



**NATIONAL CONTENT POLICY FOR THE PETROLEUM SUBSECTOR IN
UGANDA**

**POLICY GOAL IS TO PROMOTE THE COMPETITIVENESS OF UGANDAN LABOR AND
ENTERPRISES IN THE OIL AND GAS INDUSTRY AND ASSOCIATED SECTORS OF THE ECONOMY**

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MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

Foreword

In an effort to ensure maximum benefit of the oil and gas resources to both current and future generations, the Government as caretaker of petroleum and minerals on behalf of the people of Uganda, is committed to ensure that exploitation of these resources is done in a manner that creates lasting value to the society. This responsibility is exercised based on Article 244 of the Constitution of the Republic of Uganda.

To this end, the 2008 National Oil and Gas Policy for Uganda states as its primary goal to use the country's oil and gas resources to contribute to early achievement of poverty eradication. The policy recognizes that the benefits the country will derive depend on the active direct and indirect participation of its citizens (individuals and enterprises) in the petroleum sector and auxiliary services. The National Oil and Gas Policy provided the basis for the Petroleum (Exploration, Development and Production) and the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013 which mandate oil and gas operators to conduct training, employ and transfer technology to the country; imposes a preference for Ugandan manufactured goods and services; and requires that goods and services not available in Uganda should be supplied by international companies in a joint venture with Ugandan companies.

National content refers to the share of labour, services and goods for the petroleum sector being provided from within the country and constitutes the added value to Uganda from these activities.

The Government of Uganda is committed to facilitating the development of a significant national participation in its petroleum sector for the benefit of the Ugandan economy, the petroleum sector itself and the society at large.

This is an ambition that Uganda shares with many other oil and gas producing nations. Unfortunately, the results have often fallen short of stated policy ambitions and what could have been achieved if deliberate policies and actions had been implemented as soon as sufficient resources had been proven. Nevertheless, it is widely recognized that policies pursued by national authorities have a significant bearing on the level and quality of national content in the petroleum sector.

This policy is intended to clarify the national intent and provide guidance to subsequent legislative, regulatory and strategic actions by the Government and its ministries, departments and agencies (MDAs) as well as the private sector. The policy will also be used to guide future legislative reforms aimed at strengthening the mandate of supporting Government institutions, as well as clarifying their role in this important national program.

This policy outlines the context of the petroleum sector and presents a vision for how Ugandan participation in the sector will be developed in the short, medium and longer term. The policy describes the current related policy framework, the legislative and institutional context and the role of the different Government institutions in national content

development. It also specifies the policy in the form of four (4) principal policy goals and sixteen (16) subsidiary policy objectives.

In view of the importance of the non-renewable oil and gas resource to the people of Uganda, I urge all stakeholders to commit to urgently implementing the policy actions outlined in this National Content Policy and the associated action plans arising from the national content development and implementation strategy, in order to ensure that the people of Uganda benefit from the development and production of the oil and gas resources.

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ACRONYMS AND ABBREVIATIONS

AUGOS	Association of Uganda Oil and Gas Suppliers
BVET	Business and Vocational Educational Training
EHS	Environment, Health and Safety
EPC	Engineering, Procurement and Construction
IBS	Industrial Baseline Survey
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDA	Ministries, Departments and Agencies
MEMD	Ministry of Energy and Mineral Development
MFI	Micro Finance Institutions
MFPE Development	Ministry of Finance, Planning and Economic Development
MLHUD Development	Ministry of Lands, Housing and Urban Development
MoES	Ministry of Education and Sports

MoJCA	Ministry of Justice and Constitutional Affairs
MTIC	Ministry of Trade, Industry and Cooperatives
MSME	Micro Small and Medium Enterprises
NC	National Content
NCSC Committee	National Content Steering
PAU	Petroleum Authority of Uganda
PSA	Production Sharing Agreement
PSFU	Private Sector Foundation Uganda
RCTMS Storage	Refining, Conversion, Transmission and Midstream
R&D	Research and Development
SMEs	Small and Medium Enterprises
UBOS	Uganda Bureau of Statistics
UIA	Uganda Investment Authority

UNBS	Uganda National Bureau of Standards
UNOC	Uganda National Oil Company
VET	Vocational Education & Training
VTI	Vocational Training Institute
WSDSP	Workforce Skills Development Strategy and Plan

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GLOSSARY

“Enterprise” means Ugandan companies and registered entities.

“Registered entity” means a business owned by Ugandan citizens registered under the Business Names Registration Act or the Partnership Act, 2010.

“Ugandan company” for purposes of section 125 of the Upstream Act and Upstream National Content Regulations means a company incorporated under the Companies Act, 2012 and-

- (a) has at least 50% of Ugandan citizens at managerial level;
- (b) provides value addition to Uganda;
- (c) uses available local raw materials;
- (d) Employs at least 70% Ugandans; and
- (e) Is approved by the Petroleum Authority of Uganda.

Midstream Act means “Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act, 2013”

“National Content” is defined as the value added or created in the Ugandan economy through the employment of Ugandan workers and the use of goods produced or available in Uganda and services provided by Ugandan citizens and enterprises.

Upstream Act means “Petroleum (Exploration, Development and Production) Act, 2013”

1.0 INTRODUCTION

1.1 BACKGROUND

The confirmation of commercial oil and gas resources in Uganda has improved the prospects for developing a robust oil and gas industry and presents an opportunity to leverage these resources for revenue generation, domestic investment and catalyze domestic private sector development. These developments have raised the expectations of Ugandans about the potential for participating in and benefitting from the oil and gas subsector. In this context, and drawing from the global experiences in the oil and gas industry, turning this potential into real opportunities for citizens requires deliberate and sustained efforts.

The Government of Uganda is undertaking several initiatives to ensure direct and indirect participation of Ugandan citizens and enterprises in the oil and gas subsector so as to contribute to achieving lasting benefits for the country. These initiatives include capacity building, employment of Ugandan citizens, enterprise development, the use of locally produced goods and services and transfer of knowledge and technology. However, enabling Ugandan citizens and enterprises to participate in the provision of goods and services to the desired levels requires significant effort, support and collaboration amongst the relevant stakeholders.

The National Content Policy therefore seeks to enhance the opportunities, address challenges and constraints, describe the necessary institutional framework to coordinate the development, implementation and monitoring of National Content, and provide the necessary monitoring and evaluation framework.

1.2 SITUATIONAL ANALYSIS

The discovery of commercial petroleum resources and the planned infrastructure developments for its commercialization offer unprecedented opportunities for economic growth and development in Uganda. Against this background and the quest to capitalize on the related employment and business opportunities, Government adopted the National Oil and Gas Policy (NOGP) for Uganda in 2008 as a key document to guide the development of the petroleum subsector. Objectives 7 and 8 of the NOGP, lay emphasis on the need to ensure optimum national participation in oil and gas activities and support to the development and maintenance of national skills and expertise as key strategies in achieving National Content in the country's petroleum subsector.

Owing to the limited understanding of the existing capacity of the country's human resource pool and the requirements for citizen's participation in petroleum activities, Government commissioned a capacity skills needs analysis study for the sub-sector with the aim of developing a Workforce Skills Development Strategy and Plan (WSDSP). This study identified the skills gaps at all training levels. The gaps identified are as a result of many factors including: the quality of country's education system, which is not adequate to generate local supply of workers with the necessary knowledge and skill; the pace of exploration, which may be too fast to permit the development of local skills; lack of internationally recognized and accredited oil and gas training institutions; lack of capacity amongst the existing vocational training institutions to provide technical skills for various oil and gas activities and; the proliferation of training institutions billing

themselves as “petroleum” training providers, which raise expectations and capture student fees without generating qualifications leading to realistic prospects for employment in the industry. The low levels of skills and industrialization within the economy attest to why most of the goods, services, technical and managerial workforce within the petroleum sub-sector have been offered by foreign firms and expatriates

The recent studies commissioned by both government and the private sector, including the Industrial Baseline Survey (IBS), 2013 and the Capacity Needs Analysis Study, 2015, highlight capacity gaps in some of the aspects which are necessary for Ugandans to participate in the country’s petroleum subsector. It is estimated that the workforce requirement during the peak period of field development together with the construction of pipelines and the refinery will be 161,700 jobs of which 14,000 will be direct jobs, 42,700 indirect jobs and 105,000 induced jobs. Of this work force, 15% are estimated to be professionals (engineers and managers), 60% technicians and craftsmen and 25% unskilled laborers. The numbers of direct jobs are however, expected to taper off and/ or drop to a plateau of the 3,000 during the operations and production phase. However, despite these employment opportunities, a number of challenges were identified which must be addressed in order to close the gap between the skills requirements and employment opportunities in the oil and gas industry.

A review of the existing literature and the various studies undertaken by Government indicate that the barriers for Ugandan firms to get involved in the oil industrial supply chain are mainly related to the country’s current

levels of skills, industrialization and the relationship between Ugandan companies and foreign companies in the procurement process. The relationship between IOCs and Ugandan enterprises is mainly constrained by lack of information on future tenders which reduces the planning horizon for local firms, globalized and standardized pre-qualification processes, contractual structures that prevent small firms from participating in tendering, financial constraints, cost disadvantages due to lack of experience among others. The oil and gas industry in Uganda is therefore finding it challenging to develop a local supply industry at the pace, size, and quality necessary to satisfy the demand from petroleum projects. The local enterprises have only been able to participate in the supply of lower value contracts in transport, logistics, food supply, clearing and forwarding, crane hire, waste management, lifting, camp management, road construction and security among others. On the other hand, the high value contracts and specialized goods and services have been awarded to foreign companies. This is mainly because the IOCs use international procurement and tender procedures which are complex and require high levels of organization and management capacity. In addition, the tenders are most often configured in very large bid lots that disadvantage Ugandan enterprises because of the large financial resources required for working capital, purchase of inputs, and performance guarantees.

In the short to medium term, the anticipated investment for upcoming petroleum projects in the country including the construction of a crude oil export pipeline, refinery construction, development of current fields and the attendant infrastructure is estimated to be USD 20 billion. In addition, the country has an opportunity to be a regional hub for exploration and

development projects. These projects present opportunities for Ugandan citizens and enterprises to provide goods and services, training and employment. The industrial Baseline Survey of 2014 also provides estimates of business opportunities in the 25 industrial segments that are expected to generate potential benefits to Ugandan enterprises during the development and production phase of the country's petroleum subsector. These industrial segments include; mechanical, construction services, food supply, domestic waste management, production and operations services, furniture manufacture, fertilizer and petrochemical production, manpower management, road construction and transport among others. Participation in these different opportunities will require adequate preparation including capacity building and planning among the Ugandan entrepreneurs and citizens. Uganda based enterprises are therefore expected to establish credible documentation of their capabilities as reliable suppliers to the petroleum industry.

Existing literature suggests that clustering of activities can accelerate productivity and efficiency through knowledge spillovers, synergies, better coordination, and efficient access to public goods. Collaboration among petroleum companies, their integrated service providers, and domestic suppliers is therefore critical to the development of a sustainable local industrial capacity. The foreign firms operating in Uganda are required to contribute to Ugandan enterprises' development by imparting them with relevant business skills and techniques through training, Joint Ventures (JVs), industrial attachments among others. Government will promote the establishment of geographical and sectoral clusters to serve as a collection of related businesses, public and educational institutions in order to

accelerate the development of a competitive local enterprise. In addition, the licensed oil companies will be required to invest in R&D and transfer technology and knowledge to Ugandan citizens and enterprises.

The involvement of women in the oil and gas industry is important and necessary, as it contributes to equitable and social-economic development. However, the current participation of Ugandan women in the oil and gas industry is generally low since the industry generally requires highly specialized skills and technology in the category of engineers, scientists, civil craftsmen, drivers, mechanical technicians and welders, which skills are still low among Ugandan women. In addition, women entrepreneurship is constrained by socio-cultural, family and economic barriers that impede growth of their enterprises, including those in the oil and gas industry.

1.3 PROBLEM STATEMENT

The Constitution of the Republic of Uganda, under the National Objectives and Directive Principles of State Policy provides for private sector participation, involvement of citizens and enterprises in the implementation of development programmes to meet their needs. However, the participation of Ugandan suppliers in the oil and gas industry is constrained by a number of factors including information asymmetries, challenging business environment, limited access to finance, inadequate infrastructure, difficulties meeting high quality standards of the International Oil Companies (IOCs), limited business knowledge among others. For instance, between 2010 – 2013, the oil companies spent a total of USD 1,171.8 million on purchase of goods and services, of this expenditure, USD 329.9 million was paid to Ugandan service providers, representing

only 28% of the total spent by the licensees' in the country's oil and gas subsector.

The employment opportunities created in this industry especially the high value jobs that require specialized skills including middle and top management largely benefit foreigners. There is a wide range in the wage differentials between the national and expatriate staff. Between 2012 – 2014, the licensed oil companies (TUOP, TEPU and CNOOC) spent a total of UGX 23,015,761,082 of which only UGX 6,723,554,362 representing only 29.2 % was spent on Ugandans employed by the companies. In some cases, expatriates on average earned between 5 to 10 times more than nationals (CNOOC & TEPU).

This inadequate participation of the local players in this industry has given rise to little or no job creation, no value adding benefits to the economy because of non-utilization of local raw materials to the oil and gas industry.

This policy is being developed to promote active participation of Ugandans and Ugandan enterprises in the industry from the current 28% to at least 80% by 2040.

1.4 RATIONALE FOR POLICY DEVELOPMENT

Whereas, there have been a number of interventions to achieve national participation by citizenship, there has not been any comprehensive policy framework to address aspects of national content in the country's oil and gas industry. And as such the goals, objectives, strategies and targets for national content in the industry are not laid out in an all-inclusive

manner. In light of this, the developments in the industry have not had a significant impact on the socio-economic wellbeing of Uganda.

The policy will guide the country in positioning citizens to take advantage of the opportunities in the nascent oil and gas industry by putting in place a framework that:

- I. Clearly states Government's commitment to developing and promoting the participation of Ugandan citizens in the petroleum subsector.
- II. Lays out a strong regulatory, institutional and administrative framework for National Content development in Uganda.
- III. Ensures that resource allocation decisions by Government Ministries, Departments and Agencies relevant to the country's petroleum industry are aligned towards the development of National Content.
- IV. Sets out mechanisms to encourage support by private sector to promote National Content in Uganda's petroleum subsector.
- V. Provides a basis for the specific strategic plans for developing National Content in the petroleum subsector.
- VI. Describes measures that will ensure the transfer of technology and know-how from the industry to other sectors of the economy.
- VII. Fosters linkages with other sectors of the economy and promotes domestic enterprise development

The desired outcomes for this Policy are increased employment of Ugandan citizens, increased participation of Ugandan enterprises in the provision of goods and services together with the use of locally produced

and available goods and services. The outcomes will be delivered through national enterprise development and enhanced vocational and higher education training. The monitoring and evaluation plan will facilitate efforts to track the extent to which the country makes progress towards National Content development in the country's petroleum subsector.

1.5 POLICY FORMULATION

The National Content Policy was formulated through an extensive consultative process. Firstly, a study of national participation in the Uganda's oil and gas industry was undertaken in 2011 that informed the development of the Policy. This was then followed by the review of the Country's policies, laws and strategies as well as Local content policies and strategies from different countries including: Angola, Brazil, Ghana, Indonesia, Malaysia, Nigeria, Norway, Sierra lone, and Tanzania.

Three consultative meetings and workshops were then held with technical staff of various government institutions, private sector associations, civil society actors, development partners, academia, licensed oil companies, oil and gas service providers, members of parliament, cultural institutions and media between 3rd , October 2012, 2nd - 3rd May 2013, and 19th-20th March, 2014 after which a working document of the draft Policy was formulated.

Additional consultative meetings were held in Masindi, Kampala and Jinja between 30th May 2013, 21st June 2013, and 28th June 2013. In addition, three (3) cycles of round table dinners on National Content-Cross country

lessons were held in Kampala on 15th May 2014, 31st July 2014 and 11th December 2014, for a selected group of local content stakeholders. The objective of these dinners was to inform the design and implementation of the National content Policy. The lessons learnt enriched the draft policy.

The updated draft Policy was then reviewed and validated by officials from key Government Ministries, Departments and Agencies, Civil Society Organizations, Petroleum Authority of Uganda, Uganda National Oil Company, Academic Institutions, Economic Policy Research Center, Development Partners, Oil companies, Oil service providers, Private sector agencies and the World Bank.

2.0 POLICY, LEGAL AND REGULATORY FRAMEWORK

The Policy does not seek to duplicate existing government initiatives stipulated in other Government policies or prescribed in applicable laws but rather aims at complementing existing frameworks that relate to National Content development. The Policy presents an overview of existing Government policies, laws and plans including the Constitution, Vision 2040, the National Development Plan II (2015/16-2020/21), the Employment Policy (2011), the National Oil and Gas Policy for Uganda (2008) and the Industrial Policy (2008). The Policy further builds on Part VIII of the Petroleum (Exploration, Development and Production) Act 2013 Part VII of the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013 and the National Content Regulations made under both the Midstream and upstream Acts respectively, which promote national participation in the country's petroleum subsector.

2.1 POLICY FRAMEWORK

Government has formulated various policies, which have implications for National Content development in the country. A review of these policies reveals the need for a dedicated Policy on National Content development for the petroleum subsector.

2.1.1 VISION 2040

Vision 2040 is Uganda's long term development framework intended to transform the Ugandan society from a peasant society to a modern and prosperous country within 30 years. The vision recognizes oil and gas as one of the opportunities for faster socio-economic national development. The oil and gas subsector presents the country with an opportunity to spur economic growth, create employment, foster technology transfer and

generate revenues for investments in development of other strategic sectors such as infrastructure and human resource development.

2.1.2 SECOND NATIONAL DEVELOPMENT PLAN (NDP II)

The oil and gas subsector is one of the development priorities in the second National Development Plan (NDP II). The plan recognizes the great potential of the oil and gas subsector in creating employment and generating wealth to Ugandans which ultimately contributes to economic growth and poverty alleviation.

2.1.3 THE ENERGY POLICY FOR UGANDA, 2002.

The main goal of the energy policy is to meet the energy needs of Uganda's population for social and economic development in an environmentally sustainable manner. This policy is silent on issues of national content.

2.1.4 THE NATIONAL OIL AND GAS POLICY, 2008.

The National Oil and Gas Policy (NOGP) for Uganda recognize that the benefit, which the country obtains from its oil and gas resources, will depend on the extent of participation of its citizens and enterprises in the sector. The National content policy will therefore provide a detailed mode of operation to actualize the participation of Ugandans in the industry.

2.1.5 EMPLOYMENT POLICY, 2011.

The National Employment Policy for Uganda guides stakeholders on creation and enhancement of quality and availability of gainful employment opportunities. The Policy recognizes the importance of education as a precursor to skills development, which serves to enhance

productivity and competitiveness.

2.1.6 NATIONAL INDUSTRIAL POLICY, 2008.

The National Industrial Policy (NIP) emphasizes the need to develop domestic resource based industries and promotion of competitive industries that use local raw materials. The policy encourages existing industries and new investors to utilize the services of local technologies and consultants as a means of developing national technological capabilities. It also supports the growth and development of a skilled and productive labour force to ensure that a body of experienced entrepreneurs and trained managers are particularly focused on industrial development.

2.1.7 THE NATIONAL TRADE POLICY, 2007.

The overall Mission of this Policy is to develop and nurture private sector competitiveness, and to support the productive sectors of the economy to trade at both domestic and international levels, with the ultimate objective of creating wealth, employment, enhancing social welfare and transforming Uganda from a poor peasant society into a modern and prosperous society.

2.1.8 BUY UGANDA BUILD UGANDA POLICY, 2014.

The policy is intended to support the production, purchase, supply, and consumption of local goods and services.

2.1.9 UGANDA MICRO, SMALL AND MEDIUM ENTERPRISE POLICY, 2015.

The policy seeks to stimulate growth of sustainable MSMEs through enhanced business support service provision, access to finance, technical

and business skills, and the creation of a conducive policy, legal and institutional framework.

2.2 LEGAL AND REGULATORY FRAMEWORKS

2.2.1 PUBLIC PRIVATE PARTNERSHIP ACT, 2015.

The Act applies to all public private partnerships and in particular to the design, construction, maintenance and operation of infrastructure services including oil and gas pipelines, gas storage, refinery, conveyance and distribution facilities. Under its principles, the Act provides for promotion of participation of Ugandans as private parties in the Public Private Partnerships. It also provides for the stimulation of growth and development through harnessing private sector innovation and efficiency.

2.2.2 THE PUBLIC PROCUREMENT AND DISPOSAL OF ASSETS ACT, 2013.

The Act provides for preference of domestically manufactured goods and Ugandan contractors and consultants, in order to promote their development, by giving them a competitive advantage when competing for public procurement contracts, to foreign manufactured goods, foreign contractors or foreign consultants. In addition, in order to promote particular sectors within specified geographic areas, specified public procurement contracts or parts of a contract shall be subject to reservation schemes.

2.2.3 THE PETROLEUM ACTS, 2013

The Petroleum (Exploration, Development and Production) Act, 2013 and the Petroleum (Refining, Conversion, Transmission and Midstream

Storage) Act, 2013 provide for: state participation in petroleum activities; licensees, contractors and subcontractors to give preference to goods and services which are produced or available in Uganda and rendered by Ugandan citizens and companies; where the goods and services are not available in Uganda, their supply shall be provided by a company that has entered into a joint venture with a Ugandan company; the licensees, contractors and subcontractors notify the Ugandan enterprises of upcoming contracts and the quality, health, safety and environment requirements for the goods and services required for petroleum activities; and the training and employment of Ugandan citizens and the transfer of technology in the petroleum subsector.

2.2.4 THE CITIZENSHIP AND IMMIGRATION CONTROL ACT, 1999.

The Act provides for the regulation and control of aliens in Uganda. It requires non-Ugandans to obtain entry permits before they can enter, remain or engage in any employment or business in Uganda.

2.2.5 THE MODEL PRODUCTION SHARING AGREEMENT, 2016.

The Model Production Sharing Agreement (MPSA) has specific provisions for promotion of National Content including: State participation in petroleum activities, preference of Ugandan citizens and enterprises during procurement of goods and services, training and employment of Ugandan citizens during all phases of the petroleum activities.

3.0 GUIDING PRINCIPLES, VISION, MISSION AND OBJECTIVES

3.1 GUIDING PRINCIPLES

In order to realize the Vision of this policy, the following guiding Principles will be adhered to:

3.1.1 Efficiency and Productivity in the oil and gas subsector

National content can be an added cost to development if measures are not taken to enhance efficiency and/or productivity in the supply of locally available goods and services. The policy will promote efficiency and productivity in the provision of goods, services and labour in the subsector.

3.1.2 Promote forward and backward linkages

Oil and gas operations will create both forward and backward linkages in the country's economy. These linkages will lead to diversification and industrialization in the Ugandan economy.

3.1.3 Capacity Building

The policy recognizes that capacity building is key to the participation of Ugandans in the oil and gas activities. The Policy will promote capacity building of Ugandans and Ugandan enterprises and institutions.

3.1.4 Skills and Technology Transfer

Government recognizes that technology and skills transfer are key for the development of a desirable oil and gas industry. Through this Policy, international oil companies and their contractors and subcontractors will transfer their technical know-how and technologies to Ugandan citizens and

enterprises.

3.1.5 Unbundling of Contracts

The policy recognizes the need to enhance the capacity of the private sector to handle complex and big procurements in the oil and gas industry. The contracts will be unbundled into work packages to enable the participation of Ugandan citizens and enterprises.

3.1.6 Spirit of Cooperation and Collaboration

The successful realization of this Policy will be determined by the level of cooperation and collaboration between international companies, Ugandan enterprises, together with education and training institutions. This Policy will promote cooperation and collaboration among the different stakeholders through clusters, forums and joint ventures.

3.1.7 Transparency

There will be transparency in the implementation of the various strategies of this policy.

3.1.8 Observation of Reservation Schemes

The policy recognizes the need to increase the participation of Ugandans in the oil and gas subsector. The Policy therefore promotes ring fencing of the provision of goods, services and labour that are available in the country.

3.2 THE POLICY VISION, MISSION, OBJECTIVES

3.2.1 VISION

“A socially and economically transformed Uganda supported by effective participation of Ugandan citizens and enterprises in the oil and gas industry”

3.2.2 MISSION

“To prioritize the development of skills and capabilities of Ugandan citizens and enterprise so as to maximize the benefits accruing from the oil and gas resources”

3.2.3 GOAL

“To promote the competitiveness of Ugandan labor and enterprises in the oil and gas industry and the overall economy”

3.2.4 OBJECTIVES

The objectives of the Policy are:

1. To build the capabilities of Uganda’s human resources to effectively participate in the oil and gas subsector.
2. To promote employment of Ugandans in the oil and gas industry.
3. To develop the competitiveness of Ugandan enterprises as suppliers and joint venture partners.
4. To increase the use of locally produced or available goods and services by the oil and gas industry.
5. To promote research & development and technology transfer.

3.2.5 STRATEGIES AND ACTIONS TO ACHIEVE THE OBJECTIVES

In order to realize the above policy objectives, the various strategies and actions will be undertaken.

Objective 1: To build the capabilities of Uganda’s human resources to effectively participate in the oil and gas subsector.

Strategies:

- i. Promote quality vocational training and post-qualification apprenticeships as an avenue for acquiring skills required by the oil and gas and other related industries.
- ii. Ensure that all oil and gas related skills training within Uganda are accredited and meet a pre-agreed set of international quality standards.
- iii. Ensure that licensed oil companies, their contractors and subcontractors contribute to the establishment and support of training programmes for specialized industry functions and operations.
- iv. Promote coordination and joint working between Government, IOCs, Training Providers and other stakeholders to enhance communications and information sharing on oil and gas skills requirements with the view of providing the necessary training.
- v. Establish and maintain a register of Ugandan citizens with the relevant qualifications for the oil and gas industry.
- vi. Put in place a Workforce Skills Development Strategy and Plan for the oil and gas subsector in Uganda.
- vii. Ensure adequate funding mechanisms are put in place to support capacity building of Uganda’s human resources in the oil and gas industry.

Actions:

- i. Re-profile vocational education and training (VET) as a respectable and viable career.
- ii. Ensure that the training is provided by qualified trainers in well-governed and facilitated public and private institutions.
- iii. Develop a robust and well managed apprenticeship programs for the oil and gas Industry.
- iv. Establish a mechanism that ensures certified technicians are accredited by an international recognized body in the oil and gas sector.
- v. Encourage licensed oil companies, their contractors and subcontractors to support key training institutions in the sector to develop into Centers of Excellence.
- vi. Establish a forum of relevant stakeholders to share information on skills requirements and standards in the oil and gas industry.
- vii. Establish and maintain a national human resource register for the oil and gas industry which will constitute a database of available human resource capabilities and technical skills.
- viii. Design and implement a workforce skills development strategy and plan for the oil and gas subsector in Uganda.
- ix. Establish and operationalize a fund to support human resource development for the oil and gas sector.

Objective 2: To promote employment of Ugandans in the oil and gas industry**Strategies:**

- i. Give Ugandans first consideration for employment in any project executed by any licensee, contractor and subcontractor in the Ugandan oil and gas industry.
- ii. Licensees, contractors and subcontractors will develop and obtain Government approval for employment and succession plans.
- iii. Licensees, contractors and subcontractors will comply with regulatory requirement with respect to work permits applications for expatriate personnel.
- iv. Licensees, contractors and subcontractors will submit regular reports on employment and staff training activities.
- v. Ensure equity and fairness with respect to employment and training in the oil and gas industry.

Actions

- i. Licensees, contractors and subcontractors in the oil and gas industry will give priority to Ugandans in recruitment and training.
- ii. Licensees, contractors and subcontractors will publicly advertise all available positions and submit the recruitment report.
- iii. Licensees, contractors and subcontractors will implement understudy programmes as approved by Government.
- iv. The Ministry responsible for oil and gas will make appropriate recommendations before any issuance of a work permit is made in the oil and gas industry.
- v. Regular review and monitoring of employment and staff training reports of licensees, contractors and subcontractors.
- vi. Put in place an affirmative action plan that promotes participation of women, persons with disabilities and local communities.

Objective 3: To develop the competitiveness of Ugandan enterprises as suppliers and joint venture partners.

Strategies

- i. Encourage Uganda businesses to formalize through registration and licensing of enterprises.
- ii. Encourage Ugandan enterprises to comply with their statutory obligations.
- iii. Facilitate business development programmes for Ugandan enterprises in the oil and gas industry
- iv. Facilitate the establishment of joint industry collaboration forums and support business to business linkages in the sector.
- v. Improve access to financing by Ugandan enterprises to supply goods and services to the oil and gas industry.
- vi. Facilitate clustering of petroleum related companies in order to enhance technology transfer and research & development.

Actions

- i. Establish a business support centre for Ugandan enterprises to enable their participation in the oil and gas industry.
- ii. Develop sensitization programmes on benefits of compliance with tax, social security and labour laws in regard to participation in the oil and gas sector.
- iii. Develop business development programmes in procurement, business counseling, management and technical assistance to build the capacities of Ugandan enterprises in the oil and gas

sector.

- iv. Establish and regularly update the national supplier database of companies prequalified to supply goods and services to the oil and gas industry.
- v. Hold regular supplier forums to promote coordination and collaboration between and among oil and gas industrial players.
- vi. Set up and operationalize a fund to support supplier development.
- vii. Form clusters of petroleum related companies to enhance R&D and technology transfer in the oil and gas sector.

Objective 4: To increase the use of locally produced or available goods and services by the oil and gas industry

Strategies

- i. Licensed oil companies, their contractors and subcontractors will put in place procurement and contracting procedures and practices to benefit Ugandan enterprises.
- ii. Licensed oil companies, their contractors and subcontractors will establish operational bases in Uganda.
- iii. Develop and adopt standards and quality assurance systems for locally available/produced goods and services.
- iv. Licensed oil companies, their contractors and subcontractors will exclusively tender locally available goods and services to Ugandan enterprises.

Actions

- i. Develop and ensure implementation of procurement and contracting regulations and procedures that promote the

- participation of Ugandan citizens and enterprises.
- ii. Require the licensed oil companies and their contractors and subcontractors to establish operational bases in Uganda.
 - iii. Strengthen the capacity of the institutions responsible for certification, standards, and quality assurance systems for goods and services.
 - iv. Regular update and dissemination of the required standards for goods and services by the institutions responsible for certification, standards, and quality assurance systems.
 - v. Ensure that locally produced or available goods and services are exclusively provided by Ugandan citizens and enterprises.

Objective 5: To promote Research & Development and Technology Transfer

Strategies:

- i. Licensees, their contractors and subcontractors will prepare and implement plans for the transfer of technology and knowhow to Ugandan institutions.
- ii. Enhance capacity of existing institutions in the country to carry out research and development.
- iii. Encourage cooperation and collaboration between licensed companies, contractors, subcontractors and Ugandan universities, institutions and think tanks so as to develop in-country R&D capabilities.
- iv. Identify and prioritize areas for R&D and technology transfer.

Actions

- i. Monitor and evaluate the level and depth of the technology transfer and knowhow to the Ugandan institutions.
- ii. Support existing institutions in the country to carry out research and development activities.
- iii. Create a forum for collaborations between Ugandan institutions and international oil companies to enable joint learning and enhancement of R&D capabilities.
- iv. Conduct studies to inform areas for R&D and technology transfer.

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4.0 COORDINATION AND IMPLEMENTATION FRAMEWORK

The implementation of this Policy will largely depend on the involvement of Ministries, Departments and Agencies (MDAs), Private Sector, Academia, Civil Society Organizations and the Media in monitoring and evaluating National Content in the oil and gas subsector.

4.1 ROLES OF KEY GOVERNMENT MINISTRIES

The policy recognizes the role of government ministries in facilitating the development of national content in the oil and gas subsector. The roles and responsibilities of these Ministries are outlined below:

4.1.1 MINISTRY RESPONSIBLE FOR OIL AND GAS

The Ministry of Energy and Mineral Development (MEMD) is currently the lead Ministry in coordinating National Content development in the oil and gas subsector in Uganda. The specific roles of the Ministry in this regard will:

- i. Coordinate and provide overall guidance in the implementation of the Policy.
- ii. Undertake activities to disseminate and popularize the policy
- iii. Monitor the progress of National Content development in the oil and gas subsector.
- iv. Prepare implementation status reports and submit to relevant organs and institutions.
- v. Issue National Content regulations.
- vi. **Submit National Content legislation to Cabinet and Parliament.**
- vii. Develop monitoring indicators for the implementation of the policy.

- viii. Identify and spear head research on topical issues related to national content in the oil and gas industry.
- ix. Facilitate the establishment of the National Content Development Fund.

4.1.2 THE MINISTRY OF LOCAL GOVERNMENT

The Policy recognizes the role of Local Governments in promoting government programs on national participation in the oil and gas subsector within their jurisdiction. The roles of Local Governments in this Policy will:

- i. Mainstream National Content activities within the respective Local Government District Development plans.
- ii. Participate in the implementation of the National Content programs, projects and plans.
- iii. Promote awareness on petroleum activities, operations, projects and opportunities within their jurisdiction.
- iv. Participate in monitoring and evaluation of National Content aspects and implementation within their jurisdictions.

4.1.3 MINISTRY OF EDUCATION AND SPORTS

The Ministry of Education and Sports (MoES) is responsible for skilling and training of manpower in the country. The roles of MoES under this Policy will:

- i. Promote the development of relevant education curriculum with the participation of the private sector so as to meet the needs of current and emerging labour market.
- ii. Strengthen the capacity of education and training institutions to provide the competencies required by the oil and gas industry.

- iii. Ensure representation of the oil and gas industry in the governance bodies of public institutions.
- iv. Promote R&D in collaboration with the Ministry responsible for oil and gas, the private sector and other relevant institutions.
- v. Ensure quality control and assurance for training providers in the petroleum subsector.

4.1.4 MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES

The role of the Ministry of Trade, Industry and Cooperatives (MTIC) is to promote trade, industry and cooperatives for the development of the country. The roles of MTIC under this Policy will:

- i. Encourage the development of petroleum related industries to foster value addition and economic diversification.
- ii. Promote the development of local enterprises to enable them participate competitively in the oil and gas subsector.

4.1.5 MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

The Ministry of Finance, Planning and Economic Development (MoFPED) is responsible for, among other things, ensuring macro-economic stability, which includes prudent fiscal management and ensuring appropriate distribution of Government funds to provide efficient and effective delivery of services. Specific roles for MoFPED under this Policy will therefore include:

- i. Allocate financial resources for the implementation of this Policy through the national budget.
- ii. Coordinate support initiatives from donors and development partners in the area of national content.

- iii. Ensure a conducive macro-economic environment framework to support the development of National Content in the oil and gas industry.
- iv. Support the establishment and management of the fund for National Content Development.

4.1.6 MINISTRY OF GENDER, LABOR AND SOCIAL DEVELOPMENT

The Ministry of Gender, Labor and Social Development (MoGLSD) is responsible for the implementation of policies related to Gender, Employment and Social Development. The roles of the Ministry under this Policy will:

- i. Ensure that employment guidelines in the oil and gas subsector are in line with this Policy.
- ii. Ensure implementation of the occupational safety and health (OSH) in the oil and gas industry.
- iii. Ensure that aspects of gender are taken into consideration during the implementation of this Policy.

4.1.7 MINISTRY OF INTERNAL AFFAIRS

The Ministry of Internal Affairs (MoIA) through the Directorate of Citizenship and Immigration Control is responsible for regulating the travel in and out of Uganda, for both Ugandan citizens and foreigners. The roles of the Ministry under this policy will:

- i. Ensure that work permit for the oil and gas sector are issued in line with this Policy.
- ii. Monitor compliance with the immigration requirements of expatriates for the oil and gas subsector.

- iii. Provide security for the oil and gas infrastructure.

4.1.8 MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES

The Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) is responsible for the formulation, reviews and implementation of national policies, plans, strategies, regulations and standards and enforce laws, regulations and standards along the value chain of crops, livestock and fisheries. The roles of the Ministry under this policy will:

- i. Coordinate agriculture development programs within the oil and gas rich areas in Uganda.
- ii. Ensure that agricultural products produced by Ugandan citizens and enterprises meet standards required by the oil and gas industry.

4.1.9 OFFICE OF THE PRIME MINISTER

The Office of the Prime Minister (OPM) is mandated to coordinate implementation of all policies of Government. In regard to this policy, the OPM will:

- i. Support the implementation of the national content policy across government.
- ii. Participate in monitoring and evaluation of policy implementation activities.

4.2 ROLES OF OTHER GOVERNMENT DEPARTMENTS AND AGENCIES

The Policy recognizes the role of other Government Departments and Agencies in facilitating the implementation of National Content within the oil and gas subsector. These include:

4.2.1 UGANDA NATIONAL OIL COMPANY

The Uganda National Oil Company (UNOC) is mandated to manage Uganda's commercial aspects of petroleum activities and the participating interests of the state in the petroleum agreements. The UNOC will:

- i. Develop in-depth local expertise in the oil and gas subsector.
- ii. Promote and participate in joint venture initiatives in the oil and gas subsector.
- iii. Develop the capacity of Ugandan citizens and enterprises in the oil and gas subsector.
- iv. Champion initiatives that support the growth of community contractors and enable them to provide services and materials to the oil and gas industry.

4.2.2 PETROLEUM AUTHORITY OF UGANDA

The Petroleum Authority of Uganda (PAU) is responsible for monitoring and regulating upstream and midstream petroleum activities including exploration, development, production, refining, gas conversion, transmission and midstream storage. The PAU will:

- i. Ensure compliance by licensees with the provisions of the Law and petroleum agreements relating to National Content.
- ii. Monitor and regulate National Content activities in the oil and gas subsector.
- iii. Review and approve plans submitted by licensed companies relating to training and employment of Ugandan citizens, supply of goods and services by Ugandan citizens and enterprises, technology transfer and research and development.

- iv. Develop and maintain a national supplier database and a human capacity register for the oil and gas subsector.
- v. Participate in the development, review and approval of standards for use in the oil and gas subsector in collaboration with the Uganda National Bureau of Standards.
- vi. Disseminate industry standards developed by the relevant institutions, agencies and departments.

4.2.3 UGANDA NATIONAL BUREAU OF STANDARDS

The Uganda National Bureau of Standards (UNBS) has the mandate to formulate, promote and enforce national standards in order to enhance the competitiveness of Ugandan products, promote fair trade and protect consumers. The UNBS will:

- i. Establish standards that meet the requirements of the oil and gas industry and where applicable, adopt international standards.
- ii. Certify locally produced goods and accredit Ugandan institutions and enterprises.
- iii. Disseminate approved standards for use by the oil and gas subsector.

4.2.4 UGANDA BUREAU OF STATISTICS

The role Uganda Bureau of Statistics (UBOS) is to develop, maintain an integrated, coherent and reliable National Statistical System (NSS). The UBOS will:

- i. Compute and disseminate on regular basis National Content statistics in the oil and gas industry.
- ii. Coordinate, monitor and supervise the National Statistical System with respect to the oil and gas subsector.

4.2.5 UGANDA INVESTMENT AUTHORITY

The roles of Uganda Investment Authority (UIA) under this Policy will be to:

- i. Encourage and facilitate local investment in the oil and gas subsector.
- ii. Disseminate information on investment opportunities in the oil and gas subsector to the Ugandan business community.
- iii. Establish and develop serviced industrial and business parks for the oil and gas subsector.
- iv. Support the development of SMEs in the oil and gas subsector.

4.3 THE ROLE OF PRIVATE SECTOR

Vision 2040 recognizes that the private sector is the engine of growth and development in Uganda. The private sector players including IOCs will therefore work with Government in the implementation of this Policy. The private sector will:

- i. Licensees, contractors and subcontractors will incorporate National Content principles in all activities and operations.
- ii. Licensees, contractors and subcontractors will put in place plans for the promotion of National Content.
- iii. Ensure that National Content is included as a criterion in the evaluation and award of bids and tenders.
- iv. Utilize locally available goods and services.
- v. Compile information on the achievements made in National Content development.
- vi. Invest in business improvement together with Health, Safety, Environment and Quality (HSEQ) to enhance competitiveness.

- vii. Promote best employment practices and industry standards.
- viii. Design procurement plans and practices that support participation by Ugandan enterprises.
- ix. Create non-state sponsored industry groups and collaboration forums to improve knowledge and capabilities.
- x. Promote and supporting technological advancement through Research & Development.
- xi. Provide funding for skills and supplier development programs.

4.4 THE ROLE OF CIVIL SOCIETY ORGANIZATIONS, LOCAL COMMUNITIES AND MEDIA

4.4.1 CIVIL SOCIETY ORGANIZATIONS

The roles of Civil Society Organizations (CSOs) in the implementation of this Policy shall include:

- i. Promote advocacy, mobilization and dialogue with communities, licensed companies and the Government on aspects of National Content.
- ii. Create awareness and disseminating information on available opportunities related to oil and gas activities.
- iii. Implement social or industry-focused programs funded by oil and gas companies.
- iv. Hold Government and other stakeholders accountable with regard to National Content in the country.
- v. Participate in capacity building, research and training of local communities.

4.4.2 LOCAL COMMUNITIES

Whereas Government has a key role in ensuring effective participation of Ugandan citizens in the petroleum subsector, local communities, individuals, professionals and enterprises have a primary responsibility to participate in the implementation of this Policy including:

- i. Learning, acquiring skills, knowledge and capabilities to enhance their participation in the petroleum subsector and related sectors.
- ii. Seeking and making use of information related to the oil and gas subsector.
- iii. Safeguarding the integrity of oil and gas installations and infrastructure within their localities.
- iv. Participating in the provision of goods, services and human resources in the oil and gas industry.
- v. Ensuring effective and efficient use of facilities, goods, services and other items provided for by the oil and gas industry.
- vi. Creating enterprise clusters in order to benefit from industry projects.

4.4.3 MEDIA

The roles of the media in the implementation of this Policy include:

- i. Providing accurate and balanced information to the public on National Content in the petroleum subsector in the country.
- ii. Increasing public awareness and involvement, transparency and accountability on matters pertaining to National content in the petroleum subsector.
- iii. Providing feedback to GOU in particular on any achievements, challenges and opportunities.

4.5 NATIONAL CONTENT STEERING COMMITTEE

A National Content Steering Committee (NCSC) shall be established to effectively coordinate the different institutions and stakeholders that are responsible for the implementation of this Policy. The NCSC will be a dedicated and an independent committee mandated to oversee and ensure the implementation of this Policy.

4.5.1 Composition of the National Content Steering Committee

The NCSC shall be chaired by the Permanent Secretary of the Ministry responsible for Petroleum and will have representatives of the following public and private sector institutions:

- i. The Ministry responsible for Petroleum;
- ii. The Ministry of Education and Sports;
- iii. The Ministry of Trade, Industry and Cooperatives;
- iv. The Ministry of Finance, Planning and Economic Development;
- v. The Ministry of Local Government;
- vi. The Petroleum Authority of Uganda;
- vii. The Uganda National Oil Company;
- viii. Two (2) representatives of the licensed oil companies with one in the upstream and another in the midstream segments of the petroleum value chain;
- ix. A representative of the service providers to the petroleum subsector; and
- x. A representative from civil society organizations at national level.

4.5.2 Role of the National Content Steering Committee

The Committee shall carry out the following functions:

- i. Supervising and monitoring the implementation of this Policy.
- ii. Initiating a basis for dialogue and targeted efforts with regard to National Content.
- iii. Coordinating efforts to solve problems and unblock delivery obstacles hindering effective implementation of this Policy.
- iv. Documenting progress against the policy implementation plan and publish annual reports setting out achievements and issues.
- v. Coordinating information gathering, research and knowledge sharing regarding activities set out in the Policy.
- vi. Overseeing the performance of the National Content Development Fund.

5.0 FINANCING OF THE POLICY

The financial resources required for implementation of this Policy are based on what the public sector and private sector will spend on this initiative. In view of this, the Policy recognizes the need for alignment and harmonization of the different activities undertaken by the various stakeholders that relate to the National Content development.

The overall cost of implementing this Policy over the next ten (10) years is estimated to be **USD 319,949,000** as indicated in **Table 6.1** below. The public and private sector current initiatives have provided funding amounting to **USD 95,900,500** and the funding gap is **USD 224,048,000** over the next 10 years. Most of the costs (83%) for developing National Content will be incurred in building the capabilities of Ugandan human resources and competitiveness of Ugandan enterprises as suppliers.

Table 5.1 A summary of the financing required for the Policy ('000 US\$)

Objective	Public	Private	TOTAL	Secured (GOU)	Funding Gap
1. To build the capabilities of Ugandan human resources to	34,000	68,102	102,102	79,950	22,152
2. To promote	929		929		929
3. To develop the	8,767	109,300	118,000	15,905	102,164
4. To promote the use of locally produced or	1,788	847	2,635	45.5	2,589.5
5. To promote	53,06		53,06		53,064
6. To establish a monitoring and reporting	43,150		43,150		43,150
TOTAL	141,6	178,2	319,9	95,900.	224,048
TOTAL GAP					224,048
					.5
TOTAL ANNUAL GAP					22,404.

5.1 SOURCES OF FUNDING

This Policy recognizes that there are a number of financing mechanisms and funding sources, which may be considered to fund the implementation of the activities in the Policy. These mechanisms include funding from Government, Donors, Private Sector and IOCs on 'cost recovery' or 'offset' basis. The funding from the IOCs is embedded in the petroleum agreements and/ or licenses.

This Policy recommends the establishment of a National Content

Development Fund to support National Content development in the petroleum subsector. The Fund will be used for Skills Development (education, training and Research and Development) and Enterprise development. The sources of this Fund will include some of those mentioned above in addition to levies and grants and any other additional support. The levies may include the sum of a fraction or percentage from every contract awarded to any licensee, operator, contractor, subcontractor, alliance partner or any other entity involved in any project, operation, activity or transaction in the petroleum subsector including the midstream segment. The National Content Steering Committee will oversee the disbursement of the resources from this Fund.

The Policy also recognizes the need to establish facilities for lending, underwriting and risk sharing, for the needs of specific projects including investments in enabling infrastructure. Commercial institutions like Uganda Development Bank will be used as vehicles for this purpose. There will also be need to support national enterprises that may have won tenders but lack advance payments guarantees or have contracts, which they are unable to finance. The resources from the National Content Development Fund shall be accessed at reasonable interest rates.

6.0 COMMUNICATION AND DISSEMINATION STRATEGY

The Ministry of Energy and Mineral Development in liaison with the relevant MDAs and non-state actors shall be responsible for the dissemination and awareness creation, including information, education, communication and publication of the Policy to relevant stakeholders. In addition, it will enhance dialogue, buy-in, collaboration and participation of stakeholders in the Policy implementation. In popularizing the Policy, the Ministry will use both the electronic and print media and other means that will ensure the Policy reaches a wide Ugandan public. Other activities in this regard include publication and launch of the Policy, development and distribution of a popular version in English and local languages and holding outreach dialogue meetings with MDAs, Local Governments, Private Sector Organizations, CSOs, Academia and others. The Policy will also be uploaded on the Ministry's website to ensure wider outreach. The communication mechanism will be developed in line with the Sector and the Government Communication Strategy.

7.0 MONITORING AND EVALUATION FRAMEWORK

A Monitoring and Evaluation Plan for the National Content Policy shall be developed to assist in evaluating the performance and identifying the factors, which contribute to the policy delivery outcomes. The Plan will outline the milestones and key performance indicators for each of the specific objectives of this Policy. The Plan will also define and set up procedures for reporting suitable indicators of National Content, with a main emphasis on value addition in Uganda and on parameters that can be directly influenced by industry participants. The results and indicators shall be periodically reviewed within the strategy for the implementation of

this policy.

The overall responsibility of overseeing implementation of this Policy shall however lie with the Ministry responsible for Petroleum under the overall Monitoring and Evaluation framework for the petroleum subsector. The Petroleum Authority of Uganda shall monitor and evaluate the extent to which the licensed companies comply with National Content requirements set out in the law, petroleum agreements and licenses. The responsible entities shall hence produce regular reports on the respective aspects of achieving the objectives of this Policy.

1. Appendices

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