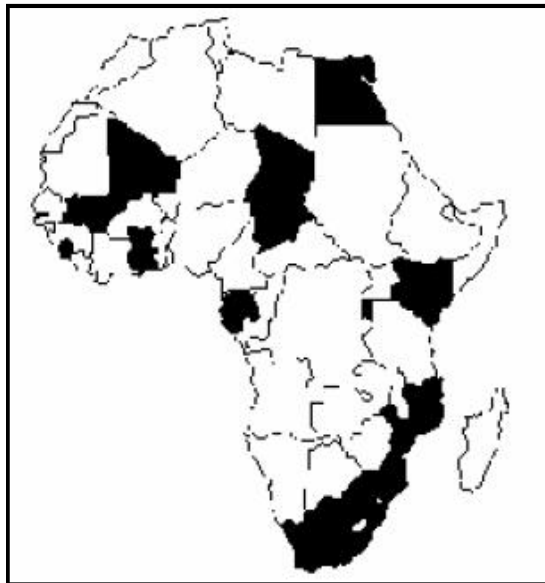


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# **THE EXISTING LEGAL REGIME FOR LOCAL CONTENT IN PETROLEUM INDUSTRY IN UGANDA.**

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## **INTRODUCTION:**

Local content carries an expansive meaning, but within the oil and gas industry it is generally recognized as an intervention by a national government aimed at ensuring that the majority of the goods and services required at each stage of the oil and gas value chain are locally supplied. For instance, in the context of indigenous employment, local content policies (“LCPs”) are about far more than securing an immediate increase in the percentage of local employees. Their aim is to compel International Oil Companies to actively engage the local workforce as part of their conduct of petroleum operations, thereby facilitating the transfer of valuable skills and knowledge to the benefit of the indigenous communities as a whole.<sup>1</sup>

## **SITUATIONAL ANALYSIS**

One issue of debate about countries that have discovered rich natural resources, such as oil and gas, is whether such endowments are no guarantee that the country’s economy and business life will prosper. This does not prevent huge expectations from rising. It is easily assumed that large endowments of valuable natural resources will provide the country with revenues which will ease financial constraints on public budgets, and that the efforts to extract these resources will allow national entrepreneurs and business enterprises to prosper and the domestic economy to grow. Uganda also faces such expectations and if they are not tamed with participation of local communities and leaders can result into what is referred to as the resource curse or the paradox of plenty. It may be explained in many different ways. Extraction of non-renewable natural resources with a significant resource rent often represents a windfall gain of great magnitude for the host country<sup>2</sup>.

This is not an issue that is unique to developing African countries. Both the UK and Norwegian governments took an active role in developing local

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<sup>1</sup> *Understanding Local Content policies in Africa’s petroleum sector-An English Law perspective on The oil and gas Market Jubilee Easo and Angela Wallace October 2014*

<sup>2</sup> *Sachs and Warner, (2001),*

content in the early days of their respective oil and gas industries. Both countries had highly educated workforces with technical competence in manufacturing, shipbuilding and engineering. What they did not have was a domestic oil and gas industry. The UK government used a number of measures such as discretionary licensing, strict audits of purchases by oil companies to ensure that domestic suppliers were used, transfer of R&D and the encouraging of joint ventures with domestic players. Predominantly through Statoil (the then national oil company), Norway undertook similar initiatives that essentially made it mandatory for IOCs to transfer technology and expertise to their Norwegian counterparts in order to participate in the Norwegian oil and gas industry. Neither the UK nor Norway set out specific employment or local content targets, and both focused on value addition rather than mere local incorporation or local ownership. Local content in the UK is today estimated at around 85% with nearly 100% in post-development operations.

Capacity building and industrial diversity is essential if Uganda is to reap the benefits from huge endowments of oil and gas. The need for capacity building is well in accordance with theories on industrial development and economic growth. It is important that the capacity of the local community is prepared early enough before the production stage.

The petroleum potential of the Albertine Graben was recognized early in the previous century from a series of oil seeps in the area. The Graben constitutes the northern most part of the western arm of the East African Rift system. It runs along Uganda's western border with Democratic Republic of Congo (DRC) and is about 500 km long, averaging 45 km width and with 23,000 sqkm in Uganda.

The first well, Waki B1, was drilled by the Anglo European Investment Company of South Africa in 1938 near Butiaba. The well drilled to 1227 m, showed some prospectively, but was not considered to have commercial potential. For the next 45 years no exploration activity took place in the region. The exploration regained momentum in 1983 with acquisition of the aeromagnetic data. After being formed in 1991 out of a petroleum unit in the Geological Survey and Mines Department, the Petroleum Exploration and Production Department (PEPD) embarked on a consistent campaign of data acquisition, processing and interpretation, capacity building and promotion of the country's petroleum potential to attract investment in the sector. The story of petroleum exploration in Uganda over the 25 years from the 1980s is interestingly described in Kashambuzi<sup>3</sup>. A legal and institutional

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<sup>3</sup> *Kashambuzi (2010).*

framework was established and new promotional efforts were made. A new sequence of licensing started in 1997 with the award of Exploration Area 3 to Heritage in the Semliki area. While the first wells drilled were not fully up to expectations, the situation changed by the discovery of the Mputa oil field by Hardman Resources in 2006. During the following 5 years, the success has been unparalleled with discovery of 18 oil and gas fields and a discovery rate of 95% of the 55 wells drilled in the region.

According to Tullow Oil the discovered resources today exceed 1 billion bbl and an additional potential of 1.5 billion bbl is estimated<sup>4</sup>. While this estimate can be a realistic assessment, it is still the situation that the region is rather immature with respect to exploration. Hence, an additional 50 prospects have been identified and only 30% of the area has been subject to drilling activities<sup>5</sup> So far the activities in the Albertine Graben have been focusing on exploration. The total foreign investments have been rapidly increasing from USD 46 million in 2006 to USD 352 million for 2010 as shown in Figure 4.1 The accumulated total is estimated at USD 1,128 million (Kabagambe-Kaliisa, The petroleum industry is dynamic by nature and acquisitions and mergers of companies and assets is a part of the normal business in particular in an emerging petroleum province.

It is essential for monitoring the national content development and to determine if the industry commitments are met to have a best possible and consistent calculation of Ugandan share. In order to achieve this, the Ugandan and foreign share of each contract must be determined. This should also be done for any subcontractors to the main contract. Even as we can easily know how much foreign investor have invested in the country, no one seems to know how much government is investing in local content and its impact. We see it as important that a value for the current share of national content in Uganda is determined. On this basis the share of investment retained in Uganda of the total foreign investments made, can be estimated to 14%.<sup>6</sup> It is, however, recommended that a separate project is established to review existing data and information to determine local content.

According to Tullow Oil a total of 550 Ugandan suppliers have been providing goods and services to the operations. Tullow has stated a Ugandan share in terms of contract value of 38%. It is our understanding that this share is established based on the nationality of the contract holder.

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<sup>4</sup> (Glover, 2011).

<sup>5</sup> (Kabagambe-Kaliisa, 2010).

<sup>6</sup> *ibid*

There has been a general belief that Ugandan companies and local communities that though the oil is being mined in these communities, these communities are not benefiting from the same. These complaints drove government to draft a local content strategy, however complaint still arise to the fact that its mainly international companies taking most of the contracts in the oil sector.

According to a report by Alert<sup>7</sup>, Overall, some efforts were reported to have been made by the oil companies through their community liaison officers and corporate social responsibility projects to engage stakeholders at the community level. Nevertheless, quite a number of gaps appear to exist in the strategies used to engage the affected communities. There is dissatisfaction due to a perceived lack of systematic and comprehensive engagement of stakeholders at the local government and community level. About two thirds (62%) of the respondents who had any interaction with the oil companies claimed they were not satisfied with the interaction. Moreover, 81% reported that oil companies had never released any public statement addressing their concerns. This has led to reports of suspicion and mistrust. It may have serious implications for peaceful co-existence and the building of sustainable, mutually beneficial relationships between the affected communities and the oil companies.

This article will be useful to law makers in a way to propose amendment to the law so as to improve impact on capacity building of local market. If local community's participation is increased it will help prevent the fear of oil curse which has happened in other countries with oil. If amendments are taken they will improve the household income and capacity building of the local communities.

The National Content Study report in the oil and gas sector in Uganda<sup>8</sup> advises against determining the share of local content by looking at the Nationality of the person who has won a contract to offer a service to the oil companies. This ,it notes will mean that foreign companies will form shell companies sort of like special purpose vehicles with local management to win contracts in the sector, and will thus be categorized as Ugandan. Instead, the study notes that to define local content, one need to look at the "value additional in Uganda, by Ugandans in the oil industry, by the use of Ugandan materials, services produced by Ugandans and Ugandan firms and the use of facilities in Uganda."<sup>9</sup>

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<sup>7</sup> Alert (2003),

<sup>8</sup>Heum ,Norway and Ole Fredrick Ekern from Bridge pg.20 The Uganda Chamber of Mines and Petroleum issue No.4

<sup>9</sup>ibid

The study recommends the formation of a government institution to push the country's local content interest." As the field development in the Albertine Graben is underway the most urgent matter is to have a government body established within the ministry of energy and mineral development, which is dedicated to the task of enhancing national content, and which will take the responsibility of defining and enforcing a policy in that respect". This recommendation for such a body is largely premised on the fear that a number of oil companies might have the will to engage local expertise.

Oil companies are not likely to engage in national capacity building unless it is required by the host country government. Thus, the government needs a legal basis for such initiatives and a strong government body to engage in efforts to achieve such collaborations.

As the production and development of oil in Uganda reaches the critical stage, many players in the industry are opening up shop in Kampala: international oil companies, international service providers and all sorts of individuals and companies that have an interest in the industry. However, the Ugandan actor in the oil sector continues to be sidelined because the legal framework at the moment does little to protect the local entrepreneur from the powers of domination of the larger players in the industry.<sup>10</sup>

As a result, the expected mass wealth expected from the resource will benefit foreign companies as more profits are repatriated by the non-Ugandan actor in the industry.

The Government enacted a law last in 2013 (Petroleum Exploration, Development and Production Act 2013), but limited its scope, especially on local content save for the contentious Section 252 (b) that talks about composition of a company doing business in the oil industry (some people know it as the 48 per cent requirement). At this stage, the government is working on regulations to operationalise that law. However, for Ugandans to benefit and be protected from the strong and financially stable and experienced foreign players in the industry there is need for a law that will create a national content monitoring board that is independent of the State.

The board should have a mandate to do audits on the participating companies to measure their compliance to employ Ugandans and also give [Ugandans] more skills so that they can be promoted to higher positions as well as a systematic succession plan that allows Ugandans to take over jobs occupied by foreign employees. This can be done through creating

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<sup>10</sup> 'Create Local Content Monitoring Board to include more Ugandans in the oil sector' by Emmanuel Mugarura Daily Monitor 30<sup>th</sup> Thursday October 2014

employment quotas with a limited ability to renew work permits for non-specialized jobs and a maximum one renewal for specialized jobs. The board would make sure there is a Ugandan being trained to take over the job without destabilizing the continuity of the employer.<sup>11</sup>

The law, in its current form, requires companies participating in the industry to have a 48 per cent local content in some areas. But it's not explicit on the penalties for defaulters and rewards for compliance. If two companies are competing for a tender in the oil industry, the company that exhibits or proves more local content in employment, services, goods utilization and ownership should be given an advantage of say 20 per cent so that the other companies are encouraged to work more on local content and national involvement.<sup>12</sup>

Uganda will need stringent macro and micro economic policies to enable the economy sustain the negative impacts that petroleum might have on the economy.<sup>13</sup>

The National Constitution<sup>14</sup> is the supreme law in Uganda and provides guidance against which a regulatory framework for natural resource management may be developed. Although the constitution does not explicitly mention the sharing of natural resource revenue, it makes reference to sustainable utilization of the natural resource base for the benefit of both present and future generations. Part XIII of the National Objectives and Directive Principles of state policy oblige the State to protect natural resources on behalf of the people of Uganda. Article 244 of the Constitution<sup>15</sup> makes reference to minerals and places an obligation on Parliament to make laws regulating the exploitation, sharing of royalties arising from mineral exploitation, payment of indemnities arising out of mineral exploitation, and restoration of mining area lands. In conducting exploitation of minerals, the interests of landowners, local and central government should be taken into account.

It should be noted that Article 244 is a departure from Article 237(2)(b), which vests natural resources in the citizens, with the government as a trustee. The controversy has been whether petroleum resources fall outside the public trust doctrine, in which case the legitimacy of citizens to hold government accountable is seriously diminished. Secondly, and on a

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<sup>11</sup> 'Create Local Content Monitoring Board to include more Ugandans in the oil sector' by Emmanuel Mugarura Daily Monitor 30<sup>th</sup> Thursday October 2014

<sup>12</sup> Ibid

<sup>13</sup> Muhwezi, et.al, (2009). *Crafting an Oil Revenue-Sharing Mechanism for Uganda: A Comparative Analysis*. ACODE Policy Research Series, No. 30, 2009. Kampala.

<sup>14</sup> The 1995 Constitution of the Republic of Uganda

<sup>15</sup> *ibid*

positive note, Clause 1 above promotes the right to property provided for under Article 26 of the constitution. Article 26 forbids the compulsory taking of property unless:

a) The taking of possession or acquisition is necessary for public use or in the interest of defence, public safety, public order, public morality or public health; and It is important to observe that the constitution excludes investment as a ground for compulsory acquisition. The debate has been whether the interpretation of the phrase “public use” under Article 26 includes situations where the government wants to acquire land for onward transmission to an investor such as an oil company.

A company should be able to commit to promoting local content with measurable indicators. The national policy on oil and gas<sup>16</sup> objective seven supports such initiatives.

The National Oil and Gas Policy<sup>17</sup> recognize the need for national participation through employment, training and skills development and service provision in the sector. Under objective 7 of the NOGP; government seeks to ensure optimum national participation in oil and gas activities. Similarly, objective 8 of the NOGP seeks to support strategies for development and maintenance of national expertise in the oil and gas sector. Some of the strategies government intends to use to achieve the above objectives include;

Promotion of state participation in Production Sharing Agreements with a view of providing better opportunities for the state to understand the basis for decisions in exploration, development and production, together with acquiring the skills necessary for commercial management of the sector.

Promotion of public private partnerships whose benefits outweigh their cost, and whose costs and benefits are mutually and fairly shared by the partners.

Encourage civil society to participate in the building of a productive, vibrant and transparent oil and gas sector. Local Content in Oil and Gas: Legal and Policy Issues in Uganda Local Content in Oil and Gas: Legal and Policy Issues in Uganda Promotion of employment of Ugandans in the oil and gas sector and Promotion of transfer of skills and technology to the country.

Identifying training skills required for the sector and planning for their development through both formal and industrial training.

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<sup>16</sup> *The National policy on Oil and gas 2008*

<sup>17</sup> *ibid*



Utilizing oil and gas activities in the country to support provision of the necessary training.

Provide appropriate training to Government personnel in the relevant fields as one of the ways to facilitate professional dialogue with oil companies.

Broaden the national education curricula to prepare the necessary workforce for the growing oil and gas sector in the country.

A look at Uganda's upstream laws<sup>18</sup> on petroleum sector reveals a rather confusing and shallow provision on local content that will be a challenge for legal practitioners and those engaged in local content issues in the oil and gas sector.

For example, the upstream law<sup>19</sup> provides that (S. 125)

(1) The licensee, its contractors and subcontractors shall give preference to goods which are produced or available in Uganda and services which are rendered by Ugandan citizens and companies.

(2) Where the goods and services required by the contractor or licensee are not available in Uganda, they shall be provided by a company which has entered into a joint venture with a Ugandan company provided that the Ugandan company has a share capital of at least forty eight percent in the joint venture.

The framing of the above section creates confusion on issues of local content names, should goods and services be procured only from companies (and not any other business entity)?

### **What is a Ugandan Company?**

Do Ugandan companies have the required capacity?<sup>20</sup>

Generally speaking business entities are can be more than just a company. They can include sole proprietorship, partnerships, cooperatives, not for profit organizations (NGOs, Clubs, Trusteeship), individuals e.t.c. a strict interpretation of S. 125 would therefore be leaving out other business entities in favor of companies.

The upstream law<sup>21</sup> provides for affirmative action in training, employment and transfer of technology for Ugandan citizens in favor of host communities. However, there is no affirmative action when it comes to provision of services.<sup>22</sup> S. 126(s) of upstream Act provides the programme

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<sup>18</sup> *Petroleum (Exploration and Development) Act, 2013*

<sup>19</sup> *ibid*

<sup>20</sup> *Legal and policy Review; lawuganda.wordpress.com, December 17, 2013 / Magelapheter*

<sup>21</sup> *Petroleum (Exploration and Development) Act 2013*

submitted by licensee shall provide for the training and recruitment of Ugandans in all phases of petroleum activities and shall take into account gender, equity, persons with disabilities and host communities.

Midstream law<sup>23</sup> provides under S. 53(1) that, the licensee, its contractors and subcontractors shall give priority to citizens of Uganda and registered entities owned by Ugandans in the provision of goods and services. Emphasis is placed on “registered entities” as opposed to “companies”. This means other business entities are considered under the midstream law as opposed to the upstream law that restricts itself to companies.

Another difference between the two laws (Midstream and Upstream Law) is the issue of a “Ugandan Company” (or registered entity as the case might be). The upstream law is vague in as far as it provides that preference should be given to “Ugandan companies” but does not go ahead to define what a Uganda Company means. At common law (against which the present Company law is shaped in Uganda) a company is a citizen of a country where it was incorporated. Since a company is a person separate and distinct from its promoters, it can acquire a separate citizenship from its promoters. This means a company incorporated in Uganda by non-Ugandan citizens can be a citizen of Uganda, hence may acquire privileges provided for under the local content provisions. The reserve is true for a company which is fully owned by Ugandan citizens but incorporated in another country. This would possibly go against the intent of the law which is to provide employment and participation of Ugandans in the oil and gas sector.

The above provision is made worse by the midstream law which puts emphasis on “Ugandan registered entity”. This could possibly mean any entity registered in Uganda is a Ugandan business. Uganda’s Companies Act (2012) provides that all foreign companies with businesses in Uganda must be registered with the registrar of companies. The absurdity created by the midstream law is making all companies registered in Uganda Ugandan companies. It thus fails to make a distinction between “company registration” which is a requirement for every foreign company and “company incorporation” which is a process of creating the company.

The two laws provide that the Ugandan Company must have capacity and resources to take part in the sector. Such capacity will be determined by the minister through regulations (the midstream law seems to add an extra approval by the Petroleum Authority). Whether Ugandan companies can

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<sup>23</sup> *Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013*

actually have such capacity is another thing. At present, there is very limited capacity in the oil and gas sector.

To avoid the above ambiguity, Uganda needs to either amend the two laws to not only bring them in tandem, but also remove ambiguity or provide for clarity in regulations to be made by the minister under the two laws. The regulations should provide a clear definition of local business entity. Some of the existing laws can guide in determining/defining Ugandan businesses. For example the Public Procurement and Disposal of Public Assets Act, 2003 in bid to avoid ambiguity on local business entities provides for services and goods provided by a “national provider” who is defined as an entity registered in Uganda and wholly owned and controlled by Ugandans.

The Upstream and Midstream Laws provisions create major challenges on how Ugandans can take part. Uganda’s laws make it mandatory for foreign companies to enter into joint ventures with Ugandan businesses to be able to provide goods and services for the sector. Joint Ventures (JVs) in the world have proven to be some of the best ways through which international companies can expand their sphere of influence through working with local companies. JVs are also important when it comes to technology transfer and skills development for countries that may not have the technology.

However, the businesses in countries where Joint Ventures are to be developed need to have a certain level of knowledge, skill and capital to be able to run the Joint Ventures. Uganda’s businesses are starting to get involved in the oil and gas sector and this may hinder their ability to effectively exploit the Joint Ventures.

When it comes to products or services that cannot be easily procured on the Ugandan market or supplied by Ugandan businesses, the two laws provide for joint ventures as a mode of operation between the Ugandan businesses and the foreign suppliers. However, the drafting in the two laws makes it easy to abuse the provisions and to leave out Ugandan companies. For example S. 53(3) of the midstream law<sup>24</sup> provides that, the licensee, and the contractors and subcontractors of the licensees shall give priority to the purchase of local products and services from Ugandans wherever they are competitive in terms of quality and timely availability.

The foregoing provision mandates the oil company to procure from Ugandans only if they are competitive in terms of quality and timely supply. As earlier noted, the capacity of many Ugandan businesses needs to be

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<sup>24</sup> *Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act*

developed since they have not been involved in the sector. This means that, Ugandan businesses are not unlikely to compete better than the foreign companies nor can they have the services readily available. This is likely to leave out many Ugandan businesses in the sector.<sup>25</sup>

The two laws provide for joint venture agreements for Ugandans to take part in the sector. However, the nature of joint ventures is not clear. For example, the Upstream Act provides that: Where the goods and services required by the contractor or licensee are not available in Uganda, they shall be provided by a company which has entered into a joint venture with a Ugandan company provided that the Ugandan company has a share capital of at least forty eight percent in the joint venture<sup>26</sup>

Whereas as the Upstream Act mandates Ugandan and foreign businesses supplying goods and services in the oil and gas industry to have a mandatory joint venture company in which Ugandan companies own a 48% stake, the midstream law is silent on this. It provides where the goods and services are not available in Uganda, they shall, where possible, be provided by a company which has entered into a joint venture with a Ugandan company.<sup>27</sup>

A practical example in this case is when; Tullow Uganda awarded a contract to Supreme group, a British catering company with a global footprint, to provide catering services to Tullow's camps in the Albertine Graben. The contract took effect on December 1, 2013.

Supreme group took over from Equator catering services, a company owned by two foreign nationals, Peter Bowser and Charles Case, which had been providing catering services to oil companies operating in western Uganda. While Tullow Uganda has a right to contract any service provider, this particular contract has raised concern among local service providers, with many arguing it is against the provisions of the petroleum laws.

Section 125 of the Petroleum (Exploration, Development and Production) Act, 2013 compels a licensee like Tullow, its contractors and subcontractors, to give preference to goods and services that are produced or available in Uganda and rendered by Ugandan citizens or companies. It further provides that in case the goods and services required are not available in Uganda, they shall be provided by a company that has entered into a joint venture with a Ugandan company. The local company should have a shareholding of at least 48 per cent in the joint venture. Tullow violated section 125 of the upstream act. Tullow's action was one of the

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<sup>25</sup> *Local Content in Oil and Gas: Legal and policy issues in Uganda ,An assessment of legal and policy regime in Uganda Acode policy briefing paper series Number 28 2014.*

<sup>26</sup> *Section 125(2)Petroleum (Exploration, Development and Production) Act*

<sup>27</sup> *S. 53(4) Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act*

examples which show that some national content provisions in the petroleum laws may remain on paper and never be implemented.

From the above, it is not clear what amount of stake Ugandan businesses should own in the new joint venture to supply goods or services for the midstream sector in oil and gas. Whereas the requirement to have Ugandan businesses owning 48% of share capital is good for the country, the challenge will be in the capital and other technical requirements to enter into such Joint Ventures. Some aspects of the oil and gas sector require extensive capital and many Ugandan businesses may not be able to provide such capital. Besides, there is a requirement for technology which may not be easily provided by Ugandan companies. This normally results into challenges in operating the Joint Ventures. Research has found that partners contributing less to the Joint Ventures are less committed to the success of the project since their role is limited.<sup>28</sup>

This might create several “lazy” Ugandan businesses entering the industry through Joint Ventures and legal protection. The other aspect is the fact that ownership of stake in a Joint Ventures company should be comparable to what the other party is contributing. The question here will be whether Ugandan companies are able to provide 48% capital or skill or technology to the specific Joint Venture companies they enter into.<sup>29</sup>

Government and private players in Uganda need to build capacity and capital to be able to effectively play a role in the industry. The present legal protection for Ugandan companies may not be enough to deliver results in the oil and gas industry. The alternative is there is need to have particular services and goods ring-fenced to be supplied only by Ugandan business entities and those which cannot be supplied, can be left for foreign companies subject to periodic reviews. This will ensure smooth transition from foreign owned businesses to fully Ugandan controlled businesses after the transfer of technological and capital.

**The following recommendations are made with regard to legal, policy and institutional framework regarding petroleum exploration and production in Uganda.**

There is need to:

Review the Ugandan legal and policy framework on oil exploration to incorporate and realize the constitutional principles on natural resources management as espoused under the new Constitution of Uganda.

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<sup>28</sup> Beamish P. (1988) *multinational joint ventures in developing countries*. London Routledge

<sup>29</sup> *Ibid*

Further, the Petroleum (Exploration and Production) Act must be amended to reflect the dynamics of the recent constitutional change in Uganda and particularly cater for the ratification requirement with respect to licensing exploitation of natural resources such as oil as required under the Constitution.

In terms of policy reforms, there is need to adopt a clear framework on how the central government should devolve the management of oil resources to the county government without limiting or watering down its sovereignty on natural resources. Further, it is incumbent to institute a policy framework geared at ensuring optimum regulation the country's oil and gas resources contribute to early achievement of poverty eradication and create lasting value to society.

Risk in a regulatory framework that is predictable, transparent, equitable and timely. The government regulation should also be such as to ensure energy resource developments comply with standards of environmental performance. The institutional framework for oil exploration and production should also limit government participation in oil exploration by adopting a minimalist intervention approach to the development of petroleum resources.

The policy framework for oil exploration and production adopted should be as strong as possible clearly outlining the objectives and goals of the government for the industry and how to achieve them. Additionally, in re-establishing the institutional framework with the discovery of commercially viable oil, it is incumbent to ensure the county government is fully engaged in oil exploration licensing and management as this offers a rare opportunity to infuse public participation in oil and petroleum resources development in Uganda.

In reviewing the legal, institutional and policy framework for oil exploration, efforts should be made to draw input from both the private sector and oil exploration and production stakeholders, the community and public in general and civil society to ensure the final product is inclusive and futuristic in aiming for and facilitating successful oil exploration that will benefit all the stakeholders involved.

The policy framework needs to primarily address exploration and commercial aspects of the petroleum exploration and production, whilst meeting social and economic objectives. In this regard, the petroleum policy should seek to ensure good stewardship of petroleum resources whilst encouraging commercial interests. The exploitation of petroleum resources should occur within a framework that maximizes the wealth from these

resources and one that ensures economic sustainability after the resources are exhausted so as to meet the Constitutional objective of using our natural resources and the environment sustainably for the benefit of future generations.

Further, the policy to guide national involvement in the development of petroleum resources whilst focusing on the protection of the environment. Most important, such policy should promote the occupational health and safeties of persons engaged in petroleum operations and develop and implement effective monitoring and enforcement strategies to secure compliance. There is, also, need to ensure the policy specifically addresses the interests of the local community that is affected by oil exploration and production activities to ensure they draw maximum benefits from the investment as is reasonably possible.

## **CONCLUSION**

This Article is unique and its contribution to knowledge is that though many countries have had studies on legal regime on local content the findings goes to show that though government has taken care by involving local communities through capacity building in the petroleum industry there is still a great need of sensitization. The Government has taken major steps to create a framework that guarantees local communities in oil exploration and production sector in Uganda but the resultant framework is far from adequate and efficient. The regulatory framework for petroleum is so far deficient and should be amended. The legal, policy and institutional framework establish limited mechanisms for guaranteeing national participation in oil exploration and production. There are also limited measures in place to ensure the country's private sector and its entrepreneurs participate in oil and gas activities. Further, there are no mechanisms for enforcing investor commitments to safeguard community interests and/or to ensure the oil exploration and production is carried out in a sustainable and transparent environment and the benefits arising are shared equitably as between the relevant stakeholders.

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