The ENERGIZER
AFIEGO's Monthly Newsletter

AFIEGO

January 2020; Issue 1

ABUSE OF OIL REVENUES IN UGANDA: IMPLICATIONS FOR THE ENVIRONMENT & COMMUNITIES

Stakeholders including youth and local government representatives following a youth and environmental governance workshop in Hoima district.

The local government stakeholders from the oil region were concerned by the central government's failure to use oil revenues in accordance with the law.

They said that this has undermined host communities' access to resources to invest in conservation and create opportunities for women, youth and others.

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Editorial

On Wednesday January 8, 2020, the Minister of State for Planning, Hon. David Bahati, dropped a bombshell. He told Members of Parliament (MPs) on the Finance Committee that Uganda has no money on the Petroleum Fund.

The state minister was appearing before the committee when he was asked why government had not appropriated money from the Petroleum Fund to support the 2020/2021 budget.

"There is no money in the Petroleum Fund. We appropriated what was there last year so we cannot get what is not there. We've got to expand our revenue base," Hon. Bahati told parliament.

His pronouncement shocked both parliament and the public. While Ugandans are jaded because of government's grand corruption – an estimated Shs. 2 trillion is lost to corruption every year-, they were still somewhat shocked that government had abused oil revenues.

The revenues were abused despite government promises to use petroleum funds for Ugandans' good in line with the 2015 Public Finance Management Act (PFMA).

For our readers who may be unaware, government put in place a law, the PFMA of 2015, to guide on how oil revenues in Uganda will be collected, deposited to the Petroleum Fund, withdrawn from the same fund and utilised among others.

Under Section 56, the PFMA established the Petroleum Fund and provided that all the oil revenues that are collected by government shall be deposited on the fund. Section 59 of the 2015 PFMA provides that funds from the Petroleum Fund can only be used for infrastructure and development projects and not spent on the recurrent or consumptive expenditure of government.

Unfortunately, all the reports produced by the Auditor General indicate that todate, government has no record to show that oil revenues are being spent as per the PFMA provisions. Government has also failed to comply with sections 62 and 63 of the PFMA which provide for how oil revenues should be invested.

The PFMA also contains provisions to ensure that oil revenues are not abused and that government remains transparent in the utilisation of the said revenue. For instance, Section 58 of the PFMA provides that oil revenues shall only be withdrawn from the Petroleum Fund following approval from parliament and after receiving a warrant from the Auditor General.

Further, Section 61 of the PFMA provides that the Minister has to report to parliament and the public on the amount of oil revenues transferred to the Consolidated Fund from the Petroleum Fund for the preceding two years, the outflows and inflows to the Petroleum Fund and the source of petroleum revenues among others.

The PFMA provides that the report to parliament must be made on a bi-annual basis by April 1 and December 31 while that to the public must be made on an annual basis using a newspaper with national circulation among others.

Inspite of the above provisions, we see that not only was parliament unaware of the amount of money on the Petroleum Fund, but so was the public.

Abuse of oil revenues and violation of the PFMA is dangerous for the environment, community livelihoods and Uganda's development.

Failure to collect and utilise oil revenues in a transparent manner has been the cause of massive corruption, environmental degradation, abuse of communities' human rights, increased crime and militarisation in countries such as Nigeria so much so that the country has been called "the textbook case of an oil curse". Indeed, without good governance of the oil sector characterised by transparency, public participation, access to information and access to justice, Uganda cannot escape the oil curse in form of environmental and human rights abuses.

Things that failed oil-producing countries such as Angola, Chad, Equatorial Guinea and others are being seen in Uganda and if Ugandans do not stand up and pressure government to implement and comply with relevant laws including the PFMA, oil will remain useless to the country and people.

In our **Word from CEO,** we show how stakeholders including the Auditor General, parliament, civil society organisations (CSOs), the public and development partners can ensure that the 2015 PFMA and other relevant laws are implemented and complied with especially at this time when Uganda is seeking to join the Extractives Industry Transparency Initiative (EITI).

In our **pictorial section,** we bring you some of the activities that were implemented by AFIEGO this month including the meetings in which AFIEGO discussed and developed strategies to ensure that the organisation's work in 2020 leads us closer to attaining our mission and vision.

Our staff also participated in a meeting aimed at increasing youth participation in the oil sector. We bring details of this meeting to you. In addition, staff participated in the African Energy Leaders' Summit in Addis Ababa in addition to a CSO meeting in Kampala to facilitate Uganda to join EITI.

Furthermore, AFIEGO staff and youth lobbied government for better management of youth expectations in the oil sector and more involvement of communities from the Democratic Republic of Congo (DRC) in Uganda's oil sector.

AFIEGO also engaged in media interviews and shared oil experiences as seen in Nigeria, Ecuador and the United States (U.S.). We share details of the above meetings, lobby activities and media engagements with you in the pictorial section.

In our **lobbying section**, we bring you the letter that we wrote to parliament requesting the institution to act on the reports of the Auditor General (AG) and recommendations of the Abdu Katuntu committee that investigated the abuse of oil revenues through the president awarding government officials Shs. 6 billion. Persons responsible for the misuse of oil revnues and abuse of the PFMA such as the responsible minister should be censured.

Finally, in **in the media section**, we bring you some of the five articles that were written by our staff, research associates and interns this month. The articles were published by the leading newspapers in Uganda as part of our public education and advocacy efforts.

We hope you enjoy the newsletter.

Editorial team:

1. Diana Nabiruma
2. Sandra Atusinguza
3. Balach Bakundane

Word from CEO

ABUSE OF OIL REVENUES IN UGANDA: IMPLICATIONS FOR THE ENVIRONMENT & COMMUNITIES

At the beginning of this year, we held our organisation's beginning-of-the-year meeting and among other things, we discussed events and challenges that would shape our work in 2020. A number of youth champions and other stakeholders that AFIEGO works with in the oil region participated in the meeting.

A youth champion from Kyangwali sub-county in Kikuube district informed us that the youth in his area are selling off their land because they hope to get oil jobs and they think that they will not need land.

"Some of the youth have bought boda-bodas [motorcycle taxis]. However, others did not buy any asset when they sold their land. They spend their days in the trading centres talking about the jobs they are going to get in the oil sector," the youth champion told us.

He noted that despite discussions and available evidence showing that the oil sector will not employ most locals, the youth remain expectant.

Soon after the youth champion had recounted the above unfortunate development, even more unfortunate news broke. On Wednesday January 8, 2020, the Minister of State for Planning, Hon. David Bahati, informed MPs on parliament's Finance Committee that the Petroleum Fund had no money.

"There is no money in the Petroleum Fund. We appropriated what was there last year so we cannot get what is not there. We've got to expand our revenue base," Hon. Bahati informed the MPs when they asked him why government had not appropriated any money from the Petroleum Fund to support the 2020/2021 budget.

The minister's revelation showed the extent to which oil revenues have been misused in Uganda in complete disregard of relevant laws including the 2015 PFMA.

Sections 59 and 62 of the PFMA provide that government can only withdraw money from the Petroleum Fund after parliamentary approval. Further, Section 61 of the PFMA provides that the Minister of Finance has to report to parliament and the public on the amount of oil revenues transferred to the Consolidated Fund from the Petroleum Fund for the preceding two years, the inflows and outflows to the Fund and others. That the MPs had to be told by the executive that the Petroleum Fund is empty is testament to the executive's failure to comply with the 2015 PFMA. If the above provisions had been complied with, the Petroleum Fund would not have been empty without the knowledge of parliament.

PETROLEUM REVENUE SCANDALS

Yet failing to ensure that MPs were effectively updated on the status of the Petroleum Fund by December 31 isn't the only scandal or violation of the PFMA that has been seen. Several scandals have rocked utilisation of the revenues. These include:

• In 2016, the president ordered for payment of Shs. 6 billion to 42 government officials over their role in helping Uganda win the Capital Gains Tax (CGT) court case against Tullow Oil. The payout violated Section 59 (3) of the PFMA which provides that petroleum revenue shall be used for development and not recurrent expenditure.

• Furthermore, in November 2017, government withdrew Shs. 125.6 billion from the Petroleum Fund to support the 2017/2018 budget.

• In addition, government withdrew Shs. 200 billion to finance the 2018/2019 budget prior to parliamentary approval, contrary to Section 58 of the PFMA.

It is noteworthy that the above support to the budget was disguised as was revealed by the Auditor General in his 2018/2019 report to parliament. The AG noted that "there was no explicit mention of the Petroleum Fund as the source of funds but was rather disguised as medium-term expenditure framework for the financial years 2015/2016 to 2021/2022".

It should also be noted that through this newsletter, AFIEGO has been fighting the abuses of oil revenues including the Shs. 200 billion that was withdrawn without parliamentary approval, the Shs. 6 billion presidential handshake, failure by government to implement the parliamentary recommendations on the same and other abuses.

IMPLICATIONS OF ABUSE OF OIL REVENUES: A LOSE-LOSE FOR THE ENVIRONMENT, LIVELIHOODS

Why has AFIEGO been fighting the abuse of oil revenues? Government failure to utilise oil revenues in conformity with the law has many far-reaching implications. They range from putting the environment and livelihoods at risk, collapsing businesses, increased national indebtedness amidst no returns and others. These are discussed below.

(a) Putting environment at risk: In recognition of the need to increase Ugandans' participation in the oil sector to protect the environment from oil threats among others, the Ugandan government put in place the National Content Policy for the Petroleum Sub-sector. Government also put in place an implementation plan for the policy. This plan had estimated budgets and numbers of Ugandans meant to be empowered among others.

The policy and its implementation plan required government to skill Ugandans through setting standards for educational institutions offering oil courses such as oil and the environment. Through the policy, government also committed to provide affordable capital for businesses including environmental-based businesses, train youth especially those from the host communities, address gender imbalances in the oil sector and conduct other activities to enable Ugandans to participate in and control the oil sector to avoid or reduce oil threats.

Unfortunately, the continued misuse of the oil revenues has not allowed government to allocate funds for adequate implementation of the National Content Policy to build the right skills including environmental ones.

This means that the environment is at risk as Uganda continues to lack the skills and independence needed to protect the environment. The lack of expertise and independence perhaps explains why institutions such as the National Environment Management Authority (NEMA) approved the Tilenga oil project's Environmental and Social Impact Assessment (ESIA) report of 2018 without mitigation plans.

NEMA perhaps lacked the right skills and independence to appreciate the consequences of approving an oil project in absence of mitigation plans to deal with the identified risks.

(b) Local governments denied oil revenue shares: According to Section 75 of the 2015 PFMA, local governments based in the oil region are entitled to 6% of the oil revenues that the Ugandan government collects. Unfortunately, government has continued to collect money from the oil sector and uses it without following the law. For instance, the central government has failed to give host local governments their share of oil revenues. Without oil revenues, local governments lack resources to strengthen their natural resources and environment offices to play their roles such as monitoring for compliance to environment laws and ESIA certificates of approval, sensitising communities to protect the environment amidst oil risks, ensuring proper oil waste management and others. This leaves the environment and citizens at risk of oil pollution.

(c) Cultural institutions forced to degrade environment: In addition, Section 75(8) of the PFMA requires government to give a share of the oil revenues to cultural institutions. To date however, no cultural institution has ever received any oil revenues. Cultural institutions such as Bunyoro Kingdom may be selling off sensitive ecosystems such as parts of Bugoma forest because they are frustrated and have no source of income. They see the central government using the oil revenues in total violation of the laws and this sets a bad precedence that no one should respect laws including environmental ones.

(d) Communities locked out of environmental conservation efforts: District and cultural authorities aren't the only ones that need support to protect Uganda's ecosensitive areas including national parks, game reserves, lakes, forests, rivers and others from oil threats. Ugandans need to be given knowledge and skills such as educating them on the contents of the 2019 National Environment Act, the draft 2019 ESIA regulations, conditions of the Tilenga EIA certificate of approval and others so that they are better placed to pressure government and companies for compliance.

Because of the abuse of oil revenues however, investment in educative efforts such as organising sensitisation radio talkshows and community barazas and translation of environmental laws has been left to CSOs who cannot reach all or majority of the communities.

Readers need to know that during the public hearings on the Tilenga, Kingfisher and East African Crude Oil Pipeline (EACOP) ESIA reports where over 14,000 people participated, it was evident that the majority of oil host communities do not understand English. However, all the oil and environmental laws of 2008, 2013, 2015, 2019 and others remain untranslated from English. Government institutions responsible for sensitising Ugandans about relevant laws claim that they do not have funding. For example, NEMA has been reporting that it get less than 50% of its annual budget from government. If government was not misusing oil revenues, it would find money to increase funding for key institutions such as NEMA.

Without citizens being sensitised or without laws being translated into local languages, communities' ability to participate in the protection of the environment is compromised. Moreover, due to ignorance among other factors, some communities are also participating in environmental degradation especially when they are displaced without fair compensation. They end up settling in forest reserves, lake shores, river banks and others.

(e) Business and youth investments won't pay off: Further, as was demonstrated at the beginning of this article, Ugandans have been excited by government into believing that they will work in or provide services to the oil sector. Indeed, government says that over 160,000 Ugandans will get direct or indirect jobs in the oil sector. Government has told Ugandans that the above opportunities will lift citizens from poverty and make their lives better.

As such, businesses have invested funds, university youth have paid millions to acquire education, communities have sold land and a lot more has been put on the line as Ugandans look forward to enjoying oil benefits through being employed or providing goods and services to the oil sector.

Regarding roads, while it is true that some roads have been constructed to support the oil sector and to facilitate business, businesses are struggling because of lack of capital and many have collapsed. Yet expensive debts have been incurred to construct oil roads, airports and other infrastructure. The surviving financially-constrained oil sector and other businesses in Uganda will be taxed left, right and centre for the debts to be paid back. Use of oil revenues to support education and trade would have enabled Ugandans to reap returns, pay taxes and pay back the accrued loans.

(f) Transparency and accountability failures: In addition to the above, Ugandans' awareness of how the oil revenues are used remains low and this is dangerous.

Section 61 (2) of the PFMA provides that the "Minister shall cause to be published, the [Petroleum Fund] report in newspapers of wide circulation and make the report available on the website of the Ministry [of Finance] … by September 30," such reports have not been published in the newspapers. As such, the public remains largely unaware of how oil revenues are being managed. Ugandans cannot therefore lobby government to ensure that petroleum revenues are used to develop knowledge and skills to avoid oil impacts on the environment.

RECCOMENDATIONS

What should be done in the face of the above?

The words, *Omwavu siwakuffa* (the poor one will not die) have been trending this month. Indeed, poor Ugandans and all people of goodwill should not allow community livelihoods and the environment to be destroyed. Oil revenues should not be misused. They should be used to address environmental challenges we face and should also be invested to improve the lives of our people, especially women, girls, youth and all citizens. The following should therefore be urgently done to address the problem of misusing of oil revenues:

i. Censure any minister who abuses the Petroleum Fund: Article 118 of the Constitution empowers parliament to censure any minister who abuses his or her office. Withdrawing oil revenues from the Petroleum Fund without parliamentary approval is an abuse of office. Censuring the minister who withdrew the oil revenues prior to parliamentary approval will send a clear signal that parliament is ready to act on the executive.

ii. Parliament should use its oversight powers to ensure that the Auditor General's reports and recommendations by parliament are implemented by the executive. It should be noted that in last three or so years, the Auditor General has presented reports to parliament showing that government has failed to show how oil revenues are being spent in line with the PFMA. In addition, the Abdu Katuntu adhoc committee also presented a report on the Shs. 6 billion presidential handshake with recommendations that that money should be refunded. Sadly, to date, both the Auditor General reports and parliamentary recommendations have not been effected by the executive. Parliament has powers to censure ministers, impeach the president or refuse to pass ministerial annual budgets to ensure that government complies.

iii. In addition to the previous audits, the Auditor General should conduct a forensic audit of the Petroleum Fund and present a report to Parliament before the end of this financial year. Parliament should use this report to ensure that government officials who violated the PFMA and misused the oil revenues are held individually accountable. They should be prosecuted and should refund the misused funds.

iv. Further, government should place a moratorium on the withdrawals from the Petroleum Fund until all the oil revenues from the Petroleum Fund are accounted for and minister for finance puts in place the petroleum revenue investment policy as mandated to under the PFMA.

v. In addition, institutions of government such as NEMA and the Petroleum Authority of Uganda (PAU) should be funded to educate the public on the contents of oil laws including the 2015 PFMA, 2019 National Environment Act, the 2013 oil laws and others to enable citizens to appreciate the relevant oil and environmental legal framework to hold government accountable.

vi. Further, development partners should support CSOs to mobilise citizens to engage government to ensure accountability and proper use of oil revenues. The oil revenues should be invested in areas that guard against environmental degradation, climate change and others.

vii. In addition, government should avoid joining EITI as a formality. Many oil-producing countries that joined EITI have failed to gain from it because they join to show that they are part of the EITI club. If Uganda has such an attitude, joining EITI will not help Ugandans. Indeed, it is unfortunate that at a time when we are in the process of joining EITI, government continues to violate oil revenue laws without shame.

viii. Finally, Ugandans should pressure government to invest the oil revenues in development projects such as schools, education and others that will enable Ugandans defend their livelihoods and the environment amidst oil threats.

Dickens Kamugisha
CEO, AFIEGO

AFIEGO IN STRATEGIC MEETINGS TO PLAN FOR 2020

Between January 6 and 7, 2020, AFIEGO held strategic meetings at the organisation's head office in Kampala. During the meetings, AFIEGO staff lay strategies and outlined interventions to address prevailing challenges through the organisation's 2020 workplan. Among others, AFIEGO will focus on the following areas in 2020:

(i) Engage government on the content and timely completion and implementation of the Land Acquisition Bill of 2019, the 2019 draft ESIA and SEA regulations, the Climate Change bill, Electricity bill in addition to the Petroleum Waste Management regulations among others.

(ii) Empower stakeholders for compliance to enacted environment, electricity, climate change, land and other laws.

(iii) Undertake activities for the protection of oil and electricity-affected communities' land rights.

(iv) Engage NEMA and court to avoid issuance of or cancel EIA certificates for the Tilenga, Kingfisher and EACOP oil projects.

(v) Continue to pursue court cases in Uganda and France to protect Bugoma forest, promote environmental conservation and protect community livelihoods.

(vi) Strengthen the Uganda-DRC cross-border movement that is promoting clean energy in the Albertine Rift and link it to similar movements on the continent for regional and continental advocacy.

(vii) Work with youth to increase their participation in climate change debates and national, regional and international advocacy.

AFIEGO's CEO presented the staff plans to the organisation's board for discussion and adoption.

AFIEGO UPDATES OIL REFINERY-AFFECTED PEOPLE ON STATUS OF COURT CASE AND PREPARES THEM FOR THE NEXT HEARING

On January 14, 2020, AFIEGO in partnership with the Oil Refinery Residents Association (ORRA) organised a community updates meeting with the oil refinery-affected community in Kyakaboga, Hoima.

At the meeting, AFIEGO and ORRA updated the refinery-affected community on the status of their court case. The oil refinery-affected community was informed that the judge in charge of their case promised to visit the Kyakaboga resettlement after cross-examining all the witnesses in the case. Thereafter, she will make the final judgement.

AFIEGO also prepared the people for the next hearing due to take place on February 21, 2020. AFIEGO and ORRA have already written to court requesting for an Alur interpreter to enable a smooth hearing process.

In the photo are Mr. Innocent Tumwebaze, the ORRA chairperson, and the refinery-affected people during and after the meeting.

AFIEGO EMPOWERS COMMUNITIES IN BUNYORO ON TILENGA EIA CERTIFICATE CONDITIONS


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Between January 15 and 20, 2019, AFIEGO organised community engagements during which we trained over 150 stakeholders on the conditions of the Tilenga oil project's Environmental Impact Assessment (EIA) certificate of approval. The certificate was issued by NEMA in 2019 to the Tilenga project developers.

The meetings, which took place in the Bunyoro sub-region, enabled AFIEGO to provide knowledge and skills that stakeholders including communities, women, youth, CSOs and the media need to monitor for compliance to the Tilenga EIA certificate's conditions.

Monitoring for compliance to the certificate will contribute towards protecting the environment and community livelihoods amidst oil threats.

AFIEGO, YOUTH MEET LEGAL TEAM TO PLAN FOR TILENGA EIA CASE HEARING


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On January 22, 2020, AFIEGO and youth leaders who filed a court case for the cancellation of the Tilenga EIA certificate met the legal team handling the case.

The objective of the meeting was to enable AFIEGO and the youth to draw strategies with their legal team on how to handle the upcoming case hearing.

The Tilenga EIA case will be heard in the Kampala High Court on February 3, 2020 and the youth, AFIEGO and the legal team needed to prepare for the hearing.

It is expected that NEMA's witness will be cross examined at the upcoming case hearing by the youth's lawyer.

NEMA's witness swore an affidavit saying that NEMA and PAU did not violate any laws during the public hearings on the Tilenga ESIA report in November 2018.

The youth and CSOs that want the Tilenga EIA certificate cancelled aver that EIA laws were violated, necessitating cancellation of the certificate.

In the photo are AFIEGO staff, the youth and their lawyer, Mr. Allan Bariyo.

AFIEGO IN EFFORTS TO INFLUENCE THE AFRICAN UNION TO PROMOTE A JUST ENERGY TRANSITION

Between January 28 and 29, 2020, AFIEGO participated in the African Energy Leaders' summit in Addis Ababa, Ethiopia. The summit brought together over 27 African civil society leaders and their allies working in over ten countries in Africa.

The civil society leaders from countries such as Uganda, Swaziland, South Africa, Kenya, Tanzania, Nigeria, Ghana and others are united by their work aimed at promoting a just energy transition from fossil fuels to clean energy in Africa.

The summit enabled the leaders to connect, share strategies and draw a roadmap for influencing the African Union (AU), financial institutions, export credit agencies and other energy sector players to promote clean energy.

AFIEGO CALLS ON YOUTH TO CHAMPION ENVIRONMENTAL CONSERVATION IN OIL SECTOR

On January 31, 2020, AFIEGO staff participated in a workshop in which youth were empowered to increase their participation in the oil sector to promote transparency and accountability.
The meeting brought together youth from oil-affected and other districts in Uganda.

AFIEGO called on the youth to interest themselves in understanding oil, environment and land laws in addition to the conditions of the Tilenga EIA certificate to hold government and oil companies accountable for their enforcement.

AFIEGO also stressed to the youth that without environmental conservation, no amount of oil jobs or money will improve their lives. AFIEGO therefore called on the youth to work for environmental conservation amidst oil risks.

In the photo is AFIEGO's Ms. Diana Nabiruma during a presentation at the workshop.

AFIEGO AND YOUTH EMPOWERED BY THE ORGANISATION CAUTION AGAINST HIGH YOUTH EXPECTATIONS IN OIL SECTOR

Youth empowered by AFIEGO also participated in the above workshop. They shared experiences about how youth expectations of oil jobs has resulted in negative impacts. Such impacts include idleness as youth in the oil region wait for oil jobs.

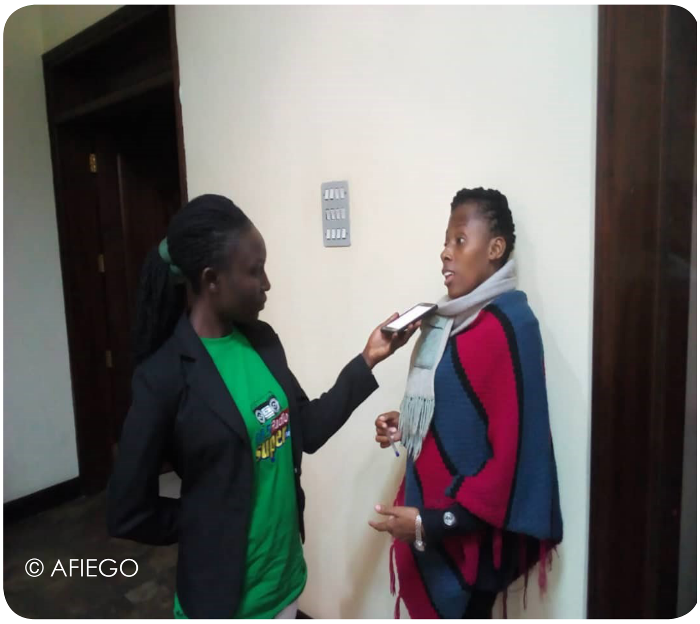
The youth called on government to manage oil job expectations as the oil sector will only directly and indirectly employ only 161,700 Ugandans. The majority of the jobs will go to educated and not community youth.

In the photo is Mr. Christopher Opio, the youth empowered by AFIEGO, while making his submission.

In addition to the above, AFIEGO's Ms. Sandra Atusinguza asked what the government plans for youth fisherfolk in the Albertine region who could lose their jobs because of oil activities are. She also asked why government has failed to engage communities from the DRC in oil activities in Uganda yet they will be affected by the activities.

Government representatives from Ministry of Energy, NEMA and PAU participated in the meeting and observed that indeed, high expectations in the oil sector have to be managed. They also laid out measures that have been put in place by government to manage oil impacts including those that could have transboundary effects.
However, these measures are inadequate.

AFIEGO IN MEDIA INTERVIEW TO SENSITISE STAKEHOLDERS ON OIL IMPACTS AS WITNESSED IN NIGERIA, ECUADOR AND THE U.S.



On January 31, 2020, AFIEGO participated in media interviews in which we shared about oil impacts as witnessed in Nigeria, Ecuador and the United States (U.S.)

AFIEGO shared about how oil had impacted communities' water security, food access, health and wellbeing and ability to engage in economic activities such as agriculture and tourism.

AFIEGO noted that oil negatively impacts the above and invited citizens to call on government to invest in environmentally-friendly activities such as tourism and agriculture.

In the photo is AFIEGO's Ms. Diana Nabiruma during one of the media interviews.

Lobbying

This month, AFIEGO and 17 CSOs wrote to parliament requesting the institution to act on the reports of the Auditor General (AG) and recommendations of the Abdu Katuntu committee that investigated the abuse of oil revenues through the Shs. 6 billion presidential handshake. AFIEGO also called on parliament to request the AG to conduct a forensic audit to show how oil revenues have been utilised. AFIEGO recommended that persons responsible for the misuse of oil revnues and abuse of the PFMA such as the responsible minister should be censured.

AFRICA INSTITUTE FOR ENERGY GOVERNANCE AFIEGO

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20/January/2020

Hon. Rebecca Kadaga,
Speaker of Parliament,
Parliament of Uganda,
Kampala (U).

Dear Madame,

CSO's open letter calling on the Parliament to use its oversight powers and demand the Auditor General to carry out forensic audit of the UGX 700b oil revenues.

The above refers,

On behalf of the undersigned civil society organizations (CSOs) and on my own behalf, I take this opportunity to thank you and your team for the work you are doing to ensure transparency in the management of Uganda's oil revenues.

Among others, the undersigned civil society actors appreciate parliament's efforts to use its oversight powers to ensure government's compliance to oil revenue laws for the benefits of Uganda's citizens. We believe that such work to ensure proper collection, management and utilization of Uganda's oil revenues in an accountable and transparent manner will promote efficient use of oil revenues in accordance of the oil laws and purposes of citizens' monitoring.

However, the CSOs note that since the enactment of the Public Finance Management Act (PFMA) in 2015, government has continued to violate the provisions of the law and has always bypassed parliament with impunity and spent public funds without the parliament's authority.

The Auditor General's report 2019, highlighted the rot in government and faulted the ministry of finance officials for spending more than 1.15trillion without parliamentary approval. The report revealed that of shs1.8 trillion spent by government on undisclosed activities, only 615.8b was approved by the parliament.

According to media reports, UGX 700 billion from the petroleum fund has been depleted in two financial years between 2017 and 2019 to finance the budget and no funds have been allocated to petroleum revenue investment reserve which is contrary to sections 58 and 59 of the Public Finance Management Act.

As you will recall, in the Financial Year 2019/2020, UGX 445 billion was reportedly withdrawn from the petroleum fund whereas only UGX 200 billion had been appropriated in the budget. The

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In the media

This month, staff and research associates wrote over five newspaper articles which were published in the leading newspapers including the *New Vision* and *Daily Monitor*. Some of the published articles are captured below.

Can Uganda survive the oil resource curse?

CYRUS KABAALE > OIL FUND

Recently, the Minister of State for Planning, Mr David Bahati, while appearing before the Parliament's finance committee to defend the Budget Framework Paper for the financial year 2020/2021 informed the public that government has exhausted resources in the Petroleum Fund.

Since 2008, government has collected more than $1 billion in Capital Gains Tax (CGT) and signature bonuses. It should also be noted that companies have also invested more than $3.5 billion in oil exploration and may invest up to $20 billion before oil production. The government in the previous financial years since the establishment of Petroleum Fund by the Public Finance Management Act (PFMA), 2015 has been withdrawing funds to finance the national budget. The fund has two objectives including financing the budget and saving or investment for the future.

In the financial year 2017/2018, government withdrew Shs125.6b from the fund to support the budget and also transferred another Shs200b to the Consolidated Fund to finance the budget for the financial year 2018/2019. However, as evidenced by the withdrawal of Shs200 billion oil revenues in March 2019 before parliamentary approval, the Shs6 billion oil cash presidential handshake and other scandals, the above oil revenues are at risk of abuse.

In the presence of such abuses, it is clear that unless fundamental reforms in government are undertaken as part of the Extractive Industries Transparency Initiative (EITI) process, there is little hope, if any, that joining EITI will help address the problems of lack of transparency and accountability for Uganda's oil revenues.

> **Risk.** However, as evidenced by the withdrawal of Shs200 billion oil revenues in March 2019 before parliamentary approval, the Shs6 billion oil cash presidential handshake and other scandals, the oil revenues are at risk of abuse.

In addition, Production Sharing Agreements (PSAs) that government signed with oil companies operating in Uganda remain secret in violation of Article 41 of the Constitution. Government hides behind the excuse that confidentiality clauses in the PSAs stop it from sharing the agreements with the public yet this is against the Constitution. Can such a government survive the oil curse?

In 2008, the Early Production Scheme (EPS) failed and since then, government has had to shift timelines for oil production several times. The production deadline was pushed from 2018 to 2020 and today, government says that first oil will be produced by 2021. However, it is not clear when Uganda will produce it first oil.

Yet the above is not the only failure. In the oil refinery project, government failed to successfully negotiate with Russia's RT Global Resources -negotiations collapsed in 2016- and South Korea's SK Engineering & Construction to construct an oil refinery.

There have also been disagreements between government and major oil companies in Uganda resulting from Tullow's intension to sale its stake to French Total E&P (U) B.V and China National Offshore oil Corporation where the government insisted that Tullow must pay the Capital Gain Tax while the companies prefer not pay the tax.

This has delayed oil production and will see oil projects estimated to cost the country more than $20 billion procured through loans failing to be profitable to benefit Ugandans. It should also be noted that if oil production commenced today, the sector would be operated in a system that lacks transparency,and good governance. As a result, loans acquired for the oil refinery and pipelines would only worsen the already bad situation regarding the national debt.

Therefore, government needs to urgently carry out a national audit on the money invested in the oil sector. This will enable it appreciate the existing accountability and transparency challenges and public attitude that may affect the success of EITI in Uganda. Besides it will help leaders to plan well before joining EITI.

Mr Kabaale is the extractives Programme's Officer at AFIEGO

Help project-affected persons in Albertine region

EDITOR: Many people in Uganda might not be aware of what is taking place in the Albertine region, particularly where oil and gas exploration and exploitation activities are taking place.

In 2012, the Government acquired 29sq.km of land displacing about 7,000 people from 13 villages. The compensation and resettlement process of the project-affected persons took long and some people were resettled in 2018 after waiting nearly for seven years.

Following the Government's decision to make Kabaale an industrial park, land started selling like hot cake and many families near the park have sold part of their land if not all, to land speculators.

While speaking to some people in Nyakasenene trading centre recently, I got to know the reason why many were selling land: "Man, we are going to be employed by oil companies and we also need to start some businesses to target proceeds from the oil sector.

However, when you go to the trading centres in the area, no matter any time of the day, you find youth idling there. People in the area have no food and the situation is dire.

Local leaders who should be guiding the people to continue with their traditional economic activities are instead fuelling the situation by saying the jobs are coming soon.

In my village, we are about 700 households with an average of six to seven, people per family, an indicator that we cannot all get employed by the oil companies.

The Government should help the vulnerable communities before they become a burden to the oil-hosting communities by sensitising them on how they can add value to their land instead of selling it.

The Government should also put in place a framework for prompt, fair and adequate compensation so that the people do not wait for over seven years to receive compensation.

While designing a resettlement action plan, the Government or developer should set aside a budget to cater for psychosocial support of the project-affected persons in the aftermath of the resettlement process.

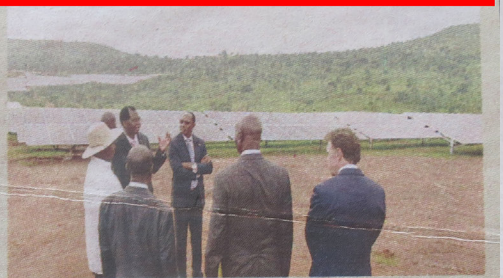
Christopher Opio
Kabaale, Buseruka, Hoima

Invest in clean energy transition

One in every seven people still lack electricity and most of them live in rural areas of the developing world, according to United Nations Development Programme 2020 report. Investing in solar, wind and thermal power, improving energy productivity and ensuring energy for all is vital if we are to achieve Sustainable Development Goal 7; affordable and clean energy by 2020. As we all wait the delayed announcement of the final investment decision by oil companies, this has greatly increased doubts of fast-track oil by 2020 /2021.

As government calls upon local firms to register with the national supplier data base and talent register for first priority for employment and to supply good and services, however, there is limited technical capacity and specialised expertise to fully exploit the renewable energy resources potentials. This has been a great challenge to track faster the implementation of the local content policy.

Uganda's oil fields have associated natural gas reserves estimated at 500 billion cubic feet and as some oil and gas companies like CNOOC plan to produce gas and use some of it to generate up to 42 megawatts of electricity for the company's use and for sale to national grid.



This natural gas can be used in several clean energy alternative projects which can help to contribute towards climate change mitigation, national energy security and global energy transition. Oil and gas companies must be adopting to the use of biomass, wind turbines and solar panels for oil field operations and other projects.

Ministry of Energy and Mineral Development and ministry of Transport must introduce a policy on low carbon transportation and ensure that oil and gas companies adopt it through use of high demand clean fuel vehicles mainly in natural gas(compressed natural gas or liquefied petroleum gas) which is readily available in the Albertine graben in the next phases of oil production.

Climate change can also be mitigated amidst oil and gas activities through carbon capture and storage, this solution to climate change help oil production with fewer emissions by capturing carbon dioxide and store it into oil reservoirs.

According to Uganda's energy and mineral sector, in its Midterm sector policy objectives, the oil and gas resources must be used to contribute to early achievement of poverty eradication and create lasting value to society.

The oil and gas industry must therefore heavily invest in new clean energy business models and technologies to transition to decreasing greenhouse gases emissions and promote energy efficiency in the next phases.

Sandra Atusinguza,
AFIEGO field coordinator

LETTER OF THE DAY

Why Uganda's oil may become curse

The discovery of large oil reserves in Uganda in 2006 led to high expectations that the economy would quickly be transformed. It is undeniable that oil fuels the global economy and due to the enormous financial resources that can accrue from this industry, oil discovery in the country was greeted with great optimism.

However, a World Development Report of the United Nations Conference on Trade and Development states that extractive activities, including oil exploration, have profound social and environmental impacts. It is clear that the discovery of Uganda's oil has created a sense of hope and expectations like employment opportunities to local communities and revenue, which can lead to the development of communities. However, in most cases, such dreams remain illusory as the exploration of oil leads to the destruction of local communities and anarchy in oil-producing developing countries.

It is a fact that oil activities pose challenges on the environment and livelihoods of the people. For instance, resettlements jeopardise livelihoods of people, put undue strain on them and their families as they struggle to develop alternative livelihood practices to fend for their already cash-strapped families and health risks, which become acute in communities living near exploration areas.

A report by the US Non-Governmental Delegation that visited the Niger Delta indicated that in the local communities there, respiratory diseases, skin rashes, cough blood, tumors, gastro-intestinal problems, different cancers and malnourishment were common. In addition to the health risk for the local communities from environmental pollution and accidents because of oil explorations, influx of migrant populations brings health problems to host population through the introduction of new diseases. And also according to research, women living in communities near oil fields are at a 2.5 higher risk of spontaneous abortion.

The environmental pollution associated with oil activities also has serious implications for the survival of species in communities near oil reserves. Oil activities result in destruction of livelihoods making it difficult for present and future generations to make a living off their land. It is noted that Uganda's oil projects are located in both lakes and national parks, which threaten fisheries, tourism, bird life and ecological water life.

The government should know that Uganda's top foreign earner is tourism and if oil activities are exploited in the lakes and national parks, the country is more likely not only to lose resources from the tourism, but also affect the communities that depend on those natural resources.

Patrick Edema,
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Upcoming events

February 3, 2020; Kampala: High court hearing of the case against the Tilenga ESIA decision by NEMA

February 7, 2020; Buliisa: Community engagements on the French court decision on Total E&P's oil exploitation activities in Uganda

February 13-14, 2020; Buliisa and Nwoya: Training of local council leaders and youth champion groups on the Tilenga oil project's EIA certificate conditions

February 19, 2020; Buliisa, Nwoya and Hoima: Sensitisation radio talkshows on the Tilenga oil project's EIA certificate conditions

February 21, 2020; Kampala: Sixth court case hearing for the oil refinery-affected people

February 25, 2020; Hoima: Sensitisation activities to save Bugoma forest from degradation for sugarcane growing

February 26-28, 2020; Kikuube, Hoima and Kakumiro: Community engagements on the implementation of Resettlement Action Plans (RAPs) for the Kingfisher and EACOP projects

About Africa Institute for Energy Governance (AFIEGO)

Africa Institute for Energy Governance (AFIEGO) is a public policy research and advocacy NGO dedicated to influencing energy policies to benefit the poor and vulnerable. Based in Kampala, Uganda, the organisation was born out of the need to contribute to efforts to turn Africa's energy potential into reality and to ensure that the common man and woman benefits from this energy boom. Through lobbying, research and community education, AFIEGO works with communities and leaders to ensure that energy resources are utilised in a way that promotes equitable development, environmental conservation and respect for human rights.

Our Vision

A society that equitably uses energy resources for socio-economic development

Our Mission

To promote energy policies that benefit poor and vulnerable communities