



# CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



## UPCOMING EVENTS

## IMF warns on delayed Uganda's oil production

**The International Monetary Fund (IMF) has warned Uganda on delayed oil sector investments and commercial production, saying it could weigh on Uganda's economy which is currently growing at 6%.**

"Growth could remain at around 6 percent in 2019/20, if oil investments are not significantly delayed. The current account deficit widened to 11 percent of GDP in 2018/19 largely due to investment-related imports. The Ugandan shilling has remained broadly stable," Axel Schimmelpfennig, the Division Chief at IMF.

He said at the climax of the five-day visit of IMF team led by him discuss Uganda's economic outlook and the direction of macroeconomic policies.

According to Schimmelpfennig, the Government's medium-term physical policy rests on assumptions that oil sector proceeds as planned and implementation of domestic revenue mobilization strategy.

"Implementation of the domestic revenue mobilization strategy yields 1/2 percent of GDP in additional revenue collection per year, and the government achieves improvements in public investment management, in particular in project selection, planning, and execution, to ensure that infrastructure investment yields the envisaged growth dividend," he stated, according to the press release issued by IMF Uganda office.

His comments follow the recent the recent tax dispute between the Government and international oil companies that forced Total and CNOOC to pull out of the deal to buy Tullow Uganda following expiry of Sales Purchase Agreements (SPAs).

### Oil and gas tax dispute

In a statement, Tullow said it was unable to secure extension of the SPAs with its Joint Venture Partners

The tax dispute, according to experts is likely to delay the commercial production of Uganda's oil.

"Tullow has worked tirelessly over the last two and a half years to complete this farm down which was structured to re-invest the proceeds in Uganda. Whilst this is a very attractive low-cost development project, we remain committed to reducing our operated equity stake," said Tullow Chief Executive Officer Paul McDade.



Some of the investments in Albertine Region in anticipation of Uganda's commercial oil production. Courtesy photo.

According to Siraj Magara, a Budget Policy Specialist at CSBAG, noted that Government has undertaken a number of infrastructure investments in anticipation of oil production.

According to him, delays in production commercial oil production could make the Government fail to pay interest rates for accumulated loans.

"Even paying back will be a very complicated issue, it may even affect monies budgeted for service delivery," said Magara.

### 'Oil companies have to pay taxes'

Magara who is also an economist explained said the companies must meet their tax obligation.

"The only thing we have to accept is that these oil companies are a bully, if they are aware that they are supposed to pay the taxes, there is no reason whatsoever why they should be arm-twisting Government to have such taxes waived off. It is not allowed, it is not an international practice," he stated.

"If a tax is legally acceptable, they should be able to pay it. So, if it is this business of Government to keep waiving off, then they will keep arm-twisting Government even in other projects."

### Final Investment Decision in oil sector delayed

Jeff Wadulo, a social policy Guru said the Final Investment Decision has been postponed by oil companies several times and this could bite the economy.

"We have done a lot of investments in things like oil roads, airport, oil pipeline. Now, the moment there is any slight delay, that means that Uganda will have to wait longer for the first drop of oil to be produced," he said.

Wadulo who is also the Parliamentary Liaison's Officer at CSBAG added:

"We have to start paying interests for loans acquired to fund oil activities; so, the sooner the oil production, the better."

He explained that the idea that Government has to be careful while making decisions especially in oil sector.

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Rama Omonya, the Program Advisor at CSBAG speaking during the launch of preliminary findings on Government financing of WASH sector at Golf Course Hotel on 8<sup>th</sup> October 2019. © CSBAG



CSBAG Program Manager Carol Namagembe speaking to CSBAG staff and partners during end of quarter three report writing workshop at Colline Hotel in Mukonon on October 11<sup>th</sup>, 2019. @CSBAG