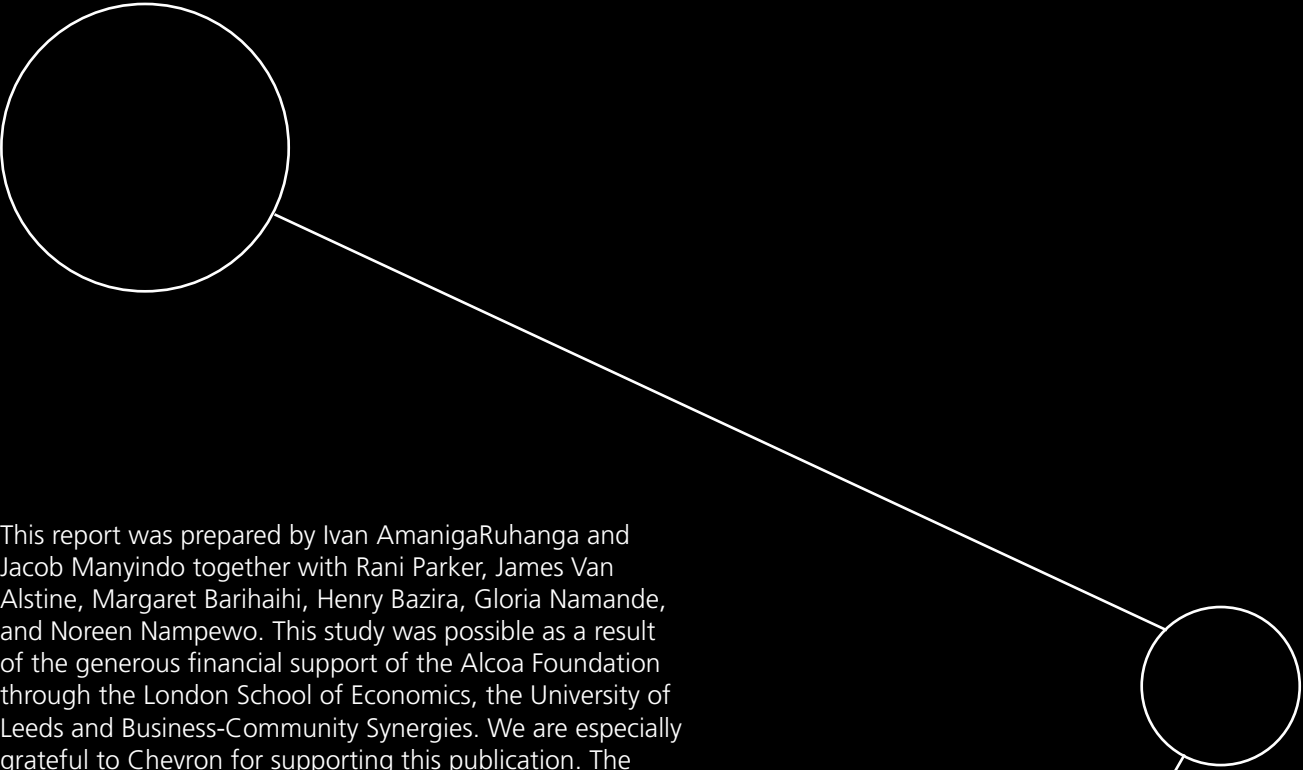




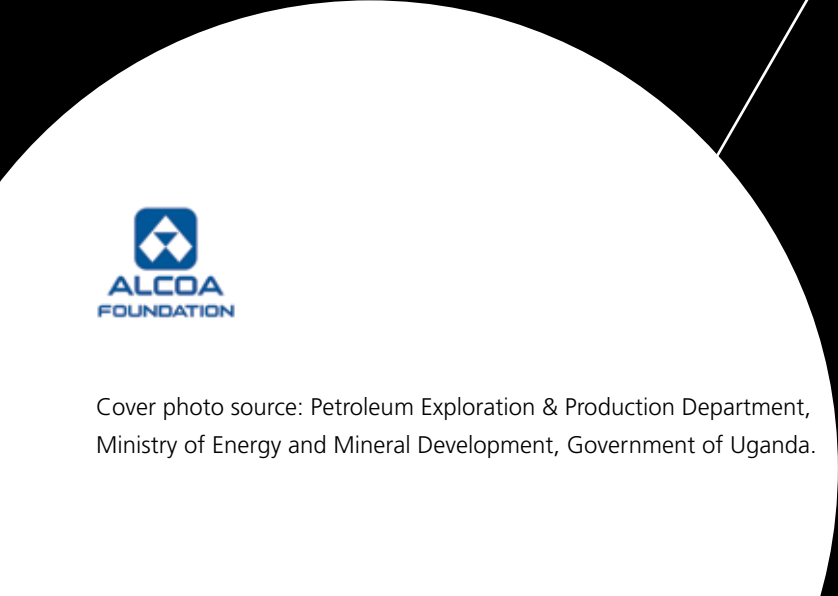
# Seeking Benefits and Avoiding Conflicts: *A Community-Company Assessment of Uganda's Hydrocarbon Industry*



This report was prepared by Ivan AmanigaRuhanga and Jacob Manyindo together with Rani Parker, James Van Alstine, Margaret Barihaihi, Henry Bazira, Gloria Namande, and Noreen Nampewo. This study was possible as a result of the generous financial support of the Alcoa Foundation through the London School of Economics, the University of Leeds and Business-Community Synergies. We are especially grateful to Chevron for supporting this publication. The authors remain solely responsible for the content of this report, and the views expressed herein do not necessarily represent the views of the organizations they work for.

For correspondence, please contact:

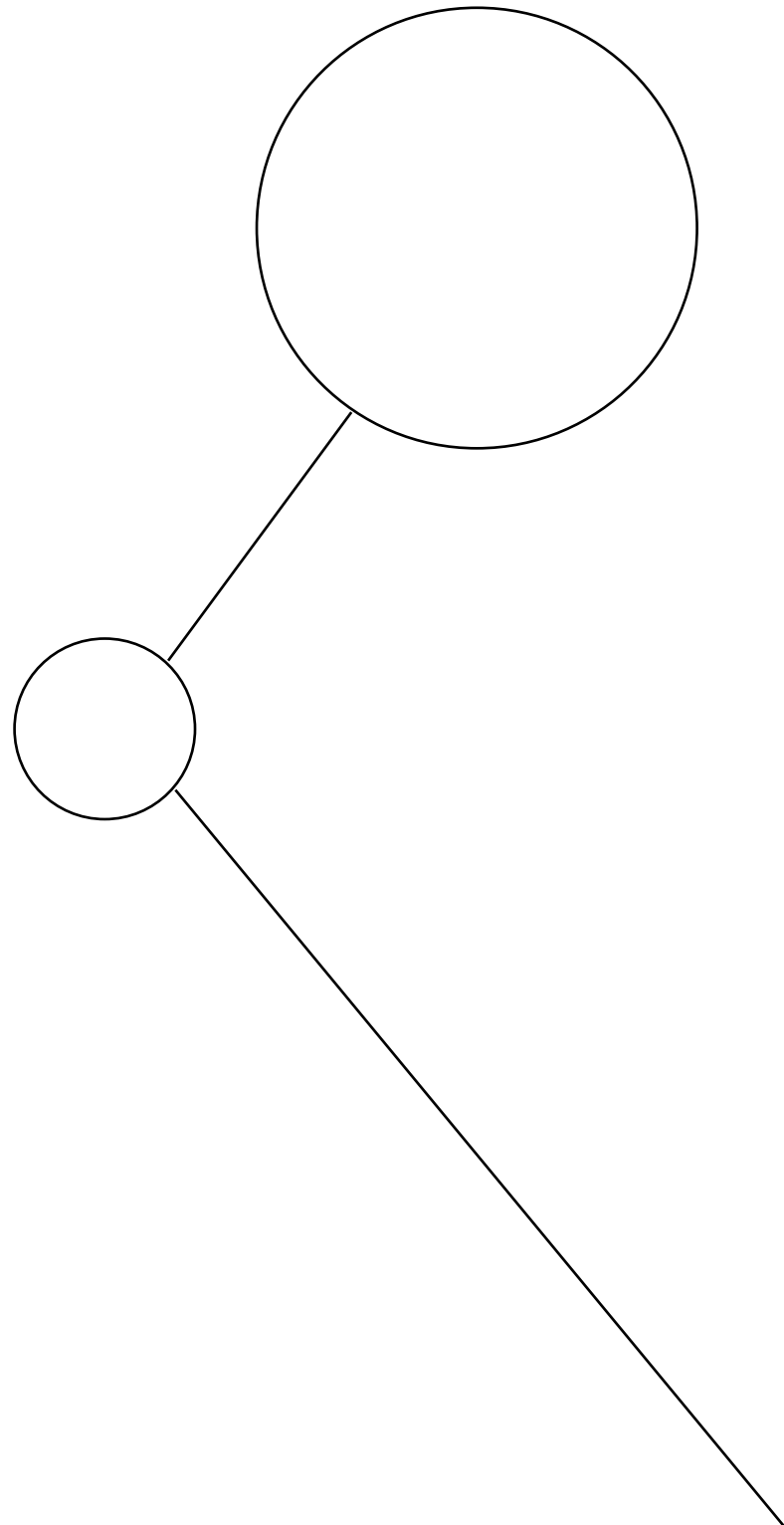
- **Mr. Jacob Manyindo**, Maendeleo ya Jamii, email: [jacob.manyindo@maendeleoyajamii.org](mailto:jacob.manyindo@maendeleoyajamii.org)
- **Dr. A. Rani Parker**, Business-Community Synergies, email: [rparker@bcsynergies.com](mailto:rparker@bcsynergies.com)
- **Dr. James Van Alstine**, University of Leeds, email: [j.vanalstine@leeds.ac.uk](mailto:j.vanalstine@leeds.ac.uk)



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## Executive Summary

The recent discovery of commercial quantities of oil and gas resources in the Albertine Basin has raised the possibility of energy security and development benefits to Uganda. At the same time, development of this industry also poses important governance challenges if it is to contribute to sustainable development and poverty reduction. The firms engaged in exploration and preliminary production have, to varying degrees, initiated corporate social responsibility activities with local communities. Therefore, the overall aim of this study is to explore community-company engagement within host communities in order to maximize the development benefits at the local level.<sup>1</sup> This study will also contribute to national and local government efforts to enhance community benefits from Uganda's hydrocarbon industry.

In May 2010, a research team consisting of individuals from the University of Leeds and London School of Economics (LSE) in the UK, Business-Community Synergies (BCS) in the US, the Uganda Wildlife Society and the Water Governance Institute (representing the Civil Society Coalition on Oil), conducted a pilot study to assess the relationship between Tullow Oil and communities within and in proximity to the company's current operational area in the Albertine Graben of Uganda. This study, a Community-Company Assessment (CCA), aims to develop shared understanding among companies, communities and government officials, so that the extraction of natural resources results in net benefits to people living in and around the areas of exploitation.<sup>2</sup>

The findings and recommendations of the study are described in this report, which is divided into eight chapters. Chapter 1 explains the purpose of the study, which is threefold. First, to inform communities in the Albertine Graben how they can engage more strategically and effectively with the emerging oil and gas industry. Second, to provide feedback to companies operating in the region about community concerns. Third, to inform central and local governments on the interaction between companies and communities, the emerging issues for consideration, and the management of community and other stakeholder expectations with respect to the industry. Chapter 2 provides the necessary background to the study. Chapter 3 details the study's methodology. Chapter 4 presents the study team's findings from the perspective of the various communities visited. These communities included Kiryamboga, Tonya-B, and Kyehoro in Hoima District and Kakindo in Buliisa District.

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1 The study is part of a larger research programme based at LSE and University of Leeds which aims to increase understanding about the extractive industries and enhance community capacities to negotiate more effectively with the extractive industries for sustainable local benefits (see: [www.lse.ac.uk/communitycapacities](http://www.lse.ac.uk/communitycapacities)). Country case studies include: Uganda (oil and gas), Ghana (oil and gas), Brazil (bauxite), Zambia (copper) and Ireland (oil and gas)

2 The CCA is both a methodology and a process, which aims to build trustful relationships. Shared understanding is achieved when each party recognizes the legitimacy of the others' perspectives. The CCA was developed by BCS as a way to strengthen relationships between large companies and the communities where they operate. The CCA has been applied successfully in many extractive industries and contexts around the world. For more information on the CCA, see [www.bcsynergies.com](http://www.bcsynergies.com)

Chapter 5 covers the study team's findings from the perspective of the company, Tullow Oil. Chapter 6 records the recommendations of both the communities and Tullow Oil on how their relationship can be improved. Chapter 7 provides the study team's analysis of the research findings and recommendations after they have been validated by both the communities and Tullow Oil. The study concludes with Chapter 8 which offers specific suggestions by the study team on how to continue the process of developing shared understanding among corporate, government and community stakeholders in Uganda's hydrocarbon industry.

The research team's recommendations cover six key themes (see Chapter 7 for more detail). Many of these also reflect concerns expressed by both communities and company.

**1. Employment.** Although significant employment is not among the benefits that the oil industry is able to offer, existing opportunities may be maximized by increasing the company's understanding of the local context.

- (a) The company can eliminate perceptions of discrimination in employment by establishing an employment committee with a two or three year term, rather than relying exclusively on company foremen or Local Council Chairpersons to identify individuals for casual labor.
- (b) The company and government agencies should conduct a socio-economic baseline study in and around communities it operates so that it may better understand and document community demographics, land ownership, land use practices, power relations, as well as their skills and capacities.
- (c) Increase industry investment in training and skills development so that future generations may have greater employment benefits from the oil industry, or other viable livelihood options.

**2. Compensation.** Although it is understandable that Tullow Oil has chosen to follow national or local compensation standards, it may be desirable to exceed those standards and operate on the basis of international best practice.

- (a) Consider compensation for displacement and relocation on the basis of World Bank standards.<sup>3</sup>
- (b) Short-term disruptions to livelihoods require adequate compensation. For example, those related to stopping fishing while the company carries out seismic tests in Lake Albert.
- (c) Apply World Bank standards to compensate people who are evicted.
- (d) District-level government should consider educating communities about the procedures for compensation.

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3 For example, see various IFC guidelines, such as: Social Safeguards, updated, forthcoming January 2011; Strategic Community Investment, 2010; Stakeholder Engagement, 2007; and Participatory Planning and Monitoring, forthcoming, 2011.

### 3. Fear/anxiety about eviction and loss of livelihoods.

Community members were genuinely concerned about being forced to leave their homes on short notice. There was the fear of loss of tenure, without adequate compensation, notification and preparation.

- (a) Consider sharing information on planned oil and gas activities two months in advance so that communities are given time to prepare.
- (b) Central government officials should inform communities (at village level) of the boundaries of exploration blocks as soon as they have been determined, and about the companies that will be carrying out exploration activities before the companies arrive in the area.
- (c) Government and international donors should invest in awareness building about individual and group rights within the national legal framework and in international law.
- (d) Grievance procedures and consultation mechanisms must be in place for households that do not wish to be displaced, so that a mutually satisfactory solution may be found.
- (e) Government and companies should use creative methods (such as the cartoons developed by Neptune Oil) to inform communities about activities related to oil extraction.

**4. Community-Company interaction.** There were conflicting reports about direct interaction between the company and communities, about the process by which information was provided, and complaints that the company started operations in communities unannounced.

- (a) Companies should identify and employ community liaison officers (who are not elected or formal leaders) to build and maintain relationships with communities, to answer community questions, and to facilitate deeper understanding within the company of community interests, concerns and priorities. Such individuals should visit communities regularly and document their visits.
- (b) Agendas for meetings called for by companies should be provided two weeks before the meeting so that communities can be prepared and participate effectively.
- (c) Further research is needed to look more closely at the timing and the means by which information is currently disseminated and to seek alternatives.

**5. Land acquisition for oil activities.** Land speculators are illegally acquiring community land in anticipation of economic gains in future. In addition, there is no clear policy on how government may acquire land owned communally for oil development.

- (a) The government, in consultation with communities, needs to set clear terms upon which communities can be displaced in oil development zones.
- (b) In areas where land is owned communally, companies should lease land for their operations from the community as opposed to individuals.
- (c) Local Councils should work with the District Land Boards to ensure that land disputes in communities are resolved before oil companies begin operations.

**6. CSR Projects.** Oil company CSR projects are strongly welcomed and desired by communities. The nature of the projects and how they are implemented is crucial to community-company relations.

- (a) Companies should consider community-identified priorities in choosing CSR projects. A community-based process is required that would draw from and enable community inputs into the District Development Plan and the Sub-County Development Plans to ensure that company interventions are consistent with government plans and local priorities.
- (b) CSR projects such as those involving the building of schools and health centres should follow national standards.
- (c) The company should seek out professional expertise and guidance on CSR projects, which are essentially development projects, to ensure that they are locally-owned and sustainable with appropriate monitoring and evaluation.
- (d) Government and companies need to coordinate and support each other in the planning and implementation of CSR projects. This will ensure, for example, that there is a smooth transition from company construction of a public service facility (health center) and the government's ability to staff, maintain and otherwise sustain that service when the company's obligation is completed. Early coordination will ensure sustainability of projects even when the company concludes its operations and leaves the area.

**The research team proposes the following way forward:**

- It is essential that the company conducts a socio-economic/livelihoods baseline study and social impact assessment in the exploration blocks. A methodology should be used that is less structured than what was used for the EIA, explicitly encouraging the identification of issues and impacts by community members.
- Seek additional funding to complete the CCA process. This includes holding a multi-stakeholder meeting, getting stakeholder commitment to follow-up on recommendations with an action plan, and implementing at least part of the action plan.
- Carry out CCAs in exploitation blocks held by other licensed companies focusing on communities within and in proximity to the company operation areas. It might be necessary to take the CCA beyond the traditional operational area and make the CCA a repeated or regular exercise to continuously inform industry, government and communities.
- Non-Government Organizations and donors could establish and maintain a system that monitors and evaluates the implementation of agreed CCA action plans by companies.