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**The Governance of Hydrocarbons in Uganda:
creating opportunities for multi-stakeholder
engagement**

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The Governance of Hydrocarbons in Uganda: creating opportunities for multi-stakeholder engagement

BACKGROUND

The University of Leeds and Ugandan partner organisation Maendeleo ya Jamii carried out a comprehensive assessment of community, company and local government perceptions related to oil exploration in the Albertine Graben region of Uganda between 2012 and 2014.* The assessment was the first stage of a four year project funded by the Democratic Governance Facility in Uganda. The project is creating opportunities for multi-stakeholder engagement in Uganda's emerging oil industry using the innovative Company-Community Assessment (CCA) methodology. The baseline assessment was carried out in 29 villages in Uganda's oil regions, and involved interviews and focus groups with community members, local leaders, district governments, oil company representatives and central government officials. These actors continue to be engaged in multi-stakeholder forums at the national and sub-national levels. This SRI briefing paper summarises the research team's analysis and recommendations from the baseline assessment and provides an update of the project and its early impacts.

Key Messages

1. Communities in the oil bearing regions in Uganda have faced a number of industry-related impacts throughout the stages of oil exploration, and significant governance gaps are identified at the subnational level.

2. Insufficient approaches to stakeholder engagement, information provision and communication cross-cut the barriers to benefits from oil-led development.

3. Capacity building of local government officials and local communities is essential for these actors to engage with industry and government from a position of strength.

4. The multi-stakeholder forums as part of the CCA methodology provide a space in which stakeholders can begin to build shared understanding and trust.

Commercially viable oil was discovered in Uganda's Albertine Rift region in 2006. Uganda's Petroleum Exploration and Production Department estimates that out of the 6.5 billion barrels of reserves, 1.4 billion barrels of oil may be recoverable (PEPD, 2015). The production of first commercial oil is targeted for 2020. Expectations of anticipated benefits from oil are high in what is one of the poorest countries in the world.

The relationships between extractive companies and local communities in remote and underdeveloped locations such as Uganda's Albertine Graben region are complex (Imbun, 2007). Often extractive companies are welcomed initially as a source of local investment and employment, but as expectations remain unfulfilled, relationships between local communities and companies deteriorate (Anderson and Zandvliet, 2009).

There are few opportunities for local employment given the petroleum sector is a highly technical and specialised industry. The costs associated with extraction are borne by local communities, and it is often the poor that are the most affected (Newell, 2005; Bebbington, 2007).

Baseline assessment

The primary aim of the research project is *to develop shared understanding among companies, communities and government officials, so that the extraction of natural resources results in net benefits to people living in and around the areas of exploitation*. It is important to understand the dynamics between these multiple stakeholders in order to avoid, mitigate, and/or adequately compensate for negative impacts and to maximize benefits toward equitable development.

*The full report of 'The Governance of Hydrocarbons in Uganda' can be accessed online at http://eprints.whiterose.ac.uk/81272/1/Uganda%20Report_2014.pdf

The project uses a Company-Community Assessment (CCA) methodology, which is a unique approach to research-driven, community-company-government engagement.

Relationships between community, company and government stakeholders in extractive regions are assessed, developed and monitored over time (see Manyindo et al 2014). The CCA is both an assessment and the beginning of a process by which community stakeholders, the companies and government engage with each other to achieve mutual benefits.

Project objectives

1. Conduct a comprehensive CCA between the oil industry, host communities and government.
2. Cause local, national and international action to build sustainable and mutually beneficial relationships between the oil industry, host communities and government.
3. Build the capacity of local civil society organisations (CSO) to constructively and sustainably engage the oil industry and government.

Project Team

The University of Leeds team worked in partnership with Maendeleo ya Jamii (MYJ), a Kampala-based not-for-profit organisation, to deliver the project. The University of Leeds and MYJ collaborated with District NGO Forums in the Albertine Graben region (Kanungu, Hoima and Nebbi) for the project's implementation.

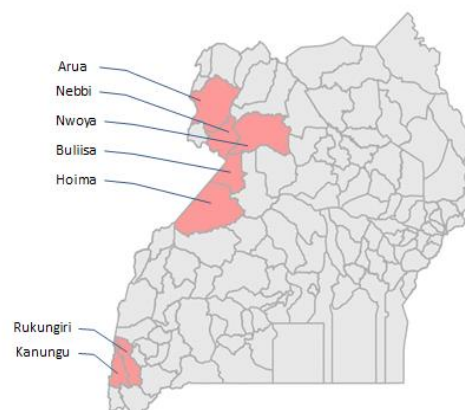
Methodology

Data were gathered, analysed and validated using a qualitative and inductive research approach in extensive field visits to the oil-bearing regions in December 2012, and January, February and March 2013. Follow up action planning visits took place during 2014 and 2015.

The following districts were visited: Hoima and Buliisa in the Bunyoro region in Western Uganda; Arua and Nebbi in the West Nile region of north-western Uganda; Nwoya in the Acholi region of northern Uganda; and Kanungu and Rukungiri in the Kigezi region of south-western Uganda (see figure 1). Local government officials were interviewed at the district and sub-county levels.

Focus groups, small group and one-on-one interviews were undertaken in 29 villages, and

Figure 1: Map of Uganda with districts visited in the oil bearing regions shaded pink



Source: <https://data.humdata.org/dataset/uganda-districts-2014>

industry personnel from Tullow Oil and Total E&P were interviewed in Kampala and at their respective field bases in Hoima, Buliisa and Nebbi. A total of 878 individuals (537 male/341 female) were interviewed.

The research team explored the same four themes with respondents:

1. Their interactions with the company, communities or local government;
2. The extent to which communities and local governments have benefitted from the presence of oil companies;
3. Barriers to local benefits from the oil and gas industry; and
4. What would they change about the way the oil and gas industry is managed if they could and how?

Findings

The examination of community, company and local government barriers revealed 15 categories of issues that were preventing communities from realising more benefits from the nascent petroleum sector. These findings can be read in further detail in the full report of 'The Governance of Hydrocarbons in Uganda' http://eprints.whiterose.ac.uk/81272/1/Uganda%20Report_2014.pdf

This briefing paper presents the five most significant categories of barriers, as Uganda's petroleum sector moves from the exploration and feasibility stages of the project cycle into construction and production. These are: stakeholder engagement;

information and communication; compensation and displacement; employment; and environment. Next we outline the key findings, followed by recommendations. Recommendations were made by the research team within the context of international best practice.

Deficiencies in stakeholder engagement cross-cut all the themes in the study

Stakeholder engagement was one category in which every community, local government and company raised concerns. Indeed, we found that insufficient stakeholder engagement impacts every other category in the study. Barriers include deficient inter/intra stakeholder interaction, flow of information, participation, trust, and a sense of helplessness by communities and local governments.

Oil companies have been carrying out stakeholder engagement meetings throughout the exploration period, both scheduled and adhoc, however our findings revealed several deficiencies related to these meetings. These include: local government leaders and technical staff overlooked by oil companies and central government and left out of meetings and oil site visits in their Districts; women and youth excluded from meetings with oil companies, or unable to participate in meetings adequately; meetings with oil companies perceived to be one-sided, as one local leader noted: “*Tullow oil meets the community when there is an urgent need on their side*”; and District level stakeholder meetings held in English which excludes non-English speakers. Information about oil developments given at stakeholder meetings does not filter down to the community level, or widely within the community.

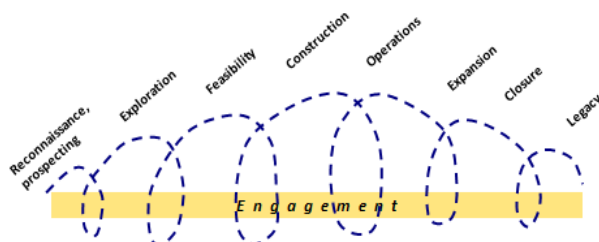


Figure 2: The extractive industries project cycle
Source: Parker et al 2008

Another consistent area of concern is the timing of stakeholder engagement processes. Often substantive engagement does not begin until the

extractive industries projects cycle is well underway, for example during feasibility studies and construction rather than the earliest stages of the project cycle. Inadequate stakeholder engagement impacts the flow and quality of information and the quality of relationships, which also affects other barriers in the study.

Barriers relating to deficiencies around information and communication were raised as concerns across the entire study

In every community the research team found that respondents lacked current and accurate information on oil related activities. All respondents recognised communication weaknesses, especially in terms of information provision in a format appropriate for the designated recipients. Respondents also expressed challenges in their efforts to seek information from those that have it.

In all four regions in the study we found that communities had limited information about the ongoing progress of oil activities and development in the area. This barrier is clearly related to the deficiencies in stakeholder engagement noted above. There was a clear issue with poorly defined roles and responsibilities, as many communities claimed that they did not know where to access information from.

Local leaders have been ill prepared and thus have been unable to prepare communities for the arrival of the industry. One result of this inadequate communication is that some communities have begun to speculate about oil. Some community respondents expressed the perception that local leaders were withholding information from them. Many expressed the perception that oil has already been taken from the ground, and other rumours were that oil will dry up the land.

Ongoing problems with information flow were noted, such as the limited amount of information the oil companies provide at stakeholder engagement meetings. One community respondent in West Nile noted “*there is a curtain between the local people and Neptune*”.

Compensation and displacement were significant issues, however some regions had experienced these more severely than others

The exploration stage of the oil industry in Uganda has required both temporary and permanent land and resource acquisition. Communities are restricted from accessing communal land and resources during the exploration period. A number of houses and plots of land have been permanently moved to make way for oil infrastructure, including roads to the site of the oil wells and the domestic oil refinery.

A main concern is delayed or inadequate compensation for communities impacted by exploration activities. In some cases no compensation has been received, and in many cases it is delayed, as one respondent noted: *“Compensation is assessed in January and is not paid until December which is a loss to the community”*. Communities claim that they were not consulted on the compensation process, and that the rates being used to calculate compensation for property, land and crops are old rates which no longer reflect the current value.

The regional variations of this barrier reflect the different stage of the project cycle in different Districts. All local governments and communities in the districts of Arua, Hoima and Buliisa where the project has moved into the appraisal and construction phase noted barriers under this category. In Arua, concerns were primarily related to inadequate compensation offered for damaged crops. As one farmer noted: *“we depend entirely on our land...if you don't dig there will be nothing to eat”*.

In Hoima and Buliisa, concerns were related to actual displacement and loss of property, rights, income and access to resources. In Hoima District the oil refinery project required that 7000 people were moved from villages to make way for the 29 square km site. Issues over compensation have led to anxiety over loss of land, as communities are not aware of how much compensation will be, when it will be paid and how they will access the money. By the time of a follow up visit in 2014, refinery affected communities were still waiting for compensation payment or relocation. During this period they have not been able to plant crops and this has impacted food security in the area. In 2016 those community members who opted for relocation still have not been provided new homes. There are concerns that many of those who opted for compensation

reportedly squandered the money (Oil in Uganda, 2014).

Opportunities for local employment is a significant expectation among local communities

Barriers relating to employment opportunities in the oil industry emerged as issues across the study. These are particularly key in the Northern regions of West Nile and Acholi, which are among the poorest in Uganda. There are limited job opportunities available to local communities in the new oil industry in Uganda, however expectations about job opportunities were high across the study. Indeed, local employment is always a significant expectation among local communities in extractives industry cases worldwide (World Bank, 2013). Job opportunities that do exist are casual jobs for low skilled workers and a number of issues were raised by respondents with regards to casual work.

Recruitment processes used by oil companies and their subcontractors were criticised by community and local government respondents as lacking transparency. There is a perception that local people are not being considered for jobs they are able to do, and oil companies and subcontractors are bringing in workers from outside the area. According to one youth in West Nile: *“Most of the field bosses are from Buganda and Ankole regions and ‘westerners’ get contracts that locals could have won”*. Whereas Total E&P has introduced a ballot box system in the interests of fair recruitment, community and local government respondents claim that this process has excluded people from their villages.

Respondents across the study who had experienced casual work in the industry raised issues around the terms of employment and workers' rights, inadequate and inconsistent remuneration, lack of or temporary nature of contracts, poor job security and discrimination in the workplace.

Issues of oil waste management and future environmental impacts of oil on livelihoods were the main concerns relating to the environment

Concerns about waste management were the most common issues raised. These were largely localised in communities and local governments

where exploratory drilling waste has been disposed of, especially in the districts of Buliisa, Nwoya and Rukungiri. Findings revealed a significant gap in the capacity of local governments across the study to carry out environmental monitoring due to the centralised nature of the oil industry. In Hoima we found that the Environmental Officer was prevented from entering oil sites by oil company security, and was often not invited to accompany NEMA when visiting the waste sites.

Other concerns related to the perceived environmental impacts of oil such as the long term impact on land. Many community respondents expressed fears that they may be displaced from the land as the oil industry develops, and that the land would no longer be suitable for cultivation. Community respondents also expressed concern that the oil industry would negatively impact the fishing industry which is used to sustain livelihoods for those communities at the lake, especially in Bunyoro and Kigezi regions.

Recommendations

Stakeholder engagement

Stakeholder engagement should begin at the earliest stages of the project cycle (see Figure 2) and continue until project closure (Parker et al., 2008). Companies should carry out consultations with communities prior to commencing reconnaissance and early exploration. Companies and central government should adhere to International Finance Corporation (IFC) Performance Standard 1, which underscores that stakeholder engagement is a dynamic and continuous process that involves a variety of different elements (IFC, 2012: 21).

Information and communication

Disclosure and dissemination of information is a central component of establishing community consent for the project and building lasting trust and social licence to operate. Oil companies and government should disclose information to affected communities as recommended in paragraph 29 of IFC Performance Standard 1. The capacity within local government must be built to help overcome the growing information, monitoring and participation gaps at the local level.

Communication and displacement

It is essential that compensation procedures are made transparent for affected communities. Compensation should be provided in a timely manner to avoid issues around devaluation and households being uncertain of when payments will be made. Central government should adhere to the IFC Performance Standards on Social and Environmental Sustainability in communities that are being displaced for the proposed petroleum refinery. Resettlement of communities where necessary should be gender-sensitive.

Employment

Effective communication should take place between companies and local government about 1) what the districts expect in terms of employment, and 2) what employment opportunities exist for local people. Companies should make a public commitment to hire local people for jobs for which they are qualified. Oil companies should develop workplace standards based on international best practice, e.g. IFC Performance Standard 2 on Labour and Working Conditions and make it a condition of the contract for sub-contractors to adhere to these policies.

Environment

Central government and oil companies should make every effort to avoid potential negative environmental impacts often associated with the petroleum industry, including incorporating the Precautionary Principle, the Polluter Pays Principle, and No-Net Biodiversity Loss among others. ESIA's should be conducted by the government or independent assessors paid by government, rather than company contractors (Manyindo, 2013). A broad spectrum of stakeholders should also be involved in monitoring mitigation measures in ESIA's.

The way forward

In 2013, following data collection, multi-stakeholder workshops were held in three regions of Uganda's Albertine Rift – Kigezi, Bunyoro and West Nile – and at national level in Kampala to share the research team's analysis of the validated data. Commitment was gained from all stakeholders to move forward with the recommendations of the study. In 2014, the project moved on to the process of building capacity of community and local government representatives to participate in the development of action plans in a participatory way. This involved several additional

visits to each District to support community and local government representatives to translate the research findings and recommendations into tangible actions, along with time scales and resources necessary to implement the actions. Several Multi-Stakeholder Forums have been carried out in each of the seven project districts to bring stakeholders together to share the plans and get stakeholder commitment to implement the action plans.

It is important to recognise that oil development in the Albertine Graben is a work in progress. As the project cycle continues and the Field Development Plans are agreed and implemented, the oil-bearing regions will undergo significant development challenges. This report and the larger CCA process provide starting points for seeking mutual benefits through a multi-stakeholder process. The research team intends to continue this process as the hydrocarbons sector moves towards 'first oil' in 2020. Further information about the ongoing Multi-stakeholder forums can be found on the MSF forum webpages:
<https://myjmultistakeholderforums.wordpress.com>

Early impacts

The governance of hydrocarbons project has had a number of successes since its inception. One outcome has been that trust between communities and local leaders in the oil regions has been built through the process of working together and sharing experiences and ideas during Multi-Stakeholder Forum meetings. Another key outcome has been that through the Multi-Stakeholder Forums local communities are able to meet oil company and central government personnel in a neutral setting where dialogue and discussion can take place.

In December 2015, as a result of over two years of multi-stakeholder meetings, the Albertine Graben Oil and Gas Districts Association (AGODA) was founded. AGODA is a special interest platform which aims to foster unity and to advance issues of common interest among oil districts in Uganda with the potential for oil and gas production (www.agodauganda.com).

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