exploration areas to Tullow Oil, he added, Tullow "took over all the liabilities of Heritage."

"The District had a meeting with them. At that time, Tullow were still holding all the wastes in the drilling sites. But then they had a plan of constructing a temporary waste facility at Tangi Camp [within Purongo]. When they did that, they were supposed to carry all these other wastes, and store them there while government looks for a way of disposal."

Omara, who has also been serving as the Forestry Officer of the District, says that he was so busy with other matters that he was only able to maintain sporadic contact with Tullow over the case.

He confirms, however, that when Tullow was removing drilling waste from sites within the national park to the storage facility in Tangi, "We were informed. I inspected and ensured that all the waste was ferried from there."

Since February, when Tullow partnered with CNOOC and Total to work jointly on exploration and production, Total has become the main operator of Exploration Area 1, which includes parts of the new Nwoya District.

"Now," says Omara, "It is the responsibility of this office to work with Total to make sure that they ferry all these wastes to the temporary facility in Tangi."

Frederick Okecha, who serves as Local Council V Chairman for Purongo sub-county, strongly agrees. "We held a dialogue with Total and this was the first issue we put on the table," he says. "We feel that as part of their corporate social responsibility, even if it's not mandatory, they should help us and remove this waste to give a good signal; and they promised to do it."

Total appears ready to listen. In a written response to a request for information, Anne-Sophie Leroy, Environment and Corporate Social Responsibility Manager for Total in Uganda, stated that "As the new operator of Exploration Area 1, Total will deal with legacy issues inherited from the previous operators of the licence area."

However, she added, "The current limitation for us is that there are no guidelines yet from the regulatory agency NEMA on the proper handling and disposal of drilling waste and there are space constraints at the licensed waste storage areas. When these guidelines are put in place, drilling waste will be accordingly removed, treated and disposed of in the appropriate manner."

This story was published on our website in May. On June 26, NEMA published an eight page set of Operational Waste Management Guidelines for Oil and Gas Operations.

Photo: Nick Young



Douglas Oluoch points to where Heritage buried oil drilling wastes on his farm

Photo: Nick Young



Oluoch shows a lump of clay, from the waste pit.

Photo: Nick Young



Amuru District Town Council: Here, people have returned from IDP camps to till the land again, but keep hearing rumours about oil. Rumours are filling the information gap: the areas has received none of the 'sensitisation' efforts that NGOs and companies have undertaken in Bunyoro.

Commentary: Bad precedent and bad omen

In the absence of adequate regulations at the time, it is not clear whether Heritage's disposal of drilling waste on Douglas Oluoch's land was technically illegal. But it certainly fell spectacularly short of the "international best practice" which the Petroleum Bills currently before Uganda's parliament affirm as the standard for the country's nascent oil industry.

Even if the wastes were relatively innocuous, disposing of them for a pittance in a private deal with a semi-educated farmer was, at very best, shady and cheapskate. And the apparent concern subsequently shown by the National Environment Management Authority suggests that the wastes were quite possibly *not* innocuous.

The UK-based Heritage walked away from Uganda in 2009 with hundreds of millions of dollars in profits from its exploration foray, after selling its interests to Tullow Oil for US\$ 1.45 billion—and then contested and refused to pay the US\$ 404 million capital gains tax levied upon the transaction by the Uganda Revenue Authority.

This is a paradigm case of corporate *irresponsibility*. At the macro level of trying to maximise its already substantial profits to the detriment of the Ugandan treasury, and at the micro level of cheating Oluoch, Heritage has displayed what a former British prime minister, with reference to the behaviour in Africa of another British company, famously termed "the unacceptable face of capitalism."

This was a bad start for Uganda's oil industry. The international oil companies that remain here, and those that will come in the future, will have to work hard to shake off the aura of avarice and duplicity that Heritage has left behind as its major legacy to Uganda.

Questionable capacity

At the same time, the Ugandan authorities' handling of this case suggests a worrying lack of monitoring and follow-up capacity.

International oil companies have now been exploring the Albertine Rift continuously for more than a decade. Yet only in May, 2012, did the National Environmental Management Authority and other major government players come up, at last, with an Environmental Monitoring Plan for the area.

How much confidence can Ugandans have in the authorities' ability to implement the plan when we learn, from this case, that NEMA has failed to report to a local government the results of analysis of a potentially polluted soil sample a whole three years after the sample was taken?

If the existing monitoring capacity was inadequate to cope with the early exploration phase, how will it cope with a greater workload as production comes on-stream, and as more companies move into exploration through future licensing rounds?

At minimum, improved institutional capacity is essential, both for NEMA, and for the oil exploration and production districts. Emmanuel Omara was admirably open and straightforward when *Oil in Uganda* called, without a prior appointment, at his office in Nwoya District. But how can one man, however dedicated, be seriously expected to discharge the duties of a District Environmental Officer, in an oil-producing region, in just 50 per cent of his working time?

Poor communication

Finally, communication needs to be seen as integral to capacity building. A major improvement is needed both in communication between statutory bodies, and in communication between official bodies and the general public.

Our efforts to research and confirm the accuracy of this report are a case in point. Over the space of a week, *Oil in Uganda* made numerous phone calls to NEMA, and twice visited the offices of the Directorate of Monitoring and Compliance—but despite being repeatedly

promised an interview none was forthcoming. No doubt NEMA staff had many other matters to attend to. Yet they need to understand that the failure to respond to legitimate public and media enquiries can only increase public mistrust and cynicism surrounding oil exploration and production.

Travelling in Amuru and Nwoya districts, *Oil in Uganda* found clear evidence of mistrust, cynicism and mis-information. One person interviewed, for example, appeared to believe that Mwangi camp is the site of an existing oil refinery. This persistent rumour arises from ignorance of the oil industry: why would companies that spend hundreds of millions of dollars in exploration and production, in the hope of spectacular profits, waste their time trying to earn a few shillings from a kitchen-sink refinery producing a few truckloads of petrol? Yet suspicion of skulduggery—already stoked in Purongo sub-county by the sloppy, waste-management antics of Heritage—will persist as long as communities who are already struggling with chronic poverty are kept in the dark about oil exploration and development activities from which they have so far received no benefit whatsoever.

Frederick Okecha, the Purongo LC V chairman who accompanied *Oil in Uganda* to Douglas Oluoch's home, notes that Nwoya has received far less attention than Hoima and Buliisa districts in terms of the kind of community 'sensitisation' efforts pioneered in Bunyoro by NGOs such as International Alert and ACODE. And he issues this dire warning: "Partners should come in and make sure that we have a meaningful dialogue with the oil companies. Otherwise it feels like a war is looming."

Government, oil companies and NGOs need to respond to that call. And the primary responsibility falls to government, which holds Uganda's mineral wealth 'in trust' for the nation.

Cultural leaders demand a share

| By Halima Abdallah

The Bunyoro Kingdom's claim for a share of oil revenues may have a ripple affect among cultural leaders in other oil and mineral rich areas.

Growing demands from cultural leaders for a share of oil revenues could spark ethnic conflicts among marginalized communities in mineral rich areas of Uganda, analysts say.

"If communities begin demanding higher percentages, it will set precedents. Mineral sites may bring conflicts as they start fighting for their shares of royalties. Far from bringing wealth and health, we may not get political hygiene but ethnic politics," according to Makerere University History and Development Studies don, Ndebese Mwebestya.

Ethnic groups in areas with minerals other than oil and gas may present similar demands, he suggests. For example the Bakanzo people in Kasese, in the west of the country and the Japadhola groups in Tororo, in the east, may demand shares in revenues accruing from mining limestone.

Professor Augustus Nuwagaba, a poverty eradication specialist who also teaches at Makerere, emphasises that "People need to realize that these are national resources. They are not individual resources or community resources, they belong to the whole nation."

He acknowledges, however, that local communities in areas where resources are extracted may face social and environmental challenges and that "government should consider this and give the districts a share of oil revenues."

In Uganda minerals are often found in the most marginalized communities, but legal regimes offer them, at best, only surface land rights. Compensation for compulsorily purchased land is often very low, leaving many landless at the end of the day.

The Omukama's case

Cultural institutions argue that, as hosts of the resources, they are entitled to some revenues to steer development in their already marginalized communities. They also expect job opportunities and improved social services.

"My people are very poor, yet we have lots of resources," the Omukama (King) of Bunyoro, Solomon Gafabusa Iguru, told *Oil in Uganda* in a recent, exclusive interview.

"This region has a huge potential for the development of agriculture, but the sector is not well developed because we have no tractors or silos to practice commercial farming and move away from primitive, subsistence farming. The roads, schools, water and energy are really not developed – so we need affirmative action to develop," he continued.

"All the kings and cultural leaders must be given a percentage so that they can continue doing something good for the people."

Cultural leaders also contend that their people will be the first victims of environmental degradation or accidents arising from oil activities, as well as losing their culture as their areas become multi-ethnic.

"My people told me that, to get the oil out, you need a lot of water," said the Omukama. "Now, will this fresh water be enough to get that oil out? And what will happen if there is an accident and there is an oil spill into the water? Will the fish survive, or drinking water survive?"

Ripple effect

There are signs that, even if the central government is not impressed by the Omukama's arguments, other cultural leaders share the same concerns.

Rwoth Charles Umbidi, a cultural leader from Nebbi, is the latest to make demands for his subjects—including better schools, hospitals, job opportunities and construction of cultural sites.

He sees cultural sites as necessary to appease the gods.

"We do not want our gods to be annoyed with noise during exploration, so to appease them we must perform our rituals."

Besides the Banyoro and the Alur people of Nebbi, the Acholi in the north, Lugbara in West Nile and Batoro in the west seem poised to voice their demands. The list could grow longer as the areas with oil and gas potential stretch over 500 kilometres along the Albertine Rift valley.

Omukama Gafabusa Iguru has spearheaded the cultural leaders' demands. In an unusual appearance before a parliamentary committee this May, he called for assurances on environmental protection and a 12.5 percent share of oil and gas revenues.

According to one news report, the Speaker of Parliament, Rebecca Kagada, instructed parliamentary committees not to receive further delegations from cultural leaders.

Accountability

The 12.5 percent of oil revenues that the Omukama is demanding would amount to hundreds of millions of dollars a year at peak production. The Banyoro see this as an opportunity to right historical injustices that, since the colonial days, saw them lose land and experience economic decline.

The central government has no intention of handing over such sums to royal households, but it is planning to give a percentage of royalties to district governments, and a portion of that may be passed on to cultural institutions.

A draft Public Finance Bill states that "A district may, in consultation with the ministries responsible for culture and local governments, grant a share of the royalties due to the district, to a cultural or traditional institution."

Even then, payments to cultural institutions could raise issues of accountability. Kings customarily receive gifts from their subjects and how they use those gifts is a private matter kept within the palaces.

Ndebese Mwebestya believes this would complicate any mingling of cultural roles and development programmes.

"They can use cultural politics to demand an environmental tax and that should go to the kingdoms—but it should not be combined with royalties that are likely to go to individuals," he said.

Shem Byakagaba, Managing Consultant at a legal and governance firm, Lantern Consult, suggested that any money "should be given conditionally—in the sense that the Kingdom opens another entity that will implement its policies and programmes and in turn the entity can be audited since it will be accountable to the Kings subjects and the king himself." Without such an arrangement, he said, "skeptics will have the day,"

Experience elsewhere

In South Africa, cultural leaders do receive royalties accruing from gold.

In other countries, however, revenue sharing continues to present challenges. For example, Ghana, which

discovered oil almost around the same time as Uganda, is also grappling with how to share revenues with the communities in the western region where oil is found. The region had asked for 10 percent but the issue remains unresolved.

Traditional institutions in Ghana are represented on a statutory public interests and accountability committee by a queen mother.

In Uganda, The 1995 Constitution states that "A traditional leader or cultural leader shall not have or exercise any administrative, legislative or executive powers of Government or local government."

Additional reporting by Frederick Womakuyu

September, 1955: The King of Bunyoro, Omukama Sir Tito Gafabusa Winyi IV, and Sir Andrew Cohen, Governor of the Uganda Protectorate, signed a 'Bunyoro Agreement.'

In an exclusive interview with Oil in Uganda, the present Omukama, Solomon Gafabusa Iguru, and his principal private secretary, Yoram Nsamba, argued that this agreement remains legally valid: the Government of Uganda, they say, has inherited and should honour the commitments made by Governor Cohen.

The Omukama and his adviser complain that they were never consulted over oil prospecting. They are now claiming 12.5% of oil royalties for the



What are the ‘natural resource curse’ and ‘Dutch disease’?

The phrase ‘natural resource curse’ is often used to describe a situation where, rather than bringing widespread benefits, the extraction of a country’s mineral, oil or gas resources causes significant harm. It is also sometimes called ‘the paradox of plenty.’

The ‘curse’ is commonly said to result from:

- Political conflict over the resources—pitting regional, ethnic or religious communities against each other
- High inequality in the sharing of benefits—typically, when a narrow band of relatively well-off people benefit, but the poor stay poor or even get poorer
- Environmental pollution—resulting from lax environmental standards and/or low capacity for environmental monitoring and enforcement of standards
- Corruption and ‘rent seeking’. Everyone knows what corruption is. ‘Rent seeking’ is a term used by economists to describe the behaviour of people who try to profit from gaining privileged access to a resource or market, rather than by adding any value to it
- Weak government institutions that are unable or unwilling to manage the resources effectively

Most often, several or all of these factors are thought to co-exist and interact in resource-cursed countries.

Most discussion of the natural resource curse has centred on developing countries. African oil exporters such as Sudan, Angola, Chad and Equatorial Guinea are very often said to be suffering from the curse.

Dutch Disease

Whilst ‘the natural resource curse’ is now used to describe a wide range of issues, ‘Dutch disease’ is a more specific and technical, economic concept. It refers to a situation where growth in national income from natural resource extraction damages other sectors of a country’s economy.

This happens because increased revenues from natural resource exports tend to increase the real value of the exporting nation’s currency. That makes the country’s other exports, such as agricultural products and manufactured goods, more expensive and therefore less competitive in world markets. Imports meanwhile become cheaper, and this can undermine local producers and manufacturers.

At the same time, demand also tends to rise for some service industries—such as the construction industry, since resource booms often fuel a building boom. This tends to make those services more expensive, which can hurt poorer citizens.

The economy as a whole becomes over-reliant on the natural resources that it is exporting—and this can be particularly damaging if, for any reason, there is a drop in world price for those natural resources.

Spanish disease?

Dutch disease is named after the experience of the Netherlands in the 1960s, when major gas finds brought a short-lived boom created problems in other areas of the economy.

On a longer, historical view, the economic illness should perhaps be called ‘Spanish disease.’

In the 16th and 17th centuries, gold and silver flowing into Spain from its South American colonies created sumptuous lives for the Spanish gentry and a Golden Age for Spanish culture. But this influx of natural resource wealth also inhibited the kind of agricultural and industrial development that was taking place in northern Europe. By the time her colonies began to slip away to independence, Spain found herself a second rate power, and has ever since struggled to catch up with more industrialised economies of Europe and America. The impacts of over-dependence on natural resource extraction can therefore be seen to last not just for decades but for centuries.

Solutions?

For the general problems of the resource curse commentators often recommend an equally general list of ‘governance’ remedies: greater transparency; stronger and more accountable government institutions; curbing corruption; more equitable distribution and social investments; making sure that there are tangible benefits for communities where the resource is found; etc. These are doubtless worthy recommendations, but they rarely come with suggestions as to the specific processes and mechanisms by which they can be achieved.

More specific remedies are, however, often suggested for Dutch Disease.

In theory, the risks could be avoided by extracting natural resources relatively slowly rather than in a short-lived boom. But this is rarely possible because modern resource extraction usually depends on large private companies that make huge investments and will not wait for longer



Norway’s Ekofisk oil field in the North Sea – Dutch curse, Norwegian blessing

Photo: Kjetil Alsvik/ConocoPhillips

than is absolutely necessary before recovering that money and showing a profit.

However, the same effect can be achieved, and the risk of harm to other sectors of the economy reduced, by the government saving some of the earnings from resource extraction, rather than going on a spending splurge.

Norway is repeatedly held up as the shining exemplar of this strategy.

Like the Netherlands, Norway discovered oil and gas in the North Sea in the 1960s. But when income came on-stream, the government created a Petroleum Fund, later renamed the Government Pension Fund of Norway, into which it deposited up to 80 percent of oil revenues. That money was in turn invested—for the most part, cautiously—in international stocks and bonds.

Today, the Fund is worth more than US\$ 600 billion, and still growing. This is a comfortable reserve to fall back on in times of urgent need, equivalent to around 120 percent of the country’s GDP. It will likely ensure that future generations of Norwegians have some share of the natural resource wealth that their forefathers extracted.

Over the last ten years the Government of Uganda has received considerable technical assistance from Norway, and it apparently plans to put part of Ugandan oil revenues into a Petroleum Fund, although full details have not yet been revealed.

The differences between Norway and Uganda should not be overlooked, however. Norway has less than five million citizens, a long history of stable, democratic institutions, and when it struck oil in the 1960s it was by no means poor. Its remaining petroleum reserves are also more than four times the size of Uganda’s.

Nevertheless, most development economists agree that a Petroleum

Fund will be a prudent option for Uganda.

Concerns with how well it is managed.

The government may also find it hard to persuade Ugandans of the wisdom of a save-for-later policy.

Understandably, some people will ask “Why are you making overseas investments while our children go barefoot?”

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Is the world running out of oil?

(And will this mean that Uganda gets a good price for it?)

Oil wells were first sunk—from the mid-19th century, in countries ranging from Poland to the United States—mainly to obtain fuel, in the form of kerosene, for lighting. The invention of the internal combustion engine to drive 'horseless (motor) carriages' gave huge impetus to the oil industry. Ever more uses have since been found for the 'black gold' which today also fuels ships, trains, airplanes and many power stations, as well as providing raw materials for fertilisers, other chemicals and plastics.

Not surprisingly, then, global petroleum consumption has increased steadily for 150 years. It now totals about 90 million barrels per day. Consumption seems set to keep rising as demand grows from fast developing countries in, especially, populous Asia. Yet petroleum is a finite resource and cannot last forever.

Some people believe that we have already passed the point—known as 'peak oil'—where more than half of the world's total oil deposits have been used up, and that it will get ever harder to extract the remainder. This, they say, will have dramatic consequences. Oil prices will climb ever higher and competition for the remaining resources will become fierce, possibly resulting in armed conflicts between oil-thirsty powers. Some predict this will start to happen soon—within the next ten years. Others, pointing to existing East-West rivalry over energy resources, say it is already beginning.

Many economists and oil industry experts, however, dismiss these arguments as scaremongering. They say that new reserves are still being discovered and that improved technologies are making it possible to extract oil from places that were once impossible to reach. Higher oil prices, they add, drive innovation in technology and efficiency both in the extraction and in the use of petroleum products.

Optimists are inclined to see the opening of new frontiers in oil exploration—East Africa; Canada's oil sands; the Arctic Circle; ever deeper-sea drilling—as proof that they are right: human ingenuity will prevail over scarcity and keep our petrol tanks full.

'Peak oil' pessimists are inclined to interpret the same evidence as proving that we are getting desperate in the quest for an energy source on which we are dangerously dependent.

Shale gas

The technology optimists and major energy companies also believe that, as conventional oil resources are

depleted, the world's energy needs can be met by an alternative source of petroleum—shale gas.

This is a gaseous hydrocarbon trapped in 'shale' rocks, the most abundant form of sedimentary rock on earth. Over hundreds of millions of years, trapped oil and gas can slowly 'migrate' through cracks in these rocks, to form the oil and gas reservoirs that exploration companies try to find and tap. But a new technology—'hydraulic fracturing', or 'fracking' for short—can release and capture the trapped gas by drilling into the shale and forcing in water, mixed with chemicals, at very high pressures.

Shale gas is thought to be abundant and widely spread, with huge reserves already identified in North and South America, Europe and China. Optimists therefore say it will not only provide abundant energy for future generations—and a cleaner form of energy than oil—but will also reduce geopolitical rivalries over energy resources. Some 20,000 shale wells have already been drilled, the majority in the USA.

Many environmentalists, however, are deeply disturbed by this development, arguing that fracking brings grave risks of catastrophic pollution to water tables and major gas leakages into the atmosphere, aggravating climate change.

Climate change

The now undeniable evidence of global climate change has added impetus to the quest for cleaner and renewable energy sources. Natural gas (including shale gas), a form of petroleum, burns more cleanly than oil, and many oil companies and governments see its increased use as a practical way of keeping down emissions of greenhouse gases.

Relatively clean 'biofuels'—notably ethanol, which can be produced from maize or sugarcane crops—are also making advances, especially in Brazil and the United States. But these use large tracts of farmland that, many people believe, should be devoted to food crops to sustain the world's growing population.

Other renewable energy sources include water, wind, wave, and solar power. These can generate electricity that, in turn, could be used to power battery-driven vehicles. Of these, hydropower has been most extensively exploited—but large hydro-dams have been widely criticised for their environmental and social impacts.

Environmentalists have long complained that solar, wind and wave power, which they see as the 'green-

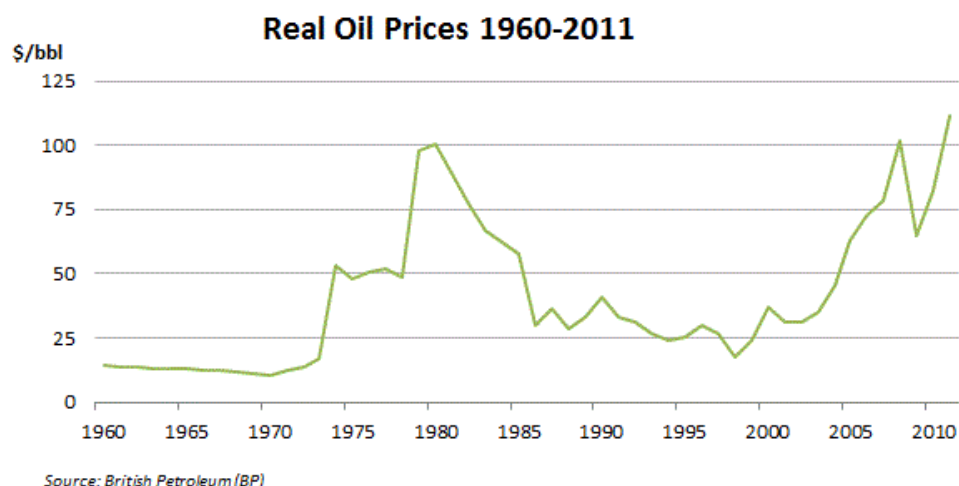


Photo: Robert Johnson, Business

In Alberta, Canada, up to two trillion barrels of oil lie mixed with sand beneath the topsoil of a 144,000 square kilometre area (more than half the area of Uganda). Vast machines now mine these 'oil sands' which, after costly processing, yield one barrel of oil per 2.5 tons of sand. Some see this as a triumph of modern technology. Others see it more as a sign of desperation—and environmental vandalism—as easier-to-reach oil supplies are depleted.

est' options, have received the least investment in research and development. Compared to the billions of dollars spent on fracking this remains true, but wind power is now quite widely used in some European countries, and refinements to the technology may see its uptake grow fast.

Oil prices

What does all this mean for the price of Uganda's oil?

It depends who you listen to, and is impossible to say with any degree of certainty.

World oil prices have always been highly volatile—rising and falling, often suddenly, in response to wars and diplomatic crises, against an overall background of rising global demand interrupted by occasional falls in demand during times of economic turndown.

Uganda's oil, when it finally starts coming out of the ground, is likely to last for 20-30 years, and a lot could happen within that time.

Further growth in demand from Asia and Africa, combined with major political upheavals or supply interruptions in the big oil producing countries of the Middle East, Central Asia, and Venezuela could drive the world price up. If you believe the 'peak oil' pessimists, upwards is the inevitable direction.

However, major new discoveries, the rapid advance of shale gas, and advances in renewable energy technologies could combine to drive the oil price gradually downward.

Ugandan policymakers therefore need to be ready for all eventualities.

More 'Facts and FAQs (Frequently asked Questions)' about oil can be found on our website, www.oilinuganda.org