

## Oil could cause war

Written by By Mubatsi Asinja Habati  
Saturday, 01 October 2011 14:23

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### Museveni guarding against outsiders but the danger is internal, say experts

On Aug. 2 Uganda's oil rich western border with the Democratic Republic of Congo showed once again that it can erupt into insecurity at any time. Barely three months to the tense November 28 presidential elections in the DR Congo, the Mai-Mai militia and Democratic Liberation Forces of Rwanda (FDLR) rebels attacked in Mutungo displacing nearly 7,000 people, according to the International Crisis Group (ICG).

The Yakutumba, another Mai-Mai militia group on Aug. 7 threatened to attack Lubichako town unless locals paid money. The ICG reported that Joseph Kony's Lord's Resistance Army (LRA) rebels remained active in Orientale Province. Over 100 people have been kidnapped in this area recently in attacks linked to fights over ransoms, minerals and oil.

The Ugandan side of the border remains quiet but the latest attacks on the DR Congo side come after months of volatile situation. The attacks are by armed gangs suspected to be rebels of the FDLR, LRA, and the Allied Democratic Forces (ADF). In the ongoing campaign in DR Congo, President Joseph Kabila is being criticised for failing to restore peace in this vital area.

Before the Aug.2, the last attack had occurred on Feb.15 when a man working for the UK-based oil firm Soco and a government soldier were kidnapped at Katiguru near the Virunga National Park formerly the Albert National Park which connects with the Rwenzori National Park in Uganda. They were workers of a security firm hired to protect Soco, which is an associate of Dominion Petroleum which also operates on the Ugandan side.

Oil sector experts predict that as the contribution of other minerals to the DR Congo economy declines, oil could become a major resource and figures like 200,000 barrels per day are being

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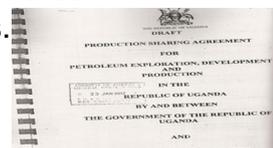
Kabila has awarded concessions to mainly South African-linked companies, Dominion Petroleum and Soco. But to award these concessions, President Kabila had to shred previous agreements with another Ugandan operator; the Irish golden boy of small oil success, Tullow Oil.

Kabila awarded Tullow's previous concessions to little known Caprikat Ltd and Foxwhelp Ltd that are linked to South African President Jacob Zuma and in March, Tullow announced it was quitting. It is now unclear how the new concessionaires will impact on the oil-related security of the region.

Sporadic skirmishes between Uganda and DR Congo government forces, militias, and local people have erupted in the Lake Albert since the oil exploration firm, Heritage, hit oil there in 2006. The lake is divided in half by the Ugandan-Congolese border, and its shores on both sides run along an oil rich region known as the Albertine Rift, where the bulk of oil exploration is occurring.

The most prominent skirmishes have centred on the Rukwanzi Island where Heritage initially set up camp but was forced out in a territorial dispute between Uganda and the DR Congo in 2007.

A leaked diplomatic cable by WikiLeaks on March 13, 2008 notes a request by Uganda to the US government for assistance to train and equip a lake security force which could enforce Uganda's territorial waters, protect Uganda's oil assets, and reduce violent incidents.



The cable signed by then-ambassador Steven Browning says Uganda had no effective means to provide security on Lakes Victoria, Albert, Edward, George and Kyoga.

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Uganda cited the August 2007 attack by DR Congo government forces on a Heritage Oil exploration barge in which one British national working with Heritage was killed and another in September 2007 when the United Nations Mission to Congo (MONUC) took a Heritage seismic vessel into custody leading to fire fight in which five Congolese civilians and two Congolese soldiers died.

Before coming to Uganda, Heritage was operating in the Lake Albert area on the DR Congo side since 2002. By coming to Uganda, it had hoped to secure the oil exploration rights for the whole region and avoid such cross-border conflicts. It failed.

The March announcement by Tullow, which has considerable oil assets on the Ugandan side, also marked a failure to find a cross-border resource sharing arrangement.

## Museveni strategy

Meanwhile on the Ugandan side, President Yoweri Museveni has moved ahead to ensure security of what he likes to call “his oil”.

In a move criticised by some, including anti-corruption activists like Global Witness, an international NGO that investigates the role of natural resources in funding conflict and corruption, Museveni has put an elite force commanded by his son, recently promoted Col. Muhoozi Kainerugaba, in charge of oil wells security. A private security firm, Saracen, which is owned by his younger brother, Gen. Caleb Akandwanaho aka Salim Saleh is also involved.



When Museveni was criticised for buying six SU-30 MK2 Russian-made jet fighters for a whopping US\$780 million (Approx. Shs 2.2 trillion at current exchange rates) in an off the books deal that depleted the national reserves and has been partially blamed for the weakening of the economy, he said they were to secure the oil.

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Spin or no spin, in a meeting with MPs from his ruling NRM party on March 24, he reportedly explained that he secretly bought the jets because Uganda's defense needs to be beefed up now that it has confirmed oil reserves.

Museveni's position was confirmed by the Minister of state for Defence, Gen Jeje Odongo, in an interview with a Kampala newspaper, The Observer.

He said Uganda needs the jets because the country is in a hostile neighbourhood.

"We don't live in an enemy-free neighbourhood. So, don't look at the purchase in terms of cost. The Great Lakes region is one of the most unsafe regions," The Observer quoted him saying.

Museveni's determination to secure Uganda's oil has, however, led to shrouding the sector in secrecy. The oil towns in western Uganda are virtual garrison towns with all visitors screened and the locals there operating as government spies.

### Internal troubles

Now, however, a new report entitled "Oil Extraction and the Potential for Domestic Instability in Uganda" says President Museveni's strategy of looking at insecurity from across the borders is mistaken because the danger could be internal. The report says the primary security threat posed to Uganda lies in the domestic effects of large-scale oil exploitation.



The report by American professors, Jacob Kathman and Megan Shanon makes a direct connection between the kind of secrecy being practiced by Museveni in the oil sector to increased corruption and civil instability.

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The report criticises Museveni's overstay in power.

"If Museveni gains access to substantial oil revenue, the combination of considerable oil funds and strong presidential powers could increase the ability of his government to remain in power indefinitely."

"Increases in corrupt behavior would essentially require secrecy in government dealings. A reduction in government transparency in oil and tax revenue management would then incentivize Museveni's government to become increasingly autocratic in its relationship with the public and political opponents, as has so often been the pattern in other oil producing states," says the report.

It shows that as a country's per capital production of oil increases the danger of increased civil unrest and corruption also goes up unless it is mitigated by other factors, among them transparency, involving the public, and providing public goods like roads, hospitals, and schools, especially in what it calls "communities local to the extractive sites" like the Bunyoro Kingdom.

The report says although oil exploitation can provide tremendous economic benefits for Uganda, it also poses "extraordinary challenges to Uganda's domestic security. It warns that oil exportation may increase the value of Uganda's currency, rendering other sectors of the economy less competitive.

"If the government does not reinvest revenues into public works to soften the blow of economic change, domestic instability may ensue," it warns.

"The poor and disaffected youths are the most likely to turn to violence in order to redress socio-political grievances. A young, growing, and increasingly urban population indicates the potential for civil strife in Uganda. The added stress of urban migration associated with oil production may only exacerbate the dynamics behind civil strife," the report warns. With a birth rate of 3.5%, Uganda has the second fastest growing population in the world. Up to 83% of the youth in urban areas are unemployed.

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The report says in many petroleum-rich, underdeveloped states, oil exploitation has reduced the competitiveness of previously productive economic sectors, “leading to declining wealth, social and political unrest, increasingly disaffected populations, and emergence of rebel organisations, government corruption, and destabilised domestic security.”

Already there are tensions among locals in oil rich areas of Bunyoro in western Uganda and Amuru in northern Uganda.

In January, when pastoralists entered land around oil rich areas -Waiga, Waisoke, Bugana and Kataleba - all areas near the oil exploration site of Kaiso-tonya following conflicts with the indigenous Banyoro and Bagungu, the Coordinator of Security Agencies, Gen. David Tinyefuza, had to intervene to avert bloodshed. He evicted the pastoralists (sometimes called Balalo) who, residents allege, were Trojans for rich individuals intent on grabbing the oil rich land.

The same Balalo have been cited in land wrangles in Teso, Arua, and oil rich Amuru. A 2009 International Alert –Uganda report by Margaret Rugadya, a policy and governance analyst, showed that most of the land conflicts are “incubating” and could blow up.

Kathman and Shanon are resource conflict experts and can arguably be dismissed as firefighters who see potential danger in every match-stick but the timing of their report gives it urgency. The scenarios they build and call the “future realities” for Uganda in regard to oil production are however, pertinent and solidly based on countries that have experienced the so-called resource curse.

Starting from the current position of zero oil production, the researchers who describe Uganda as an anocracy; that is a country which is neither a democracy or an autocracy, and is moderately corrupt by most ratings, they say the chances of a civil strife are minimal at just 8.41%.

However, they show that if Uganda starts producing oil and follows the path of countries that have suffered the oil curse by becoming more corrupt, autocratic, and non-transparent, then the danger of oil strife will go up by a whopping 67.1% to 14.05%. On the other hand, if the country becomes less corrupt and more democratic, the danger of civil strife is reduced to just 1.96%. Similar projections have been proved for other countries that have hit oil.

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“If Museveni’s government makes its decisions public and is held accountable, it is more likely to choose anti-corruption policies that are favorable to the public interest,” the report says.

### **Confidentiality or secrecy?**

The warning came just days before Aug. 20 when over 160 MPs signed a petition to the Speaker of parliament designed to force the government to hand over its secret agreements it has entered into first with Heritage Oil, then with Tullow Oil and lately with China’s CNOOC and Italy’s Total and others.

“We are talking about accountability and transparency in the energy sector. From exploration to near production now, there has been secrecy. We need to break that now,” one of the MPs, Abdu Katuntu, told journalists.

The government has maintained a mixture of bluff, defensiveness, and outright lies regarding the agreements.

A few days after the petition was handed to the Speaker, the minister of Energy, the Attorney General and the boss of Uganda Revenue Authority (URA) called a joint press conference to pour water on the MPs fears but refused to release the agreements.

When told that because of anger over the secrecy, an Energy ministry worker had leaked a copy of the Production Sharing Agreements (PSAs) that was circulating on internet, the Energy minister Irene Muloni resorted to bluff mode. “Is that true? I will also go to the internet and see if they are the actual ones,” she said.

She brazenly insisted that the PSAs were tabled in Parliament although the record shows that MPs were not allowed to read whatever documents were “waved” at them.

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The Attorney General Peter Nyombi claims it is the oil companies that insist on confidentiality but Tullow Oil, the main player in Uganda's oil exploration, says it is open to making the agreements public and has posted its agreements with Ghana on its website. Ghana, which is relatively transparent, is seen by many to be avoiding the civil strife associated with oil exploitation in the neighbouring Ogoni region of Nigeria which is more secretive. It is now feared that Ugandan is headed the Nigerian way.

### The pledges

On the sidelines of the joint press conference, URA Commissioner General, Allen Kagina, also spoke to The Independent about the report and its recommendation that Uganda avoids over-reliance on oil.

Even before Uganda begins pumping oil, Kagina's department is at the eye of a storm over a US\$434 million capital gains tax that Heritage Oil has refused to pay sparked a legal battle. In contrast, Uganda earned \$220 million from coffee exports last year. The report warns that Uganda exports will suffer if the currency appreciates and attention shifts to oil.

But Kagina says that will not happen. "It cannot happen here because we will develop the oil sector as we strengthen other sectors. Our economy is based on agriculture which we intend to develop along oil. Such has happened in other countries which neglected other sectors and concentrated on oil revenue and we can learn from their experience," she said.

President Museveni has also pledged to manage the macro-economic off-shoots from oil exploitation. "Nigeria had this problem...it caused their exchange rate to appreciate. Uganda will not allow this," he said recently.

The report quotes Bank of Uganda Governor, Emmanuel Mutebile, highlighting the importance of responsibly managing the oil sector, stating , "We must be Africa's Norway. We must manage our oil resources in the stellar manner in which Botswana has managed its wealth from diamonds."

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Dr Keith Myers, a managing partner at the London-based Richmond Energy Partners, told The Independent that transparency is important in oil sector as it “creates a sense of responsibility and accountability”.

But the UPDF and Ministry of Defense Spokesman, newly promoted Col. Felix Kulayigye says there is nothing new in the report. He says formation of armed rebel groups around issues of oil “is unlikely”.

“Resource conflicts especially about shared resources exist and that is potential but it largely depends on the leadership of countries involved,” he told The Independent, “When leaders of countries involved understand that these resources indeed stride the border and would be sufficient for all, there is no reason for conflict.”

To defend the secrecy around the oil agreements, Kulayigye said: “When a resource is of a strategic nature very few people know about it. Besides regulations governing these agreements are commercial laws and we are not going to breach them just to be populist. Our country is very transparent because we know these resources belong to Ugandans not an individual in government. So people should not speculate things where they are not. Some of these researchers had predicted the 2011 elections would be chaotic but this turned out false.” After reading the report, many hope it is wrong and Kulayigye is right.