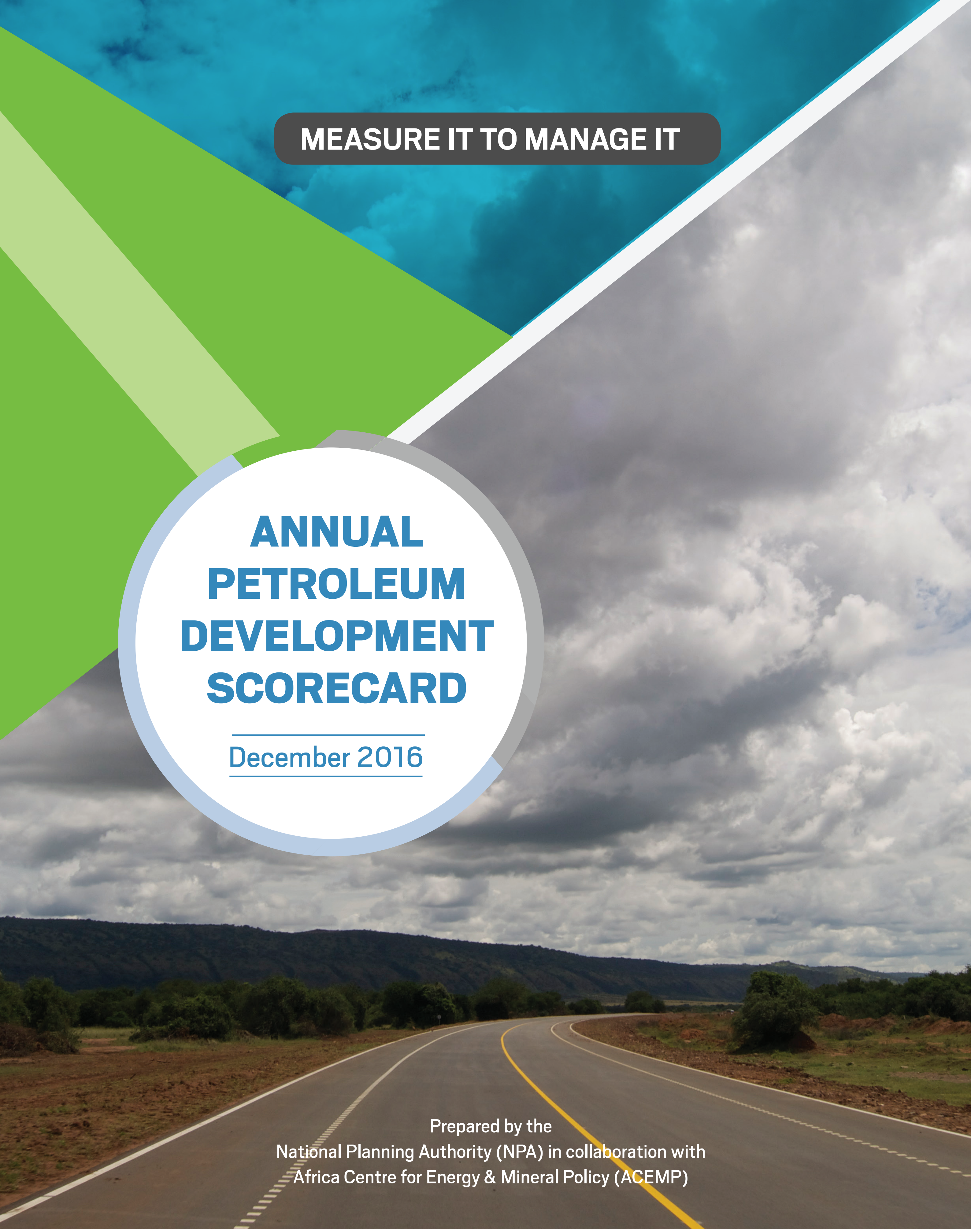
MEASURE IT TO MANAGE IT

ANNUAL PETROLEUM DEVELOPMENT SCORECARD

December 2016



Prepared by the
National Planning Authority (NPA) in collaboration with
Africa Centre for Energy & Mineral Policy (ACEMP)

NATIONAL PLANNING AUTHORITY
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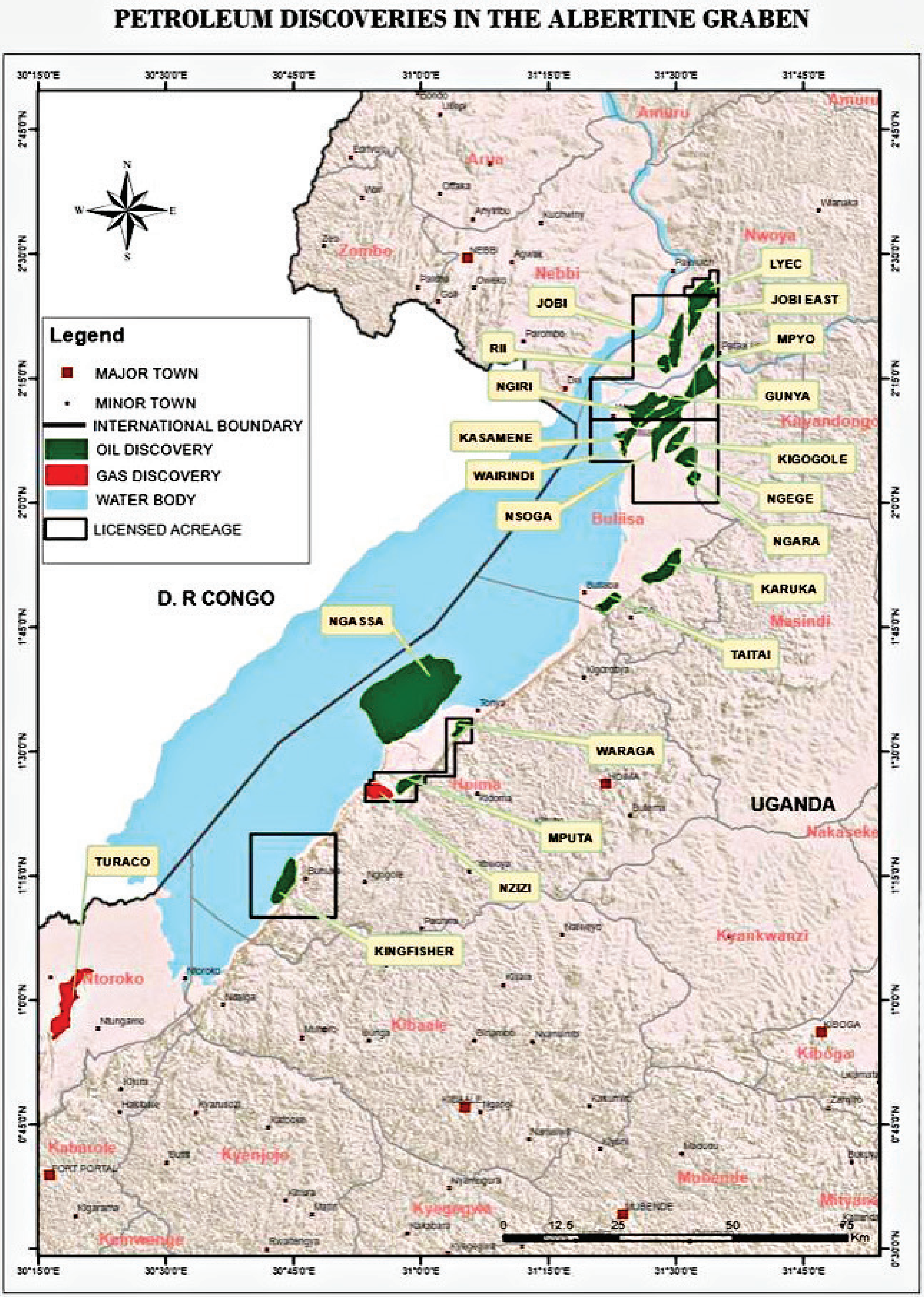
Map Showing Petroleum Discoveries in the Albertine Graben



Source: Petroleum Exploration and Production Department, 2014

Table of Contents

List of Figures

List of Abbreviations and Acronyms

BOU	Bank of Uganda
EITI	Extractive Industries Transparency Initiative
ESIA	Environment and Social Impact Assessment
HSE	Health, Safety and Environment
LG	Local Government
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NOGP	National Oil and Gas Policy
NPA	National Planning Authority
OAG	Office of the Auditor General
PAU	Petroleum Authority of Uganda
SIA	Strategic Impact Assessment
TI	Transparency Initiative
UNOC	Uganda National Oil Company
URA	Uganda Revenue Authority
WGI	Worldwide Governance Index

Executive Summary

66.9%
Institutional, policy, and legal framework

71.5%
Reporting Mechanisms

32%
Creation of an Enabling Environment

64.5%
Safe Guards and Control

The National Planning Authority (NPA) is launching the Annual Petroleum Subsector Scorecard for Uganda. The purpose of the scorecard is to assess the performance of the subsector and identify key interventional areas aimed at enhancing the contribution of the sector towards Uganda's socioeconomic transformation which is enshrined in the National Development Plan (NDP) and Vision 2040. The Petroleum Subsector Scorecard takes cognisance of the fact that petroleum (oil and gas) is one of the priority sectors identified by the government to drive Uganda's socioeconomic transformation.

The petroleum scorecard for Uganda is the first of its kind but it has developed in other resource rich economies as a tool for assessing and ranking performance across a bench mark of indicators that are aligned with national development priorities. These indicators include: Legal, policy and institutional framework, sectoral linkages, value addition, Health, Safety and Environmental Management, local content, and infrastructure development among others.

Using information from key stakeholders in Uganda's Petroleum subsector, a scorecard tool was developed and used to assess the performance of the subsector along key selected indicators. Overall, the findings of the Scorecard suggest that the Petroleum Subsector scored above average at 65.5 percent. This aggregate score is reflective of better performances in institutions, policy, and legal framework (66.9%); reporting Mechanisms (71.5%); and Safe Guards and Control (64.5%). However, the sector is not performing well regarding the creation of an Enabling Environment (32%).

More government effort is required to strengthen the performance of the Petroleum subsector especially in providing an enabling environment and framework for value addition. This can be achieved through improving Access to Resources; Revenue Generation and Collection; Revenue Management; Local Content; Health, Safety and Environment Management; Infrastructural Development; Citizens Engagement and Participation; and, Value Addition and Sectoral Linkages. The government should focus on strengthening key areas along the Petroleum Value chain so as to maximise the contribution of the subsector to socioeconomic transformation as enshrined in the Vision 2040 and NDPII.

Executive Director
National Planning Authority

Executive Director
Africa Centre for Energy and Mineral Policy

1. The Petroleum Sector in Uganda: Contextual Background

Uganda's oil and gas sector has transitioned from the exploration and appraisal phase to the development phase in preparation for sustainable production of the petroleum resources that have been discovered in the country. The country confirmed existence of commercial oil and gas deposits in 2006. The oil companies currently licensed in the country to undertake petroleum exploration, development and production are: - China National Offshore Oil Corporation Uganda Limited (CNOOC (U) Ltd), Total E&P Uganda B.V and Tullow Uganda Operations Pty Limited.

Other significant investors are expected to join the sector during 2016/17 when the procurement of a lead investor for the development of a refinery and its attendant infrastructure is concluded and new licensees come into the country at the conclusion of the on-going competitive licensing round. Other subcontractors and service providers are also expected to come into the country to support the development phase for the oil fields, development of the refinery and construction of pipelines and other facilities. Total private investment in the petroleum sector stands at approximately $3 billion[1].

Cumulative foreign direct investment since 1998

$2.8b

at the end of 2014

$3b

by the end of 2015

Uganda will earn

$3.6b

(about 9.4 trillion shillings)

1.1 Developments in Uganda's Oil and Gas Sector

Over thirty (30) seismic surveys have been carried out in the country to date resulting in the acquisition of 7,254.6 line Km of Two Dimensional (2-D) seismic data and 1,948.6 square kilometres of Three Dimensional (3-D) seismic data. One hundred and twenty (120) exploration and appraisal wells have been drilled in the country with one hundred and six (106) of these wells encountering oil and/or gas which is an unprecedented drilling success rate of over 85%[2].

The acquisition of data and the subsequent exploration and drilling activities have led to the discovery of twenty-one (21) oil and/ or gas fields in the country's Albertine Graben. Appraisal of these discoveries has established that petroleum resources in these fields are now estimated at over 6.5 billion barrels of oil equivalent in place of which 1.4-1.7 billion barrels of those resources is estimated to be recoverable[3].

In addition, the country has an estimated 500 billion cubic feet of gas in the Albertine Graben. About 40% of the Albertine Graben has been explored. The total reserves are expected to increase with further licensing and exploration activity in the remaining 60% of the Graben.

Cumulative foreign direct investment in petroleum exploration in the country since 1998 was estimated to be $ 2.8 billion at the end of 2014. Whereas the total private investments in the exploration phase was approximately $ 3 billion by the end of 2015. Generally, planned investments in the development, production, transportation and refining phases will be in excess of about $ 20 billion in the next 5 years and through 2020 when first oil is expected. The Uganda government will earn $3.6 billion (about 9.4 trillion shillings) annually from the oil and gas industry when the country starts production.

1 Ministry of Energy and Mineral Development, 2016
2 Ministry of Energy and Mineral Development, 2016
3 Directorate of Petroleum, Ministry of Energy and Mineral Development (2016)

As the country progresses to the development phase, various projects are proposed to be undertaken that include: construction of a 60,000 barrels/day refinery in two phases starting with 30,000 barrels/day ; drilling of over 700 wells (production and injector wells), construction of CPFs (Central Processing Facilities), pipelines (crude export, products, and infield), temporary and permanent camps; a new airport; upgrading of various roads and infrastructure to support petroleum activities, among others. The construction of the refinery will also lead to the development of petrochemical and energy industries within the country.

1.2 Challenges and opportunities in the subsector

The challenges facing the petroleum subsector in Uganda include: Inadequate specialized skills relevant to the subsector; inadequate competitiveness at international level for most of the enterprises to support the extractive industries; limited financial capacity of Ugandan or indigenous enterprises to support the petroleum sub-sector; high cost of available local finance (lending interest rates of 28%); low levels of technology in the country; inadequate infrastructure; and exploiting resources while harnessing the environment, among others.

Despite the above challenges, the subsector presents a wide range of investment opportunities and these include: joint ventures and farm-in arrangements in existing and new licenses; geophysical surveys, particularly multi-client seismic surveys in the unlicensed areas; oil and gas field services including operation and maintenance of rigs and other drilling related services; capital for the emerging infrastructure such as refining and transportation of petroleum commodities and products; service provision and contracts in the fields of engineering and infrastructure development to support petroleum resource development; procurement & development of a petrochemical industry; logistical services; construction and fabrication; waste management and treatment; and power generation using gas and crude oil by independent power producers.

2. Introduction to the Petroleum Sector Scorecard

Uganda has commercially viable oil and gas deposits in the Albertine Graben with discovered reserves estimated at 6.5 billion barrels of oil equivalent and 500 billion cubic feet (bcf) of natural gas. There are more prospective resources of oil and gas deposits that are expected to be discovered as continuous explorations are carried out in all the potential areas. These resources present an opportunity for the country to sustainably develop its people's welfare and wellbeing.

Thus Vision 2040 and NDP II identified oil and gas subsector as the key fundamentals in the achievement of "A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years". It is projected that the oil and gas subsector will generate revenues that will be used to spur growth in other sectors, create employment, enhance infrastructure and human resource development, among others, thereby contributing to socioeconomic transformation of the country.

To effectively harness resource wealth in the country, the government will strengthen the legal and regulatory framework, institutional framework, the enabling environment, ensure transparency and good governance; but ensure that Ugandans have the opportunity to directly and indirectly participate and benefit from the oil resources. This however presents a host of challenges, since oil and gas activities are new in the country.

This annual petroleum subsector scorecard therefore presents an opportunity for the country to assess the performance of government in managing the challenges presented by the emerging oil and gas subsector; but also to draw urgent attention to issues that need immediate action by the government, relevant stakeholders and development partners. The scorecard will be prepared and presented annually to assess progress and identify new challenges and opportunities for effective action as government moves closer towards commercialisation of oil and gas resources.

The National Planning Authority (NPA), whose key functions among others includes Monitoring and evaluating of public projects and programmes and liaising with the private sector and civil society in the evaluation of government performance; has worked collaboratively with the Africa Centre for Energy and Policy (ACEMP), a leading centre of excellence in research and policy development in the Energy and Minerals sector, as well as ActionAid Uganda, an anti-poverty and human rights advocacy organisation, with funding support from the Democratic Governance Facility (DGF), to produce and disseminate the Annual Petroleum Scorecard to inform decision making on key issues affecting the subsector and to guide sector planning and budgeting processes.

This scorecard, the first of its kind in the country, examines the existence of the requisite institutional and legal frameworks, the reporting frameworks, the enabling environment and safeguards and quality control systems in place. The subsequent scorecards will delve into the operationalization of these systems and frameworks for the subsequent achievement of the sustainable exploitation of the country's petroleum resources.

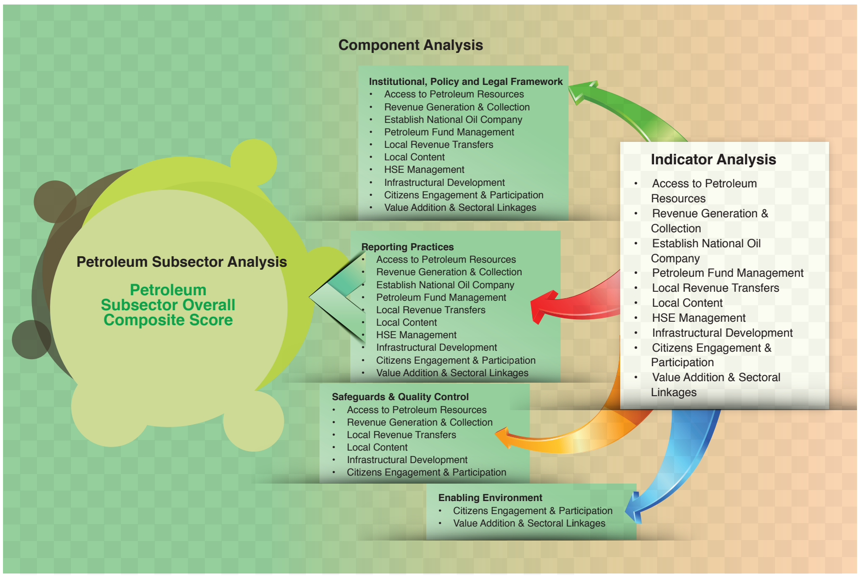
Uganda has commercially viable oil and gas deposits in the Albertine Graben with discovered reserves estimated at **6.5 billion** barrels of oil equivalent and **500 billion** cubic feet (bcf) of natural gas.

3. Methodology

3.1 Petroleum Subsector Scoring Design

The scoring design was conducted at three different levels, each feeding into the other and subsequently into the final petroleum subsector score. This is illustrated in the framework below:

Figure 1: Design Framework



The scoring process began with the analysis of the performance of the petroleum subsector along ten specific indicators and these are:

i) Access to Petroleum Resources;
ii) Revenue Generation and Collection;
iii) Institutional establishment i.e. National Oil Company; Petroleum Authority
iv) Petroleum Fund Management;
v) Local Revenue Transfer;
vi) Local Content;
vii) Health, Safety and Environment Management;
viii) Infrastructural Development;
ix) Citizens Engagement and Participation; and,
x) Value Addition and Sectoral Linkages.

3.2 Weighting

Each of the above indicators has specific questions which were given a specific score ranging from 0 – 100 depending on the answers chosen by the respondents. The indicators were then weighed against all other scores to get the final score for the specific indicator. The scoring and weighting of questions and indicators was benchmarked with international best practices of scoring the performance of the petroleum subsector. The scorecard has been used to assess the performance of the extractives sector in countries such as Norway, Chile, South Africa, and Australia. The scoring procedure used by the Natural Resource Governance Institute (NRGI) was closely followed.

The indicators, depending on the structure of the questionnaire and responses, contribute proportionately to the four components that were considered in this assessment. These components are: Institutional, Policy & Legal framework; Reporting Practices; Safeguards & Quality Control; and Enabling Environment. The performance of the component indicators was then aggregated and weighted to come up with the final composite score of the subsector.

The Components were also weighted according to the number of questions that make up for each component. This ensures that each question carries a proportionately equal contribution to the overall component score. Thus, the weights are:

Component	Weights
1. Institutional, Policy and Legal Framework	27.4
2. Reporting Practices	44.4
3. Safeguards and Quality Control	19.7
4. Enabling Environment	8.5
Total	100

3.3 Data Collection

Collecting information to score the performance involved a two-stage data collection process; (i) primary data collection process, which involved engaging key sector players and stakeholders; and, (ii) secondary data collection process which involved reviewing various documents to augment the data collected in the primary process. The documents included policies and regulations, reports, posts on Ministry websites, and various publications on the sector. The collected information was later subjected to scrutiny and analysis using Excel to produce the final score of the sector. The questions in the data collection instruments were clustered by indicator as well as by the component.

The Indicator and Component scores are colour coded in four categories according to their performance as below:

1.	Satisfactory	75-100	**Green**
2.	Partial	51-74	**Yellow**
3.	Weak	26-50	**Red**
4.	Failing	0-25	**Black**

3.4 Validation Workshop

A validation workshop was conducted to discuss the preliminary findings of the petroleum subsector scorecard. The validation meeting was conducted in June 2016. It attracted various stakeholders from the National Planning Authority (NPA), Ministry of Energy & Mineral Development (MEMD) and the Civil Society. The comments and suggestions were incorporated in the final report.

4. Performance Scores

4.1 General Performance of the Petroleum Subsector

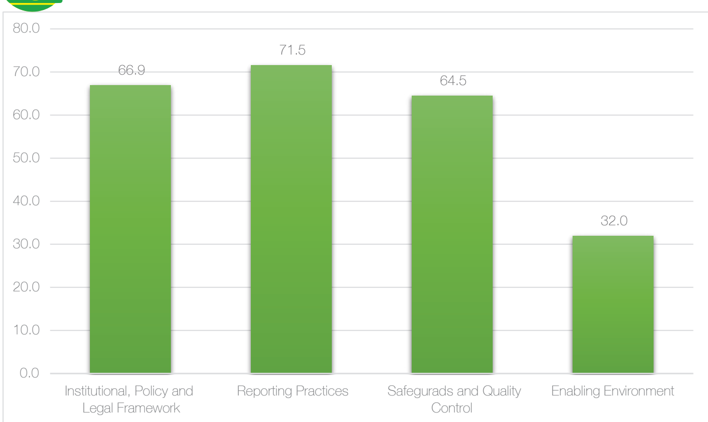
Overall Score: 65.5/100 – Partial

The overall score of the petroleum subsector is Partial at 65.5 %. There has been progress made in the establishment of institutional and legal frameworks and reporting practices. However, there's much more that still needs to be done especially in the area of enabling environment and safeguards and quality control systems within the petroleum subsector.

4.2 Component Score

The scorecard considered four components and these are: Institutional, policy and legal framework; Reporting Practices; Safeguards & Control and Enabling Environment. Performance for these indicators is reported below.

Figure 2: Component Scores

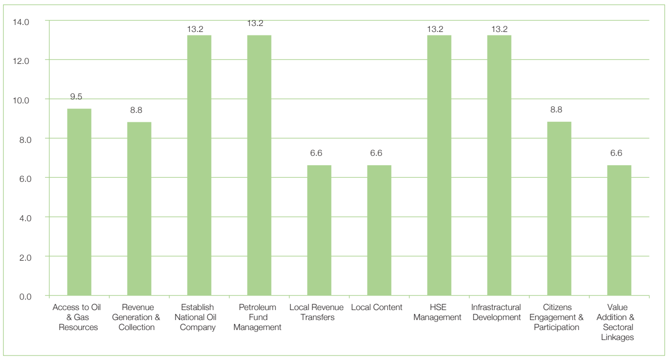


4.2.1 Institutional, Policy and Legal Framework

Score: 66.9/100 – Partial

Under this component, the score is Partial at 66.9 percent. A number of Indicators were considered; and their disaggregated contribution to the final score of the component is indicated in the figure 3 below.

Figure 3: Indicators contribution to the Institutional, Policy & Legal Framework Component



Under this component, all the considered indicators contributed to the performance of the institutional, policy and legal framework component. The major contributors are local revenue transfers (15.1); petroleum fund management (13.0); local content (11.3); value addition and sectoral linkages (11.3); access to oil and gas resources (10.2); and infrastructural development (10.0).

At the policy and legal framework level, the availability of the National Oil and Gas Policy (NOGP) for Uganda, 2008, the Oil and Gas Revenue Management Policy, 2012 and the various laws and regulations to guide the development of the sector contributed to the high score of this component. The NOGP guides the various developments in the oil and gas sector including the development of the Petroleum (Exploration, Development and Production) Act 2013 and the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013. The Regulations to operationalize these laws have been drafted and these include: technical aspects like metering, national content together with Health, Safety and Environment aspects for both the Upstream and Midstream segments of the petroleum value chain. In addition, the Public Finance Act was enacted in 2015. The Act provides for the management of revenues accruing from petroleum activities. These pieces of legislation together with other relevant laws and statutes like those on Environment, Wildlife, Water, Land and Income Tax are being used in regulating the country's petroleum sector. At the institutional level, the subsector has established a new institutional framework for the sector which separates the three aspects of policy setting, regulation of the industry and execution of the commercial interests of the state respectively is being put in place. At the Ministerial level, Directorate of Petroleum was to support policy setting and implementation as well as carrying out the licensing roles of the Ministry. The establishment of the Petroleum Authority (PAU), to regulate the sectoral activities and the National Oil Company (UNOC) to manage the country's commercial interests (including managing the State Participation provided for in the respective Production Sharing Agreements) has helped to streamline roles of institutions in the management of the country's petroleum subsector. The Board of Directors of PAU and UNOC have been nominated. In addition, the positions of the CEO and Director of UNOC and PAU have been filled and the companies are fully incorporated. Senior and junior staff recruitment for the PAU and UNOC is currently ongoing.

However, there are gaps in the policy, institutional and regulatory framework for the subsector and these could hinder the performance of the subsector. Various laws and regulations are not yet in place and these include:

a) Lack of a regulatory framework that provides for parliamentary oversight into the licensing process;

b) Lack of a due process to appeal licensing decisions in the oil and gas subsector;

c) Lack of a legal obligation by the UNOC and Petroleum Fund executives to disclose their financial interests in oil and gas activities;

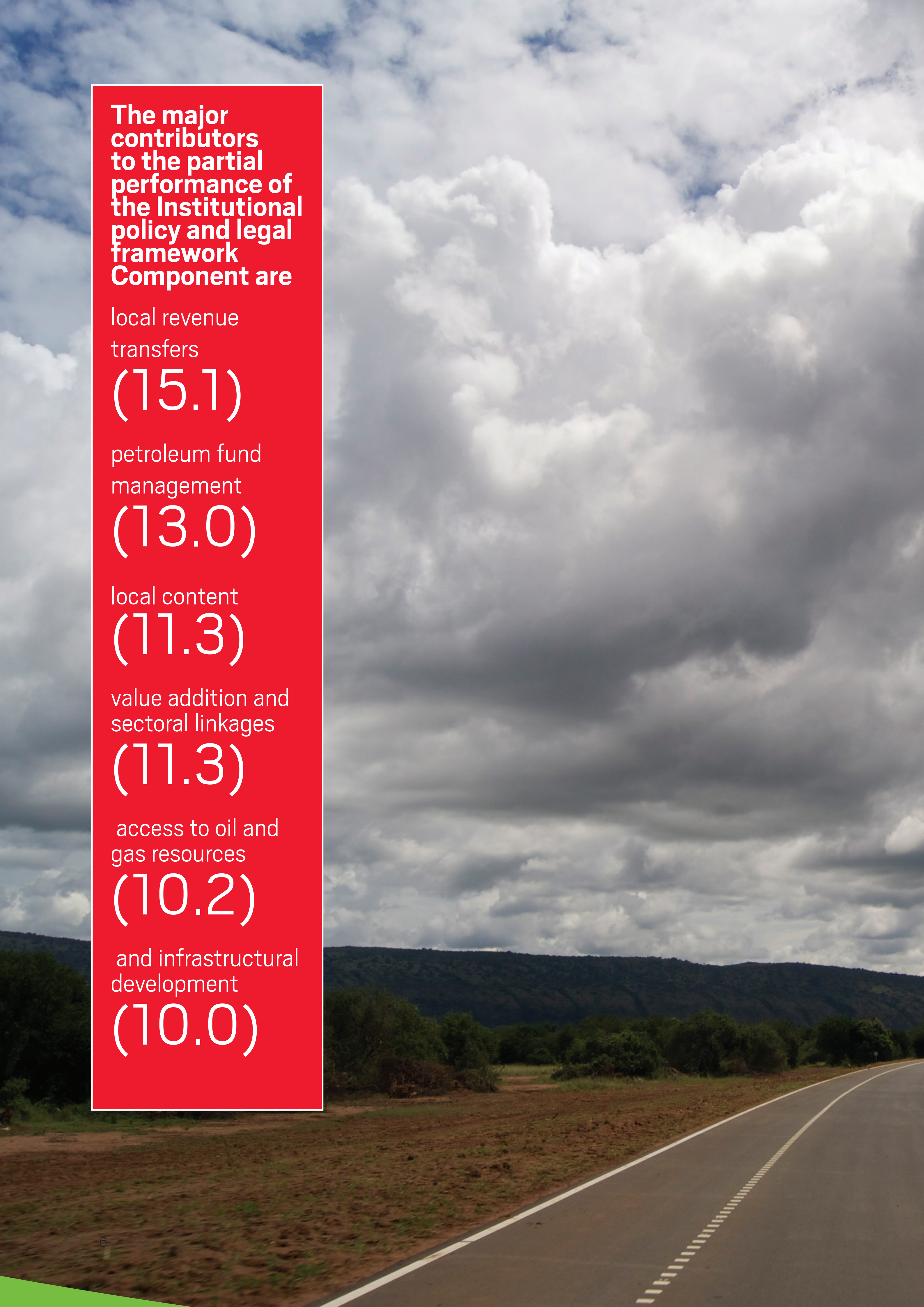
d) Lack of a HSE policy and legal framework for the oil and gas subsector;

e) Lack of Clarification of EIA's and SIAs' obligations of the oil companies.

f) The failure of the subsector to join Extractive Industries Transparency Initiative (EITI): It should however be noted that the NOGP adopted in 2008 signalled the country's intent to join EITI. In 2012 and 2013, the government had indicated willingness to join EITI, but has not yet taken any concrete steps towards doing so even as the country progresses towards oil production.

Recommendations to Strengthen the Institutional, Policy & Legal Framework

- Review the legal framework to clarify on EIA's and SIA's;
- Develop the legal framework for the National Content;
- Initiate Actions to join the EITI;
- Develop the Policy and legal framework on HSE;
- Strengthen the capacity of MGLSD to regularly monitor compliance to HSE Management in the oil and gas activities;
- Review legislation to provide for parliamentary oversight into the licensing process;
- Review the legislations to clarify on the procedural transfer of resources to LGs;
- Review the petroleum legislations to provide for a due process to appeal licensing decisions in the subsector.



The major contributors to the partial performance of the Institutional policy and legal framework Component are

local revenue transfers

(15.1)

petroleum fund management

(13.0)

local content

(11.3)

value addition and sectoral linkages

(11.3)

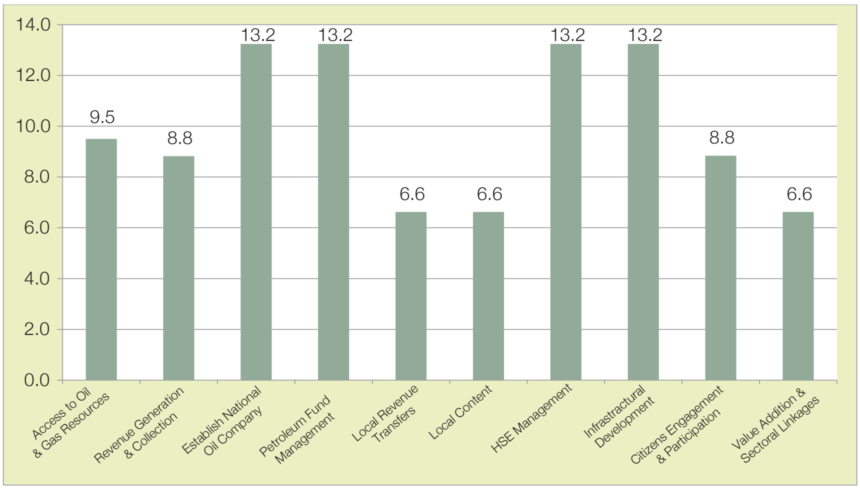
access to oil and gas resources

(10.2)

and infrastructural development

(10.0)

Figure 4: Indicators contribution to the Reporting Practices Component



4.2.2 Reporting Practices

Score: 71.5/100 – Partial

The component scored 71.5 percent, which is satisfactory. This is because of the efforts that are in place regarding reporting of the activities in the petroleum subsector. The figure below indicates the percentage contribution of various indicators to this score;

Under this component, all the ten indicators were considered and contributed proportionately to its performance. Figure 4 above shows the percentage contribution of each indicator.

Reporting is one way of ensuring transparency in the oil and gas sector. This can be in form of availing information to the public freely.

The NOGP 2008 provided for the development of the National Communication Strategy for the oil and gas subsector, which was developed in 2011 to bridge the communication gap between the oil and gas industry and the general public.

A public information and education campaign to enable Ugandans achieve a better understanding of the developments and opportunities in the sector and how they (Ugandans) can participate is also on-going. This campaign has included radio and television programmes across the country, engagements with different stakeholder groups such as the media, civil society, business entrepreneurs, religious and cultural institutions together with leaders and communities in the Albertine Graben as focal stakeholders. In addition, the website www.petroleum.go.ug is regularly updated with recent developments and documentation relating to the oil and gas sector.

The subsector has been reporting on various issues including the petroleum licensing, the oil reserves and revenues, the establishment and composition of UNOC and the PAU, rules for Petroleum Fund management, amount of revenues transferred to local governments in the Albertine Region, opportunities for skills development & training, local supplier development and the process of infrastructural development in the Albertine region. These have all had a positive bearing on the score.

However, there are gaps that need to be addressed regarding reporting practices and these include:

- Although the Public Finance Act 2015 contains a provision which requires government to publish incoming revenue receipts, it however does not specify how reported receipts will be disaggregated, nor does it require companies to publicly disclose the payments that they make to the GOU.
- The government also doesn't publish the key clauses of the contracts signed with the oil companies such as the government share in the PSC, acreage fees, bonuses, etc.;
- Failure of Local Governments in the Albertine region to publish information on revenue transfers received from Central Government even before production starts. Such revenues could be from signature bonuses, royalties, and acreage fees.
- Limited public participation in Environmental and Social Impact Assessments and the failure of the subsector to make available all the EIA and SIA's from the oil companies.

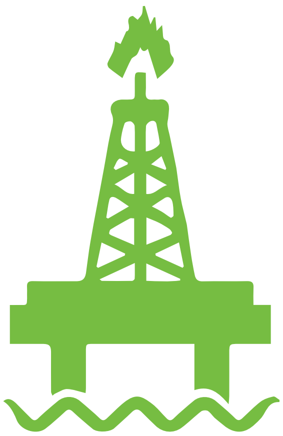
Recommendations to Improve on Reporting Practices

- Ensure public access and sharing of information on EIA's and ESIA's that are prepared by the Petroleum companies before the start of the projects;
- Educate the public on HSE standards and rights;
- Local governments in the Albertine region should be encouraged to publish information on royalties received from the central government as part of their share on petroleum revenues;
- The government should publish information on shareholding and assets owned by the oil companies within the country, the government share in the PSC, royalties received, special taxes, information on oil prices, production costs incurred by the companies, among others, as a way of ensuring transparency in the sector;
- Develop regulations that will ensure that regulatory and oversight officials in the oil and gas subsector declare their interest in the oil and gas industry. This will also promote transparency in the subsector.

4.2.3 Safeguards and Quality Control

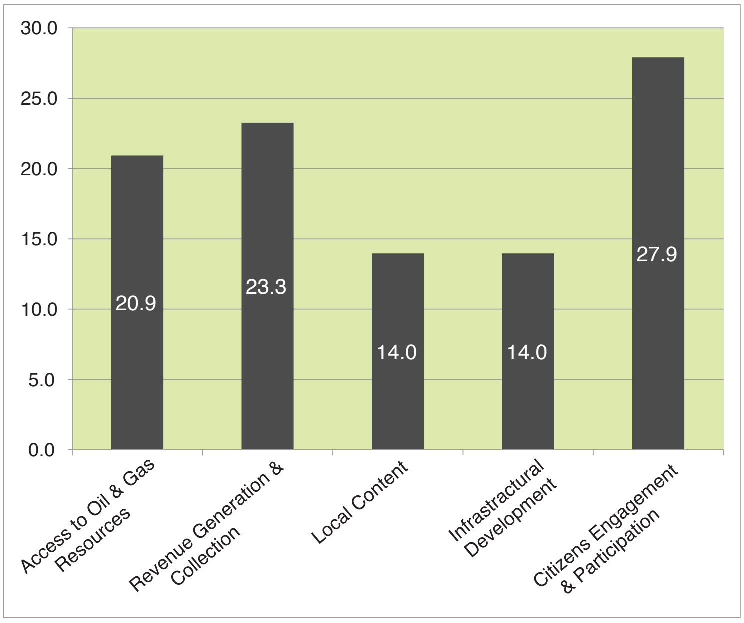
Score: 64.5/100 – Partial

The performance of the subsector under the component is also partial at 64.5 percent. Assessing the score was mainly under six indicators, where each indicator's contribution is indicated in figure 5 below:



The development of the Oil and Gas Revenue Management Policy in 2012 and later, the Public Finance Management Act, 2015 have been instrumental in ensuring the safeguards and control of the revenues from the oil and gas.

Figure 5: Indicators contribution to the Safeguards & Quality Control Component



The safeguards and quality control examined the existence of systems and control of excesses and misuse of the oil and gas resources and revenues. Six indicators were considered under this component and they respectively contributed to its performance as indicated in figure 5 above.

The sector has experienced tremendous developments in this area. The openness and competitiveness in the bidding and licensing process ensures that the right companies are licensed to undertake the exploration and development activities. The development of the Oil and Gas Revenue Management Policy in 2012 and later, the Public Finance Management Act, 2015 have been instrumental in ensuring the safeguards and control of the revenues from the oil and gas. The Act, among others provides for the management of revenues accruing from the petroleum resources. This enhances the fiscal discipline over any revenues generated from the oil and gas activities. Also, the existence of other relevant legal framework such as the taxation and the Petroleum Fund, the fiscal rules for deposits and withdrawals creates a platform for the management and control of the oil revenues. It should be noted that Uganda's level of oil dependency will depend largely on the success or failure of reforms in fiscal policy and tax administration beyond the oil sector; the more successful Uganda is in capturing non-oil revenues, the lower will be the risks of macro-economic distortion. Institutionally, the establishment of the Directorate of Petroleum and the Petroleum Authority of Uganda is also an added value in regulating the activities and exploitation of oil resources and revenues.

The NOGP stipulates the role of the different oversight institutions such as the Parliament and the Office of the Auditor General. The Office of the Auditor General acts as an independent external validator of internal controls of the agencies managing the oil and gas resources and assures the public of integrity of public funds and sound financial management. The office has the authority and resources to review and conduct audits on use of oil revenues. It also reports to Parliament its findings, to which the Parliamentary Committee on natural resources scrutinizes within the year of audit. The National Planning Authority (NPA) is also in place and leads the national planning for effective incorporation of the oil and gas revenues into the economy.

However, the delay in the operationalization of these institutions makes some of the activities of the oil companies to go unchecked. Even though the Directorate of Petroleum undertakes some of the regulatory activities in the subsector, there is need to speed up and put in place the resultant regulations. Also the absence of the oversight role by Parliament in the licensing process is likely to create avenues for corruption.

Recommendations to strengthen Safeguards and Quality Control

- Review the legislations to ensure that Parliament also has an oversight role in the oil and gas licensing process;
- Review of the legislations to compel licensing officials to disclose their financial interest in the oil and gas sector;
- Speed up the operationalization of the various institutions such as the Petroleum Authority of Uganda and the National Oil Company; and clarify on their roles and responsibilities;

Recommendations to improve the Enabling Environment

- Expedite the development of the national content law to guide and regulate the participation of the local communities and nationals in the oil and gas activities and programs; and use of the local products and services in the industry;
- Development of a clear strategy and plan for the value addition in the oil and gas subsector;
- The government should enhance efforts to strengthen good governance and fight corruption.

There's need to expedite the development of the national content law such that companies are compelled by law to develop and implement community participation and national content programs. Disclosure of pertinent provisions of the Production Sharing Agreements relating to promoting local participation should also be made available to the public.

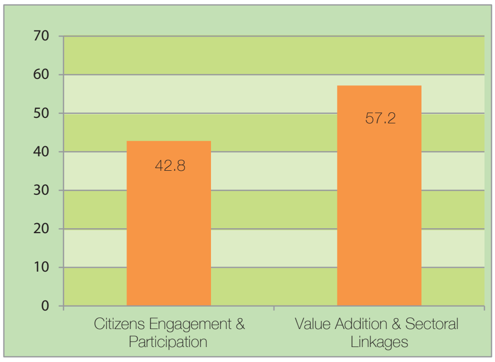
4.2.4 Enabling Environment

Score: 32.0/100 – Weak

The score of the subsector under the enabling environment is also still very weak. This is particularly because of factors not only related to the subsectors performance, but also to the country's general engagements and activities. Under this component, there are mainly two indicators that were considered, (i) citizen's engagement and participation; and (ii) value addition and sectoral linkages, which contributed 42.8 and 57.2 percent (figure 6) to the final score of the component respectively.

Even though the NOGP provides for community participation, there's however limited national and community participation in the oil and gas activities. This is particularly because there is no effective means to encourage community engagement and support. The participation of the communities should be in form of inclusion in the development and implementation of the strategic programs in the sector and local content. This is however not embedded in any law, rather than prescribed in the oil companies' contracts, which are also inaccessible to the general public. There's need to expedite the development of the national content law such that companies are compelled by law to develop and implement community participation and national content programs. Disclosure of pertinent provisions of the Production Sharing Agreements relating to promoting local participation should also be made available to the public.

Figure 6: Indicators contribution to the Enabling Environment Component



On value addition and sectoral linkages frontier, the enactment of the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act, 2013 set pace for the value addition in the petroleum subsector. However, there's a need for a clear strategy and plan for value addition in the sub-sector. Under Sectoral Linkages, the government through the National Planning Authority encourages all the sectors to develop investment plans that incorporate sectoral linkages. The MEMD developed a Sector Investment Plan (2014/15 – 2018/19). This stipulates the investment and development agenda in the EMD sector and for the petroleum subsector. This plan is however generic and there's need for a specific development plan and strategy for the subsector in line with national development objectives outlined in the NDP II and Vision 2040.

It should also be noted that the operation of the Petroleum subsector is submersed into other aspects of political, social and economic nature. These have an imperious effect on the performance of the sector. These aspects directly or indirectly affect the performance of the sector and the economy. The performance of the subsector is also influenced by Governance and Corruption challenges in the country. According to the 2015 Transparency International (TI) Corruption Index, Uganda scored 25 points, and was ranked 139 out of 168 countries/territories around the world. According to the Worldwide Governance Indicators (WGI), Uganda's score on governance effectiveness stood at 49.76 in 2014. The governance effectiveness index reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, and the quality of policy among others.

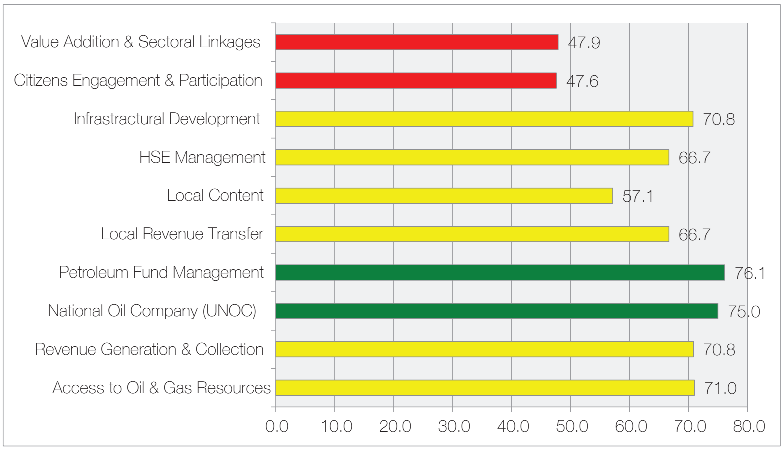
The Corruption and Governance Effectiveness Indices suggest more effort is needed in improving the quality of the petroleum subsector governance and curbing corruption as these negatively impact its performance. For example, nationals have overly complained of politically connected individuals using their political clout and influence to get jobs in the oil and gas industry, even though they are less qualified than some of their most qualified counterparts and OAG reports have indicated mismatch in salary benefits between Ugandans and IOC workers of similar qualifications and working experience (OAG Report: New Vision, Wednesday April 2015).[4] This affects performance, credibility and transparency in the sector.

4.3 General Indicator Scores

The scoreboard below shows the score of the petroleum subsector along the 10 indicators. The green bars show that the performance is satisfactory and the yellow bars show that the performance of the subsector is still partial in that area. The red bar indicates that the performance of the sector in that particular indicator is still very weak.

4 AG exposes rot in oil firms: http://archives.visiongroup.co.ug/national-news?format=raw&resource=546c59774d5441304d5456775a7a41334c6e426b5a673d3d&token=810a1403ddfba2bd857b93a41777c303

Figure 7: Indicator Scores



4.3.1 Access to Oil & Gas Resources

Score: 71.0/100 – Satisfactory

Ownership and Licensing of Oil and Gas Resources: The 1995 Constitution of the Republic of Uganda and Constitution Amendment Act 2005 (Section 43) defines and grants ownership of all petroleum resources to the State. The legislation does not recognize or confer private property rights over petroleum resources. The government thus has the powers to explore, produce and sell the oil and gas resources.

Licensing: Legal definition of ownership of oil and gas resources is by what authority has the powers to grant the oil and gas licenses. In Uganda, these powers are vested in the Minister of Energy and Mineral Development. These powers will be passed over to the Petroleum Authority of Uganda (PAU), once it becomes fully operational. Following the Public Procurement and Disposal Act (PPDA), the government ensures clarity and openness of licensing procedures to achieve transparency during the subsequent stages of development. The government conducts open bidding rounds with sealed bid process and a decision is made against established criteria. The fiscal system for the petroleum resources in Uganda involves companies signing production sharing agreements (PSA) that determine payments and sharing of costs and profits with the governments. In the downstream, the government conducts the rule of "first-come first-served" to grant import and sell of oil and gas licenses.

Disclosure of licensing processes: Article 9 of the UN Convention against corruption recommends that governments should disclose information on licensing processes including distribution of information on licensing procedures and contracts, including information on invitation to tender and on the award of contracts, allowing potential bidders sufficient time to prepare and submit their proposals. The government of Uganda has followed this directive and through the PPDA regulations; this information is always shared and run through various local and regional newspapers and the Ministry of Energy and Mineral Development website www.petroleum.go.ug. Information advertised includes information on licensing process, the contract terms for licenses, the geographic scope of the blocks and a complete description of the procedure for awarding a license (including bidder qualification procedures or rules for contacting the licensing authority in case of negotiated process). Hence the licensing process is open to all qualified companies, and provides for competition based on technical, financial and environmental criteria.

Article 9 of the UN Convention against corruption recommends that governments should disclose information on licensing processes including distribution of information on licensing procedures and contracts, including information on invitation to tender and on the award of contracts, allowing potential bidders sufficient time to prepare and submit their proposals.

In awarding licenses, the Ministry of Energy and Mineral Development follows key principles established by the legislation, standard agreements or auction rounds but it can negotiate departures from these principles within reasonable margins. Its independence in awarding of these licenses is however under scrutiny as it's deemed to adhere to influence from the office of the Presidency. Good practices recommend for the establishment of regulatory agencies with the clear division of roles and responsibilities to grant the licenses and contracts. This has been adopted in Brazil, Colombia and Indonesia; and thus establishment of the Petroleum Authority of Uganda is a good move towards institutionalizing and division of roles and responsibilities in the petroleum subsector.

The government also publishes extensive information after negotiations, including results from competitive bidding rounds such as bids received, winning bids and information on final contract awards and blocks licensed. However, the contracts aren't published in full with actual terms after negotiations (duration, royalties and tax obligations), or the main negotiated terms, winning bidding variables and/or production sharing rules left out of the information published.

Environmental and Social Impact Assessments (SIA): The IMF recommends that environmental concerns should be built into the general and oil and gas industry-specific legislation as well as contracts. It also includes the issue of social impacts assessments, as the oil and gas activities have impacts on the lives and communities surrounding the exploration and production areas. Section 3 of the Petroleum Refining, Conversion, Transmission and Midstream Storage Act 2013, directs on the Compliance with environmental principles. It states that "a licensee or a person who exercises or performs functions, duties or powers under this Act in relation to midstream operations shall take into account, and comply with the environmental principles prescribed by the National Environment Act and other applicable laws..."

It also states that, "a licensee shall ensure that the management of transportation, storage, treatment or disposal of waste arising out of midstream operations is carried out in accordance with the environmental principles and safeguards prescribed under the National Environment Act and other laws applicable."

The environmental impact assessments for oil and gas projects are made available to the public and for stakeholder review on the NEMA website, http://www.nemaug.org. However, in preparing some EIAs, the public or project affected communities or persons are not consulted for their input. This creates the risk of downplaying the social concerns of the affected communities.

The ESIA regulations are in place and applied, however they don't cater for specific oil and gas issues. They are biased towards mining sector activities. The NEMA Act 1998 and the Petroleum (Exploration, Development and Production) Act 2013 are also silent on social impact assessments. Part VII of the Environmental Impact Assessment Regulation, S.I. No. 13/1998, puts a caveat in accessing the EIA report by the public from the Authority. Any person who desires to consult the documents shall, subject to section 85 of the Act, be granted access by the Authority on such terms and conditions as the Authority considers necessary. These prevail over the free access to information as prescribed in the Access to Information Act, 2005.

The government publishes the petroleum resource legislation but this only provides a general indication of key principles for extractive industries. Petroleum (Exploration, Development and Act 3 Production) Act, 2013 and the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013 are all available to the public. The country also adopted the Access to Information Act 2005, which covers all government ministries, departments and agencies, but it's not specific to the oil and gas subsector. Its significance is diminished by lack of clarity in drafting and envisaged scope of application. The exceptions to the right of access are also rather wide and open to interpretation and could be used to reduce existing rights to information anticipated in the constitution. The government takes advantage of these irregularities in the law to deny public access to some of the information in the oil and gas subsector.

Oversight role in the Licensing and Contracting Process: The National Oil and Gas Policy 2008 hands the Office of the Auditor General the role of independent oversight in petroleum operations through financial and other management audits in accordance with constitutional provisions. It's however non-committal on the issue of oversight in the licensing process. The Ministry of Justice participates in the licensing process. The Parliament however, receives no information on the award of contracts and licenses in the petroleum subsector, which excludes the legislative powers of having an oversight role. Parliamentary ratification or contract approval doesn't necessarily mean that contracts are disseminated to the public; however, it can limit the negotiators' discretion.

The PPDA rules provide avenues for appealing of licensing decisions, however these are generic and not specific to the oil and gas subsector. The UN Convention against Corruption recommends the building of an effective system of domestic review, including an effective system of appeal, to ensure legal recourse and remedies. On the issue of disclosure of the beneficial ownership in oil and gas companies, the oil companies are required to register with the Uganda Registration Services Bureau (URSB), and the information can be accessed from URSB on request. It's thus not publicly available.

Uganda's petroleum resource base

300 million barrels of oil equivalent in place in 2008 to **2 billion** & **3.5 billion** barrels in 2010 and 2012 respectively; and now stands at **6.5 billion** barrels of oil with potential for more discoveries

4.3.2 Revenue Generation and Collection

Score: 70.8/100 – Partial

Objective six of the NOGP is about collection of the right revenues and using them to create lasting value for the country. The Ministry of Finance, Planning and Economic Development is taking a lead in this policy objective. The Ministry formulated the Oil and Gas Revenue Management Policy 2012 and a Public Financial Management Act 2015, which provide for, among others, management of the revenues accruing from the petroleum resources.

Disclosure of oil-related information: The subsector annually publishes a report on the progress of the implementation of the NOGP. This Report has information related to oil and gas reserves and the estimated amount that is recoverable. According to the latest edition, the country's petroleum resource base rose from 300 million barrels of oil equivalent in place in 2008 to 2 billion and 3.5 billion barrels in 2010 and 2012 respectively; and to the current estimate of 6.5 billion barrels of oil in place with 500 billion standard cubic feet of gas. Out of these resources, 1.4 billion barrels of oil equivalent are estimated to be recoverable.

The subsector also publishes information on the value of resource exports, the estimated investments in exploration and development, the names of companies operating in the country, the blocks licensed to each company and the bonuses accrued from the companies. However, the subsector falls short of publishing information on shareholding and assets owned by the oil companies within the country, the government share in the PSC, royalties received, special taxes, information on oil prices, production costs incurred by the companies, among others. The report, which is produced annually, is mainly technical and lacks narrative sections or notes on methodology. It's available in hard copy and online, and is generally comprehensive.

Collection of Taxes and Payments from Petroleum Companies: Uganda Revenue Authority (URA) is mandated to collect taxes and payments (such as royalties, taxes and special taxes) from the oil companies as per the Income Tax Act, Value Added Tax Act, East African Customs Management Act and Stamp Duty Act 2014. This clearly defines the roles and responsibilities of the Authority and hence helps to avoid conflict of interest and complexities, which translates into transparency issues in the industry. The Oil and Gas Revenue Management section of the Public Finance Management Act 2015 provides for the creation of the Petroleum Fund with Bank of Uganda where all oil and gas revenues shall be deposited. Before this provision, all oil resource revenues collected were deposited into the national treasury as reflected in the reports made to Parliament by the OAG. This allows the allocation of oil revenues to follow a normal budget process and observing transparent accounting practices.

Oversight and Independent Validation of Internal Controls: The IMF guides that the internal audit controls should be clearly defined and subject to external review that is accessible to the public. This provides adequate assurance that controls on the use of the oil revenues are in place. The office of the Auditor General has the authority and resources to review and conduct audits on use and disbursement of oil revenues to establish that internal controls are adequate and provide assurances of integrity of public funds and sound financial management. Officials in the Office of the Auditor General are supposed to annually disclose their financial status, but aren't obligated to disclose the financial interest in the oil and gas subsector. This creates a loophole and potential conflict of interest for those involved in the oversight role of the sector.

Annually the Office of the Auditor General reports to Parliament, providing objective analysis of the MFPED and BoU, which are currently in charge of managing oil and gas resource revenues and these reports are published in a timely manner (i.e. within one year after the reporting date). The Parliament receives and scrutinizes these reports and they are discussed within a year after the audit report date.

Extractive Industries Transparency Initiative (EITI) Membership: Transparency and accountability play an important role in ensuring that resource wealth is managed for the benefit of the whole nation. The EITI aims at creating more transparency in financial dealings between extractive companies and governments. EITI is a global voluntary initiative that operates on the principal that countries declare income they earn from their extractive industries and that the companies operating in those countries also declare the payments they make to host governments. It is seen as an effective tool against corruption in the extractive industry. So far 18 out of 48 member countries are from Africa and include Tanzania, DRC, Nigeria and Ghana.

The NOGP 2008 signalled the country's intent to join EITI. In 2012 and 2013, the government had indicated willingness to join EITI. Despite repeatedly expressing its willingness to join EITI, government has not taken any concrete steps towards doing so even as the country progresses towards oil production.

4.3.3 Establishment of Uganda National Oil Company – (UNOC)

Score: 75.0/100 – Satisfactory

The government has instituted the UNOC as recommended by the NOGP, to handle its commercial interests in the subsector such as state participation in the licenses and marketing the country's share of oil and gas production received in kind. Although this entity will become more relevant when production begins, the government is now embarking on the process of building its capacity so that it is able to play its role when production starts. The specific roles of UNOC shall include: (a) Managing the business aspects of state participation, (b) Developing in depth expertise in the oil and gas industry, (c) Optimising value to its shareholders, (d) Administering contracts with co-ventures, (e) Participating in Contractor/Operator meetings, and, (f) Investigating and proposing new upstream, midstream and downstream ventures locally and later, internationally.

The company was set up by Article 42 of the Petroleum (Exploration, Development and Production) Act 2013 and incorporated under the Company's Act 2012. It was registered as a limited liability company at the end of June 2015 and wholly owned by Government of Uganda. The Petroleum Exploration, Development and Production Act 2013 provides for the establishment of a National Oil Company incorporated under the Companies Act. The Act also provides that the National Oil Company be entirely owned by the State to manage Uganda's commercial aspects of petroleum activities and the participating interests of the State in the petroleum agreements.

The company published information on the composition of the Board of Directors and the rules governing the decision making by the Board of Directors. However, there is no provision requiring Board Members and the company officials' to disclose information of their financial interests in any of oil and gas activities. This violates the principle of good corporate governance recommended by IMF. The legislation is also silent on the company's obligation to publish financial reports. The company is also yet to set up all its structures, systems and staff.

4.3.4 Petroleum Fund Management

Score: 76.1/100 – Satisfactory

The performance of the subsector under the Petroleum Fund Management indicator is satisfactory. The Petroleum Revenue Fund refers to a separate account set up by the government to preserve funds generated from the oil and gas resources. It attempts to mitigate some of the negative consequences associated with oil and gas resource dependence (the oil curse). It aims at facilitating the accumulation of large, volatile and temporary revenues when times are good, stabilize public spending, and finance public spending when the revenues are no longer flowing in. The Fund will be managed by Bank of Uganda.

The Public Finance Management Act 2015 provides the rules for the fund deposits and withdrawals. The Parliament is tasked to appropriate these funds through the annual budget process. The PFMA also recommends that the funds be earmarked specifically for development programmes. It should however be noted that the officials responsible for oversight of the Petroleum Revenue Investment Reserve Fund aren't required to disclose information about their financial interest in any of the oil and gas related projects. This creates a loophole for conflict of interests in managing the matters of investing revenues from the petroleum subsector.

4.3.5 Local Revenue Transfer

Score: 66.7 – Partial

The IMF recommends that arrangements to share revenues from the petroleum resources between central and local governments be well defined and explicitly reflected in the fiscal policy and macroeconomic objectives. In addition, clear rules, principles and agreed formulas should be well defined and applied in a consistent manner. Section 75 of the PFMA clearly defines and provides rules and principles for sharing of resources with the local governments from the oil exploration and production areas.

These are defined as a percentage of the production volumes and royalties as part of the compensation. The legislation also provides that local governments should consider the royalties as part of the revenue of the local government and shall be integrated in the budget of the district to be spent on priorities determined by the Local Government Council, taking into consideration national priority programme areas.

The rules and formulas for sharing oil and gas revenue allocations to local governments are published in the PFMA, which is publicly available. The MFPED also publishes information on the detailed breakdown of the transfers to the local governments in newspapers for the broader public. However, these reports lack the narrative sections, but they are generally available in newspapers and are comprehensive enough. They are understandable and published at least once every year. The local governments are however not compelled by law to publish this information and indeed they don't.

4.3.6 Local Content

Score: 57.1/100 – Partial

The performance of the Petroleum sector in the area of Local Content is partial. The subsector has developed a comprehensive plan and strategy for skills development for Ugandans to fully participate in oil and gas sector activities.

The Workforce Skills Development Strategy and Plan (WSDSP) for the petroleum subsector was prepared and concluded in early 2015. The efforts to enhance skills development is a responsibility of the Ministry of Education, Science, Technology and Sports with the support from the Ministry of Energy and Mineral Development and development partners. Government has also continued to prioritise capacity building of officers from different institutions taking forward the development of the oil and gas subsector in the country.

The oil companies licensed in the country such as Tullow Oil, Total and CNOOC together with their service providers have been offering scholarships to train Ugandans in oil and gas courses locally and in foreign Universities. They also continue to provide employment opportunities at the blue collar and professional levels. Development partners have offered capacity building opportunities to Ugandans in Oil and Gas related activities. Information concerning capacity building and training opportunities is always published and availed to Ugandans through newspapers, and other websites.

However, the country still lacks the legal framework for National Content, and even though the international oil companies are compelled within their contractual agreements to train and employ Ugandans, this should be operationalized by the enforcement of the law. The National Content Policy is yet to be approved by Cabinet; and this has affected the development of a Legal Framework. Also, the Work Force, Skills Development Strategy and Plan were conducted by the MEMD but it was not exhaustive because unlike MGLSD, the MEMD does not have knowledge and information on disaggregated skills data and qualification in employment. It is questionable why the MEMD would exercise this mandate which is absolutely a mandate of the institution charged with labour.

4.3.7 Occupational Health, Safety and Environmental Management

Score: 66.7/100 – Partial

Currently, the Petroleum subsector doesn't have a HSE Policy, Plan or Manual but the Ministry of Gender, Labour and Social Development (MGLSD) is in the process of developing a manual, code of conduct and other relevant instruments. Monitoring Compliance to HSE is a mandate of the Occupational Safety and Health Department in the MGLSD and not any other institution. The Capacity in the Department (MGLSD) is however limited because of resource constraints and lack of personnel to effectively monitor occupational safety and health issues in all the sectors.

In a way of publishing information and reports on occupational health and safety, the MGLSD has prepared a checklist that is applied to all elements in the industry, but this checklist is inadequate. Efforts are required to publicize information regarding HSE issues in the country. The country has a general legal framework for occupational safety and health but lacks the specific one for the petroleum subsector. It's also a contractual obligation for all oil companies to ensure compliance to HSE standards and guidelines.

4.3.8 Infrastructural Development

Score: 70.8/100 – Satisfactory

The government has made strategic investments in infrastructural development both in the upstream and midstream segments of the petroleum subsector value chain. These investments are being implemented by the MEMD, Ministry of Works and Transport, and other MDAs such as UNRA, though most of the projects are still at infancy stages. A Memorandum of Understanding to develop a crude export pipeline from the Albertine Graben (Hoima) to Tanga Port was concluded between the government of Uganda and Tanzania in April 2016.

A study for the development of pipelines and storage facilities of petroleum commodities (crude oil and gas) from the fields to the refinery was concluded in March 2012. Planning for the transportation of crude oil from the oil fields to the refinery is ongoing and crude oil feeder pipelines will be developed before the country enters the development phase of the oil and gas resources. Surveying of the route to transport crude oil from the Kingfisher field in Buhuka to the refinery area in Kabaale commenced in June 2015.

A study covering the distribution and storage facilities of petroleum products (gasoline, diesel, kerosene, jet fuel etc.) from the refinery to different national and regional markets was concluded during November 2012. A 205 km pipeline to transport refined petroleum from the refinery in Kabaale, Hoima to a distribution centre in Buloba, west of Kampala is planned to be developed as part of the refinery project. A routing study and a Resettlement Action Plan for this pipeline route have commenced.

The construction of the roads infrastructure required for the development of the oil and gas resources is also ongoing. In this regard, the Hoima-Buseruka-Kaiso-Tonya Road whose construction commenced in 2013 was completed and handed over to Government in December 2014. Designing of the Kyenjojo-Kagadi-Hoima-Masindi road as well as Hoima-Biso-Wanseko Road were completed by the Ministry of Works and Transport and procurement of contractors for these two roads is ongoing.

Regional governments under the Northern Corridor Infrastructure Master Plan[5] are fast tracking the development of key infrastructure projects such as regional pipelines, the refinery and standard gauge railway which will support the emerging extractives sector in East Africa.

The MEMD concluded the preparation of a draft strategy and plan for the Transportation and Storage Facilities of Petroleum Products in Uganda. However, the plan is due for submission to Cabinet for approval. The Ministry of Energy and Mineral Development and the Ministry of Works and Transport publish reports on infrastructural development in the oil and gas subsector annually.

5 The Northern Corridor Infrastructure Development Master Plan comprise of Uganda, Kenya, Tanzania, Rwanda, Burundi and South Sudan.

4.3.9 Citizens Engagement and Participation

Score: 47.6/100 – Weak

The subsector scores under this indicator are still weak. The government rarely involves the general public in discussing pertinent issues in contracts with oil companies nor are these issues made public after the contractual negotiations. In addition, the country doesn't have a legal framework that enables the public to participate in the decision making process for the oil and gas sector. It's upon the discretion of the government to engage or not to engage with members of the public or civil society organizations.

However, the development of the oil and gas sector in Uganda is being taken forward in a manner that recognizes the roles of different stakeholders and seeks to ensure their participation in the development of the sector. The citizens are engaged in different forums that scrutinize the institutional, policy and legislative developments pertaining to oil and gas development in the country.

Extensive consultations were undertaken during formulation of the National Oil and Gas Policy and in the preparation of the new petroleum legislation that became effective subsequently. The consultations on the new laws were enhanced by the additional consultations which Parliament undertook both in country and overseas in preparation for the debate on the Bills. Consultations with stakeholders continue to be undertaken during studies relating to the Refinery Development Project, National Participation and Environment Management, among others.

The consultations undertaken while putting in place these frameworks do not only enhance the quality of the frameworks but also boost ownership of the outcome of the frameworks by the respective stakeholders. In addition to the consultative process, a National Communication Strategy for the Oil and Gas subsector was developed and put in place during 2011 to bridge the communication gap between the oil and gas industry and the general public. This strategy, which is under implementation, can be accessed on www.petroleum.go.ug

A public information and education effort to enable Ugandans achieve a better understanding of the developments and opportunities in the sector and how they (Ugandans) can participate is also on-going. This effort has included radio and television programmes across the country, engagements with different stakeholder groups such as the media, civil society, business entrepreneurs, religious and cultural institutions together with leaders and communities in the Albertine Graben as focal stakeholders. In addition, the website www.petroleum.go.ug is regularly updated with recent developments in Uganda's oil and gas sector.

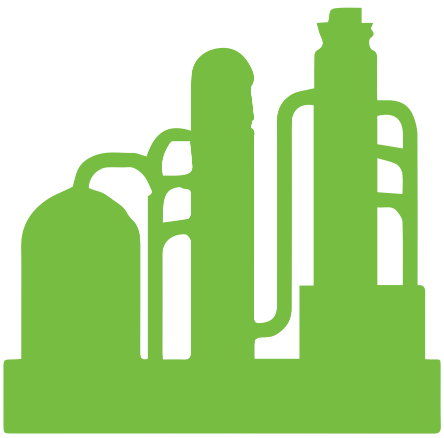
4.3.10 Value Addition & Sectoral Linkages

Score: 47.9 – Weak

The linkage between the Petroleum subsector and other sectors of the economy is still very weak. This could be partly because activities are not yet fully operationalized and this could change during the development and production phases of the subsector with increase in demand for inputs from other sectors.

NPA is mandated to issue a Certificate of Compliance to sectors whose investment plans and strategies are aligned to the NDP and Vision 2040. About 60% of the government sectors have developed long term plans. Accordingly, all Ministries, Government Departments and Agencies are required to prepare their respective sector policies and master Plans, which are consistent with the long term national development goals and objectives. Linkages to other sectors can be identified in these plans and policies.

The Public Finance Management Act empowers the NPA to compel sectors to prepare plans that are well aligned to the NDP so as to award the Certificate of Compliance. The NPA Act in section 7 (4), gives the Authority discretion to enforce this. The section is however silent on the need for strengthening sectoral linkages in the alignment of strategic plans to the NDP. The NPA has not fully consolidated its role as an 'Authority' to enforce sufficient oversight over MDAs in the alignment of strategies, policies and plans.



5. Suggested Recommendations/Interventions

To consolidate the achievements of the petroleum subsector as reflected in this scorecard and to improve on this performance, government should fast track the following:

01

The establishment of the National Content Law and Policy and operationalize this to enable Ugandans and Ugandan firms with the required skills and expertise to participate in oil and gas activities (local content development);

02

Put in place a policy for HSE in oil and gas to help operationalize the existing regulations and guidelines and equip regulatory and monitoring agencies with the required training, equipment and manpower to effectively monitor operations of oil and gas companies during field development and production;

03

Develop guidelines and regulations pertaining to citizens engagement and public participation in oil and gas activities to increase transparency and accountability;

04

Develop a clear strategy and plan for value addition in the oil and gas subsector. This will enable to strengthen linkages between oil and gas and other sectors of the economy; and

05

Fast track the efforts to join Extractives Industry Transparency Initiative (EITI) to promote transparency and accountability in oil and gas development.

6. Conclusion

The performance of the petroleum subsector is important for NPA which is mandated to supervise performance of key sectors that will spearhead Uganda's socioeconomic transformation as envisaged in NDP II and Vision 2040. Overall, the scorecard results suggest that the subsector has performed above average as Uganda embarks on the process of developing and commercialization of her oil and gas resources. Significant progress has been made in providing an enabling institutional, policy, and legal framework for exploitation of oil and gas resources. However, key gaps especially putting in place a policy and law for National Participation in oil and gas development and creating an enabling environment to promote transparency and accountability in the subsector need to be prioritised.

Annex 1: References

1) Access to Information Act, 2005.
2) Environmental Impact Assessment Regulation, S.I. No. 13/1998.
3) Government of Uganda (1995); Constitution of the Republic of Uganda, 1995 (Revised, 2005).
4) Ministry of Energy and Mineral Development Annual Performance Reports (Various)
5) National Oil and Gas Policy, 2008.
6) Ministry of Energy and Mineral Development: Progress in the Implementation of the National Oil and Gas Policy, 2015.
7) The Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act, 2013
8) The Petroleum (Exploration, Development and Production) Act, 2013.
9) National Planning Authority (2016); Certificate of Compliance, for the Annual Budget, FY 2015/16.
10) NEMA Act.
11) NEMA EIA Guidelines for the Energy Sector, 1998.
12) Office of the Auditor General (2015); Report of The Auditor General on the Financial Statements of Ministry of Energy and Mineral Development for The Year Ended 30th June, 2015.
13) Public Finance Management Act, 2015.
14) Transparency International (2015); Corruption Perceptions Index, 2015.
15) Uganda BTVET Strategic Plan 2011 – 2020.
16) Uganda Bureau of Statistics (2015); Statistical Abstract 2015.

Annex 2: List of Institutions and Offices Consulted

1) Uganda Revenue Authority (URA), Manager Strategy Development and Management
2) MEMD, Directorate of Petroleum
3) Ministry of Gender, Labour and Social Development (MGLSD), Chairperson, Oil and Gas Skills Council
4) Ministry of Education and Sports
5) National Planning Authority (NPA)
6) Ministry of Finance Planning and Economic Development (MFPED)
7) Office of the Auditor General (OAG)
8) Bank of Uganda (BoU)
9) National Environment Management Authority (NEMA)
10) Ministry of Finance, Planning and Economic Development (MFPED)

Annex 3: Key Questions

Section 1: Access to Oil and Gas Resources

1) What licensing practices does the government commonly follow in the oil and gas subsector?
2) What is the fiscal system for Petroleum resources?
3) What information does the government publish before and after the award of licenses?
4) Does legislation require oil and gas development projects to prepare an environment impact assessment prior to project implementation?
5) Are ESIA's for oil and gas projects published and is there a consultation process in their preparations?
6) Does Parliament have any oversight role regarding contracts and licenses in the oil and gas subsector?

Section 2: Revenue Generation and Collection

1) What authority actually collects payments from oil and gas companies?
2) Does the Ministry of Finance Planning & Economic Development, Ministry of Energy & Mineral Development, Bank of Uganda, Uganda Chamber of Mines and Petroleum, Office of the Auditor General, publish some or all of the information on revenue generation?
3) Are all oil and gas-related revenues, including those collected by regulatory agencies, ministries, special funds or by URA placed in the national treasury?
4) Does the Office of the Auditor General report regularly to the Parliament on its findings, including an objective analysis of agencies in charge of managing resource revenues, and are these reports published?
5) Is Uganda an EITI candidate or compliant country?

Section 3: Establishment of the Uganda National Oil Company

1) Is there a state owned company operating in the oil and gas sector? What are its roles?
2) How is government ownership in the UNOC structured?
3) Are officials in UNOC required to disclose their financial interests in any oil and gas projects?
4) Does the UNOC publish information about the roles and composition of its Board of Directors?

Section 4: Petroleum Fund Management

1) Has the government created a petroleum fund that concentrates revenues directly from the Oil and gas projects?
2) Which government Institution is responsible for the Petroleum Fund?
3) Does the fund management or authority in charge of the fund publish comprehensive information on its assets, transactions and investments?
4) Are the rules governing deposits into the fund defined by legislation?

Section 5: Local Revenue Transfers

1) Does the central government transfer resources to local governments based on production of oil and gas resources?
2) Does the central government publish comprehensive information on transfers of resource related revenues to LGs?
3) Do LGs publish information on transfers received from central governments?

Section 6: Local Content

1) Are there arrangements such as a policy, plan or strategy to enhance the skills & capacity of the nationals to fully participate in the activities of the oil and gas subsector?
2) Do women and the youth have equal opportunities to participate in the activities of the oil and gas subsector?

Section 7: HSE Management

1) Does the country have a HSE policy, plan or Manual?
2) Does the institution responsible with monitoring compliance to HSE Policy framework in the oil and gas subsector have the required capacity (skills and resources)?
3) Is there a legal, regulatory and policy framework on HSE Management in the oil and gas subsector; and is it published and available to the general public?

Section 8: Infrastructural Development

1) Are there adequate investments in infrastructural development in the oil and gas subsector?
2) Does the country has & implements a strategy or plan for infrastructural development in the oil and gas subsector?

Section 9: Citizens Engagement & Participation

1) Are there informed citizen's engagement and participation forums in policy and legislative development in the oil and gas subsector?
2) Does the government publish and informs the public about the decisions concerning oil and gas activities?
3) Does the country have a legal framework that enables the citizens to participate in the decision making process about the operation of the oil and gas subsector?

Section 10: Value Addition & Sectoral Linkages

1) Has the government and all its sectors developed long-term development plans?
2) Has the spending of revenues from the oil and gas subsector been aligned to the long-term planning and spending framework of the government such as the MTEF, NDPs, and Vision 2040?
3) Is there a strategy or plan for value addition in the oil and gas subsector?

CONTACT AND ADDRESS DETAILS

National Planning Authority
Planning House
Plot 17B, Clement Hill Road
P.o. Box 21434, Kampala – Uganda
Tel. +256-414- 250229/+256-312-310730
Email :Npa@Npa.ug
Website: www.npa.ug

Africa Centre for Energy and Mineral Policy (ACEMP)
Plot 245, 1st Floor, Suite 20,
J&M Airport Road Hotel, Bwebajja, Entebbe Road
P.O Box 1164, Kampala
Tel:+256-394-003-934
Email:info@acemp.org.com
Website: www.acemp.org