

Strengthening the Management of the Oil and Gas Sector in Uganda

A Development Programme in Co-operation with Norway



Ministry of Energy and Mineral Development

February 2010

Table of Contents

ABBREVIATIONS	iv
1.0 BACKGROUND	1
2.0 PURPOSE	7
3.0 PLANNING AND DESIGN	8
3.1 Planning process	8
3.2 Programme design	10
3.3 Common Outputs	12
3.4 Resource Management Pillar	12
3.4.1 Activities	13
3.4.1.1 Creating new institutions	13
3.4.1.2 Updating existing Legislation.....	15
3.4.1.3 Review of the Model Production Sharing Agreements (PSAs).....	16
3.4.1.4 Licensing strategy	16
3.4.1.5 State Participation and National Content.....	17
3.4.1.6 Health, Safety and Environment.....	18
3.4.1.7 Regional Cooperation	19
3.4.1.8 Oil and Gas Sector development and investment strategy/plan.....	22
3.4.2 Pillar Outputs.....	22
3.4.2.1 Legal and Regulatory framework	22
3.4.2.2 Licensing strategy and plan.....	22
3.4.2.3 Monitoring and Supervision.....	23
3.4.2.4 Monitoring of Oil and Gas policy and programmes	23
3.4.2.5 Institutional Development and Capacity Building	23
3.4.2.6 National Local Participation.....	23
3.4.2.7 Data, Records and information Management.....	23
3.4.2.8 Resource Assessment	23
3.4.2.9 The oil and gas Sector investment strategy/plan, develop a scenario analysis for the sector	24
3.4.2.10 Regional Cooperation and bilateral treaties	24
3.4.2.11 Midstream Development	24
3.5 Revenue Management Pillar	24
3.6 Environment Management Pillar	29
3.6.1 Pillar outputs	35
3.7 PROGRAMME MANAGEMENT	35
3.7.1 The Secretariat.....	35
3.7.2 Programme Coordination	36
3.7.2.1 Programme Coordination Committee.....	36
3.7.2.2 Cooperation between Uganda and Norway on pillar level.....	37
3.7.3 Annual Meeting	38
3.7.4 Budget for the Secretariat	39
3.7.5 Communication Strategy.....	39
3.7.6 Recipient's monitoring system for the Programme.....	41
4.0 MONITORING AND SUSTAINABILITY	41
4.1 Means of Verification.....	41
4.2 Sustainability and risks	42
4.2.1 The presence of commercial oil or gas	42

4.2.2 Policy and framework conditions.....	42
4.2.3 Sector risks and mitigation	43
4.2.3.1 Legal and regulatory framework.....	43
4.2.3.2 Manpower recruitment and retention.....	45
4.2.3.3 Institutional cooperation	46
4.2.3.4 Political involvement.....	47
4.2.3.5 Revenue Management.....	47
4.2.3.6 Environmental management	48
4.2.3.7 Management of expectations	48
4.2.4 Programme risks	48
4.2.4.1 Availability of personnel	49
4.2.4.2 Availability of resource persons and training institutions	49
4.2.4.3 Political Risk.....	50
4.2.4.4 Government of Uganda support.....	50
4.2.4.5 Delays in the submission of reports	50
4.2.4.6 Financial management system and procurement process	51
4.2.4.7 Audit reporting.....	51
5.0 EXIT STRATEGY	52
6.0 COORDINATION.....	54
6.1 Roles and responsibilities: Partner and donor	54
6.2 Alignment with Partner's systems and procedures	56
6.3 Coordination on the Norwegian side	56
6.4 Coordination of donor support.....	56
6.4.1 Resource management.....	58
6.4.2 Revenue management.....	58
6.4.3 Environmental management	59
6.5 Coordination with other development initiatives	60
6.5.1 Oil companies	60
6.5.2 Uganda land and environmental groups	60
6.5.3 Regional cooperation in training.....	61
6.5.4 Cooperation with DRC	61
6.5.5 The role of civil society	61
7.0 IMPLEMENTATION OF THE PROGRAMME	62
7.1 Scheduling	62
7.2 Priorities	62
7.3 Common tasks	62
7.4 Budget.....	62
8.0 REPORTING	64
9.0 MONITORING & EVALUATION SYSTEM	66
ANNEX1: LFA/ Matrix for the program document.....	67
ANNEX2: Program Management and Governance Structure and mandates	91
ANNEX3: Work Plan and Budget for the Resource Management Pillar.....	97
ANNEX4: Work Plan and Budget for the Revenue Management Pillar	104
ANNEX5: Work Plan and Budget for the Environment Management Pillar.....	106
ANNEX6: Budget for Programme Coordination	108
ANNEX7: Programme Coordination Committee Structure.....	111

ABBREVIATIONS

AG:	Albertine Graben
CFR:	Central Forest Reserve
DEA:	Directorate of Environmental Affairs
DRC:	Democratic Republic of Congo
DRWM:	Directorate of Water Resources Management
DFR:	Department of Fisheries Resources
EA:	Exploration Area
FDP:	Field Development Plan
GIS:	Geographical Information Systems
GoU	Government of Uganda
HSE:	Health, Safety and Environment
MAAIF:	Ministry of Agriculture, Animal Industry and Fisheries
MEMD:	Ministry of Energy and Mineral Development
MEP:	Macro Economic Policy
MFPED:	Ministry of Finance, Planning and Economic Development
MGLSD:	Ministry of Gender, Labour and Social Development
MIHUD:	Ministry of Lands, Housing and Urban Development
MWE:	Ministry of Water and Environment
NATOIL:	Uganda National Oil Company
NEMA:	National Environment Management Authority

NFA:	National Forestry Authority
NIMES	National Integrated Monitoring and Evaluation Strategy
NOGP:	National Oil and Gas Policy
NORAD:	Norwegian Agency for Development Cooperation
OfD:	Oil for Development
OSD:	Occupational Safety and Health
PAU:	Petroleum Authority of Uganda
PCC:	Programme Coordination Committee
PEPD:	Petroleum Exploration and Production Department
PGI:	Petroleum Governance Initiative
PSA:	Production Sharing Agreement
UWA:	Uganda Wildlife Authority

1.0 BACKGROUND

Uganda is a land locked country located in the East African region with a population of about 33 million which grows at an annual rate of 3.4%. It is bordered by five countries, with Kenya to the east, Tanzania to the south, Rwanda to the south west, Democratic Republic of Congo to the west and Sudan to the north.

Over the last two decades, Uganda's economic performance has been strong with economic growth averaging 8.1% per annum and inflation controlled to single digit levels. During the same period, the number of people living below the poverty line substantially reduced from 56% in 1997 to 31% in 2005. This progress has been backed by a good track record on economic reforms and macroeconomic management which has also generated substantial external support in the form of aid, debt relief and technical assistance. While the country maintains adequate foreign reserves, it continues to run a trade deficit with its major trading partners and petroleum products constitute over 15% of the total import bill. About 90% of Uganda's petroleum imports are routed through Kenya using the port of Mombasa with the balance of 10% coming through Tanzania using the port of Dar es Salaam. Consumption of petroleum products in Uganda currently stands at 935,659 m³ per annum. The average annual growth of petroleum products consumption is estimated at 5%. Between 2005 and 2008, there was a steep growth in consumption of about 20% as a result of thermal electricity generation using diesel. The petroleum import bill is estimated at the value of US\$ 320 million per annum (2008 figures), which represents slightly above 20% of total export earnings. Petroleum product prices in Uganda were deregulated in 1994 and since then pump prices have risen in nominal terms by nearly 67%. Like other countries in the region, Uganda incurs a high expenditure on petroleum products contributed by the long supply chain over a distance of about 1200km from the coast into the hinterland. This long supply route is characterized by inadequate and inefficient infrastructure, facing the land locked

countries in the region. Secondly, while increasing tax revenue collection is a critical component of the Poverty Reduction Action Plan, the tax /GDP ratio in Uganda remains lower than the average in Sub Saharan Africa (SSA) making the country considerably dependant on foreign aid.

Over the last twenty years, Uganda has implemented a successful effort to promote its petroleum potential. This effort has led to intensified exploration work being undertaken in the Albertine Graben as a result of licensing oil companies in the country (**Figure 1**). The exploration effort culminated in confirmation of the existence of commercial reserves of oil in the country during 2006. Thirty two out of 34 wells drilled in the country since 2002 have encountered oil and gas (**Figure 2**). This represents 94% technical success. The appraisal drilling and well testing done so far shows about 2 billion barrels of oil in place in the three Exploration Areas 1,2 and 3A to date. This could provide 700-800 million barrels of recoverable reserves. It is now apparent that petroleum will be produced in the country, with a possible start up in 2011. These developments occasioned the formulation of a National Oil and Gas Policy for Uganda to supplement the country's Energy Policy in aspects of petroleum exploration, development and production. The policy states that "Oil and gas are non-renewable extractive resources which are therefore finite. Their exploitation and utilisation shall therefore be undertaken in a manner that creates durable and sustainable social and economic capacity for the country. These resources have the potential to provide immense benefits to the country through creation of employment, generation of revenues, development of infrastructure, and subsequently fast-tracking social transformation of the country. Oil and gas resources and the revenues accruing from them can also pose challenges of windfall revenue phenomenon and the resource curse if not well managed.

The National Oil and Gas Policy is designed to maximize the benefits and meet the challenges by providing for appropriate resource management systems and procedures in line with the National Development Plan (NDP). It seeks to

achieve this by providing for; the setting up of relevant institutions and capacity building in the country; attraction of companies to invest in the development of the country's petroleum sector; adequate and commensurate return on the companies' investments; ensuring the country's receipt of appropriate share and benefits from any oil and gas resources and activities; and ensuring efficient and effective resource management and utilization together with the revenues accruing there from".

The development of an oil and gas sector in the country presents potential environmental challenges. The main area with potential for commercial production of oil and gas coincides with ecologically sensitive and biodiversity rich areas which include wildlife protected areas. This means that the planning and implementation of the programme is even more complex than usual. Unregulated actions by the oil and gas industry can also destroy habitats, damage biodiversity and important ecosystem services such as fresh water and bio-energy. Emissions from the industry must be reduced in order to reduce the rate of global warming and climate change. Best practices are however emerging for identifying potential issues early and avoiding or mitigating impacts with advance planning.

The Norwegian-funded Programme for "Strengthening the State Administration of the Upstream Petroleum Sector" in Uganda ended in June 2009 after three years of successful implementation. On 27 March 2008, the Norwegian Embassy received a request from the Ministry of Finance, Planning and Economic Development for continuation of support to the upstream petroleum sub-sector. This followed discussions between the Embassy, Oil for Development (OfD) and the Government of Uganda (GoU) concerning Norwegian support beyond 2008, when the current upstream petroleum project is scheduled to be completed.

In order to address the environmental, revenue and resource aspects of the oil and gas sector, the new Programme will have three pillars: Resource

management, Revenue management and Environmental management. The Programme will have as its main reference document the National Oil and Gas Policy for Uganda, of February 2008. The goal of this policy is “to use the country’s oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society”. This Programme reflects this goal.

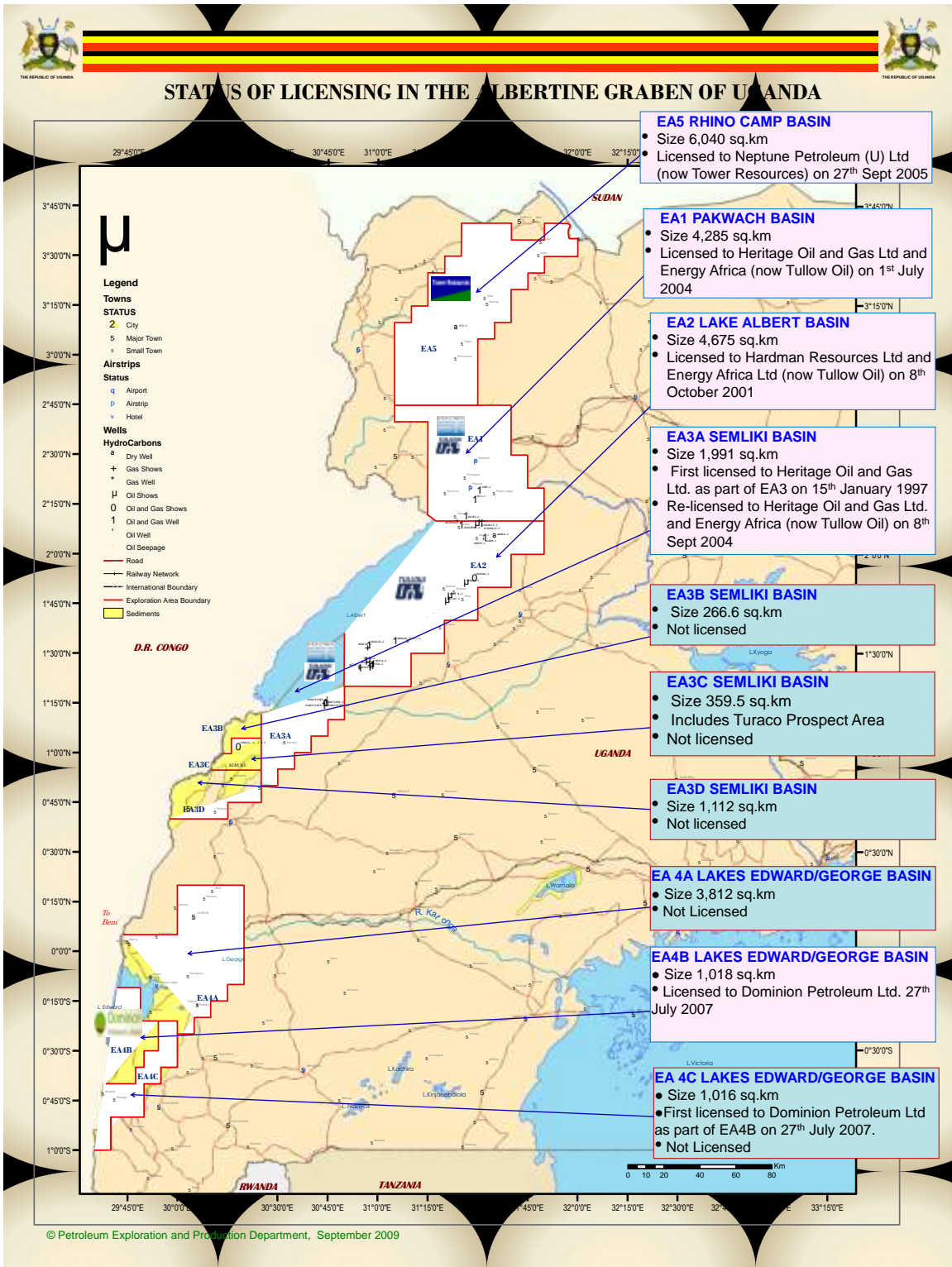


Figure 1: Status of licensing in the Albertine Graben as of December, 2009.

MAP SHOWING PROSPECTS,LEADS AND DISCOVERIES

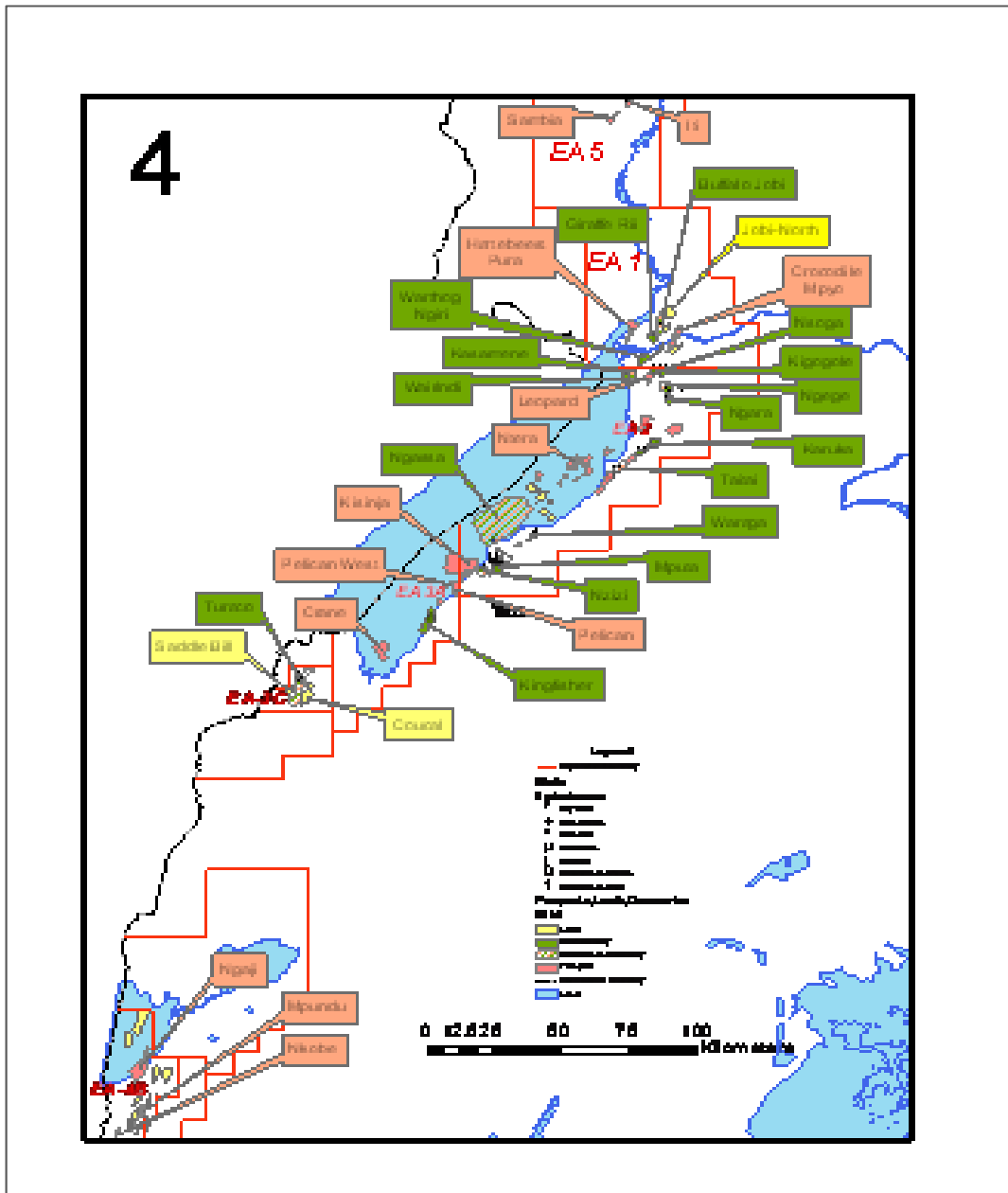


Figure 2: Map showing oil and gas discoveries in Uganda as of December 2009

2.0 PURPOSE

Development of the oil and gas sector is a key priority of the GoU, as reflected in the National Oil and Gas Policy which was approved by Cabinet at the beginning of 2008. This policy states that: “There is a need to put in place the institutional framework to manage and regulate this new sector of development. This framework will necessitate the introduction of new legislation and institutions, together with the enhancement of existing ones. Significant training and other capacity building efforts will have to be undertaken in order to enable the established institutions to effectively carry out their different mandates.”

The overall objective (Goal) of the Programme is to contribute to the achievement of the goal of the National Oil and Gas Policy which is: “To use the country’s oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society”. This will entail that these resources are used in an economical, social and environmentally sustainable manner to meet the needs of present and future generations.

The Purpose of the programme is: “To put in place institutional arrangements and capacities to ensure well-coordinated and results oriented Resource management, Revenue management, Environmental management and HSE management in the oil and gas sector” in order to contribute to the achievement of the objectives of the National Oil and Gas Policy which are:

- i) To ensure efficiency in licensing areas with the potential for oil and gas production in the country.
- ii) To establish and efficiently manage the country’s oil and gas resource potential.
- iii) To efficiently produce the country’s oil and gas resources.
- iv) To promote valuable utilization of the country’s oil and gas resources.
- v) To promote the development of suitable transport solutions which give good value to the country’s oil and gas resources.

- vi) To ensure collection of the right revenues and use them to create lasting value for the entire nation.
- vii) To ensure optimum national participation in oil and gas activities.
- viii) To support the development and maintenance of national skills and expertise.
- ix) To ensure that oil and gas activities are undertaken in a manner that conserves the environment and biodiversity.
- x) To ensure mutually beneficial relationships between all stakeholders in the development of a desirable oil and gas sub sector for the country.

3.0 PLANNING AND DESIGN

3.1 Planning process

On 27th March 2008, The Norwegian Embassy received a request from the Ministry of Finance, Planning and Economic Development for continuation of support to the upstream petroleum sub-sector. The Norwegian Government through the Embassy committed herself to continue, and expand its support to the Government of Uganda in this vital area.

Following the acceptance of this request for support by the Norwegian Government, four consultative workshops were held in Kampala during May, June, August and November 2008, respectively. Key Ugandan Government institutions attended as well as representatives from Oil for Development and consultants from Scanteam. Ugandan institutions which participated in this consultation process include: Ministry of Finance, Planning and Economic Development, Ministry of Energy and Mineral Development, Uganda Wildlife Authority, National Forestry Authority, Department of Fisheries Resources (MAAIF) together with the Directorate of Water Resources Management, Directorate of Environment Affairs and National Environment Management Authority (NEMA) in the Ministry of Water Lands and Environment (MWE).

As indicated earlier, consultations started in May 2008 with individual organization meetings and later joint meetings were held during, June, August and November.

The Norwegian Embassy was responsible for the coordination of the consultations until the lead Ministry (Ministry of Energy and Mineral Development) was agreed upon by the three Ministries to assume leadership of the group.

After the June, 2008 workshop, NEMA called a meeting of the Environment Pillar members to come up with the sector needs based on an indicative budget of 2.0 million United States dollars. The meeting was attended by UWA, Department Fisheries Resources and NEMA. The Directorate of Water Resources Management did not attend this meeting but submitted a comprehensive proposal to the meeting for consideration. The identified sector needs were submitted to the Norwegian team, which prepared the first logical framework matrix discussed during the August workshop.

The August, 2008 workshop mainly focused on agreeing on outputs under each pillar including drafting. During this workshop, joint outputs for the the pillars and the draft governance and management structure was presented and discussed.

Following input from the August workshop, the Ugandan teams provided more input into the matrix especially on indicators and assumptions. The result of this effort was used to prepare for the November workshop.

The major focus of the November workshop was to agree on the governance and management structure, identify activities under each output and start on the budget build up process.

At the beginning of February 2009, meetings were held between Pillar Managers and the Norwegian team to discuss Programme operations.

The Programme responds to particular capacity and technology gaps identified by the different institutions and organisations of the GoU participating in the Programme. The Programme intends to influence positively the ability of the GoU to assess, regulate, plan, monitor, support and enforce the oil and gas sector and its actors, to efficiently manage the petroleum resources, collect and manage revenues from the sector and to monitor, advise and enforce when it comes to the environmental impacts from the oil and gas sector.

Although a number of activities may be continued in the new Programme, the previous Programme has made significant contribution to building the necessary capacity, undertaking technical studies and kick-starting development of the policy, legal and regulatory framework. The proposed Programme is therefore building on the previously implemented “Strengthening of the State Administration of the Upstream Petroleum Sector” project.

The Programme may be influenced by the progress and success of the exploration and development efforts. The previous Programme has been largely driven by developments within the upstream petroleum sector.

3.2 Programme design

The objectives of the Programme are developed by the actors directly involved in the Programme and reflect the intentions in the National Oil and Gas Policy of February 2008. The Programme design is shown in Annex1 and 2.

The outputs and activities of the Programme are divided into four categories: i) common outputs, deliverables of the Programme and which actors will produce together, ii) Outputs and deliverables which the Resource Pillar (headed by PEPD of MEMD) will produce, iii) Revenue Management Pillar outputs, deliverables the Revenue Management Pillar (headed by MEPD of Ministry of

Finance, Planning and Economic Development) will produce and iv) Environmental Pillar outputs, deliverables the Environmental Pillar (headed by NEMA of MWE) will produce. All the outputs have corresponding activities as shown in the detailed planning of activities (Annex1).

The inputs to the Programme will be apportioned as follows:

The Norwegian Government will provide:

- i) Programme funding;
- ii) External coordinator;
- iii) Institutional partners for each pillar representing Ministry or Directorate levels
- iv) Resource managers for each pillar
- v) Government experts, consultants and training institutions will be made available for programme implementation through the institutional partners

Based on availability of relevant expertise, government experts, consultants, and training institutions could be sourced elsewhere. This will be decided through consultations between Ugandan and Norwegian partners.

The Uganda Government will provide:

- i) Suitably qualified Ugandans to manage and participate in the activities of the Programme along the objectives of the various Pillars.
- ii) An office (complete with appropriate furniture, telephone and internet connection fully paid for).
- iii) Transport for the consultant(s) while in Uganda.
- vi) Programme Manager and Pillar Managers. These have been named as:
Programme Manager and Chairperson of the PCC: Representative from PEPD, MEMD.
Resource Pillar Manager: Representative from, PEPD, MEMD.

Revenue Pillar Manager: Representative from MFPED.

Environment Pillar Manager: Representative from NEMA

The Goal, Purpose and all outputs have corresponding sets of indicators developed by the actors involved. The Indicators will form an integral part of the internal monitoring and evaluation (M&E) system that will provide the management and governance of the Programme with timely input for efficient and effective implementation as well as a solid basis for results based reporting.

3.3 Common Outputs

The Programme will, beyond the specific pillar activities, bring the three pillars together in certain common activities important for the successful planning and implementation of the proposed objectives. These outputs have been commonly decided upon and encompass activities where two or all actors need to be involved. The outputs include the development of a common communication strategy towards other societal actors to keep them abreast of the developments of the oil industry in the country and to demonstrate that everything is being done to adhere to good governance principles.

3.4 Resource Management Pillar

Petroleum exploration and production activities in Uganda are governed by the Petroleum (Exploration and production) Act, Chapter 150 of the Laws of Uganda, 2000; the Petroleum (Exploration and Production) (Conduct of Exploration Operations) Regulations, 1993 and the Production Sharing Agreements (PSA's). The act came into effect in September, 1985 and was considered adequate for the petroleum operations being undertaken at that time. These activities included promotion, licensing of exploration acreage to oil companies and monitoring of their activities.

The formulation of this act was not guided by a policy on oil and gas; there was none and considering the level of scepticism in the country at that time regarding the petroleum potential of the country any omissions or lack of detail in the Energy Policy of 2003, is understood. Under the Energy policy, the objective regarding petroleum was: “To establish the petroleum potential of the country and promote its exploitation.” There was nothing in this statement to cause any amendment of the existing act.

However, following the unprecedented discoveries of oil and gas in the Albertine Graben and early confirmation of the commerciality of these discoveries, it became instructive to put in place a new regulatory framework to reflect the new reality. With the support of the Norwegian Government under the project: “Strengthening the State Administration of the Upstream Petroleum Sector in Uganda,” the National Oil and Gas Policy was put in place and this lay the a basis on which the development and management of the oil industry would be based. This Policy recommends, among other things, the formulation of a new petroleum law for the country.

3.4.1 Activities

3.4.1.1 Creating new institutions

The existing legislation recognizes one department to handle all the upstream aspects of the oil and gas industry namely; Petroleum Exploration and Production Department (PEPD), headed by a commissioner. The National Oil and Gas Policy (NOGP) recommends the establishment of:

- i. The Petroleum Authority of Uganda to handle the regulatory functions;
- ii. The National Oil Company to handle the commercial interests of the state;
and
- iii. Upstream Petroleum department as part of the Directorate of Petroleum to advise on policy issues and resource management. This department will

be the residual PEPD as it is expected that the current PEPD will provide nuclei for the new institutions mentioned above.

The Directorate of Petroleum will comprise the upstream, midstream and downstream departments. This is important because it ensures the necessary link between the downstream and the upstream sub-sectors of the oil industry.

Traditionally, the MEMD has had the upstream and downstream departments. With the discovery of commercial oil and gas resources in the country, the government has been focusing on future production and value addition of the discovered petroleum. The Ministry has put in place a Midstream Unit to specifically promote, monitor and regulate crude oil and gas, storage and bulk transportation, refining and gas conversion. The Unit is expected to grow into a fully-fledged Midstream Department. Consequently the ministry is now developing the human resource capacity to undertake these new responsibilities. The Programme will support Government's efforts to develop capacity in the Midstream segment of the petroleum value chain to effectively promote, monitor and regulate these new and emerging challenges in the sector. The key areas of the Midstream Unit to be supported under this Programme will include the development of an appropriate legal and regulatory framework, institutional and human capacity development, regulatory and monitoring systems and planning and utilisation studies.

Due to the critical role these institutions are expected to play and recognising that the legislative process can take quite long, MEMD has proposed a transitional arrangement in which a skeleton of the new institutions is put in place to handle the appropriate responsibilities while the legal framework is put in place for their formalisation.

The new project, therefore, needs to devote sufficient resources (both human and financial) to complement Government's effort towards the building of this capacity during the transitional period and beyond.

3.4.1.2 Updating existing Legislation

The experience in PEPD in particular and Government in general is that if the legal and regulatory framework were not in place, management of the oil industry in the country to date would have been difficult. Government recognises the inadequacies in the existing regulations. A lot has changed in the oil industry since these regulations took effect in 1993. The existing regulations cover exploration operations and do not adequately address development and production phases. The delay in the policy formulation and the enactment of the petroleum resource law have contributed to the delay in amending the existing regulations as this is supposed to operationalise the new act. However, it was recognised during the previous project that in the interim period, guidelines on the conduct of development and production phases need to be worked out so that the country does not enter these phases without adequate legislation to regulate them. This did not happen due to pressure of other activities mainly the process of policy formulation and preparation of the relevant resource bill.

Now that the NOGP is in place and the structure of the new law is known, the new project should put a lot of emphasis on proposing guidelines in good time. This is in line with the Policy objective: **“To establish and effectively manage the country's oil and gas resource potential”** by:

- i. Completing formulation of a resource management law
- ii. Preparing subordinate regulations for the upstream petroleum sector
- iii. Establishing and developing institutions to promote, monitor, regulate and carry out petroleum exploration operations.

- iv. Establishing, maintaining and continuously updating a national oil and gas resource data bank.

3.4.1.3 Review of the Model Production Sharing Agreements (PSAs)

As a result of the gaps in the existing legal and regulatory framework, a lot of clauses were included in the PSAs to address this shortcoming. It is the intention of Government that many of the provisions currently in the PSAs should be embedded in the act and regulations to render the PSAs simple, easy to negotiate and manage.

Before this is done, however, a full review of the PSAs is necessary to reflect the developments in the petroleum industry in the country. The last major review of the model PSA was done in 1998/1999 before any oil was discovered in the country. Subsequent ones have addressed specific areas.

Due to the significance of the review of the model PSA to the legal and regulatory process, it is recommended that this is one of the priority areas of the new Programme.

3.4.1.4 Licensing strategy

Until February 2008, licensing was conducted on an open door policy- first come, first served. Although this was the method of licensing available to the country then, it did not encourage competition and may have denied the country the opportunity of efficiency that comes with competition. The NOGP recommends competitive bidding in licensing; not only to get the best contractor, but also to have multiple contractors within the contract/exploration area unless circumstances dictate otherwise.

The Programme will support the necessary processes for the preparation of the bid documents and holding of bid rounds.

This is in line with the Policy objective: **“To ensure efficiency in licensing areas with the potential for oil and gas production in the country”** by:

- i. Putting in place appropriate legislation.
- ii. Acquiring and preparing data for licensing.
- iii. Carrying out promotion.
- iv. Preparing procedures and criteria for competitive licensing.
- v. Undertaking open and transparent licensing rounds.
- vi. Reviewing and updating the Model PSA in light of recent developments in oil exploration in the country.

3.4.1.5 State Participation and National Content

The PSAs have, embedded in them, the option of State Participation, but it was not legislated upon. The anticipated amendment of the act to this effect is an attempt to improve harmonisation between the provisions of the PSAs and the relevant legislation.

Legislation in regard to National Content is important to ensure that local capacity is built to contribute to and participate in the oil industry operations.

The above requirements are in line with objectives of the NOGP, namely:

1) “To ensure optimum national participation in oil and gas activities” by:

- i. Putting in place the necessary regulatory framework for state participation and the implementation of national content;
- ii. Putting in place an institution to undertake state participation in oil and gas activities; and
- iii. Identifying the opportunities for national content in oil and gas activities and plan for its implementation.

2) “To support the development and maintenance of national expertise” by:

- i. Training Government personnel in oil and gas exploration, development and production;
- ii. Reviewing and expanding the education curricula in the country with a view of producing the workforce required for oil and gas activities nationally;
- iii. Supporting the development of skills and competitive competencies necessary for the country’s entrepreneurs to participate in the delivery of goods and services for the oil and gas sector; and
- iv. Requiring licensed oil companies and their subcontractors to provide training for Ugandans.

3.4.1.6 Health, Safety and Environment

The National Oil and Gas Policy defines the roles of the Ministry of Gender, Labour and Social Development (MGLSD) in the Oil and Gas Sector. These roles are geared towards contributing to achieving desired national development of the oil and gas sector in the country.

The Department of Occupational Safety and Health is fully participating in the oil and gas sector process/activities and played a key role in the formulation of the National Oil and Gas Policy.

In addition, the Occupational Safety and Health (OSH) Act No. 9 of 2006 is the main law that regulates Health, Safety and the working environment(HSE) activities in the country and as such, it is the mandate of this Ministry to formulate HSE/labour regulations and guidelines for the oil and gas sector in Uganda. It will be responsible for HSE matters and will be the focal point in the management of these issues in the PSA. However, monitoring compliance of HSE matters and facilities including the integrity of equipment at operational sites will be the

responsibility of the institution of Government regulating petroleum operations in the country.

The existing policy, legal and regulatory framework needs to be reviewed to bring it in line with the Policy. This is an opportune time because the above framework is being made against the background of observations that have been made in the conduct of petroleum operations in the country to date and the experiences gained should be used to make a more encompassing legislation.

The Programme will support the following activities:

- i. Periodical review of the policies, legal and regulatory framework to keep it in line with national requirements
- ii. Developing a supervisory strategy and plan for HSE matters in petroleum operations
- iii. Developing tools for undertaking of HSE audits
- iv. Developing health, safety and environmental standards and monitoring mechanisms

The activities under this component will be implemented under the Resource Pillar.

3.4.1.7 Regional Cooperation

There are existing frameworks for regional cooperation in petroleum matters through the Committee on Energy of the East African Community of which Burundi, Kenya, Rwanda, Tanzania and Uganda are members. The cooperation between Uganda and the Democratic Republic of Congo (DRC) is governed by the Agreement of Cooperation of 1990 as amended in January 2008.

a) Cooperation with DRC

The agreement with DRC is particularly important because the two countries share the Albertine Graben in almost equal parts and some petroleum exploration activities in Uganda are taking place in areas either close to or at the border with DRC. In this respect, there is need for cooperation with the DRC in undertaking exploration work in these areas and the above Agreement and the amendment were designed to facilitate this cooperation. DRC has not yet taken full advantage of this Agreement as it has not yet started significant exploration activities in the area.

However, under this arrangement, Uganda has made available to DRC data and information in the public domain and has invited representatives from DRC to the data room to view data that are not in the public domain to allay any fears that Uganda may be doing something that may jeopardise the interests of DRC. DRC delegations, including those at ministerial level, have visited the Albertine Graben operational areas to acquaint themselves with the area and the progress of operations.

During the previous Programme, a Norwegian consulting firm, ARNTZEN de BESCHE Advokatfirma AS, was hired to review and recommend amendments to the above Agreement. The recommendations made have been considered by Uganda and will form the basis of strengthening the existing Agreement when the two parties meet. This is one area the new Programme will support.

Although harmonisation of the policies, legal and regulatory framework is not being considered under this Programme, any contribution to this activity may also help to kick-start the process of harmonisation of those frameworks which will enable smooth implementation of the Agreement.

There have been many attempts to get DRC more involved in the activities of the region, especially training programmes, without much success. However, DRC is

a regular participant at the East African Petroleum Conferences. Efforts will continue to be made during the new Programme to get DRC more involved in relevant regional activities.

b) East African cooperation

Cooperation within the East African Community Partner States is more advanced than that between Uganda and DRC. Partner states of EAC have exchanged data and information pertaining to their respective petroleum sectors during the East African Petroleum Conferences, whose holding PETRAD and NORAD have supported substantially in the past, The Partner States have also used each others' facilities for training and analysing data, visited each others' basins to gather information that may help to promote the petroleum potential of the region and participated in joint training sessions.

One of the most important exercises that have taken place under the auspices of the Energy Committee of the East African Community has been the effort to harmonize the policies, legal and fiscal framework for the oil sector in the community. For nearly three years, a task force identified a large number of areas which needed harmonisation to make joint promotion and the development of the oil industry in the region possible.

Since the oil reserves established so far are sufficient for commercial exploitation, the development of infrastructure such as pipelines and refineries will require cooperation within the region especially to make this infrastructure more cost-effective.

This Programme, therefore, should support the strengthening and expansion of the areas of cooperation mentioned above. This may require hiring an expert to review the work of the task force on harmonisation and advise on the best way to implement the recommendations.

3.4.1.8 Oil and Gas Sector development and investment strategy/plan

The investment plan is a live document which can be updated annually in the event that the expected results do not materialize or new, promising opportunities emerge. Investments planning will focus on three thematic areas approved for the program:

- i. preparing a detailed integrated field development plan
- ii. Developing an oil and gas utilization plan
- iii. Preparing technical and economic feasibility studies for prioritized investment requirements.

3.4.2 Pillar Outputs

The following are expected outputs of the Resource Pillar:

3.4.2.1 Legal and Regulatory framework

- i. Petroleum resource management law drafted
- ii. Legal and regulatory framework for the midstream petroleum sub-sector drafted
- iii. Upstream, midstream, local content and HSE Regulations and guidelines drafted
- iv. Model PSA revised
- v. Law for oil and gas utilisation drafted
- vi. Preparing subordinate regulations for upstream and midstream petroleum sector and local content
- vii. Preparing subordinate regulations for HSE

3.4.2.2 Licensing strategy and plan

- i. A licensing policy is established
- ii. Implement a licensing round
- iii. Development of a strategy for promotion of the country's petroleum potential made

- iv. Benchmarking of Uganda regionally and internationally and assessment of appropriate fiscal terms
- v. Development of a grid system for licenses
- vi. Promote the country's petroleum potential
- vii. Appropriate due diligence undertaken for applicants for licensing

3.4.2.3 Monitoring and Supervision

- i. Development of an appropriate supervisory framework for monitoring and supervising exploration programmes
- ii. Development of an appropriate supervisory framework for monitoring and supervising petroleum development and production programmes
- iii. Develop an HSE supervisory strategy and plan
- iv. Supervisory framework for monitoring and supervising development and production programme put in place and operational

3.4.2.4 Monitoring of Oil and Gas policy and programmes

- i. The National Integrated Monitoring and Evaluation Strategy (NIMES) assessed and enhanced to incorporate oil and gas monitoring and evaluation systems

3.4.2.5 Institutional Development and Capacity Building

- i. Coordination of supervisory institutions established
- ii. Organisation and infrastructure development accomplished
- iii. Recruitment and capacity building achieved

3.4.2.6 National Local Participation

- i. Contribution to skills Development for the Oil and Gas sector at technical and university level
- ii. Competencies and opportunities for the country's entrepreneur sector identified and highlighted

3.4.2.7 Data, Records and information Management

A Management System for Petroleum data developed

3.4.2.8 Resource Assessment

A system for continuously assessing and updating the country's petroleum resources developed

Contribution to the development of a stratigraphic framework for the Albertine Graben

3.4.2.9 The oil and gas Sector investment strategy/plan, develop a scenario analysis for the sector

Sector investment strategy developed

3.4.2.10 Regional Cooperation and bilateral treaties

Review and possible updating of the regional, bilateral and multilateral agreements and treaties carried out

3.4.2.11 Midstream Development

Midstream section strengthened to undertake regulation and monitoring of the oil and gas operations

3.5 Revenue Management Pillar

The economy has more than tripled in size in real terms over the last 5 years, with real growth averaging 8.1% per annum. Strong private investment has been the backbone of overall economic growth, while exports of goods and services, excluding re-exports, have increased from US\$243m in 1992/93 to over US\$1bn in 2008/09. Equally as important, dependence on coffee export earnings has fallen from over 70% of total exports in 1994/95 to about 19% by December 2009/10. Export diversification has been achieved by re-invigorating other traditional export sectors (cotton, tea and tobacco) and promoting non-traditional goods export sectors (such as fish, flowers and vanilla) and tourism. Industrial growth has averaged 10.0% per annum in real terms, outpacing growth in both services (7.2%) and agriculture (3.6%). As a result, the share of industry in total output has increased from 11.0% of GDP in 1986/87 to 25% in 2008/09, while agriculture's share has fallen from 53.1% to 16% and services from about 36% to 59%. These shifts constitute the process of structural transformation from subsistence-based agriculture towards a mix of commercial agriculture, industry and services.

The petroleum exploration effort has progressed quite well so far. The discoveries made to date and the commercial viability established means that petroleum resources will be produced in Uganda for some time to come. As exploration drilling continues and especially around the Lakes Albert and Edward Area, significantly larger reserves maybe established. These large reserves will inject large revenues into the economy.

One of the major failures of the oil industry in sub- Saharan Africa is due to the mismanagement of the petroleum revenues. Contributing factors to the poor governance of the industry include lack of capacity, inadequate or nonexistent legal and regulatory framework, poor agreements, and poor implementation of existing laws, regulations and agreements as well as elements of corruption.

If mechanisms are not put in place to ensure a robust system of revenue management, the goal of the National Oil and Gas Policy (to use the country's oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society) may not be achieved.

Over the years, the Ministry of Finance, Planning and Economic Development has instituted measures that have enabled macroeconomic stability and impressive economic growth. High level fiscal prudence has been maintained as a result; the fiscal deficit has averaged about 6% in the last years; inflations has remained low and manageable; the level of foreign reserves have remained around five months of imports; and exchange rate is stable. The economic performance has been rated B+ and B stable by two international rating companies Standard and Poor and Fitch respectively

Despite this progress, Uganda remains among the least developed countries in the world and clearly has several challenges to overcome. These challenges include decreasing dependence on foreign aid by enhancing domestic revenues, the elimination of absolute poverty and income inequality, addressing

infrastructural bottlenecks in the transport and energy sectors, improving the quality of education and health care as well as value addition to its primary products. Additionally, the emergence of an oil and gas sector presents a unique opportunity for Uganda's next phase in the development process, given that oil and gas wealth is expected to generate significant revenues to supplement existing resources. At the same time, if poorly managed or utilized, the oil and gas wealth could easily reverse the gains made in the last two decades especially in the areas of governance, export diversification, macroeconomic stability and structural transformation.

As part of the effort to properly manage the oil and gas revenues, MFPED will develop a system of checks and balances which will ensure that the utilization of these revenues is in line with the NOGP goal. This will require, among other things, that policies, legal and regulatory frameworks are cognizant of this fact. The oil industry is new in the country and the rate at which it is developing is much faster than the rate at which a number of the institutions responsible for managing it are adjusting. The delays in amending the relevant tax laws to include petroleum aspects, testifies to the need to pay particular attention to this framework.

Several institutions of Government got together in February 2008 to start a discussion on revenue issues that would form a basis for the drafting of the petroleum revenue management policy and any relevant laws and regulations that may have to either be amended or drafted to implement policy recommendations. These institutions are:

- i. Ministry of Finance, Planning and Economic Development as Chairman, for its role in revenue management.
- ii. Ministry of Energy and Mineral Development.
- iii. Office of the Auditor General
- iv. Bank of Uganda

- v. Uganda Revenue Authority
- vi. Ministry of Justice and Constitutional Affairs.
- vii. National Environment Management Authority because of its importance as a third and necessary pillar in the management chain of the petroleum industry.

The monthly meetings have helped to highlight the complexity of the situation and the challenges that formulation of the relevant legislations and policies might entail. This effort, however, is not sufficient to develop the necessary capacity fast enough to prepare the relevant institutions to meet these challenges effectively.

The NOGP objective under this pillar is: “To ensure collection of the right revenues and use them to create lasting value for the entire nation.”

The policy recommends, the following actions to achieve this objective:

- i. Putting in place a law to regulate the payment, sharing, use and management of revenues accruing from oil and gas activities.
- ii. Putting in place the necessary institutional framework for collection and management of oil and gas revenues.
- iii. Enhance the capacity for tax administration in assessing, collecting and reporting oil revenues.
- iv. Putting in place a mechanism that promotes transparency initiatives.

It is expected that this Programme will, among other things:

- i. Contribute to building the necessary capacity to prepare the institutions to fulfill the Policy objectives.
- ii. Support the formulation of policies, laws and regulations pertaining to revenue management.
- iii. Carry out a comprehensive training needs assessment.
- iv. Advise on the appropriate structures if necessary.

- v. It is envisaged that training will be both short term (through seminars, workshops and conferences) and formal training leading to professional awards in the relevant subjects.

The Ministry of Finance, Planning and Economic Development, Bank of Uganda and the Uganda Revenue Authority have well qualified economists and accountants who should not require a lot of time for orientation to form the nucleus around which stronger and larger teams to handle the oil and gas sector can be built. However, it is recognized that they will still need to be exposed early and purposefully to focus on the key areas of petroleum revenue management in general so that they are in a position to meet their obligations when oil production begins.

Since the review of existing policies, legal and regulatory framework and the possible drafting of a new one is one of the early activities to be handled by this pillar, management must be targeted for early skills development in order to offer an effective leadership role in their institutions.

There are other government programmes that are currently addressing capacity development in the area of financial management and accounting. Financial Management and Accountability Programme (FINMAP), which is co funded by government, World Bank, Norway and a number of other bilateral donors is mainly focusing on financial management, accounting and to some extent economic development. The areas pertaining to oil economics covered under the current FINMAP are selective and will supplement areas to be addressed in this project. FINMAP is currently been reviewed with the intention to cover more under oil and gas revenue management and accounting. As a result capacity building in the area of analysis and oil economics will be included as core activities under the economic management component of the new FINMAP. The objective is to ensure continuity and sustainability of the human resource development in the oil sector.

3.5.1 Pillar outputs

The following outputs are expected from the revenue pillar:

- i. Oil Revenue management policy paper to establish collection, accounting and utilisation of oil and gas resources, payment modalities, investments and enforcement approved by Parliament.
- ii. Existing tax legislation and regulations reviewed and updated, ensuring coherency with the new Revenue Management Policy.
- iii. Assessment of the capacities of existing institutions conducted.
- iv. Human resource development plan analysed and updated.
- v. Adequate systems for fiscal measurement and tax assessment developed.
- vi. A system for collection of revenues from oil and gas activities established.
- vii. The current fiscal framework assessed, taking into account the impact of oil and gas activities.
- viii. A fiscal policy strategy paper drafted.
- ix. Current Monetary framework updated to take into account the impact of oil and gas activities.
- x. Development of a framework for a petroleum fund.
- xi. Appropriate management, banking, accounting and auditing mechanisms that meet international standards established.

3.6 Environment Management Pillar

Environmental management in Uganda is aimed at achieving National Objectives and Directive Principles of State Policy, that promote sustainable development and public awareness of the need to manage land, air, and water resources in a balanced and sustainable manner for the present and future generations as enshrined in The 1995 Constitution of the Republic of Uganda.

The high overlap between ecologically sensitive and biodiversity rich areas and the occurrence of exploitable hydrocarbons in the Albertine Graben (**Figures 2**

and 3) poses a particular challenge for oil exploration and development in Uganda. The Albertine Graben (AG) is the most species rich eco-region for vertebrates in Africa and contains 39% of Africa's mammal species, 51% of its bird species, 19% of its amphibian species and 14% of its plant and reptile species. On the other hand, the rate of biodiversity loss in Uganda is high and was calculated in 2004 to be 10-11% per decade or about 0.8% annually. The principal threats to biodiversity in Uganda persist including habitat loss, modification and alteration along with unsustainable harvesting, pollution as well as introduction of alien species.

The surroundings are key ecotourism sites and have even higher tourism potential. Oil and Gas exploration and production activities have the potential for a variety of negative impacts on the environment. They induce economic, social, and cultural changes through alteration in land use patterns, local population levels, socio-economic and cultural systems. They also result into increases of aqueous and gaseous waste streams which may affect plant and animal communities due to changes in their environment through variations in water, air and soil/sediment quality and through disturbance by noise, extraneous light and changes in vegetation cover. These negative impacts need to be mitigated and addressed to ensure ecosystem integrity. Furthermore, some of the protected areas where oil is being undertaken have general management plans which are outdated. There is therefore need to develop new general management plans taking into account the oil exploration activities. The general management plans specify different objectives of managing the protected areas and spells out actions on how to achieve the given objectives.

However, the environment can benefit from petroleum operations by ensuring that these operations contribute to the conservation effort of the Government and its agencies thereby stemming or even reversing biodiversity loss.

Oil exploration and development environment issues are largely regulated through the National Environment Act and the other related regulations that prohibit degradation of the natural environment (Water, Air and Land), and promote the protection of biological diversity. Existing legislation, guidelines and policies that enforce/provide for detailed requirements for environment pollution control are, however, inadequate for petroleum operations and the existing legal framework (policies, laws and regulations) in other sectors need to be updated as well. Furthermore, there is need to develop new regulations and standards relevant to the oil and gas sector since they don't exist. This problem is compounded by lack of baseline data and updates of data regarding forests and fisheries, among others, need to be done as a matter of urgency. The Sensitivity Atlas is expected to contribute to the building of the data base.

In many cases, human capacity and technical infrastructure in government agencies is currently inadequate to handle upstream and downstream oil and gas impacts on the environment. In addition there is insufficient knowledge about the environment and possible environmental impacts of oil and gas exploration in the areas with the potential for oil and gas production. This calls for integrating environmental safeguards in all stages of exploration, development and production, carrying out a Strategic Environmental Assessment (SEA) for the Albertine Graben to provide information that provide policy makers with information upstream and also guide the site specific Environmental Impact Assessment (EIA), oil spill contingency planning that will provide guidance on oil spill responses and actions (including a risk analysis of the oil and gas activities) and stakeholder sensitization. This Programme will be used to contribute to the building of capacity at various levels within this Pillar. Since this Pillar's involvement in petroleum operations to date has been limited, it is imperative that management will need early and extensive training to manage the environmental component of petroleum operations.

This training will include seminars, workshops and tailor-made courses to accelerate this capacity building. There will also be visits to producing areas elsewhere to gain experiences. Close cooperation with Norwegian counterpart institutions will be crucial for the transfer of knowledge and skills. Description of the details of this training will be a matter for Environmental Pillar and PCC meetings. Therefore capacity development is central to further development and implementation of the programme as well as for the sustainability of the programme outputs and thus to the achievement of the programme goal.

The Environment Management Pillar is composed of National Environment Management Authority (NEMA), Directorate of Water Resources Management (DRWM), Directorate of Environmental Affairs (DEA), National Forestry Authority (NFA), Uganda Wildlife Authority (UWA), Department of Fisheries Resources (DFR), Ministry of Lands Housing and Urban Development (MLHUD).

There is a multi-sectoral technical team (National Level) that inspects oil exploration activities on a quarterly basis, and is composed of NEMA, PEPD, UWA, DWRM, NFA, Fisheries and Department of Occupational Health and Safety. The heads of these institutions form the strategic level monitoring team. The District Level Monitoring Team is also in place and is composed of the technical staff of the local governments in the oil producing areas. They need to be exposed to petroleum operations so that they can play an active role in the monitoring of these operations. The training will involve seminars, workshops and field excursions. A few will be selected for formal training in conservation with particular focus on petroleum operations. However, operations of the District Teams have been constrained financially.

Furthermore, the National Technical Team has previously had coordination challenges relating to harmonization of budgets and timeframes of undertaking the inspections. For this reason, NEMA has taken up most of the coordination aspects, including financing. This therefore requires streamlining and

harmonizing Compliance Monitoring undertaken by the different Government Lead Agencies by developing a functional compliance monitoring and enforcement framework.

Waste management during oil and gas exploration and production activities has emerged a challenge. Most of the drill mud contains heavy metals (rendering the waste generated hazardous). Since there is no clear mechanism of handling mud/drill waste cuttings, oil operators have been instructed to containerize their waste as a short term measure. At the same time, efforts are under way, through Public Private Partnership to find a long lasting strategy, of pre-treating the waste and disposing it thereafter to the environment. This therefore calls for development of a hazardous waste management mechanism.

Drilling of exploration wells within Lake Albert will imply a significantly increased risk level for the petroleum operations. This will dictate a new framework for the oil spill contingency and necessitate the development of an adequate oil spill preparedness plan. The critical nature of petroleum activities in Lake Albert is that the Albert catchment drains into river Nile which runs towards Sudan from the northern end of the lake. Lake Albert is a shared resource within the Nile Basin and the border line located along the lake axis. Furthermore, oil transportation activities at all exploration and production stages may involve oil spills/accidents, which will need a comprehensive framework to guide mitigation efforts.

In the context of the Programme and in accordance with the NOGP, the objective of the environment pillar is to contribute towards **ensuring that oil and gas activities are undertaken in a manner that conserves the environment and biodiversity**, by strengthening the capacity of the environmental authorities to regulate the oil and gas industry in accordance with Uganda's environmental policies.

NATIONAL PARKS AND WILDLIFE RESERVES IN THE ALBERTINE GRABEN

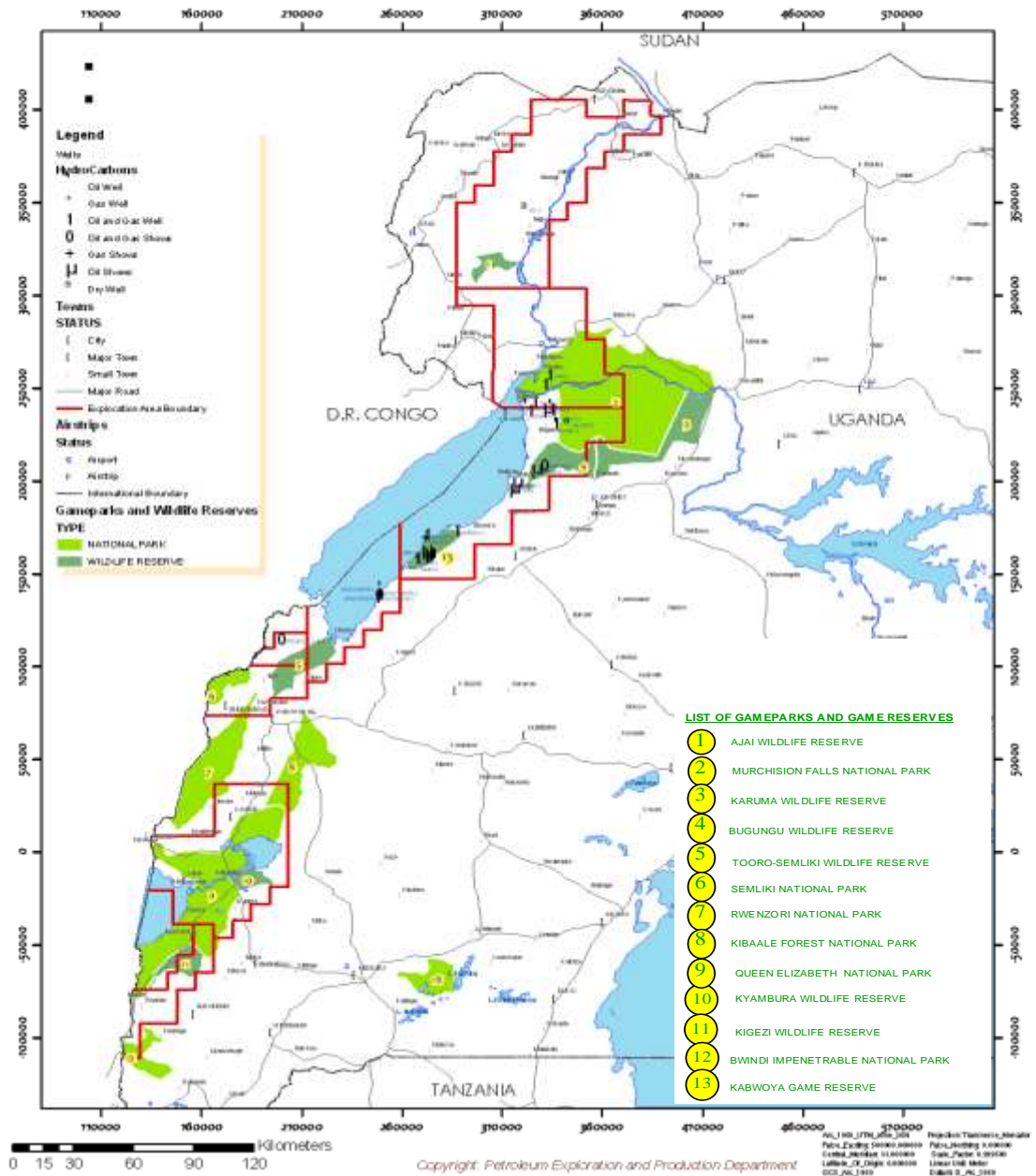


Figure 3: Map showing National Parks and Wildlife Reserves in the AG

3.6.1 Pillar outputs

The expected outputs of the pillar are:

- i. Strategic Environmental Assessment (SEA) for the Albertine Graben conducted and results widely disseminated.
- ii. Capacity development programs developed and implemented in all relevant institutions under the pillar, for areas identified as relevant/critical to the oil and gas sector with particular emphasis on managerial skills.
- iii. **Environmental and biodiversity related policies reviewed with respect to oil and gas including biodiversity off-sets, and presented for approval.**
- iv. Existing Acts reviewed, recommendations drafted and presented for approval
- v. Management plans for protected areas, and relevant sector plans for the AG, reviewed and updated taking the oil and gas issues into consideration
- vi. An environmental monitoring system for the AG, with clear and agreed indicators, is established.
- vii. Environmental regulations and standards relevant to the oil and gas sector developed
- viii. Hazardous waste management system strengthened
- ix. Framework for compliance monitoring and enforcement of the oil and gas industry strengthened
- x. National oil spill contingency plan developed and operationalized.

3.7 PROGRAMME MANAGEMENT

3.7.1 The Secretariat

1. There shall be a Secretariat for the coordination of the Programme.
2. The Secretariat will be headed by a Programme Manager, who will be assisted by an administrator, a communications officer, a procurement assistant, an accounts assistant and a secretary.

3. The salaries of the administrator, the communications officer, the procurement assistant, the accounts assistant and the secretary will be drawn from the Programme funds until the end of 2011.
4. The Programme Manager shall organize Programme meetings.
5. The Programme Manager shall prepare and distribute the agenda and any other documents for the meeting at least two weeks prior to the meeting.
6. The Secretariat will support the Pillar Managers in technical aspects (policies, legal and regulatory) as well as administrative matters.
7. The Secretariat will provide administrative functions such as accounting and day-to-day oversight of the activities proposed under the Programme. The Secretariat shall also coordinate procurement of goods and services for the Programme and prepare reports to the Annual Meeting. All accountability requirements shall be submitted to the secretariat with copies made to the respective accounting officers for auditing purposes.

3.7.2 Programme Coordination

3.7.2.1 Programme Coordination Committee

There shall be a Programme Coordination Committee (PCC) composed of the Programme Manager as the chairperson and the three Pillar Managers. A representative of the Norwegian partners (Norwegian Coordinator) will participate as an observer.

The PCC shall:

- i. Prepare annual work plans and budgets for presentation at the Annual Meeting for approval.
- ii. Prepare reports to the Annual Meeting on the progress of Programme implementation and the budget performance
- iii. Coordinate the implementation of the Programme.

- iv. The PCC will meet quarterly or when deemed necessary; in which case, extraordinary meetings shall be called.

All procurements shall adhere to the annual work plan and budgets approved by the Annual Meeting and shall be conducted in accordance with the procurement rules of Uganda. The Norwegian Ministry of Finance, Ministry of Petroleum and Energy and Ministry of Environment may undertake procurements of goods and services on behalf of MFEPD, MEMD and MWE when requested by any of these Ministries. In such case, the procurement shall be carried out in accordance with Norwegian public procurement law.

The Programme Coordination Committee (PCC) shall ensure that the Programme is carried out in an efficient manner according to the approved work plans and budgets and that the results achieved are properly reported to the institutions and the sponsors involved. The Programme Manager and the Pillar Managers will work in conjunction with the Accounting Officers of the Ministries in which the Pillars occur.

3.7.2.2 Cooperation between Uganda and Norway on pillar level

The Ugandan pillar managers will cooperate with the Norwegian resource managers in the planning process and in implementing the agreed plans.

The resource managers will coordinate Norwegian contributions to the annual workplan and budgets at the pillar level and, comment upon the proposed consolidated pillar annual workplan and budgets before it is finalized and submitted to the PCC. This work process should be summarized in a meeting at pillar level between the pillar and resource managers before the PCC finalize the documents for the Annual Meeting for the Programme. The meetings should be documented.

The type of external resources needed and the time schedule for such resources should be discussed and agreed in December or January for the coming year. This written schedule is not needed for the Annual Meeting but for the practical planning purpose.

There will be quarterly meetings between the resource and pillar managers undertaken as considered necessary and agreed by the managers. These meetings should discuss implementation progress and the need for any changes to the agreed workplans, and/or the need for additional resources.

The pillar managers shall keep the PCC informed and the resource managers shall keep the the Norwegian Working Group (NWG) informed.

3.7.3 Annual Meeting

There shall be an Annual Meeting referred to above between Ugandan and Norwegian representatives to, among other things:

- i. Receive, discuss and approve annual work plans and budgets for the following year.
- ii. Discuss progress of the Programme, including results and fulfillment of agreed obligations.
- iii. Discuss issues of special concern for the implementation of the Programme such as the major risk factors and how to manage such risks/issues. Each of the parties may include others to participate as observers or advisers to their delegations.
- iv. The Annual Meeting shall be called and chaired by the Ministry of Energy and Mineral Development. The Ministry of Finance Planning and Economic Development and the Ministry of Water and Environment shall be represented at the Meeting.

- v. The proceedings of the Meeting shall be minuted by Uganda and be submitted to participants for comments within two weeks after the Meeting.

3.7.4 Budget for the Secretariat

The structure of the PCC Secretariat will be manned by senior staff and two support staff as shown in Annex 7. The Secretariat will be managed by an administrator who will participate in the evaluation of performance of the other secretariat staff and handle the relationship between the Pillars and the PCC. The Administrator will assist the Programme Manager in the preparation of reports of the PCC including those for the Annual Meeting. The Secretariat will have an accounts assistant who will be responsible for managing the accounts of the programme; this will include planning for the audits of the programme. The accounts assistant will receive requisition for funds from Pillars, process the requisition through the accounting officer of the coordinating Ministry and make the payments available to the Pillars as required. The accounts assistant will manage the programme account including preparation of requisitions for replenishment of funds from the donor when due. The three pillars will be required to designate accounts personnel to handle the accounting aspects of each pillar and work with the accounts assistant at the Secretariat. The secretariat will also have a procurement assistant to manage the procurement aspects of the Programme. The Secretariat will have a secretary to assist the Programme Manager in the running of the office besides secretarial work. The budget for the PCC is presented in Annex 6.

3.7.5 Communication Strategy

The recent developments in the oil and gas sector in Uganda have led to heightened anxiety and expectations in the country's population. Most of the anxiety arises out of lack of regular and up to date information regarding developments in this sector.

The recently approved National Oil and Gas Policy recommends putting in place and implementing a communication strategy for the sector. Implementation of this strategy is expected to address, among others, the anxiety and expectations referred to above.

The Programme will contribute to the achieving of the above activity in accordance with the Policy objective: **“To ensure mutually beneficial relationships between all stakeholders in the development of a desirable oil and gas sector for the country.”**

At the end of this programme implementation of the Communication strategy for the oil and gas sector will continue with utilization of the capacity built during the programme and support from the Uganda government.

The strategy is considered a cross-cutting issue i.e. relevant for the three pillars of the Programme. Its implementation will therefore, be undertaken by the Programme Secretariat. The Programme Secretariat will therefore include a communications officer who will facilitate the putting in place of the strategy and its implementation.

The activities to achieve the above objective will include:

- i. Wide consultations with stakeholders including oil companies.
- ii. Gathering and packaging information.
- iii. Disseminating the above information through print and electronic media, community rallies, local representatives and civil society.

It is agreed that if the oil industry in Uganda is to succeed and avoid the situations that have bedeviled petroleum operations in some countries of the world, but especially in sub-Saharan Africa, every effort will have to be made to bring other stakeholders on board. This will not only be in line with good governance principles of transparency and accountability, but it will help the Government win the trust of the people and minimize restlessness and anxiety that do not augur well for smooth petroleum operations. The cooperation

between oil companies and the institutions of Government involved in the monitoring and supervision of petroleum operations in the country will also be very important.

The National Oil and Gas Policy recognises this in the objective: **“To ensure mutually beneficial relationships between all stakeholders in the development of a desirable oil and gas sector.”** The actions to achieve this policy objective which the programme will contribute to will include;

- i. Monitoring and evaluating the performance of institutions participating in the development of the oil and gas sector in Uganda
- ii. Putting in place an efficient communication strategy for the oil and gas sector.
- iii. Ensuring the availability of information that may be required by the stakeholders.
- iv. Documenting Corporate Social Responsibility by oil companies to contribute to the well being of the communities in which they operate.

3.7.6 Recipient’s monitoring system for the Programme

There is no complete baseline data available for the programme at the outset, but a number of data sets exists that will form the foundation for such a baseline. Since the Programme mainly focuses on the institutional and organisational development of the participating actors, the functional assessments conducted by PETRAD throughout 2008 and completed in 2009 will be used as baseline data for measuring increased institutional and organisational improvement.

4.0 MONITORING AND SUSTAINABILITY

4.1 Means of Verification

Matrices for the three Pillars in which outputs, indicators, targets, means of verification and assumptions are described and have been prepared as shown in Annex1.

Pillar meetings will be held quarterly to review progress of implementation. The Pillar Managers will prepare, coordinate and follow up activities under their respective pillars and coordinate with their Norwegian counterparts (Resource Managers) on the progress of the project and present them at the meetings

4.2 Sustainability and risks

4.2.1 The presence of commercial oil or gas

The principal assumption and justification for the Programme is that commercial discoveries of petroleum have been made in Uganda. Though the first gas discovery turned out to be non-commercial due to its high CO₂ content, several discoveries have been made in Exploration Areas 1, 2 and 3A during the 3 years of the current Programme. While other discoveries are expected to be made, the resources established in the country to date are sufficient for a commercial development.

Many of the discoveries made to date are located within sensitive ecosystems that include national parks, wildlife reserves, forest reserves and water bodies. These areas are also high tourism areas. Some of these areas are internationally recognised such as Ramsar sites, Biosphere reserves and Heritage sites. This presents a challenge of ensuring that oil activities do not adversely impact both on the sensitive ecosystem and tourism. It is therefore assumed that the two oil and gas sector and that of tourism will co-exist without one jeopardising the other. The work done so far has demonstrated this possibility.

4.2.2 Policy and framework conditions

The policy and framework conditions for the oil and gas sector in Uganda need to be upgraded. The early confirmation of commerciality has brought its own challenges to the existing legal, regulatory and institutional framework. A number

of risks, therefore, are to be expected both in the sector and the Programme, among them:

4.2.3 Sector risks and mitigation

4.2.3.1 Legal and regulatory framework

The new National Oil and Gas Policy recommends separation of policy, regulatory and commercial functions.

The National Oil and Gas policy defines the three major institutions that will be put in place to spearhead the management of the oil and gas sector. These institutions are the Petroleum Authority of Uganda, the Uganda National Oil Company and the Directorate of Petroleum in the Ministry responsible for oil and gas.

Currently, the sole responsibility for regulating petroleum operations in the country rests with PEPD and since creation of the new institutions requires an act of Parliament, Government embarked on the process of formulating a new law during the previous Programme, but it has taken longer than expected due to a number of unexpected delays. If this process delays much longer, it will have the following effects:

- i. Formation of the institutions and building their capacity will delay and the Government will not be in a position to monitor and participate in the various development activities with the required measure of efficiency. This is being overcome by a proposal to create transitional institutions which will be formalized when the law is in place.
- ii. Amending regulations to include development and production phases as well as bringing the current regulations in line with the advances in the oil industry will also delay. It has been proposed that guidelines, basing on

the framework of the bill for the new law, are prepared instead to fill the gap.

- iii. Amending the Model Production Sharing Agreement by putting many of the clauses in the law and the regulations so that the PSAs are small and easy to negotiate and implement will also delay. One advantage so far is that licensing is still suspended. It is hoped that the suspension will remain in force until the law is enacted. This risk can be mitigated by speeding up the process of amending the law or amending the current Model PSA on the basis of the framework of the new petroleum resource bill in the event that the moratorium on licensing is lifted sooner.
- iv. The existing environmental legislation were developed before oil and gas discoveries were made in the country and yet these discoveries have been made within ecologically sensitive and biodiversity rich areas. The current environmental legal framework need to be reviewed to address oil issues. This includes the National Environment Act, The Uganda Wildlife Act cap 200, 2000, National Forest and Tree planting Act, Water Act Fisheries Act and accompanying regulations. These need to be harmonized with the new petroleum resource law. The review process could begin using the framework of the draft bill.

In addition, the preparation and approval of the revenue management policy paper and the legislation required to implement this policy may delay for the following reasons;

- a. The need for the approval process to undergo detailed consultations and participation of various stake holders. This process is lengthy and costly. Given that the process has already commenced, early presentation within the Ministry of Finance and stakeholder government institutions can expedite the process.

- b. Review and updating of various tax laws to incorporate provisions in the PSA's may also take a longer process. This will therefore require continued improvement in the capacities to understand the PSA's and the petroleum sector by technical personal of MoFPED, MoJCA and URA.
- c. Amendments of the Public Finance and Accountability Act to include accounting and reporting requirement for the Model PSA and preparation of the relevant regulations to operationalise the Petroleum Fund may be hampered by institutional and capacity constraints in the MoFPED, URA and BoU. Efforts to train staff from these institutions is a new initiative geared towards developing professional capacities to manage the new resource.

By far the largest impediment to the utilization of the previous Programme funds was the long delays in the approval process of the policy and subsequent laws and regulations. The regulatory aspects had the lion's share of the budget which remained unspent at the end of the stipulated duration of the Programme. It is hoped that lessons have been learnt and that the causes for these delays will be avoided.

4.2.3.2 Manpower recruitment and retention

This Programme will be used to contribute to building capacity in the respective institutions of government in management of the oil and gas sector as described in the Programme. Considering that the oil companies are also looking for well-trained people, there is a danger that the companies may drain this manpower from the Government institutions. This has happened before. It is proposed that the salary structure for the new institutions be such that Government will retain its manpower.

There is also a need to build capacity within the institutions under the environment, revenue and resource pillars that are mandated to monitor impacts

of oil and gas developments. Most of these institutions need support both in terms of human resource and equipment to enable them perform their duties effectively.

This should be possible considering the interest Government has in ensuring the success of the oil industry. There appears to be willingness on the Government side to review salaries of civil servants in certain categories.

4.2.3.3 Institutional cooperation

The National Oil and Gas Policy has recommended roles for various institutions of Government and civil society. Cooperation between the two will be necessary so as to avoid disharmony in the management of the oil industry in the country.

One example where institutional cooperation is of paramount importance is in the Environment Pillar which includes NEMA, UWA, NFA, Directorate of Water and that of Fisheries. Co-operation of these institutions will be critical for the implementation of Government policies on the environment. Currently the various institutions under the environment pillar have cooperated in monitoring impacts of oil on a quarterly basis. There are monitoring committees at national and field levels. However these committees will need to be strengthened under this program for them to effectively execute their mandates.

The Revenue Management Pillar also comprises several institutions which include the Ministry of Finance, Planning and Economic Development, Uganda Revenue Authority, Bank of Uganda, Office of the Auditor General, Office of the Accountant General and Ministry of Justice and Constitutional Affairs. These institutions have worked together over a long period of time and it is expected that this cooperation will not only continue but will be strengthened to meet the challenges the oil industry is bound to bring.

4.2.3.4 Political involvement

Politics cannot be kept out of oil, but it should be for policy and reform purposes. Unhealthy political participation is repeatedly cited as being responsible for the mismanagement of the oil industry in many countries especially in sub-Saharan Africa. This Programme will be used to contribute to sensitizing the political class about their roles in contributing to good governance in this sector. The oversight role of the Prime Minister's office in the implementation of the Policy should help to streamline the relationship with politics.

4.2.3.5 Revenue Management

If the revenues are not managed well, it could trigger undesirable consequences for the oil producing region and the country at large. The complexity of the oil industry and the fiscal part of the PSAs as well as the fact that this is a new industry in the country could pose serious challenges to revenue management. Corruption and lack of a legal and regulatory framework could provide the perfect environment for the mismanagement of oil and gas revenues. This Programme will be used to, among other things:

- i. Support Government efforts to develop a robust revenue management system with adequate checks and balances to mitigate any risks by contributing to speeding up the process of putting in place the policy, legal and regulatory framework before oil production starts.
- ii. Contribute to building the required capacity in those institutions responsible for this sector. This will require understanding fully the components of the fiscal package of PSAs.
- iii. Review the existing legislation and the PSAs and with a view of ensuring that they are in harmony.

Efforts will be made to ensure adherence to good governance principles (transparency and accountability) as an important mitigation measure.

4.2.3.6 Environmental management

The Niger Delta is a sobering reminder of what can go terribly wrong when environmental protection safeguards are ignored in the production of oil and gas. The outputs of the environmental pillar listed in 3.6 above will contribute to ensuring that the Albertine Graben avoids the negative experiences.

It is the policy of Government not to flare or vent any hydrocarbons, except in an emergency, in order to save value and protect the environment. Currently, limited flaring is allowed during well testing, but this is expected to be avoided to the extent possible once refining and electricity generation begin.

4.2.3.7 Management of expectations

Comprehensive dissemination of information about oil and gas matters has not been carried out in a systematic and consistent manner. This vacuum has given rise to misinformation, misunderstanding and misinterpretation of the intentions of Government. This has often made the public restless and it has the potential to disrupt the development of the sector.

Government has embarked on the development of a communication strategy. In the meantime, a number of radio talk shows especially in the areas with the potential for petroleum production have been carried out. Information will be packaged and disseminated through seminars, workshops and community rallies. Representatives of the communities at the national and local level will participate in information dissemination. Some are already doing so. The civil society is expected to be a good partner in achieving this effort.

4.2.4 Programme risks

All the above listed risks are sector specific and it is expected that the Programme will help to address ways to mitigate them. However, there are those risks that impact directly on the implementation of the Programme and if not

addressed, the Programme objectives and plans may not be achieved. Some of these are drawn from the experiences of the previous project. These include:

4.2.4.1 Availability of personnel

The Programme assumes that the different institutions shall allocate the necessary personnel to perform their roles in the Programme. In case certain activities stall for lack of manpower, the year to year work plans must be adjusted to facilitate additional time and/or support.

Plans are underway to restructure PEPD to provide nuclei for new institutions. If managed properly, this should not cause disruptions in the Programme activities as some activities of these institutions will continue to be supported by the Programme. PEPD has, in the recent past, recruited more staff. This should cushion the Resource Pillar against manpower shortages. Other Pillars have committed to dedicate some of their staff to the Programme.

It has taken time to put this proposal together; the Programme Manager and the Pillar Managers are expected to have adequately considered the manpower requirements of implementing the Programme.

It is further expected that Government will provide a conducive working environment to retain its manpower.

4.2.4.2 Availability of resource persons and training institutions

During the previous Programme, some activities stalled and some were abandoned due to the difficulty of finding appropriate resource persons and institutions. This contributed to the low absorption of donor funding. There was such a high demand for experts by the oil industry occasioned by the high price of oil then, that it was an uphill task to get good experts, causing major delays. This situation could reoccur in future.

The main proposed mitigation is to use the planning process described in section 3.7.2.2

4.2.4.3 Political Risk

Implementation of the Programme could face political risks if its objectives and benefits are not well presented and understood by the different stakeholders in the country. The extent to which political processes in the Donor country could influence the Programme is not obvious. The mitigation for this risk is clear description and good articulation of the objectives, outputs and benefits of the Programme.

4.2.4.4 Government of Uganda support

Some activities will require Government support to supplement donor contribution. Inadequate and irregular funding could impact the progress of implementation of the Programme activities. Government has now included the petroleum sector among the priorities in terms of funding.

Programme and Pillar Managers and the respective institutions with responsibilities in the Programme will seek protection of their budgets to avoid budget constraints. However, this risk is not expected to have a significant effect on the implementation of the Programme.

4.2.4.5 Delays in the submission of reports

This can disrupt the pace of implementation of the Programme activities. This happened on very few occasions during the previous Programme causing delays in disbursement of funds. Early submission of clearly worked out and supported cash calls and reports should help mitigate this risk.

4.2.4.6 Financial management system and procurement process

The financial management system of the programme shall be based on financial obligations rather than invoices received.

The programme shall use consultancy services to:

- Study the existing financial management system and existing constraints relative to the Ugandan code of accounting for the public sector
- Examine how an accounting system for the programme management based on commitments can be established
- Make recommendations for an appropriate financial management and reporting system.

The procurement process in Uganda can be quite long. This may be a result of the need to ensure transparency and accountability, but it can drastically slow down the pace of implementation of the Programme activities. The Programme Manager and the responsible institutions should propose ways to shorten this process without compromising good governance principles. The proposal should be presented in the first annual meeting. In addition Norwegian Institutions should be allowed to enter into contracts, on behalf of the Programme, after agreeing the Terms of Reference and contracts.

4.2.4.7 Audit reporting

The experience from the previous Programme is that audit reports took long to be prepared. This denied or delayed timely implementation of remedial measures. The Programme is now bigger (involving three pillars) and requires greater attention. The recent improvements in the delivery of services by the Auditor General's office will mitigate this risk. The Programme Secretariat will also follow-up on these activities to emphasize the urgency of these reports.

However, should it become necessary, an external auditor or audit firm should be hired for the purpose of delivering timely audit reports.

5.0 EXIT STRATEGY

1. The Programme is based on capacity building to strengthen the state's administration and management of the oil and gas sector in Uganda. During the tenure of the Programme, as many Ugandans as possible will be exposed to various disciplines of oil and gas including management. When the Programme comes to an end, it is expected that the institutions that will have been created and equipped will sustainably manage the sector.

2. Government considers this sector one of the priority areas. Budget support has improved in the recent past and continues to do so. Consequently, even during the life of the Programme, there are Government sponsored activities that will be supported by the Programme, particularly capacity building. This support by the Government is expected to increase when the new institutions have been set up and, hopefully, at that time production of oil and gas will have commenced and a mechanism developed to have the sector self-supported. This is demonstrated by the reduction in the donor support after 2010. However, this does not mean that Norwegian support may not be required beyond this Programme.

3. Government is, within the institutional arrangement, reviewing the structures of the Ministry of Finance, Planning and Economic Development to cater for creation of either departments or units within respective departments to specifically handle the requirements of the oil and gas sector. These will be within the mainstream Ministry to ensure continuity and sustainability of the activities of the Sector. The other stakeholder institutions under the respective pillars are taking similar approaches. Training for both diploma and masters programmes in petroleum economics, law, accounting, auditing and taxation have commenced using government support for capacity building. To augment this, a petroleum technical institution is being set up to initially cater for the

relevant vocational training in the sector. The government budget and programmes are expected to address the activities for this sector in the near future.

4. It should, however, be fully recognised that the petroleum value chain has a long perspective; it is dynamic and is influenced by market developments, exploration results and decisions by the commercial actors in the sector. To establish and build up new institutions also includes an element of uncertainty regarding the progress of such work. It is therefore uncertain at the beginning of the Programme whether Uganda will have created full sustainability to exercise governance of the petroleum sector including the main production phase when this Programme ends. Hence, it is very likely that additional needs will be identified as the functions related to the new stages will be better defined.

5. To clarify these future needs the reviews of the programme implementation will play a key role. The mid-term review will give an important status on the development of the sector and it will provide information on whether the effects of the Programme are in accordance with the agreed Programme plans. If the effects are limited, the review should present a recommendation as to whether the work should continue, possibly with revisions to the Programme, or whether the work should be discontinued. It is also proposed that an end review is initiated well before the completion of the Programme to provide recommendations as to whether the Programme should be finally terminated or continued, and how a potential continuation of the cooperation should be designed.

6. NOGP assigns roles and responsibilities to various institutions in the country to ensure efficient and effective management of the petroleum value chain. This could augur well for the sustainability of the activities when the Programme ends.

6.0 COORDINATION

6.1 Roles and responsibilities: Partner and donor

The programme will consist of three pillars: Resource Management, Revenue Management and Environmental Management (Annex 2). Each pillar will be headed by a Ugandan Pillar Manager, who will be assisted by a Norwegian Resource Manager from one of the cooperating institutions. The pillar and resource managers will cooperate as described in chapter 3.7.2.2. The Norwegian lead institutions will be the Ministry of Petroleum and Energy, the Ministry of Finance and the Ministry of the Environment or directorates and institutions subordinate to the respective ministries. Norad, as OfD Secretariat, will have a coordination role and appoint a coordinator to act as the contact person between the Program Coordination Committee (PCC) and the Norwegian Working Group (NWG).

The Norwegian resource team (Resource Manager) will be recruited from the Ministry of Finance, the Ministry of Petroleum and Energy and the Ministry of Environment or directorates or institutions subordinate and reporting to the respective ministries.

The Pillar Managers will report to the Programme Coordination Committee (PCC), which will in-turn provide input to the Annual Meeting (AM) between Norway and Uganda. The PCC will have a Secretariat to support it. The Secretariat will be headed by a Programme Manager on the Ugandan side to ensure sufficient coordination of the three pillars. He will be assisted by an administrator, a communications officer, a procurement assistant, an accounts assistant and a secretary to foster the smooth running of the Programme. Their salaries will be drawn from the Programme budget until 2011.

The administrator will ensure that inputs from the various pillars are sewn together before they are presented to the PCC (as will be the case with e.g. the Programme document, Programme reports etc.).

The chosen model should ensure maximum ownership by the GoU and should, as much as possible, be managed and/or strengthened by the existing GoU institutions.

The communications officer's role is to implement a communication strategy including creation and maintenance of a website and coordinating the holding of consultative meetings with stakeholders at both national, regional and community levels.

The procurement officer will ensure that all requests for procurement adhere to the procurement regulations of Uganda. It is expected that there will be a lot of procurements within the three pillars for the duration of the Programme and these will have to be coordinated.

Considering that the procurement processes in Uganda can be quite lengthy, it is important that the process is streamlined to save time.

The accounts assistant is necessary to verify payments, monitor budget performance, keep all the information regarding the accounts of the Programme and liaise with auditors during the audit process and follow-up the audit process for the timely delivery of audit reports.

There will be one Ugandan lead institution for each pillar. The lead institution, through the Pillar Manager, will be responsible for coordinating activities with other relevant institutions in each pillar. The PCC, the Secretariat and the Programme and Pillar Managers must ensure coordination on cross-cutting issues.

Government will ensure the fulfilment of its roles and responsibilities by availing the required personnel and monitoring the Programme performance to remove or avoid bottlenecks that may impede its implementation.

Programme and Pillar Managers will liaise closely with their respective Accounting Officers to ensure that Programme activities are conducted in conformity with the established procedures.

6.2 Alignment with Partner's systems and procedures

All the programme activities are based within the institutions participating in the programme.

6.3 Coordination on the Norwegian side

The OfD secretariat in Norad will convene meetings on a quarterly basis for the Norwegian Working Group (NWG). The role and functions of the NWG are described in the attached mandate (Annex 2).

6.4 Coordination of donor support

In the recent past, and especially following the confirmation of commercial quantities of petroleum in the Albertine Graben, there has been a lot of interest from various donors to support a number of activities in the oil sector. This is probably a good thing since there are many areas where Government needs to prepare to manage the oil industry.

However, if this support is not properly coordinated, it may not deliver the desired benefits. Some areas of concern include:

- i. Overlapping or duplication of activities.

- ii. Long delays in the approval processes of some donors leading to significant loss of time.
- iii. Inadequate and short duration support usually in the form of a few workshops and seminars and feasibility studies of sorts. Attempts to compile a Sensitivity Atlas of the Albertine Graben in the past were delayed because the donor who was expected to fund this activity opted for a feasibility study instead.

Major achievements were made during the last Programme because there was one donor to work with and coordination was easy.

In addition to the activities being undertaken under this programme, the oil and gas sector will have other areas which will require support. These areas could be supported from additional funding from Norway or instead from other development Partners and/or Donors. Coordination of support received from the respective sources will be given the necessary prioritization so as to avoid any negative input. In this regard, the Programme and Pillar Managers will ensure that in addition to the implementation of this Programme they also contribute to harmonising its implementation with other programs.

OfD has an agreement with the World Bank to contribute to the Petroleum Governance Initiative (PGI). The Bank may become involved in the petroleum sector in Uganda outside of the Programme (see below). If and when the Bank gets involved, the nature of its involvement will take due consideration of the Programme.

The other areas that are being supported or being considered for additional support, outside the Programme include the following:

6.4.1 Resource management

Norway has developed frameworks of cooperation in petroleum matters with other North Sea countries. Uganda signed an agreement of cooperation with DRC for cooperation in petroleum exploration and exploitation of common fields in 1990. It was amended in January 2008. Consideration has been made on the need to update this Agreement as per the review by a consulting firm, ARNTZEN de BESCHE Advokatfirma AS of Norway, during 2006/07.

The 2008 amendment did not include the views of the above review because the document has not been discussed and agreed by the two countries.

Both Uganda and DRC will also have to embark on the process of harmonization of the policy, legal and regulatory framework in the two countries for the smooth implementation of the above Agreement; something similar to what is happening among the East African Community Partner States.

Support will be required to develop a framework under which the various oil and gas activities can be implemented between the two countries in the spirit of the above Agreement.

6.4.2 Revenue management

The Ministry of Finance, Planning and Economic Development has informed Norway that it intends to work with Norway and the International Monetary Fund (IMF) for support related to petroleum revenue management. This will require some coordination efforts so as to avoid duplication of activities. The African Development Bank has asked Norway for support for previous and planned seminars and conferences on the topic. OfD gives financial support to several non-governmental organisations active in Uganda, including Revenue Watch, Publish What You Pay and the Norwegian Confederation of Trade Unions (LO).

The IMF is assisting the Uganda Revenue Authority through short term technical assistance to analyze training needs and deliver a series of training courses with the expected output of developing guidance manuals for future use. The Technical Assistance elements are three training courses over a period of 60 days, covering oil and gas accounting, auditing of upstream activities and trading operations of the oil and gas industry. The IMF-activities are financed by Norad/Norway under Oil for Development. It is also the intention that IMF should be responsible for delivering further activities under this programme. This will be discussed and agreed during the planning of annual workplans and budgets.

6.4.3 Environmental management

Different government partners have expressed interest and commitment to provide both technical and financial resources related to environmental aspects of oil and gas activities.

The Royal Government of Norway provided financial support during preparation of the first phase of the Environmental Sensitivity Atlas (ESA) for the Albertine Graben. Prior to this, the Belgian Technical Cooperation (BTC) financed a feasibility study for the development of the above Atlas but has no plans to give additional support to the sector.

The Norwegian Government also supports a Worldwide Fund (WWF) programme related to minimising the negative impacts of petroleum-related activities on the environment in Uganda.

The World Bank has pledged to support petroleum- related environment activities through its environmental capacity building programme in the amount of USD 1.5 million to NEMA.

Since 2004, Norway has also provided technical and financial support for the establishment of the National Forestry Authority (NFA). Norway will continue its support for another 4 year period, and the focus will be on restoration of forests in Northern Uganda. This programme will complement the OfD-programme in terms of management of forest reserves in oil and gas exploration areas. The Ministry of Water and Environment has and will continue to ensure that contribution of development partners in addressing environmental aspects of oil and gas development activities are coordinated and harmonised.

6.5 Coordination with other development initiatives

There are very many initiatives in the country geared towards the oil industry.

These include:

6.5.1 Oil companies

The NOGP recognises the role of oil companies not only to develop and produce oil and gas in a manner to maximise value, but that the oil companies will also be good corporate citizens by abiding by the policies and the laws of the country as well as managing emergencies that may arise out of oil and gas activities. Oil companies have also been engaged in social activities for the benefits of the communities in which they operate including health, sanitation, education and awareness. These activities are supportive to the objectives of the Programme.

6.5.2 Uganda land and environmental groups

Land and environment issues are very sensitive matters in the areas of petroleum operations. The respective stakeholder groups will be consulted widely on these matters during the formulation of relevant legislation and will be used extensively during the sensitisation campaigns of the communication strategy.

6.5.3 Regional cooperation in training

Many joint training seminars and conferences have taken place among the East African Partner States and other neighbouring countries such as Sudan. This cooperation will continue under this Programme.

6.5.4 Cooperation with DRC

There have been many efforts to involve DRC in these initiatives without much success, but the effort should continue because it will be very helpful as Uganda and DRC share the Albertine Graben. These joint training sessions may be the catalyst for commencing the harmonisation referred to above.

DRC is a regular participant in the East African Petroleum Conferences.

6.5.5 The role of civil society

The NOGP recognises the role of Civil Society Organisations in advocacy, mobilisation and dialogue with the communities. They will play an important and supportive role in the communication strategy being developed so that they provide an alternative voice.

As the NOGP further states, these Civil Society Organisations will help to get the voices of the communities in the oil areas into the designing, monitoring and implementation of the oil and gas sector programmes. Local communities have always been involved in the environmental impact assessment exercises; it is expected that civil society will be involved in the process of the Strategic Environmental Impact Assessment.

Most importantly, however, these organisations will be expected to contribute to ensuring that oil and gas operations are carried out in accordance with good governance principles.

7.0 IMPLEMENTATION OF THE PROGRAMME

7.1 Scheduling

The Outputs of the Programme have been broken down into detailed activities which the different participating actors will start implementing upon commencement of the Programme. The activities are also scheduled, as far as the Programme has felt comfortable, in terms of knowledge about the future and the prioritised sequence of the activities and their effect on each other (see Annex3, 4 & 5 Activities, Scheduling/Gantt chart).

7.2 Priorities

The participants have to the extent possible prioritised the activities according to importance and coordinated effect.

7.3 Common tasks

The Common Tasks have been scheduled separately, but in coordination with the other activities.

7.4 Budget

A summary of the Programme Budget for the five years is shown in the table below. Details are contained in Annexes 3, 4, 5 and 6.

YEAR	2010	2011	2012	2013	2014	SUM PILLAR (NOK)
Resource	9,900,000.00	5,922,542.00	5,307,492.00	4,107,490.00	3,391,764.47	28,629,288.47
Revenue	6,327,704.90	3,224,430.83	3,224,430.83	2,323,403.78	2,323,403.78	17,423,374.10
Environment	8,893,692.00	8,147,398.82	2,508,000.00	2,139,500.00	2,090,000.00	23,778,590.82
Programme Coordination	2,156,531	2,531,421	1,948,308	1,967,558	1,564,925	10,168,743.59
SUM PROGRAMME	26,632,668.20	19,580,932.85	12,743,370.73	10,293,091.68	9,508,616.15	79,999,996.98

The budget is justified given the fact that 3 institutions will be created within the Resource Pillar. These institutions will need substantial resources to set up and build their capacity. The Environment and Revenue Pillars are composed of many institutions whose capacity to contribute effectively to oil and gas management needs to be urgently upgraded. They will need substantial budgets to build their capacity and develop the necessary systems to meet their responsibilities defined in the National Oil and Gas Policy and other relevant instruments.

There is a level of front-end loading of activities particularly for the Revenue and Environment Pillars. The two pillars need to put the necessary systems in place before oil production begins hence the significant number of early requirements. These will include review of existing policy, legal and regulatory framework or formulating new ones. It is expected that the proposed timing of these activities will be scrutinised carefully during the initial PCC and Annual Meetings to agree on a more balanced approach to Programme implementation.

A Programme budget has been made for all the planned Outputs, including the management of the Programme. There may be changes from time to time in the implementation of the Programme due to unforeseen developments that may necessitate reallocation and reprioritisation. This will require the consideration of the PCC and/or the Annual Meetings.

The budget for the Revenue Pillar may require particular attention as a number of planned activities whose budgets have not been established are therefore not attached. This is a matter that will need to be given attention by both the PCC and the Annual Meetings, during implementation of the programme.

The management training component of the budgets has not been specifically identified. The Pillar Managers are expected to include this as part of the

manpower development programme and avail them during the PCC and Annual Meetings.

8.0 REPORTING

Uganda shall submit to Norway (Ministry of Foreign Affairs) the following reports and documentation:

1. An annual report shall be submitted at least three weeks before the Annual Meeting.

The annual report shall include the following information:

- i. A description of actual outputs compared to planned outputs (as defined in the work plans),
- ii. A brief summary of the use of the funds compared to budget,
- iii. An assessment of the efficiency of the Programme (how efficiently resources/inputs are converted into outputs),
- iv. An explanation of major deviations from plans,
- v. An assessment of problems and risks (internal or external to the Programme) that may affect the success of the Programme,
- vi. An assessment of the need for adjustment to activity plans and/or inputs and outputs, including actions of risk mitigation,
- vii. If feasible: a brief assessment of achievements in relation to purpose.

2. A progress report shall be submitted by 1 July each year.

The progress reports shall include the following information:

- i. A description of actual outputs compared to planned outputs (as defined in the work plans),
- ii. A brief summary of the use of funds compared to budget,
- iii. An explanation of major deviations from plans,

- iv. An assessment of problems and risks (internal or external to the Programme) that may affect the success of the Programme,
- v. An assessment of the need for adjustments to activity plans and /or inputs and outputs, including actions for risk mitigation.

A work plan shall be submitted annually within three weeks before the Annual meeting. The work plan shall specify planned outputs and time schedules for the next calendar year.

The documents mentioned above will be coordinated with the Norwegian resource managers before they are finally submitted to Norway/Annual Meeting.

3. The following annual financial statements and budget shall be submitted within three weeks before the Annual Meeting each year.

a. Financial statement for the Programme consisting of:

- i) A statement showing cash receipts/income and expenditure for the previous period structured as and compared to approved budgets for such previous period. The statement shall capture all sources of funding, with sufficient segregation of data to permit identification of individual sources of funds and disbursements on major Programme activities or types of expenditure.
- ii) A statement of cash and bank balances.
- iii) Relevant notes to the above mentioned statements including a description of the accounting policies used and any other explanatory material necessary for transparent financial reporting of the Programme.

b. Budget for the Programme for the coming calendar year showing estimated income from all sources and planned expenditures.

The financial statements and budget(s) shall give complete and detailed information on the financing of the Programme.

4. A final report shall be submitted within three months after the completion of the Programme. The final report shall include:

- i. The topics listed in clause 2 above for the whole Agreement period.

- ii. An assessment of the effectiveness of the Programme, i.e. the extent to which the Purpose has been achieved.
- iii. An assessment of impact (if possible), i.e. the changes and effects positive and negative, planned and unforeseen of the Programme seen in relation to target groups and others who are affected.
- iv. An assessment of sustainability of the Programme, i.e. an assessment of the extent to which the positive effects of the Programme will still continue after the external assistance has been concluded.
- v. A summary of main “lessons learned”.

9.0 MONITORING & EVALUATION SYSTEM

The internal M&E system is set up to provide timely information to the Pillar Managers and the different project managers within each pillar on the progress of the Programme. It is based on the Outputs, indicators and the corresponding Means of Verification, as well as the detailed activity plans, schedule and budget for each year.

The policy recognises that the National Integrated Monitoring and Evaluation Strategy (NIMES), a government system for monitoring policy implementation needs to be enhanced to incorporate oil and gas monitoring and evaluation systems. The programme will support the Office of the Prime Minister in building its capacity so that they can ably plan, monitor and evaluate the progress and implementation of the NOGP.

There will be an in-depth financial review as part of the Mid-term Review of the Programme to evaluate compliance with the financial obligations of the Programme.

ANNEX1: LFA/ Matrix for the program document

Name for the programme: Strengthening the Management of the Oil and Gas Sector in Uganda

OBJECTIVES	INDICATORS	TARGETS	MEANS OF VERIFICATION (M O V)	ASSUMPTIONS
PROGRAMME GOAL				
To contribute to the achievement of the goal of the National Oil and Gas Policy which is: “To use the country’s oil and gas resources to contribute to early achievement of poverty eradication and create lasting value to society”.	<ul style="list-style-type: none"> • Poverty reduction • Economic growth • Legislation in place • Institutions in place • Supervisory system in place • Status of ecosystem in the AG 		<ul style="list-style-type: none"> • Official statistics • Activity indicators from the industry • Environmental monitoring 	
PROGRAMME PURPOSE				
Institutional arrangements and capacities in place ensuring well-coordinated and results oriented Resource management, Revenue management, Environmental management and HSE management in the oil and gas sector.	<ul style="list-style-type: none"> • Public at large informed at regular intervals • Reserve figures • Depletion figures (recovery rate) • System producing good quality 		<ul style="list-style-type: none"> • Environmental monitoring • National budget • Industrial investments 	<ul style="list-style-type: none"> • Revenues generated from oil and gas are used in a sustainable way • International growth rates • Oil price • International

	<p>indicators in a timely manner</p> <ul style="list-style-type: none"> • Revenue Management Law • Fiscal policy strategy document • No negative externalities • Oil and gas sector environmental regulations in place and enforced. 			<p>environmental requirements</p> <ul style="list-style-type: none"> • Harmonious dialogue with Global environmental institutions
PROGRAM OUTPUTS				
<p>1 The (governance or structure) management of the Programme for Resource and HSE, Revenue and Environmental management for the oil and gas sector planned and implemented</p>	<ul style="list-style-type: none"> • Activity plans followed each year, with mitigation measures implemented where deviations occur. • Quarterly meetings held in Coordination Committee • Annual meetings held • Annual audits conducted finding no major issues or 		<ul style="list-style-type: none"> • Programme reporting • Pillar reporting 	

	<ul style="list-style-type: none"> challenges 				
2	Interaction/dialogue/communication program with other stakeholders (public at large, private sector, civil society actors, media) developed and implemented	<ul style="list-style-type: none"> 1-2 open conferences annually Meetings with local authorities Joint communications platform 		<ul style="list-style-type: none"> 	
3	A Monitoring and Evaluation system for the program has been developed and implemented, securing compliance with the NIMES where possible.	<ul style="list-style-type: none"> Data gathering tools developed Database developed Compliance and feed to NIMES secured 			
PILLAR 1 OUTPUTS: RESOURCE MANAGEMENT					
COMPONENT 1: LEGAL, REGULATORY FRAMEWORK AND LICENSING					
OUTPUTS	INDICATORS	TARGETS	MOV	ASSUMPTIONS	

1.2 Legal and Regulatory framework for the upstream and midstream petroleum sectors				
a) Petroleum resource Management Law formulated	<ul style="list-style-type: none"> • Petroleum Law in place 	<ul style="list-style-type: none"> • December 2010 	Legislations Published in the Uganda Gazette	<ul style="list-style-type: none"> • Government support for the initiative is sustained and advanced • No delays in approval by various stakeholders • Availability of consultants
b) law for oil and gas utilization formulated	<ul style="list-style-type: none"> • law for oil and gas utilization in place 	<ul style="list-style-type: none"> • December 2010 	Legislations Published in the Uganda Gazette	<ul style="list-style-type: none"> • No delays in approval by various stakeholders • Availability of consultants
c) Preparing subordinate regulations for upstream and midstream petroleum sector and local content	<ul style="list-style-type: none"> • Petroleum upstream and midstream regulations in place 	<ul style="list-style-type: none"> • June 2011 	Legislations Published in the Uganda Gazette	<ul style="list-style-type: none"> • Resource management law is ready • Law for oil and gas utilization ready • Availability of consultants
d) Preparing subordinate regulations for HSE	<ul style="list-style-type: none"> • Regulations for HSE revised • Guidelines for HSE management in place 	<ul style="list-style-type: none"> • June 2011 	Discussion documents from local and National workshops Revised guidelines	<ul style="list-style-type: none"> • Resource management law is ready • Law for oil and gas utilization ready

			available in press and website	<ul style="list-style-type: none"> • Availability of consultants
e) Preparing revision of model PSA	<ul style="list-style-type: none"> • Revised Model PSA in place 	<ul style="list-style-type: none"> • June 2011 	Revised Model PSA in press and website	<ul style="list-style-type: none"> • Resource management law is ready • Law for oil and gas utilization ready • Availability of consultants
1.3 Licensing Strategy and Plan				
a) Benchmarking of Uganda petroleum potential regionally and internationally and assessment of appropriate fiscal terms	<ul style="list-style-type: none"> • Assessment of regional/international competitiveness of fiscal terms 	<ul style="list-style-type: none"> • Done before next promotion round December 2010 	<ul style="list-style-type: none"> • Assessment report 	<ul style="list-style-type: none"> • Benchmarks are available and accessible
b) Development of a grid system for licenses	<ul style="list-style-type: none"> • A grid system for licenses established 	<ul style="list-style-type: none"> • June 2010 	<ul style="list-style-type: none"> • A grid system for the Albertine Graben in place 	<ul style="list-style-type: none"> • Resource management law is ready
c) Development of a strategy for promoting of the country's petroleum potential	<ul style="list-style-type: none"> • Promotional strategy /policy established and updated 	<ul style="list-style-type: none"> • June 2011 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • The strategy is followed

d) Promote the country's petroleum potential	<ul style="list-style-type: none"> • Relevant promotional conferences/workshops attended 	<ul style="list-style-type: none"> • Adequate number promotional fora attended 	<ul style="list-style-type: none"> • Reports from different promotional fora • Level of investments attracted 	<ul style="list-style-type: none"> •
e) Implement a licensing round	<ul style="list-style-type: none"> • Competitive and transparent licensing process used 	December 2011	Use of open bidding in licensing	<ul style="list-style-type: none"> • Positive bidding response
f) Appropriate due diligence undertaken for applicants for licensing	<ul style="list-style-type: none"> • Appropriate due diligence undertaken on applicants for licenses 	<ul style="list-style-type: none"> • Once per licensing round 	Due diligence reports per licensing round	<ul style="list-style-type: none"> • Availability of information on applicants
1.4 Monitoring and Supervision				
a) Development of an appropriate supervisory framework for monitoring and supervising petroleum exploration programmes	<ul style="list-style-type: none"> • appropriate supervisory framework and procedures for monitoring and supervisory in place • Professional capacity to undertake the monitoring activities • Annual supervisory plan • The procedures and the plan are implemented 	<ul style="list-style-type: none"> • First draft 2010, with reference to the legislation. • Consultancy for the framework started by 2010 • Monthly supervision 	<ul style="list-style-type: none"> • Legal framework in place • Supervisory strategy document in place • Supervision reports 	<ul style="list-style-type: none"> • Good cooperation with companies • Adequate capacity to supervise the industry when activity level is high • Cooperation between supervisory institutions • adequate supervisory systems and enforcement mechanism • Broad competence of supervisory institutions

<p>b) Development of an appropriate supervisory framework for monitoring and supervising petroleum development and production programmes</p>	<ul style="list-style-type: none"> • appropriate supervisory framework and procedures for monitoring and supervision in place • Monthly supervisory plan • Daily monitoring and supervision 	<ul style="list-style-type: none"> • First draft 2010, with reference to the legislation. • Consultancy for the framework started by 2010 • Monthly supervision 	<ul style="list-style-type: none"> • Legal framework in place • Supervisory strategy document in place • Monitoring reports • Supervisory reports 	<ul style="list-style-type: none"> • Good coordination and cooperation between relevant institutions
<p>c) Develop an HSE supervisory strategy and plan</p>	<ul style="list-style-type: none"> • Appropriate supervisory framework and procedures for monitoring in place • Consent system for relevant milestones in the development of petroleum activities in place • Supervisory strategy in place • Annual Work plans in place with procedures for supervisory activities and proposed audit activities • Relevant capacity building activities identified 	<ul style="list-style-type: none"> • Dec. 2010 • Dec. 2010 • June 2011 • Dec. 2010 • 2011-2012 	<ul style="list-style-type: none"> • Legal framework in place • Supervisory strategy document in place • Reports on: <ul style="list-style-type: none"> - HSE performance - incidents and accidents reporting systems • Record of Inspections and Audits 	<ul style="list-style-type: none"> • Good cooperation in enforcing agencies • Stakeholders remain committed to the integrated supervisory strategy • adequate capacity • No delays in the law formulation process

	<ul style="list-style-type: none"> • Carry out relevant capacity building activities • Adequate independent inspections and audits necessary with a view of identifying any points of divergence from the plans presented by oil companies • Equipment certified periodically 			
d) Supervisory framework for monitoring and supervising development and production programme put in place and operational	<ul style="list-style-type: none"> • Well monitored plans for licensees with regard to; regulation, development progress and costs • Well implemented production plans with regard to reporting, reservoir performance, metering, operators adherence to HS-regulations and capacity building • Plan and implement tail end production. • Adequate systems for fiscal measurement • Appropriate Frame work developed 	<ul style="list-style-type: none"> • Dec 2010 	<ul style="list-style-type: none"> • Reports • Proper systems for measurement in place 	<ul style="list-style-type: none"> • Good cooperation with the oil companies • Good and standard equipment • Availability of data and information • Availability of FDPs to benchmark on • Availability of training institutions in Uganda • Availability of consultants
(e) A system to handle FDP`s tested and in place	<ul style="list-style-type: none"> • Ensure that the FDP`s sees to it that oil and gas resources are produced 		<ul style="list-style-type: none"> • Reports • Proper systems for measurement 	<ul style="list-style-type: none"> • Lack of cooperation with the companies • Substandard

	<p>optimally through cost effectiveness and where necessary, enhanced recovery.</p> <ul style="list-style-type: none">• Undertake area studies to ensure optimal and effective use of production and transportation infrastructure	<p>in place</p>	<p>equipment</p> <ul style="list-style-type: none">• Lack of competence• Lack of transparency /trust
--	--	-----------------	---

1.5 Monitoring of Oil and Gas policy and programmes				
The National Integrated Monitoring and Evaluation Strategy (NIMES) assessed and enhanced, to incorporate oil and gas monitoring and evaluation systems.	<ul style="list-style-type: none"> Guidelines for coordination e.g. supervision of petroleum sector in place 	<ul style="list-style-type: none"> Dec 2010 	Norm/standard/ requirements-documents approved and available	<ul style="list-style-type: none"> Good coordination/ cooperation Responsibilities for the deferent institutions well clarified No delays in the law formulation process Institutions are set up in time
COMPONENT 2: CAPACITY BUILDING				
1.6 Institutional Development and Capacity Building				
a) Coordination of supervision Institutions: Completing the functional analysis and harmonising the roles for the institutions, drafting the coordination document and implementing coordination activities	<ul style="list-style-type: none"> Adequate plans for personnel and infrastructure development for institutions Good facilities for institutions Coordination document developed 	<ul style="list-style-type: none"> Dec 2011 	<ul style="list-style-type: none"> Plans for Establishing of Institutions Appropriate infrastructure in place Organisational development strategy in place 	<ul style="list-style-type: none"> No delays in the law formulation process Adequate budget/Financial resources Adequate remuneration system

b) Organizational issues and infrastructure: Preparations of the organisational plans, definition and procurement of the necessary facilities	<ul style="list-style-type: none"> • HR plan for institutions • Adequate institutions and personnel in place • Well performing institutions 	<ul style="list-style-type: none"> • Dec 2010 • Dec 2010 • Dec 2011 	<ul style="list-style-type: none"> • Activity plan for different Institution under implementation • Training reports • Annual/quarterly reports 	<ul style="list-style-type: none"> • Availability of management capacity • Adequate funds to fund these institutions • Successful recruitment of local staff
c) Capacity Building (Petroleum Directorate, Petroleum Authority and other Government Institutions): Recruitment plan, Human Capacity Building, Implementation of Training Plans, Implementation of IT systems	<ul style="list-style-type: none"> • Recruitment plans in place • An appropriate HR training plan • IT systems in place 	<ul style="list-style-type: none"> • Dec 2011 • Dec 2011 • Dec 2010 	<ul style="list-style-type: none"> • Activity plan for different Institutions under implementation • Training reports • Annual/quarterly reports 	<ul style="list-style-type: none"> • Availability of training institutions • Sufficient fund for training • Availability of resource personnel
1.7 National and Local participation				
a) Skills development for the oil and gas sector: Education Curricular, Trainers Educated, Petroleum related Courses at Professional, Technical and Crafts level, Contribution to Implementation of Petroleum Related Training	<ul style="list-style-type: none"> • An adequate National Curricula formulated • Petroleum training introduced. • No of institutions accredited 	<ul style="list-style-type: none"> • Dec 2011 • Two (2) institutions accredited by 2013 	<ul style="list-style-type: none"> • Reviewed national curriculum in place • Petroleum related training within Uganda 	<ul style="list-style-type: none"> • Availability of qualified lecturers/teachers • good cooperation with respective institutions • Adequate remuneration system in the educational system
b) Develop competence and opportunities for the country's entrepreneur sector: Completion of the local content study, Plan to support development of the skills and competitive competencies necessary for the country's entrepreneurs to	<ul style="list-style-type: none"> • A plan to support development of skills • Appropriate Procurement practices facilitating national participation promoted. • Sensitisation workshops 	<ul style="list-style-type: none"> • December 2010 • December 2010 • 2 workshops per 	<ul style="list-style-type: none"> • Bidding procedures for supplies to the industry in place • No of workshops 	<ul style="list-style-type: none"> • Programme ownership by the stakeholders • Adequate investments by the community in the oil and gas related services • Community ownership enhances programme

<p>participate in the delivery of goods and services for the oil and gas sector, implementation of recommendations of the local content study</p>	<ul style="list-style-type: none"> • Database for planned contracts • Information database for certified contractors inc. personnel • QA-systems in place • Compliance with international standards 	<p>year</p> <ul style="list-style-type: none"> • 2010 - 2014 	<p>organised</p> <ul style="list-style-type: none"> • Information database established • No of people certified • Reports on local content development 	<p>outcomes</p> <ul style="list-style-type: none"> • Availability of registered local companies • Willingness of operator to cooperate
<p>1.8 Data and Records Management</p>				
<p>a) Improved data and records management systems</p>	<ul style="list-style-type: none"> • GIS-system developed • Relevant QA/QC-procedures and standards established and updated • Infrastructure is in place, well operated and maintained 	<ul style="list-style-type: none"> • Dec 2012 • Dec 2012 	<ul style="list-style-type: none"> • High quality data available • Relevant software in place • QA/QC procedures in place 	<ul style="list-style-type: none"> • Rapid technological changes and incompatibility • No fatal and frequent IT systems failures • Competent and qualified IT-experts
<p>b) Development of procedures for operations and records management systems</p>	<ul style="list-style-type: none"> • Relevant QA/QC-procedures and standards established and updated • Efficient retrieval of data achieved 	<ul style="list-style-type: none"> • Dec 2010 	<ul style="list-style-type: none"> • QA/QC procedures in place • Relevant software in place • 	<ul style="list-style-type: none"> • Proper reporting procedures • Rapid technological changes and incompatibility • No fatal and frequent IT systems failures
<p>1.9 Resource Assessment</p>				

<p>Plan and contribute to the assessment of the country's oil and gas resources and to the national oil and gas inventory: System for continuously updating resource inventory, developed capacity and procedures to assess petroleum resources.</p>	<ul style="list-style-type: none"> • Development of a biostratigraphic column for the Albertine Graben • Establishment of Play-models established • Resource inventory system in place • Updated resource inventory <ul style="list-style-type: none"> ○ Yet to find resources ○ Discovered resources • Reserves 	<ul style="list-style-type: none"> • Dec 2010 	<ul style="list-style-type: none"> • Stratigraphic column developed • Updated resource database • Annual and quarterly reports 	<ul style="list-style-type: none"> • Proper reporting procedures in place • Adequate G&G capacity • Good data quality • Continuous functioning of IT systems • Competent and qualified IT-experts
<p>1.10 Oil and Gas Sector development and investment strategy/plan</p>				
<p>Strategy/plan for the oil and gas sector developed.</p>	<ul style="list-style-type: none"> • Long range petroleum planning capacity built in PEPD • Sector Investment Plan developed 	<ul style="list-style-type: none"> • Dec 2011 • Dec 2013 	<ul style="list-style-type: none"> • Sector Investment Plan in place • Institutional capacity for sector planning in place 	<ul style="list-style-type: none"> • Good Institution cooperation • Availability of expertise and trained personnel
<p>1.11 Regional and international Cooperation</p>				
<p>Bilateral treaties, Agreement with DRC and Technical standardization reviewed and updated.</p>	<ul style="list-style-type: none"> • Enhanced Bilateral/multilateral Treaties/Agreements prepared • Technical standardization guidelines defined. 	<ul style="list-style-type: none"> • Dec 2010 	<ul style="list-style-type: none"> • Agreements and memorandum of understanding in prepared • Guidelines in place • 	<ul style="list-style-type: none"> • Cooperation between partner states • Availability of expertise and trained personnel • Access to external expertise • No major variations in the

				<ul style="list-style-type: none"> international market Regional stability Political stability
COMPONENT 3: MIDSTREAM DEVELOPMENT				
a) Institution responsible for midstream activities strengthened ;Human resource capacity development in the mid stream	<ul style="list-style-type: none"> Functional analysis done Adequate institutional arrangements and personnel in place Training requirements from the functional analysis implemented Mid stream structure in place 	<ul style="list-style-type: none"> June 2010 Dec 2010 Dec 2010 	<ul style="list-style-type: none"> Institution with competent personnel identified and in place 	<ul style="list-style-type: none"> No delays in procuring the expertise to undertake the analysis No delays in recruitment of human resource
b) A plan for efficient utilisation of the oil and gas resources and development of attendant infrastructure established.	<ul style="list-style-type: none"> A Petroleum Utilization Plan(PUP) developed Plan for the development of midstream facilities in place 	<ul style="list-style-type: none"> 2012 2012 	<ul style="list-style-type: none"> The petroleum Utilisation plan published Resources efficiently utilised and facilities developed on plan 	<ul style="list-style-type: none"> Public and political consensus Approval process of plan and availability competent capacity to undertake proper planning
c) A licensing framework for midstream activities/facilities established and development of mid stream facilities	<ul style="list-style-type: none"> A good licensing framework for midstream activities/facilities developed Licensing of facilities done 	<ul style="list-style-type: none"> June 2011 	<ul style="list-style-type: none"> Facilities licensed 	<ul style="list-style-type: none"> Success mobilization on the investments required Availability of ready standards No delays in approval process of framework
d) Establish an operational monitoring system for midstream facilities and activities. Establish standards for midstream activities /facilities	<ul style="list-style-type: none"> An operational monitoring system established Standards developed/adopted 	<ul style="list-style-type: none"> June 2013 June 2013 	<ul style="list-style-type: none"> The facilities that are developed are operated on set standards. Monitoring system 	<ul style="list-style-type: none"> No delays in standards approval/ government bureaucracy No software development problems

			<ul style="list-style-type: none"> report in place Standards gazetted 	<ul style="list-style-type: none"> Data readily accessible Adequate human resource capacity personnel .Harmonisation of standards
e) Ensure least cost processing and operations of midstream facilities and third party access to capacity in midstream facilities	<ul style="list-style-type: none"> A pricing and tariff methodology developed. Third party access procedures developed 	<ul style="list-style-type: none"> June 2013 	<ul style="list-style-type: none"> Tariff and price methodology document produced Third party access guidelines published 	<ul style="list-style-type: none"> Good cooperation between licence holders ,asset holders and operators No delays in the approval process Government approval of acceptable third party tariffs
f) Study to evaluate the opportunities for the development of a petrochemical industry in the country has been conducted	<ul style="list-style-type: none"> A study on petrochemical development undertaken 	<ul style="list-style-type: none"> June 2012 	<ul style="list-style-type: none"> An adequate study Report produced 	<ul style="list-style-type: none"> Availability of data and information Availability of expertise and trained personnel
• PILLAR 2 OUTPUTS: REVENUE MANAGEMENT				
2.1 Legal Framework & Revenue Policy Component				
2.1.1 Oil Revenue management policy paper to establish collection, accounting and utilisation of oil and gas resources, payment modalities and enforcement approved for	<ul style="list-style-type: none"> Oil Revenue Management Policy 	<ul style="list-style-type: none"> Work will commence in 2010 the process should be completed by December 2012 	<ul style="list-style-type: none"> Policy Paper prepared 	<ul style="list-style-type: none"> Availability of competent human resource No delays at Cabinet Parliament No delays in funding

consideration by cabinet and Parliament				of T.A <ul style="list-style-type: none"> • Political approval
2.1.2 Amend the Public Finance and Accountability Act (PFAA) to make provision for the management of oil and Gas revenues	<ul style="list-style-type: none"> • Creation of Petroleum Fund and the Governance model detailed in the PFAA amendments 	<ul style="list-style-type: none"> • Consultations commence in 2010 the target date for completion early 2012 	<ul style="list-style-type: none"> • National legislation 	<ul style="list-style-type: none"> • No delays at cabinet and parliament • No delay in funding TA • Political approval • Local competence • Public and political consensus • Transparency •
2.1.3 Existing tax legislation and regulations reviewed and updated	<ul style="list-style-type: none"> • Model PSAs in harmony with tax laws • Income Tax Laws • How to capture windfall gains 	<ul style="list-style-type: none"> • December 2011-14 • (annual activity) 	<ul style="list-style-type: none"> • Government take framework • Auditing of oil companies 	<ul style="list-style-type: none"> • No delays in Parliamentary approvals • Availability of local competence • T.A competence • Compliance by the stakeholders
2.2 Revenue Pillar Management				
2.2.1 Assessment of the existing institutions conducted	<ul style="list-style-type: none"> • Improved government take from oil and gas activities 	<ul style="list-style-type: none"> • 2010 	<ul style="list-style-type: none"> • Improved Tax revenues 	<ul style="list-style-type: none"> • Availability of Local competence

	<ul style="list-style-type: none"> • Reforms made in the existing institutions • 	<ul style="list-style-type: none"> • 2010 	<ul style="list-style-type: none"> • Strong administrative structure 	<ul style="list-style-type: none"> • Division of responsibility
2.2.2 Human resource plan analysed and updated	<ul style="list-style-type: none"> • New human resource plan for all relevant institutions 	<ul style="list-style-type: none"> • 2013 	<ul style="list-style-type: none"> • Annual reports for relevant institutions 	
2.3 Fiscal policy component				
2.4.1 The current fiscal framework assessed, taking into account the impact of oil and gas activities.	<ul style="list-style-type: none"> • Oil and gas activities are incorporated into the macroeconomic framework. Development of Petroleum Revenue Model will be considered. • All revenues and public investments are accommodated within the government Medium and Long Term Fiscal Framework 	<ul style="list-style-type: none"> • Work will commence in 2010, the targeted completion date 2011 	<ul style="list-style-type: none"> • National budget documents, the State of the Economy reports, Statistical report. 	<ul style="list-style-type: none"> • Local competence • Technical facilities • Public and political consensus

2.4.2 A fiscal policy strategy paper drafted	<ul style="list-style-type: none"> • Assessment of the existing fiscal policy guidelines (deciding on the rules for the use of oil and gas revenues) • Development of adequate saving instruments. • Investment Portfolio proposed. • Broad public consultation involving key stakeholders made. 	<ul style="list-style-type: none"> • 2011 	<ul style="list-style-type: none"> • Fiscal and monetary framework • National budget documents • White paper 	<ul style="list-style-type: none"> • Adequate public inquiry of strategy • Local competence • Public and political consensus
2.5 Monetary policy management component				
The current monetary framework assessed and updated, taking into account the impact of oil and gas activities	<ul style="list-style-type: none"> • Developing an efficient system for handling capital outflow • Designing an appropriate monetary policy framework 	<ul style="list-style-type: none"> • 2012 	<ul style="list-style-type: none"> • Reports on the conduct of monetary policy 	<ul style="list-style-type: none"> • Local competence • Public and political consensus
2.6 Banking arrangements and accountability components				

Develop capacity to manage and account for Oil and gas revenues.	<ul style="list-style-type: none"> Banking , Accounting ,reporting and auditing functions improved to meet the best practise 	<ul style="list-style-type: none"> 2011 	<ul style="list-style-type: none"> Financial Statements Annual reports on the management of the petroleum funds. National Final Accounts 	<ul style="list-style-type: none"> No delay in funding TA Local competence Public and political consensus
PILLAR 3 OUTPUTS: ENVIRONMENTAL MANAGEMENT				
3.1 Strategic Environmental Assessment (SEA) for the Albertine Graben conducted and results widely disseminated.	<ul style="list-style-type: none"> Report produced and disseminated 	<ul style="list-style-type: none"> 2010 	<ul style="list-style-type: none"> Assessment report Workshop reports 	<ul style="list-style-type: none"> Cooperation from stakeholders
3.2 Capacity development programs developed and implemented in all relevant institutions, for areas identified as relevant/critical to the oil and gas sector based on capacity needs assessment.	<ul style="list-style-type: none"> Capacity needs assessments conducted in all relevant organisations based on agreed ToR Capacity plan for all relevant institutions developed and approved. Capacity development 	<ul style="list-style-type: none"> 2010 Dec 2010 	<ul style="list-style-type: none"> Approved plan documents Performance reports from institutions 	<ul style="list-style-type: none"> Cooperation from relevant institutions Government avails staff

	programmes implemented			
3.3 Environmental and biodiversity related policies reviewed with respect to oil and gas including biodiversity off-sets, and presented for approval.	<ul style="list-style-type: none"> • Policies reviewed and updated for Wildlife, Forestry, Wetland, Water resources management, Fisheries, Environment management, Land use, and Occupational health and safety 	<ul style="list-style-type: none"> • 2014 	<ul style="list-style-type: none"> • Review report with proposed amendments 	<ul style="list-style-type: none"> • The relevant bodies approve the recommended changes and amendments
3.4 Existing Acts reviewed, recommendations drafted and presented for approval	<ul style="list-style-type: none"> • Acts reviewed and updated for Wildlife, Forestry, Wetland, Water resources management, Fisheries, Environment management, Land use, and Occupational health and safety 	<ul style="list-style-type: none"> • 2011-2014 	<ul style="list-style-type: none"> • Review report with proposed amendments 	<ul style="list-style-type: none"> • The relevant political bodies approve the recommended changes and amendments

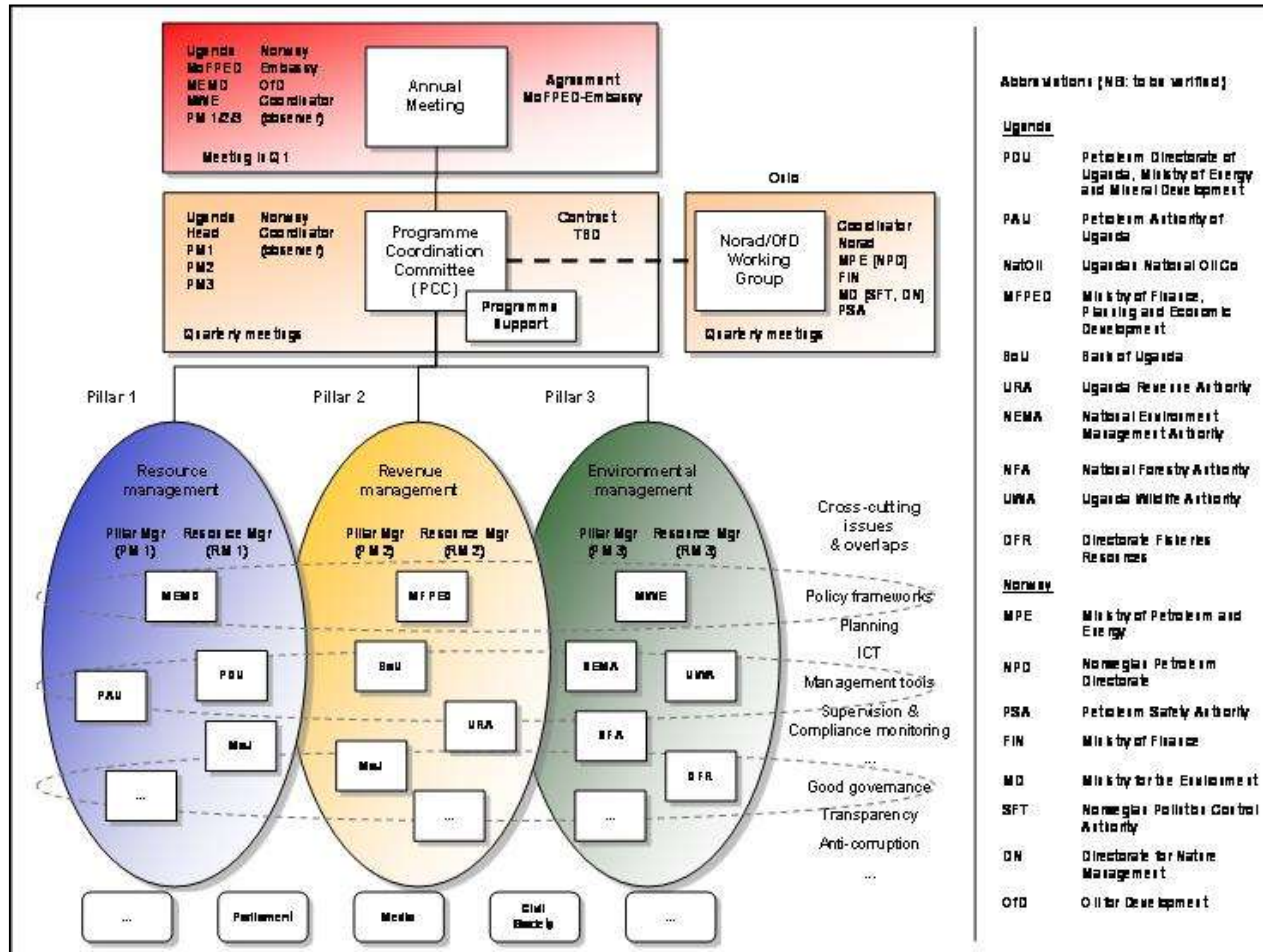
3.5 Management plans for protected areas, and relevant sector plans for the AG, reviewed and updated taking the oil and gas issues into consideration	<ul style="list-style-type: none"> • (12)wildlife protected area management plans reviewed and or prepared • (7) Central Forest Reserves management plans reviewed 	<ul style="list-style-type: none"> • Two management plans reviewed per year • 1 CFR management plan reviewed per year 	<ul style="list-style-type: none"> • Published management plan documents • Consultation reports 	<ul style="list-style-type: none"> • Enabling policy and legal framework exists • Cooperation from stakeholders
3.6 An environmental monitoring system for the AG, with clear and agreed indicators, is established.	<ul style="list-style-type: none"> • Indicator list established • Indicator baseline data available • Monitoring methodology developed • Procedures for organisation and dissemination of data agreed • Roles and responsibilities agreed 	<ul style="list-style-type: none"> • 2010 • 2010 • 2010-2011 • 2011 • 2011 	<ul style="list-style-type: none"> • Baseline data report • Regular reports generated from the system 	<ul style="list-style-type: none"> • Reliable baseline data available • Acceptance of the indicators by stakeholders
3.7 Environmental regulations and standards relevant to the oil and gas sector developed and/or	<ul style="list-style-type: none"> • Review performed, documented and discussed at 	<ul style="list-style-type: none"> • 2010 	<ul style="list-style-type: none"> • Documents available • Minutes of 	<ul style="list-style-type: none"> • The relevant political bodies approve the recommended

revised	workshop of stakeholder authorities including select group of local government representatives supplemented by relevant expertise from academia <ul style="list-style-type: none"> • Draft amendments proposed and discussed at national workshop with representation from local government in all 22 AG districts as well as from industry and NGOs 	<ul style="list-style-type: none"> • 2011 • 2011 	presentation	changes and amendments
3.8 Hazardous waste management system strengthened.	<ul style="list-style-type: none"> • Waste types from oil & gas industry identified and categorised • Proposal for waste management system including proposal of disposal sites and treatment solutions elaborated. • Proposal of waste 	<ul style="list-style-type: none"> • 2010 • 2011 • 2011 	<ul style="list-style-type: none"> • Report on categories and composition of wastes generated • List of licensed facilities • Published procedures for handling different wastes • Training reports 	<ul style="list-style-type: none"> • Industry best practices available • Cooperation between government and private sector

	management regulations presented for approval. (coordinated with output 3.8)			
3.9 Framework for compliance monitoring and enforcement of the oil and gas industry strengthened.	<ul style="list-style-type: none"> • Proposal of financing mechanisms of the audits developed • System for planning and prioritising of audits developed • Checklists and training on how to carry out the audit • Procedures on how to report and how to handle non-compliance elaborated. • Licensed facilities inspected and audited • Monitoring equipment procured 	<ul style="list-style-type: none"> • 2012 • 2012 • 2013 • 2013-2014 • 2013 • 2011 	<ul style="list-style-type: none"> • Published checklists • Minutes of monitoring teams • Published disclosure procedure • Inspection and audit reports • Training reports • Published manual 	<ul style="list-style-type: none"> • Willingness of operators to comply • Company take up voluntary initiatives • Commitment from government agencies to allocate resources • Reliable baseline data available
3.10 National oil spill contingency plan developed and operationalized.	<ul style="list-style-type: none"> • Oil spill risk assessment performed • Contingency plan 	<ul style="list-style-type: none"> • 2010 • 2010 	<ul style="list-style-type: none"> • Published updated atlas • Dissemination reports 	<ul style="list-style-type: none"> • Reliable baseline data available • Cooperation between government and

	<p>proposal developed and discussed at stakeholder workshop</p> <ul style="list-style-type: none"> • Workshop to discuss contingency plan with neighbouring countries held • Key personnel trained 	<ul style="list-style-type: none"> • 2012 • 8 people trained per year 	<ul style="list-style-type: none"> • Functionality of equipment • Spill response reports • Training reports 	private sector
--	--	---	--	----------------

ANNEX2: Program Management and Governance Structure and mandates



Mandates

1. Mandate for Coordination Committee:

The mandate of the Programme coordination committee is to support the Resource Managers and Pillar Managers in technical and administrative matters. The committee should comprise of Pillar Managers, who are appointed by the respective ministries and a chairperson appointed by the coordinating ministry. The chairperson of the committee shall not be a Pillar Manager. The committee shall spearhead preparations for the annual meeting. The committee will be supported by a secretariat which will handle both national procurement and that of external assistance together with coordination of reporting. The themes that the secretariat should handle are administrative in nature. The coordination committee will handle appointment of the secretariat and the secretariat should be supported by the program including remuneration of the secretariat's staff.

Function

- Assist prepare the program, both in terms of technical content and administration/ management
- Assist in coordination and compilation of reports from the pillars
- Assist in handling the accounting related to the program
- Assist in procuring and administering of external assistance to the program

2. Mandate for Pillar Managers:

The purpose of the Pillar Managers is to prepare, coordinate and follow up all the activities under their respective pillars and coordinate with their Norwegian counter parts (Resource Managers) on the progress of the project.

The themes of the Pillar Managers will be administrative in nature when coordinating the programme activities under each pillar.

Appointment

- The Pillar Managers will be appointed based on technical/sector competence and management abilities. The Pillar Managers will be appointed by the following Ministries' Ministry of Energy and Mineral Development, Ministry of Finance

Planning and Economic Development and the Ministry of Water and Environment/National Environment Management Authority. The Pillar Managers will have technical/ sector competence and work in a logically related Ministry/ Authority in Uganda. They will serve for the entire duration of the programme.

Function

- The Pillar managers will prepare detailed annual plans and budgets to be approved by the Coordination Committee.
- They will monitor program progress based on close and regular contact and supervision of the activities within each pillar.
- They will also communicate with their respective Resource Manager and respond to them on specific issues.
- Keep the coordination committee updated on a quarterly basis.
- They will identify any required support in form of expertise services and include it in the plans and budgets as required.

3. Mandate for Norwegian working group:

This mandate describes the responsibilities, functions, tasks, modus operandi and appointment of members of the Norwegian Working Group (NWG).

The responsibility of the NWG is to coordinate the follow up of the program from the Norwegian side, to be the counterpart to the Programme Coordination Committee (PCC) and to support the program secretariat in technical and administrative matters.

The function of the NWG is to discuss issues of technical or strategic nature that the PCC brings forward for discussions, clarifications and feedback. In addition the NWG should ensure that the Norwegian partners and the program are updated on key developments within the three pillars that could have an impact on the program.

The tasks of the NWG are to:

- Assist in preparing the program and implement activities, both in terms of technical content and administration/ management.
- Keep abreast of program progress, based on reports from the program secretariat
- Respond to the program secretariat when approached on specific issues
- Keep the program and its secretariat updated on developments that may have an impact on the activities of the program

The modus operandi of the NWG will be that:

- All members of the NWG have a responsibility to report on issues to be discussed at the meetings of the working group.
- Norad/OfU will act as a secretariat for the NWG.
- NWG will meet on a quarterly basis, but Norad can call more frequent meetings if deemed necessary
- There is no limit to how many of the working group professionals that need to be present for the NWG to conduct a conveyed meeting. The NWG can come with recommendations/ advise if (Norad/OfU) deemed it prudent.

The appointment of members of the NWG

The members of the NWG should include representation from the following Ministries/ Authorities:

Ministry of Petroleum and Energy/Norwegian Petroleum Directorate/Petroleum Safety Authority

Ministry of Finance

Ministry of Environment/Directorate for Nature Management/The Norwegian Pollution Authority

4. Mandate for Norwegian Resource managers:

This mandate describes the responsibilities, functions, tasks and appointment of Norwegian Resource Managers.

The responsibility of the Resource Manager is to coordinate the follow up of the relevant pillar activities from the Norwegian side and to coordinate the related communication between the Norwegian partners and the respective Pillar Manager.

The tasks of the Resource Manager are as follows:

- Assist the respective Pillar Manager in preparing detailed annual plans and budgets to be approved by the Programme Coordination Committee
- Keep abreast of program progress based on close and regular contact with the Pillar Manager and coordinate Norwegian input to the Annual report
- Respond to the Pillar Manager when approached on specific issues, and especially coordinate the Norwegian response to the issues raised
- Keep the respective Norwegian Working Group updated on a needs basis
- Prepare and submit quarterly invoices for services performed and costs incurred in conformity with the Institutional Cooperation Contract

The appointment of the Resource Managers will:

- be decided by their respective institution

5.Mandate for Norwegian Coordinator:

This mandate describes the responsibility, function, tasks and appointment of the Norwegian Coordinator (Coordinator).

The responsibility of the Coordinator is to coordinate and ensure the follow up of the work from the Norwegian side and to coordinate the communication between the NWG and the Programme Coordination Committee (PCC).

The function of the Coordinator will be strategic and programmatic in nature, and administrative when coordinating the Norwegian environments. The coordinator will act as the contact person between the Programme Coordination Committee (PCC) and the Norwegian Working Group (NWG).

The tasks of the Coordinator are to:

- Assist PCC in preparing annual reports, plans and budgets to be approved by the Annual Meeting.
- Keep abreast of program progress based on close and regular contact with the PCC and Program Secretariat.
- Respond to the PCC when approached on specific issues, and especially coordinate the Norwegian response to the issues raised.
- Participate in the NWG and PCC meetings.
- Keep the PCC and the NWG updated on a needs basis.

The appointment of the Coordinator will be:

- Decided by Norad/ OfU in coordination with the Norwegian Embassy and based on technical/ sector competence and management abilities.
- For a two year term
- Made from among candidates employed in logically related Ministries/ Authorities in Norway.

ANNEX3: Work Plan and Budget for the Resource Management Pillar

No.	OUTPUT/Activities	Month 2010												Budget (NOK)	Budget (USD)	YEAR				Total(Nok)	
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			2011	2012	2013	2014		
1.1	Pillar Management														500,000	83,333	500,000	500,000	500,000	500,000	2,500,000
	Component 1: Legal, Regulatory Framework and Licensing																				
1.2	Legal and Regulatory framework for the upstream and midstream petroleum sectors														2,000,000.00	333,333.33	200,000.00	126650	106350	100000	2,533,000
	a) Completing formulation of resource management law																				
	b) Formulating the law for oil and gas utilization																				
	c) Preparing subordinate regulations for upstream petroleum sector and local content																				
	d) Preparing subordinate regulations for midstream petroleum sector and local content																				
	e) Preparing subordinate regulations for HSE																				
	f) Preparing revision of model PSA																				
1.3	Licensing strategy and plan														500,000.00	83,000.00	100000	50000	100000	12000	762,000
	a) Benchmarking of																				

midstream institution																		
c) Adequate institutional arrangements and personnel																		
d) Establishing the monitoring system for f midstream activities																		
f) Training																		
Subtotal																		
Contingency																		
Total																		
Overall Total (Resource Management Pillar)																		

ANNEX4: Work Plan and Budget for the Revenue Management Pillar

OUTPUT/ACTIVITIES	Revised Budget	Budget	Budget	Budget	Budget	
	2010	2011	2012	2013	2014	Total
componenet 1. Legal framework and Policy		1,011,041.00	1,011,041.00	191,925.50	191,925.50	2,405,933.00
Drafting the Revenue Management Policy Paper						
Reviews & Updates of Tax legislation						
Workshops to review the Public Finance and Accountability Act to incorporate Oil revenue management aspects						
Component 1 sub total	2,981,838.00	1,011,041.00	1,011,041.00	191,925.50	191,925.50	5,387,771.00
Component 2. Pillar management	-	95,571.50	95,571.50	95,571.50	95,571.50	382,286.00
Conduct needs assements for revenue management pillar institutions and develop an integrated capacity building plan for the pillar						
Component 2 Sub total	1,198,714.00	95,571.50	95,571.50	95,571.50	95,571.50	1,581,000.00
Component 3: Fiscal Policy	-	912,222.50	912,222.50	912,222.50	912,222.50	3,648,890.00
Assess the Fiscal Policy framework and review its capaicity to address the oll revenue management						
Develop a fiscal policy strategy paper (this will also detail the revenue sharing and investment						

policy)-consultations						
component 3 sub total	1,173,210.00	912,222.50	912,222.50	912,222.50	912,222.50	4,822,100.00
Component 4: Monetary Policy Framework	-	146,940.00	146,940.00	146,940.00	146,940.00	587,760.00
Develop a capacity development plan for the component						
Consultations to review the Monetary Framework and identify areas to be strengthened or modified						
Component 4 Sub-Total	140,000.00	146,940.00	146,940.00	146,940.00	146,940.00	727,760.00
Component 5: Banking, Accounting and Audit	-	765,525.75	765,525.75	765,525.75	765,525.75	3,062,103.00
Development of a legislative and framework for the petroleum Fund						
Review the Memorandum of Understanding between BoU and MoFPED to address the accounts management and banking arrangements						
Capacity building in the international accounting standards in petroleum accounting.						
Component 5 sub total	258,697.00	765,525.75	765,525.75	765,525.75	765,525.75	3,320,800.00
SUBTOTAL	5,752,459.00	2,931,300.75	2,931,300.75	2,112,185.25	2,112,185.25	15,839,431.00
Contingency	575,245.90	293,130.08	293,130.08	211,218.53	211,218.53	1,583,943.10
GRAND TOTAL	6,327,704.90	3,224,430.83	3,224,430.83	2,323,403.78	2,323,403.78	17,423,374.10

ANNEX5: Work Plan and Budget for the Environment Management Pillar

No.	Activity	2,010	2,011	2,012	2,013	2,014	TOTAL
3.1	Strategic Environmental Assessment (SEA) for the Albertine Graben conducted and results widely disseminated.	2,122,376	477,535				2,599,911
3.2	Capacity development programs developed and implemented in all relevant institutions, for areas identified as relevant/critical to the oil/gas sector (based on capacity needs assessment).	895,764	806,188	800,000	500,000	500,000	3,501,952
3.3	Environmental and biodiversity related policies reviewed with respect to oil and gas (incl biodiversity off-sets), and recommendations presented to Government for approval		360,000	200,000	300,000	300,000	1,160,000
3.4	Existing Acts reviewed, recommendations drafted and presented for approval			300,000	300,000	300,000	900,000
3.5	Management plans for protected areas, and relevant sector plans for the AG, reviewed and updated taking the oil and	1,038,960	935,064				1,974,024

	gas issues into consideration						
3.6	An environmental monitoring system for the AG, with clear and agreed indicators, is established.		1,190,000	400,000	300,000	300,000	2,190,000
3.7	Environmental regulations and standards in relation to the oil/gas sector developed and framework for discharge permits reviewed and updated	760,252	620,252				1,380,504
3.8	Mechanisms for oil and gas industry (hazardous) waste strengthened	724,640	724,640				1,449,280
3.9	Framework for compliance monitoring and enforcement of the oil and gas industry strengthened (incl. the issue of payment from industry).	641,456	641,456				1,282,912
3.10	National Oil spill contingency mechanism in place and operational.	2,122,932	1,322,932	250,000	200,000		3,895,864
	Project Management	330,452	328,660	330,000	345,000	500,000	1,834,112
	Inception workshop (2009)	256,860					
	Subtotal	8,893,692	7,406,727	2,280,000	1,945,000	1,900,000	
	Contingency (10%)		740,672	228,000	194,500	190,000	
	Total	8,893,692	8,147,398	2,508,000	2,139,500	2,090,000	23,778,591

ANNEX6: Budget for Programme Coordination

ITEM/ACTIVITY YEAR		2010 USD	2011 USD	2012 USD	2013 USD	2014 USD	TOTAL (USD)
A. SALARIES		66,000	66,000	0	0	0	132,000
1. ADMINISTRATOR	1						
2. COMMUNICATIONS OFFICER	(ONE @ USD2000.00)						
3. ACCOUNTS ASSISTANTS	1 (ONE @ USD500.00)						
4. PROCUREMENT ASSISTANT	1						
5. SECRETARY	1						
SUBTOTAL FOR A		66,000	66,000	0	0	0	132,000
B. OFFICE EXPENSES		52,342	64,042	61,542	64,042	61,752	303,720
1. ANNUAL MEETINGS							
2. PCC MEETINGS (HELD QUARTERLY)							
3. COMMUNICATION COSTS							
4. TRANSPORT							
5. STATIONERY							
6. OFFICE EQUIPMENT(COMPUTER HARDWARE)							
SUBTOTAL FOR B		52,342	64,042	61,542	64,042	61,752	303,720

C. COMMUNICATION STRATEGY		125,584	154,114	152,114	152,114	102,114	686,040
1. STAKEHOLDER CONSULTATION MEETINGS							
1.1 NATIONAL STAKEHOLDER MEETINGS (TWICE A YEAR)							
1.2 REGIONAL STAKEHOLDER MEETINGS							
•HOIMA (ONCE A YEAR)							
•ARUA (ONCE A YEAR)							
•KASESE (ONCE A YEAR)							
2. WEBSITE CREATION AND MAINTENANCE							
•CREATION							
•MAINTENANCE							
3. CONSULTANCY COST							
4. COORDINATION OF THE COMMUNICATION STRATEGY AMONG THE PILLARS							
5. CAPACITY BUILDING							
SUBTOTAL FOR C		125,584	154,114	152,114	152,114	102,114	686,040
D. MONITORING OF OIL AND GAS POLICY AND PROGRAMMES							
1. TRAINING							
2. CONSULTANCY							
SUBTOTAL FOR D		34,143.00	44,600.00	39,371.00	39,371.00	39,371.00	196,856.00

E. REVIEW OF FINANCIAL MANAGEMENT SYSTEM							2,000
TOTAL (LESS CONTINGENCY)		280,069	328,756	253,027	255,527	203,237	1,320,616
CONTINGENCY 10% OF TOTAL		28,007	32,876	25,303	25,553	20,324	132,062
TOTAL (USD)		308,076	361,632	278,330	281,080	223,561	1,452,678
TOTAL (NOK)	(1 USD=7.00 NOK)	2,156,531	2,531,421	1,948,308	1,967,558	1,564,925	10,168,744

ANNEX7: Programme Coordination Committee Structure

