

Uganda's oil "not yet in pipeline"

Popular expectations, public/private responses, and macro and environmental outcomes

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Presentation

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Outline

Introduction

Oil in Uganda

Revenues, Politics and the Environment

Managing Expectations

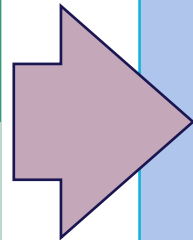
Conclusions



Introduction

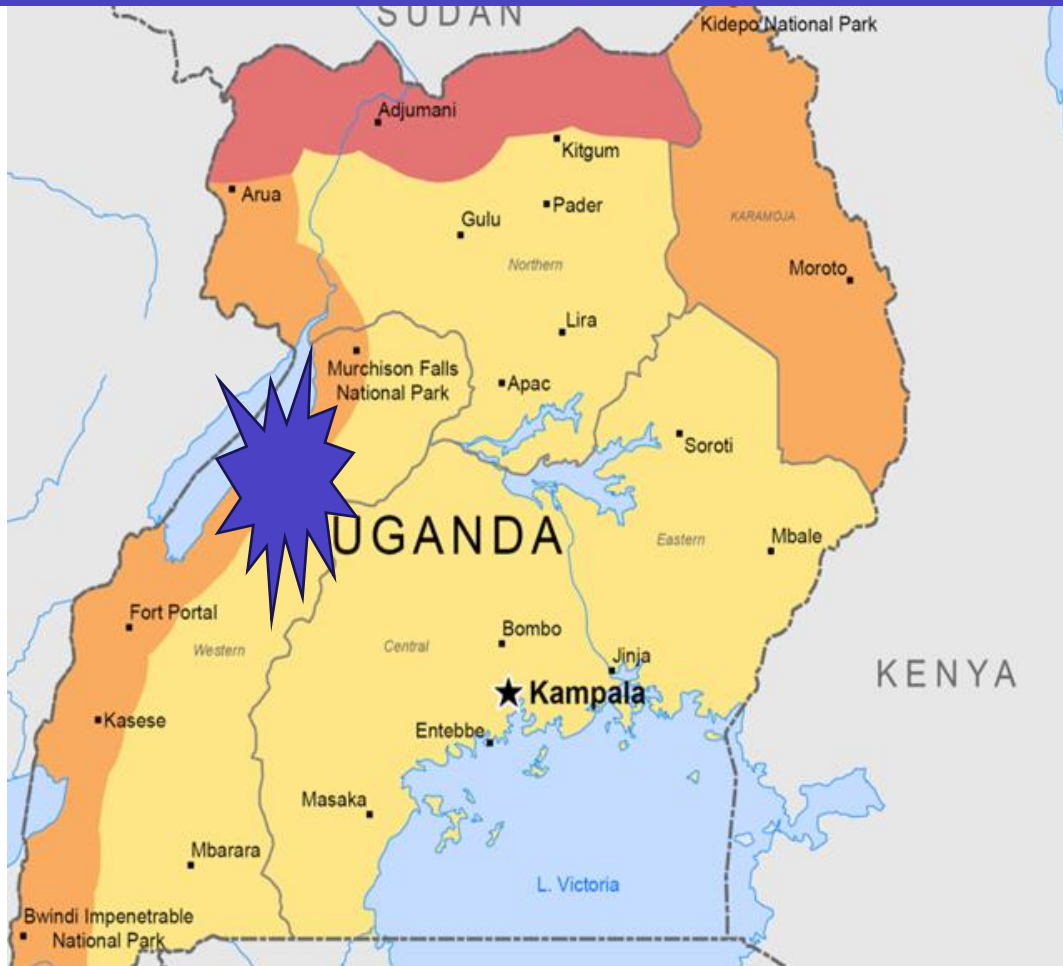
Invariably every country that has recently discovered sizeable amounts of natural resources (i.e., oil) fervently believes **four** things:

- **The causes of poor performance (rent-seeking) are well known** and hence will be addressed (i.e., no need to worry).
- **Oil revenues will be shared equitably, including with future generations.**
- Oil will boost **economic growth.**
- The **environment** will be protected.



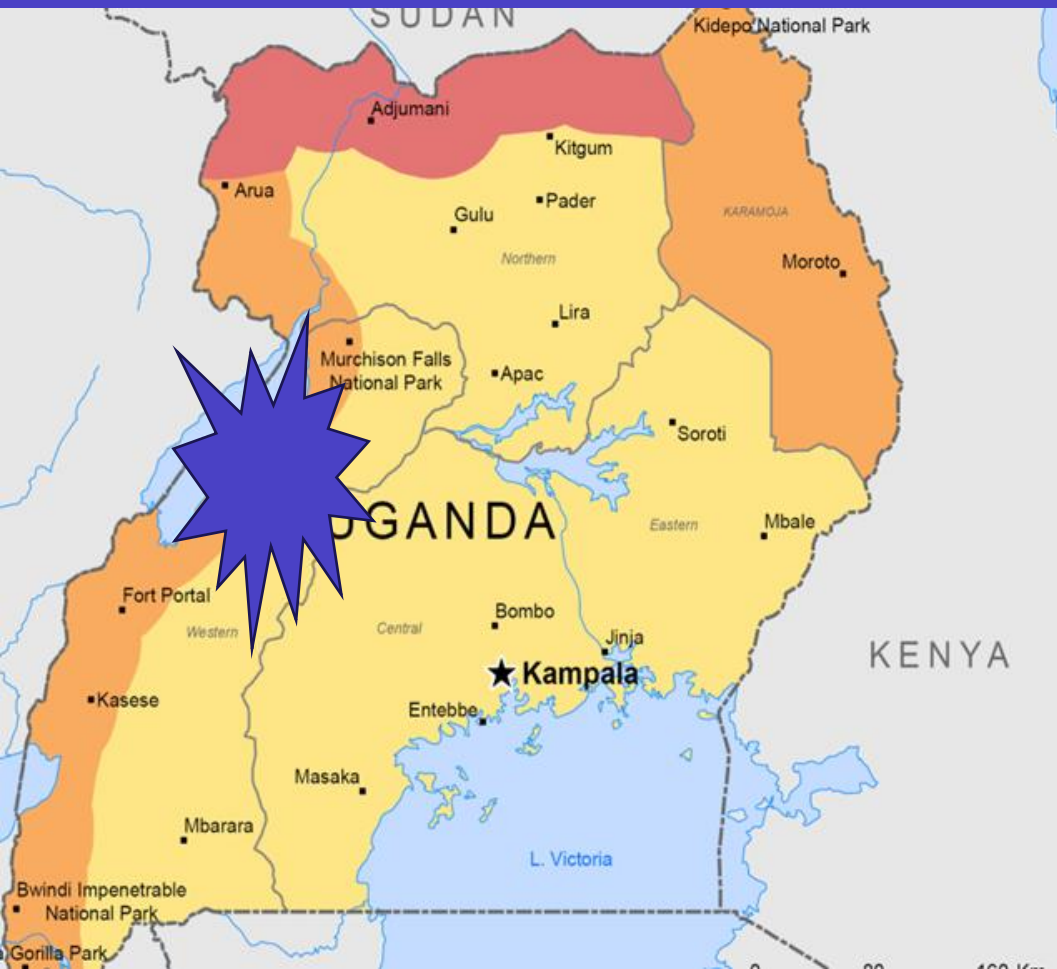
Uganda is an interesting test case of whether the four beliefs are feasible in a low-income country.

Oil in Uganda (I): From Oil Seepages to Dreaming Big



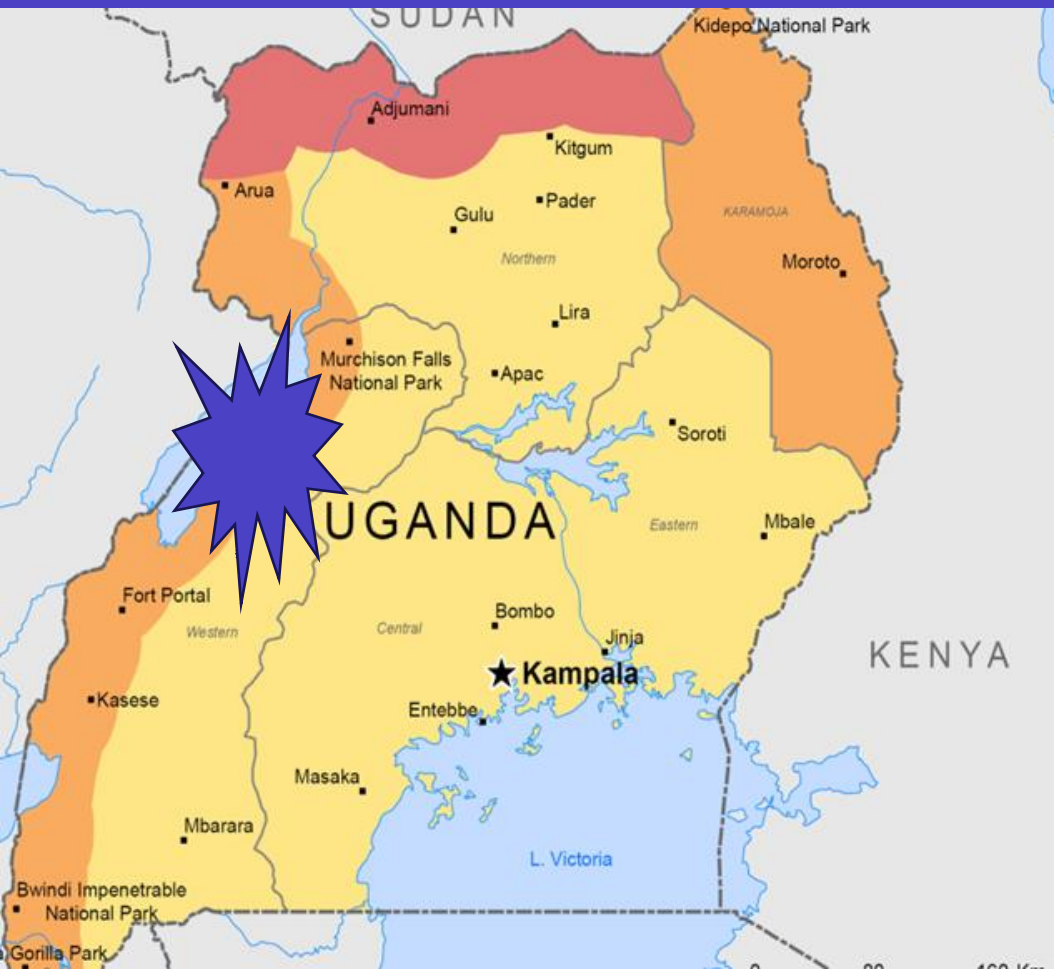
- **Oil seepages** in Western Uganda in the 1920s
- But **Uganda designated as agricultural outpost** (coffee and cotton exporter) + WWII + Independence
- Oil discovery **announced 8, 10, 2006** by President Museveni (i.e., 16+ Years ago) -- **Oil not yet flowing**
- **AfDB oil seminar** held in Kampala in **2009** (opened by President Yoweri Museveni)
- **Quote of the day:** *"I will not allow you Ugandans to buy perfume from Dubai with my oil. Oil will be used for the development of Uganda into a middle-income economy."*

Oil in Uganda (II): “Coalition of the Willing” and Geopolitics



- Uganda: **“Cinderella of global oil industry?”** i.e., arrives at the ball when the party is over?
- **Coalition of the willing:** GoU, Total E&P; China National Offshore Oil Corporation (CNOOC) (leading the charge).
- **Crucial mid-size players/enablers:** Hardman Resources, Tullow, Heritage Oil.
- **Geopolitics**—skirmishes at border with DRC, passage to the sea (Kenya versus Tanzania)

Oil in Uganda (III): Institutional Impacts



* **Stylized facts of oil dependency on full display:** revenue dissipation, institutional erosion, Dutch disease, state patronage, geopolitics etc.

* Environment and **net zero** concerns versus hopes of middle-income affluence (Mukate politics)

* Long delay in oil production a **blessing in disguise**—establishment of institutions, **oil policy**, creating technical capacities (technicians with international certification), scaling down ambition (**crude export versus domestic refining**), **environmental mitigation.**

Revenues, Politics and the Environment



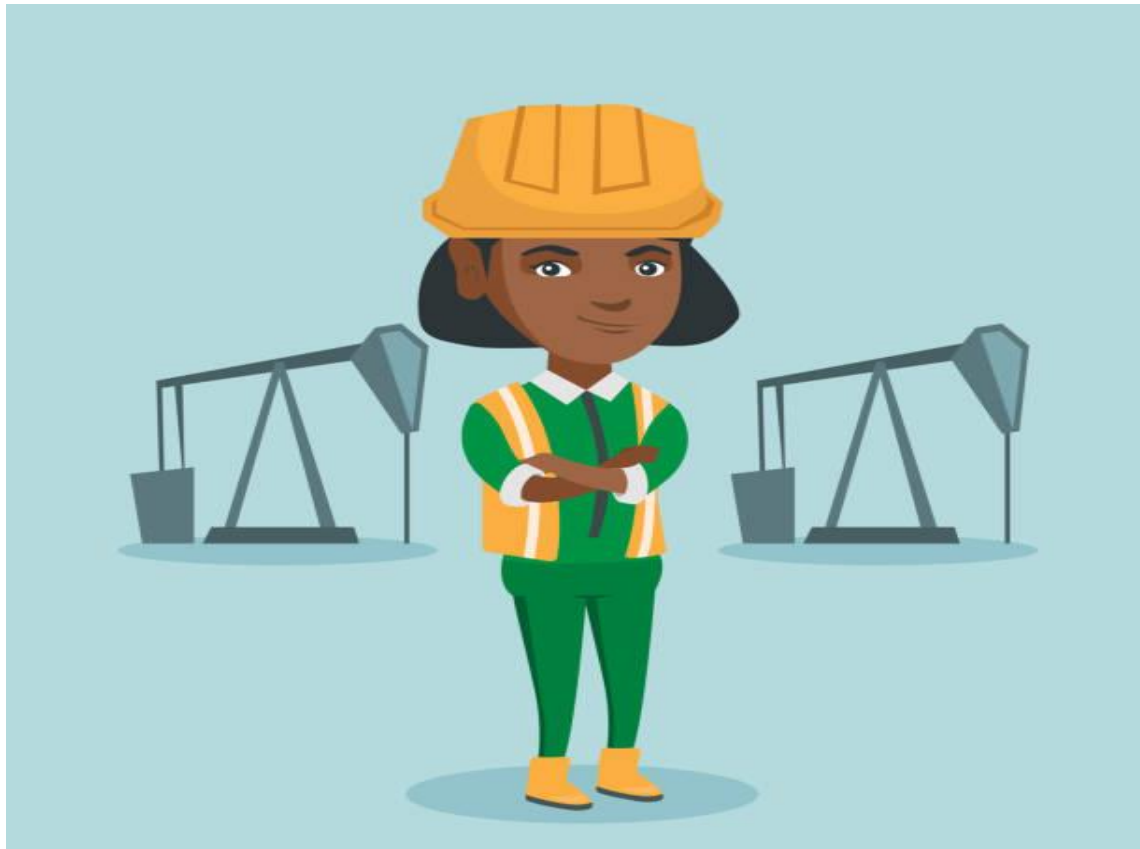
- **“Oil money” (in the \$billions)** has entered the Ugandan economy in the past two decades (licenses, investments, speculators etc.)
- Visible **real estate boom**, SUVs, “loose money” etc. in Kampala; Land prices have shot up across the country, especially in oil theatres in the west
- ***Parliament’s running battles with Government departments** – calling for transparency etc.
- Charges of **displacement and impoverishment, desecration of ancestral lands, environmental degradation and rising inequality**
- Global and local environment activist opposition—Oil theatre in Uganda is a **“global diversity hotspot”**

Managing Expectations (I): Welfare Boost

- Everything has its time – **Kabalega's prophecy** 100 years later
- **Expectation of sharp poverty reduction** (Uganda as welfare state) and urbanization
- Hoima as Uganda's Dubai etc. (Black oil sheikhs on the shores of Lake Albert etc.). **Several towns have become cities**, to be developed further when oil revenue comes on stream.
- The **issue of local content** (suppliers to the oil industry listed in a data base)



Managing Expectations (II): Jobs



Areas of Expertise	Job description
Exploration and production	<ul style="list-style-type: none">• Petroleum engineering; chemical engineering; petrol physics etc.
Operations	<ul style="list-style-type: none">• Project management; production operations; terminal technicians
Contracting and procurement	<ul style="list-style-type: none">• Procurement: engineering; materials; logistics
Commercial	<ul style="list-style-type: none">• Crude oil trading; commercial petroleum contracts
Environmental Health and Safety	<ul style="list-style-type: none">• Accident investigation; Environmental monitoring; Auditor Safety/Compliance

Managing Expectations (III): Regional politics

- East Africa as **captive market** for Ugandan petrol?
- The cost of being **landlocked** (heated pipeline)
- National **security quandary** (open-borders)
- Regional oil projects: **competition versus collaboration** (airlines suggest otherwise)

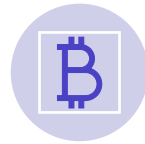


CONCLUSIONS:

Twelve Recommendations for Managing Oil Revenue in Uganda and other Places



- Agree **national priorities** and protect them from political expediency.



- Put aside some of the wealth for **future generations**.

- **Economic infrastructure** is crucial for profitable oil exploitation and for economic diversification.

- To ensure a fair deal, **raise the country's capacity to negotiate contracts** and, where required, bring in external support.



- **Demonstrate social responsibility** (for example, host communities should see real benefits from the oil exploitation).



- The **environment must be protected**.

- **Encourage private sector participation** through the growth of local firms.

- **Avoid misinformation** to the public.



- Maintain and grow the **non-oil sectors** (notably agriculture).



- **Create domestic capacity and enhance human resources** in order to turn the finite resource, oil, into infinite benefits for the country.

- Give **good governance and transparency high priority**.

- **Macroeconomic stability** is important for sustaining prosperity.



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Thank you

