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Global Witness analysis of the Ugandan Parliamentary Natural Resources Committee reports on the draft Petroleum Bills

Introduction

Petroleum wealth has the potential to help raise millions out of poverty, but it also runs the risk of plunging Uganda towards the resource curse. A robust legislative framework which provides transparency and accountability in the management of the sector is a first vital step to ensuring that Uganda gets a fair deal for its resources and ordinary Ugandan citizens benefit.

In February 2012 two new Petroleum Bills were introduced to the Ugandan Parliament. The two Bills display a number of positive aspects and some good detail, but a number of groups have raised concerns over excessive ministerial control, absence of parliamentary oversight, a lack of guarantees on contract and financial transparency, and lax environmental and social safeguards.[1]

This new legislation has been considered by the Parliamentary Natural Resources Committee. After several months collecting evidence and consulting with stakeholders the Committee has submitted their recommendations to the Speaker of Parliament for consideration and adoption by Parliament. The following analysis compares these recommendations against the substantive concerns raised on the legislation by civil society groups. It does not constitute an exhaustive list of recommendations for amendments to the law, only a selection of the most important.

Summary and recommendations

1. Institutional Governance and Ministerial Discretion

Whilst the Committee has recommended the introduction of model contracts it has failed to curtail the powers of the Minister[2] in other substantive areas. In particular Global Witness is still concerned that the Minister will retain the right to appoint the board of the Petroleum Authority along with discretion over every major decision.

a) Place the day to day handling of the petroleum sector in the hands of the Petroleum Authority by amending clauses 9 and 11 in the Upstream Bill and replacing the word *Minister* with *Authority* where necessary.

b) Ensure the independence of the Authority by amending Clause 18 (2) on appointing the board to read *appointed by the Minister, with the approval of the Parliament.*

2. National Oil Company

The Committee has failed to recommend changes which will stipulate more effectively the relationship between the National Oil Company, the state and the public. The laws as they stand potentially create a very opaque and unaccountable quasi-state institution, which poses a substantial corruption risk.

a) MPs should consider calling for a separate act of Parliament to govern the NOC which clarifies its management, governance and transparency provisions.

3. Parliamentary Oversight

The Committee has made some headway here by introducing model PSAs and increasing access to information for MPs, but it has stopped short of recommending additional powers for parliamentarians.

a) Parliament could go further and demand a say in the development of model PSAs and the decision to open up new areas for exploration by amending Clause 48 (1) in the Upstream Bill to read *The Minister may, with the approval of Parliament, open up areas for petroleum activities.*

b) Clause 7 (5) after the word *cabinet* insert *and Parliament.*

4. Contracts

[1] For further information please see Global Witness, *Uganda's petroleum legislation: Safeguarding the Sector,* 28 Feb. 2012 http://www.globalwitness.org/fr/node/7945

[2] All references to the 'Minister' refer to the office of the Minister and not to the post holder or any other individual.

The Committee has made serious attempts to limit the scope of confidentiality, stabilisation and arbitration clauses in future oil contracts by introducing an amended Clause 7 in the Upstream Bill. This is a welcome effort to limit some of the problems that have already been identified in the sector. The drafting of model Production Sharing Contracts (PSAs) will be key to the success of these efforts.

a) Guarantee transparency by limiting confidentiality clauses and amending Clauses 148 and 76 as per the Transparency and Accountability section below.
b) The law should stipulate that stabilisation clauses should only refer to specific tax related issues, as is the case of the current PSAs, and should not affect environmental and social protection policy.
c) The law should stipulate that arbitration proceedings and documents shall be open to the public to ensure that Ugandan citizens can see that justice is served (see detail below).
d) The law should also stipulate that contracts contain specific human rights and environmental protection provisions, as per the recommendations made in Global Witness' analysis of the Bills.[3]

5. Allocation and Bidding

The Committee has recommended that the law be amended to remove the ability of the Minister to circumvent a competitive bidding process on the grounds of 'national interest' but other significant loopholes remain.

a) Firstly the law should set out that the allocation and bidding process should be open and transparent and follow best practice guidelines which themselves should be set out.
b) Exception (c) in Clause 54 (2) should be removed all together. Exceptions (a) and (b) should be re-considered.

6. Transparency and Accountability

Whilst the Committee refers to the importance of transparency in its introductions it has failed to recommend amendments to the legislation which will guarantee transparency in the sector. Only information which is genuinely commercially sensitive and classified as such by relevant Ugandan law should be withheld.

a) Amend clauses 148 Upstream and 76 Mid-stream to stipulate that *all documents relating to the petroleum sector shall be made public by the Minister* (within given time frame).
b) Amend additional clauses (including 149 and 150 Upstream, and 77 and 78 Midstream) which restrict access to information, and include whistle-blower protection provisions.
c) Delete 148 (2) Upstream and 76 (2) Mid-stream and replace with *The information referred to in subsection (1) shall be available on the Petroleum Authority and PEPD websites and in hard copy upon request.*

7. Beneficial Ownership

The Committee has failed to make recommendations which would strengthen the provisions on transparency over beneficial ownership.

a) Reduce the 5% figure in Clause 57 (3)(a)(ii) Upstream to limit corruption risk.
b) Amend Clause 148 Upstream and 76 Mid-stream (as above) to ensure that information on beneficial ownership is publicly available.
c) Seek expert legal advice on re-phrasing the clause to ensure that it cannot be manipulated.

8. Environmental and Social Protection

The Committee has recommended a number of small changes to improve the environmental and social protection provisions of the Bills including increasing penalties for those who do not comply. Other weaknesses remain.

a) Please see more detailed recommendations in submissions to the Committee including Global Witness' analysis here: http://www.globalwitness.org/fr/node/7945
b) Consider measures to strengthen the capacity and oversight function of relevant institutions such as NEMA.

9. Financial Transparency

The Committee's reports do not deal with the issue of financial transparency.

a) Uganda should join the Extractive Industries Transparency Initiative.

[3] Global Witness, *Uganda's petroleum legislation: Safeguarding the Sector,* 28 Feb. 2012 http://www.globalwitness.org/fr/node/7945

b) MPs should carefully consider revenue management issues ahead of the passage of the Public Finance Bill which includes a section on revenue management for the petroleum sector.

Full Analysis

1. Institutional Governance and Ministerial Discretion

Whilst the Committee has recommended the introduction of model contracts it has failed to curtail the powers of the Minister[4] in other substantive areas. In particular Global Witness is still concerned that the Minister will retain the right to appoint the board of the Petroleum Authority along with discretion over every major decision.

The major criticism of the draft laws by almost all stakeholders is the large degree of discretionary control given to the Minister at the expense of the proposed Petroleum Authority established to manage the sector. For example the Minister has the power to open up new areas for exploration, pre-select companies and negotiate contracts. Much of the detail in terms of regulating the sector, such as rules for drilling operations or environmental assessments, is left to further regulations. There is no clear timeframe for the introduction of these regulations, and their drafting and introduction will also be left solely to the discretion of the Minister. In practice this will mean that far too much power will rest with the Minister, and therefore the executive, which risks politicising the management of the petroleum sector. This is compounded by the fact that the Minister has the right to appoint the members of the board of the Authority – a power which is not checked by the Parliament.

The Committee has recommended the introduction of model contracts, which will provide a template for all future deals with oil companies. Such contracts will provide a degree of certainty over the parameters for negotiation between the Government and international oil companies, and provide a guarantee on the kind of safeguards which will be put in place – this is a welcome step. In our view all contracts should be made publicly available to ensure that the Government adheres to the terms of these model contracts and that Ugandan citizens can form their own judgement (see Transparency and Accountability section below).

The MPs have, however, failed to curtail the discretionary powers of the Minister, and in some instances – such as the recommendation for Clause 16 in the Mid-stream Bill – have actually increased the power of the Minister. This runs counter to the advice received by the stakeholders that submitted to the Committee.

We would recommend that the day to day administration of the petroleum sector is handed over to the Authority, this should include; pre-selecting companies, managing the bidding process and negotiating contracts. This would leave the Minister an oversight role as a check and balance on the Authority. In practice this would mean amending sections 9 and 11 in the Upstream Bill (and 6 in the Mid-stream) and replacing the word '*Minister*' with '*Authority*' throughout the documents. This amendment was suggested by several stakeholders that submitted to the Committee. We would also suggest that Clause 18 (2) should read *appointed by the Minister with the approval of the Parliament.* This would provide a more effective check on the power of the Minister.

2. National Oil Company

The Committee has failed to recommend changes which will stipulate more effectively the relationship between the National Oil Company, the state and the public. Serious questions remain about how it will be managed and what information about its operations will be made publicly available. (See clauses 43-47 Upstream Bill)

Another area of concern for the experts who analysed the draft laws was the establishment of a National Oil Company (NOC), without sufficient detail on how it will operate or safeguards against possible corruption. The risk is that the NOC will become a vehicle for vested interests and a burden on the tax payer who would have to underwrite its performance.

It is unclear from the draft laws whether it will operate entirely as an independent entity, or under close political or administrative control. The law does not state what functions it will perform exactly, how it will be funded, or whether it will have the power to borrow on international markets against its interests in the petroleum sector. There is no detail on where its funds and profits will be held, what payments it is likely to receive, and whether it will publicly disclose the receipt of payments or details of its financial management.

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[4] All references to the 'Minister' refer to the office of the Minister and not to the post holder or any other individual.

The laws do not detail what information Parliament and the public will be able to access about its operation or precisely how it will be managed.

The Committee has made recommendations for amendments to the laws which mean that the NOC shall remain state owned, and that it shall operate in accordance with petroleum agreements of which it is part. These are welcome additions but they do not address the concerns raised by stakeholders in their submissions to the Committee. For example it is unclear whether Parliament will have access to the documents submitted to the AGM and the meeting notes from the same.

The Committee has proposed an amendment to Clause 47 in the Upstream Bill which removes the ability of the Minister to stipulate secrecy requirements for members of the board – a welcome recommendation. But the proposed amendment to Clause 7 in the Mid-stream Bill gives the Minister further discretion over the NOC.

Overall the Committee has failed to address the issue of how an oil company will benefit Uganda and avoid becoming a vehicle for corruption or a burden on the state.

The Committee has also recommended that the Minister and the Minister of Finance become shareholders in the company. It is unclear why MPs have taken this decision. It is also unclear why the Minister will hold 99% while the Minister of Finance will hold one percent.

There is no simple solution for creating a better regulatory environment for the creation of a National Oil Company within the existing legislation. We would propose two options. Firstly, that the NOC be established under its own separate act (something considered by the Committee) which would dictate far more carefully how it will be governed, what its relationship with the state will be, and the necessary safeguards against corruption. This would give more time to get this right. Alternatively, we would recommend that MPs and the Government look again at this issue in depth and make substantive amendments and additions to the existing draft legislation.

Either way, as a bare minimum we would suggest that the law is amended to clarify the relationship between the Government and the NOC, and stipulate that details of financial and operational management are made publicly available. Without these amendments the law potentially creates a very opaque and unaccountable quasi-state institution, which poses a substantial corruption risk.

3. Parliamentary Oversight

The Committee has made some headway here by introducing model PSAs and increasing access to information for MPs, but it has stopped short of recommending additional powers for parliamentarians.

A lack of parliamentary oversight was another area identified as a major weakness in the draft Bills. This is a vital check and balance on the Government's handling of the sector and most commentators advocated an enhanced role for Parliamentarians.

The Committee has gone some way towards improving the situation by recommending that MPs have the right to see model contracts for the petroleum sector which will act as a template for future oil deals and set the parameters for Government to company negotiation (Clause 7 Upstream). The reports also recommend that the Minister report to Parliament on plans to open up new areas for exploration (Clause 48 Upstream). This would allow MPs the opportunity to raise objections at this stage on behalf of their constituents. Another proposed amendment would also give MPs access to the reports from enquiries into accidents in the sector (Clause 144 Upstream). This amendment would allow parliamentarians to scrutinise the report, and any mistakes or negligence that may have led to the accident in the first place, which in turn would allow MPs to call for sanction against companies or government officials who were to blame.

Civil society groups will welcome these proposed amendments, but they still give limited powers to MPs. Parliamentarians could have the ability to ratify model contracts and vote on opening up new areas.

Global Witness would recommend that rather than simply requiring the Minister to present information to the Parliament, the laws could be amended to require MPs to approve model contracts and vote on the decision to open up new areas.

This could be achieved by amending Clause 48 (1) in the Upstream Bill to read *The Minister may, with the approval of Parliament, open up areas for petroleum activities.*

Clause 7 (5) after the word *cabinet* insert *and Parliament.*

4. Contracts

The Committee has made serious attempts to limit the scope of confidentiality, stabilization and arbitration clauses in future oil contracts by introducing a new Clause 7 in the Upstream Bill. This is a welcome effort to limit some of the problems that have already been identified in the sector. The drafting of model PSAs will be key to the success of these efforts.

Confidentiality clauses restrict public access to the terms of contracts between the Government and oil companies, this has led to some of the secrecy surrounding the sector. More narrowly defined confidentiality clauses would result in more information being made publicly available and hopefully, therefore, lead to greater trust in the management of the sector. Global Witness would advocate full public disclosure of contracts and associated documents such as Environmental Impact Assessments and Licences unless they fall within narrowly defined commercial confidentiality provisions. Confidentiality clauses could therefore be removed all together with the proviso that certain key commercially sensitive information will be withheld. We welcome the recommendation that commercial confidentiality be limited in line with the *Access to Information Act, 2005, laws governing intellectual property rights and any other relevant laws.* However, this must be complimented with language in Clause 148 Upstream Bill and 76 Midstream which require the Minister to make all relevant documents, including contracts themselves, publicly available as a matter of course.

Stabilisation clauses limit the ability of the Government to increase taxation or change regulations for companies operating in the sector once they have signed a PSA. A more narrow definition in new contracts would give greater power back to the Government to regulate the sector effectively. Whilst the current proposed language is welcome the law should stipulate that future stabilisation clauses should only pertain to specific tax assessments, as is the case in existing PSAs, not to environmental or social monitoring and protection requirements on companies.

Arbitration clauses determine the process for dispute resolution between the Government and the companies if they are unable to agree. The arbitration clause in the contract between the Government of Uganda and Heritage Oil has led to an arbitration case in London to decide on whether or not Heritage is legally obliged to pay USD 435 million in tax.[i]

Whilst we welcome the Committee's attention to the detail of the arbitration clauses, our primary concern is that arbitration tribunals are usually held 'in camera.' The proceedings and the outcome, therefore, tend to be confidential. As such Ugandan citizens will be kept in the dark as to the fate of their natural resources and state funds. We would suggest that future PSAs include a provision in their arbitration clauses which ensure that arbitration tribunal proceedings are not confidential and that all information about the process and outcome will be made publicly available, and that independent third parties will be able to attend and report upon the tribunal proceedings. This will help ensure that Ugandan's have access to information about how their natural resources and associated revenues are being managed which will help restore trust in the management of the sector.

We would therefore suggest adding a sub-clause under Clause 7 in the Upstream Bill which reads:

"The arbitration proceedings shall be held in a public tribunal which allows public access without restriction to all proceedings. Evidence and documentation presented as part of the proceedings and the full outcome decision shall be made publicly available without restriction with the exception of information which falls within strictly defined 'commercial confidentiality' in line with the Access to Information Act, 2005, laws governing intellectual property rights and any other relevant laws."

Whilst civil society welcomes the introduction of clarity in the legislation on these clauses in agreements, we would also like to see explicit requirements in both Bills to include strict international best practice human rights, social and environmental safeguards in licences and/or agreements. These could be included in model contracts at a later date.

Analysts were also concerned by the lack of clarity in the draft laws over what kinds of contracts the Government intended to use, and the potential relationships between licences and agreements. The introduction of model contracts could address these concerns, although given that some of the detail is likely to be contained in licences there is an argument to suggest that there should also be model licences too. Ultimately the quality of the language contained in the model PSAs, and licences, will dictate the quality of

the contractual underpinning for the relationship between oil companies and the Government. All contracts and licences should be made publicly available under Clauses 148 Upstream and 76 Midstream.

5. Allocation and Bidding

The Committee has recommended that the law be amended to remove the ability of the Minister to circumvent a competitive bidding process on the grounds of 'national interest' but other significant loopholes remain.

Whilst the oil laws do provide for open bidding for the allocation of rights to Uganda's oil (an internationally recognised best practice which helps to ensure that countries get the best deal for their oil), analysts are concerned that the draft laws do not provide sufficient detail on the process for the selection of companies.

They were also troubled by the three exemptions (Clause 54 Upstream) which would allow the Minister to circumvent the bidding process:

1. *where there are no applications received in response to the invitation for bids;*
2. *application in respect of areas that are adjacent to an existing licensed reservoir; and*
3. *promotion of national interest* (which is not defined in the Bills)

The Committee has recommended the removal of the third exemption in the bidding process of 'national interest', which is a vague exemption which gives undue power to the Minister. However, the Committee has recommended that the exemption is replaced with a similarly vague exemption which again gives undue discretion and power to the Minister to circumvent the bidding process. That is *the need to enhance the participating interest of the state.* This exemption in our view is too broad and open to abuse. It would appear to insinuate that companies which grant a larger share to the NOC may be more likely to receive the rights than companies which have better technical capabilities and operating histories or offer better terms but with a lower share for the NOC. This exemption is particularly troubling when coupled with the proposed amendments on shareholding for the NOC, as private shareholders may seek to influence the allocation process for their own personal benefit. We would recommend the removal of this exemption.

The Committee has failed to make recommendations to address other loopholes or to increase transparency in the allocation process. Under the draft Bills the Minister is able to circumvent the bidding process where there are no bids, or where the area being allocated is immediately adjacent to a proven reservoir. This is problematic as areas immediately adjacent to a proven reservoir are likely to be highly prospective and receive the most interest from companies. Detail on the bidding and allocation process and its transparency are missing from the drafts. The allocation of lucrative rights to Uganda's petroleum would, therefore, still be open to abuse even with the Committee's amendments.

The allocation process should be administered by the Authority and overseen by the Minister, and even an independent ombudsman. The bids and decision making process should also be open and transparent allowing MPs and the public to hold the Government to account. [ii] We would therefore suggest that the powers of the Minister and the Authority are amended accordingly in all relevant clauses and that the laws are amended to ensure that all documents relating to the sector, including applications, are made publicly available as a matter of course, as are the decisions to partner with a company.

6. Transparency and Accountability

Whilst the Committee refers to the importance of transparency in its introduction it has failed to recommend amendments to the legislation which will guarantee transparency in the sector.

Experts and analysts had criticised the draft legislation for failing to guarantee transparency over crucial information and documents relating to the petroleum sector. The report by MPs has failed to engage with this issue and, in one case, appears to have rolled back transparency provisions in the draft text. 'Licences' have been dropped from the list of documents to be made public by the Minister in the Mid-stream Bill (Clause 76). '*Details from licences'* and '*licences'* are <u>not</u> the same as the Committee's report suggests. This is extremely disappointing as one of the best ways to avoid corruption and raise trust in the management of the sector is to make information publicly available.

Contract secrecy and the lack of publicly-available information have led to allegations of mismanagement, secrecy and strong executive control in Uganda. If the draft Bills are passed into law in their current form then, whilst the Minister will have the option of making some information publicly available, important documents, including licences, development plans, EIAs and contracts, will not be made public as a matter

of course. There is a still a discrepancy between the two Bills as the Minister is required to make information available in the Mid-Stream Bill (Clause 76), whereas they are only allowed to in the Upstream (Clause 148). What's more, information will only be made available subject to a request and the payment of a fee.

Whilst we welcome the proposed amendment to Clause 33 Upstream which brings the act in line with existing access to information legislation the amendment fails to protect whistleblowers. Whistleblower protection is vital in ensuing that matters of public interest, such as corruption or negligence, come to light. Unfortunately, the clauses in the draft Bills severely restrict the ability of government employees to release information remain substantively unchanged by the Committee's recommendations, with no provision for the protection of whistleblowers.

Relying on the Access to information Act as a means of information dissemination is insufficient for two reasons. Firstly, as the report on the Upstream Bill points out, countries like Ghana publish contracts, which is widely considered to be best practice. Information should be made public as a matter of course, not only on request. Secondly, anecdotal information suggests that accessing government information through the Access to information Act has proved difficult in practice. The pre-selection of companies and bidding rounds should also be transparent.

We would recommend that clauses 148 Upstream and 76 Mid-stream stipulate that *all documents relating to the petroleum sector shall be made public by the Minister (*within given time frame*).* Only information which is genuinely commercially sensitive, in line with the Access to information Act and other relevant laws, should be withheld. Delete 148 (2) Upstream and 76 (2) Mid-stream and replace with *The information referred to in subsection (1) shall be available on the Petroleum Authority and PEPD websites and in hard copy upon request.* Amend additional clauses (including 149 and 150 Upstream, and 77 and 78 Midstream) which restrict access to information, and include whistle-blower protection provisions.

7. Beneficial Ownership

The Committee has failed to make recommendations which would strengthen the provisions on transparency over beneficial ownership.

The laws do contain positive clauses on the requirement for any owner of a share of an oil block to disclose their beneficial owner. This provision will help safeguard against corruption by ensuring that the owners of lucrative rights to Ugandan oil will have to identify themselves. However, the Committee has failed to tighten the language in this section as suggested by stakeholders to ensure that the legislation meets its objectives – for example by requiring those with shares which are less than 5% of the oil block (still potentially representing a substantial amount of money) to also disclose their beneficial ownership and that this information be made public.

We would recommend the reduction of the 5% figure in Clause 57 (3)(a)(ii) Upstream to help curb corruption through lucrative share ownership. The application itself should be made public under Clause 148 (see above) which would mean that the information would be publicly available. Specialist legal advice could also be sought on tightening the language to ensure it cannot be manipulated by unscrupulous companies or corrupt officials.

Whilst there are provisions on conflict of interest and disqualification for public servants (for example clauses 15, 19 Upstream Bill) there is scope for additional measures such as asset declaration and registers of interests for senior public servants (and NOC officials) to further mitigate against corruption.

8. Environmental and Social Protection

The Committee has recommended a number of small changes to improve the environmental and social protection provisions of the Bills including increasing penalties for those who do not comply. Other weaknesses remain.

The stakeholders who submitted information to the Natural Resources Committee identified a series of weaknesses in the legislation in regards to social and environmental protection. See, for example, Global Witness' analysis of the Bills.[iii] The Committee has gone a short way towards dealing with this issue by recommending an increase in the size of penalties for individuals and companies that fail to comply with the law and recommending changes in both Bills that state that companies should 'comply with' relevant environmental legislation, rather than simply 'giving effect' to it (Clause 4). MPs should however seek international advice to ensure that the size of the fines is sufficiently large to deter multinational companies from failing to comply. The report on the Mid-stream Bill (Clause 58) also appears to recommend a more

effective definition of pollution. These changes are welcomed, however, many other issues remain unchanged, for example petroleum activities will still be carried out very close to people's homes and workplaces according to the draft Bills.

Experts and CSOs had also recommended that the legislation introduce a process for careful community consultation, the recommendation has not been taken up by the Committee. The introduction in the Upstream report does highlight the need for careful community consultation 6.0 vii) b), but this on its own is not sufficient. The need for community consultation and consent set our here should be enshrined in the legislation itself. We recognise and support the proposed amendment to Clause 50 of the Upstream Bill which requires the Minister to make efforts to communicate effectively with local populations about all reconnaissance activities. This does not necessarily amount to careful consultation however, and reconnaissance is only one part of the exploration and production process.

The introduction in the report on the Upstream Bill recommends that:

'the National Environment Management Authority, Uganda Wildlife Authority, the Water Resources Management Directorate and other state organs mandated to manage different aspects of the Environment need their capability enhanced and their operations adequately resourced if they are to efficiently and effectively monitor and regulate petroleum exploration and production activity and its ramifications on the environment. This may inevitably require an amendment to the Acts that establish the mandate and govern the operations of the respective agencies that superintend over the various aspects of the environment. This enhances the capacity to handle expanded mandates'

This is an extremely important point to consider. Global Witness would advocate that these bodies are given more effective financial backing and also the mandate to ensure that they are able to safeguard the sector. We also endorse the Committee's recommendation that NEMA introduce regulations for waste management from the petroleum sector as soon as possible. This is particularly important in light of the recommendation made in the Upstream report to amend Clause 49 to give more power to NEMA to dictate environment restoration conditions, which we support.

We welcome the proposed new paragraph in Clause 71 Upstream on the need to include environmental and social impact assessments as part of an application for a production license. The nature of EIAs and SEAs will need to be carefully stipulated and monitored by the Ugandan Government to ensure that the companies live up to their commitments. These documents should be made publicly available, this is not guaranteed by the current draft laws (see Transparency and Accountability section above).

9. Financial Transparency

The Committee's reports do not deal with the issue of financial transparency.

Financial transparency in the petroleum sector is a vital step in mitigating corruption and ensuring that Uganda benefits from its petroleum revenues. Whilst this area is ostensibly dealt with by the Public Finance Bill we would encourage MPs to look at this area in more detail in future. The Government of Uganda should also join the EITI and publish all incoming payments, particularly now that the US has passed legislation which requires all US listed extractive companies to disclose the payments they make to foreign governments. Both CNOOC and Total are listed on the New York stock exchange. This will allow citizens and parliamentarians to hold the Government to account over incoming revenue and is internationally recognised best practice.

Revenue sharing will undoubtedly be a major area of discussion when considering the Public Finance Bill. MPs and others should carefully consider the administrative capacity of institutions to deal with large influxes of capital and the likely corruption risks associated with this influx if there are inadequate accounting and oversight mechanisms. The Government should ensure that there is sufficient transparency and monitoring mechanisms at each stage to ensure that revenue from the sector is not mismanaged or misappropriated.

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i As assessed by the Uganda Revenue Authority, see New Vision, Uganda: Govt Wins U.S.$435 Million Oil Case Against Heritage, Ibrahim Kasita, 24 November 2011, http://allafrica.com/stories/201111241457.html, last accessed 15 August 2012

ii For further information please see Global Witness, Rigged; The Scramble for Africa's Oil, Gas and Minerals, Feb 2012, http://www.globalwitness.org/library/rigged-scramble-africas-oil-gas-and-minerals

iii Uganda's Petroleum Legislation; Safeguarding the Sector, 28 February 2012. http://www.globalwitness.org/library/ugandas-oil-laws-global-witness-analysis