



AGENCY FOR TRANSFORMATION
Re-imagining agricultural and environmental policy

Farmers' in Uganda's Oil Economy: Deal or no Deal!

**Are you a POLICY MAKER or
OIL COMPANY in Uganda?
FARMERS HAVE A MESSAGE
FOR YOU.**

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BACKGROUND AND RATIONALE

The new oil industry presents several new challenges to the agricultural sector. These range from issues of land ownership, displacement, channelling petroleum benefits to agriculture, environmental concerns, distortions of prices in products and money markets, and overall dwindling of the agricultural sector. Agriculture is important to the Ugandan economy. Over 60% of Uganda's citizens are employed in the agriculture sector.

OIL REVENUE MANAGEMENT AND AGRICULTURE

It is crucial that Uganda tightens enforcement of law to get rid of corruption at all levels, otherwise the petrol revenues will be completely mismanaged, leading to chaos in the country.

Government needs to improve service delivery mechanisms to ensure rapid rural development. Special funds such as Uganda Rural Development Fund or Uganda Agricultural Fund would be appropriated.

To control the impact of oil revenues on the economy, Sovereign Wealth Funds (SWFs) and other mechanisms can be used to pool and reserve the revenues for other investment purpose that will benefit the country's economy and farmers.



1. Right Hon. Speaker of Parliament, Rebecca Kadaga at the 2013 Agricultural Trade Show.

MANAGING PETROLEUM FOR THE BETTER AGRICULTURE

There exists many ways for averting the ill effects of the oil industry described above. Norway and Botswana have been able to utilise benefits from through good quality of public policy, legal framework and public accountability.

Credible solutions:

- Government must put guarantees for local content and ensure that oil companies support local production by buying food stuffs produced by local farmers and support value addition activities for farm produce in the country.
- Freeze the petroleum revenues by investing them in "Sovereign Wealth Funds".
- Use of oil revenues to capitalise Uganda Development Bank and other local Banks to push down interest rates for small holder farmers and Small scale and medium enterprises
- Invest petroleum revenues into social-infrastructure and boost lagging sectors such as agriculture and non-oil based manufacturing.
- Use petroleum resources to reduce taxes.
- Invest heavily in local content and skills development to ensure that full employment of the entire population.
- Stop borrowing and pay off the debt



AVOIDING THE DUTCH DISEASE

Government should avoid excessive appreciation of the Ugandan shilling by ensuring a sustainable value for the currency.

WHAT NEEDS TO BE DONE

Policy makers - Ensure that government does the following:

- Government needs to fulfil the Maputo Declaration of allocating 10% of the national budget to agriculture with a broader objective of achieving and sustaining 6% growth target.
- Leverage the Eastern Africa Community to set common external tariff regime for sensitive agricultural commodities like maize, rice and other oil seeds to protect local farmers from cheaper food imports for five years to allow Ugandan farmers to fill a competitiveness gap. This will be a strategic deterrent against expected currency appreciation driven by substantial amount of oil revenues.
- Stop individuals with access to illicit oil money from purchasing huge countryside land and drive poor and small holder farmers out of their lands.
- Establish long-term subsidized agricultural projects and rural infrastructure to promote small holder farmers enterprises to perform effectively and achieve competitiveness.
- Local content clauses in oil and gas sector laws should guarantee priority to Uganda farmers' products. Importation of foodstuffs for oil workers should only be limited to products that are not produced in Uganda
- Make use of cheap bitumen from Uganda's petroleum to construct roads in all parts of the country. Take consideration of the smallholder farmers' aspirations, and needs as a priority because they are the majority of the population.
- Eliminate corruption and mismanagement of public funds to enhance public trust in government. The first steps should include joining the Extractive Industries Transparency Initiative (EITI) and making PSA's public.
- Control revenues from oil, foreign aid, foreign direct investments and other sources to avert the resource curse. Solve the puzzle of where donors will go if oil booms.
- Do not leave all long term reserve investments in the hands of foreigners, and do not have long term reserves invested in only foreign liquid debt instruments.
- Make thorough use of the country's impressive intellectual prowess to do thorough policy research and plan the economy in such a way the welfare of small holder farmers is improved, not worsened.

- Review the pertinent laws and policies to bridge gaps and address weaknesses
- Strengthen measuring and monitoring of environmental regulations when industries are in actual operation. Mandatory pre-licensing Environmental Impact Assessments (EIAs) are not enough and it is frequently just paperwork. Build capability of specialised environment monitoring agencies.
- Diversify the economy away from petroleum which is finite and dependent on world prices.
- Plan to phase out extraction and use of fossil fuels like petroleum.



Oil Companies, Investors and Developers do the following;

- Make reasonable profits and do not dodge taxes or underpay Ugandans working in your enterprises. Do not siphon all profits out of the country.
- Help Uganda develop appropriate “local content” that will promote economic diversity. Develop human resource in all sectors. Give jobs to Ugandans. Procure from Ugandan firms and help them grow.
- Protect the environment out of duty obligation and conscience. Do not secretly dump waste and do not flare or vent off gases beyond safe limits. Take all necessary protections to avoid leakages by accident or otherwise.
- Do not bribe your way through, it hurts the whole economy and will eventually ruin your business.
- Invest and develop enterprises in line with the country’s needs, aspirations and priorities.
- Avoid projects that will displace populations. Try less inhabited places and arid places that may not be suitable for ordinary. In case of unavoidable

displacement, compensate the affected persons equitably. Do not cheat them due to their ignorance.

- Plan to phase out fossil fuels (which must happen soon or later). Invest in alternative fuel industries and renewable energy sources. Fast track economies that are doing this.



DEAL OR NO DEAL