

CORPORATE ENGAGEMENT PROJECT

Field Visit Report

Presented to Total E&P Uganda as it prepares to commence operations in Block 1.

Company: Total E&P Uganda

Uganda

June 14 to June 30, 2011

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This document was developed as part of a collaborative learning project directed by CDA. It is part of a collection of documents that should be considered initial and partial findings of the project. These documents are written to allow for the identification of cross-cutting issues and themes across a range of situations. Each case represents the views and perspectives of a variety of people at the time when it was written.

These documents do not represent a final product of the project. While these documents may be cited, they remain working documents of a collaborative learning effort. Broad generalizations about the project's findings cannot be made from a single case.

CDA would like to acknowledge the generosity of the individuals and agencies involved in donating their time, experience and insights for these reports, and for their willingness to share their experiences.

Not all the documents written for any project have been made public. When people in the area where a report has been done have asked us to protect their anonymity and security, in deference to them and communities involved, we keep those documents private.

INTRODUCTION

The Corporate Engagement Project (CEP) is a collaborative effort involving multinational corporations that operate in emerging markets or areas of socio-political tensions, instability or conflict. Its purpose is to help corporate managers better understand the impacts of corporate operations on local people and societies. From this understanding and analysis, CEP works with companies, governments, and civil society to develop practical management approaches to address local challenges and to ensure that companies establish productive and positive relations with local communities. CEP is one of the five projects of CDA Collaborative Learning Projects, a non-profit organization based in Cambridge, Massachusetts, USA.

In the spirit of collaborative learning, CEP has engaged with Total over a period of nine years, visiting Total operations in Myanmar, Sudan, Mauritania, and Nigeria. The Reports of these site visits are available on CDA's web site.

Against this background, Dost Bardouille-Crema, CEP Director, and Luc Zandvliet, CEP Senior Advisor, visited Uganda from June 14 to June 30, 2011. The CEP team was accompanied by a Ugandan independent consultant, Alex Shyaka. The purpose of this trip, as with all CEP field visits, was to examine and report on the interaction between corporate operations and the lives of people in areas of operations.

During the time of the CEP visit, the oil and gas industry in Uganda was in Exploration and Delineation phase, and Total Exploration and Production Uganda (referred to in this report as TEPU¹) prepared to take over the operatorship of Block 1. Thus, the purpose of this report is to understand the current context and impacts of oil operations in Uganda, to understand local peoples' perspectives on the oil industry, and to develop practical options for positive corporate engagement by TEPU in the Ugandan context. The consideration of management options presented for TEPU in this report is formulated with an awareness of TEPU's impending transition from a preparatory phase of activity in Uganda to field operations.

The visit consisted of two stages. During the first, two CEP team members met with national-level stakeholders in Kampala over the course of eight days. During the second, the entire CEP team spent seven days in the area of oil exploration in the Northern Albertine Graben. In Kampala, CEP spoke with Total staff, TEPU's business partners, National government agencies and ministers, multi-lateral organizations and diplomatic missions, university researchers, and international and Ugandan civil society organizations. In the Lake Albert region, the CEP team traveled within oil Blocks 1 and 2, and to the districts of Hoima, Buliisa, Nwoya, Nebbi, Arua, and Masindi. There the team met with Regional, District-level, Sub-county, and village government authorities, including Regional District Commissioners, Local Chairmen, Chief Administrative Officers, Internal Security Officers, and representatives of the Police. CEP also spoke with field staff of TEPU's business partners, traditional

¹ Total E&P Uganda acquired a one-third interest in Blocks 1, 2 and 3A in Uganda held by a subsidiary of Tullow Oil plc. Following this acquisition, Total becomes an equal partner with Tullow and CNOOC in the blocks, each with a one-third interest and each being operator of one of the blocks. Subject to the decision of the Authorities, Total will be the operator of Block 1.

authorities of cultural and religious institutions, local civil society, and local villagers. CEP took the lead in arranging all meetings at the national and local level. Because TEPU headquarters are based in Kampala, with no current field-level presence, the CEP team travelled independently of Total, in a non-marked car arranged by Total.

As in previous visits, the CEP team introduced themselves to members of communities as independent from TEPU and made clear that they were in the exploration area at the invitation of Total to observe the possible impacts of oil operations on local communities, to learn from experiences with other oil companies operating in the area and to solicit ideas from local stakeholders regarding company approaches to local communities in the context of field operations.

In this Report, Part 1 discusses general observations of the Ugandan context and of national and local stakeholders, as it relates to the oil industry. Part 2 presents observations and findings regarding current issues related to the development of oil and options and insights gained during the visit. Part 3 draws the report to a conclusion in light of the observations and findings detailed throughout the report.

As always, CEP invites comments and feedback on the observations laid out in this Report. In all of CEP's work, we seek to establish partnerships among groups with different approaches, with the ultimate objective of improving the lives of people who live in the regions where companies operate. The purpose of this Report is to contribute to broader discussions within the company, and between the company and external stakeholders, about options for positive corporate engagement in the Ugandan context.

PART 1: CONTEXT – GENERAL OBSERVATIONS

This section provides brief observations on the existing Ugandan context, both at the national level and within the oil region, as it pertains to the existence and advancement of oil operations in the country. The oil region has experienced various stages of exploration, primarily through the operations of Tullow Oil, Heritage Oil, Dominion Petroleum, and Neptune Petroleum. The purpose of these observations is to consider the current context within which Total and business partners are advancing oil operations, in order to develop additional practical options for applying constructive engagement practices within the region.

1.1 General Perceptions with regards to Oil Benefits and Impacts

- Ugandans that the CEP team spoke with at all levels of society consistently expressed both optimism and concern regarding oil development. Local community members and authorities see oil production as a possible opportunity to offer employment, boost Government revenues and create broad-based development. National stakeholders are cautiously welcoming of development, hoping that it will translate into social and economic opportunity at the local level and economic development and good governance on a national level, together with an alleviation of Uganda’s reliance on external credit for its recurrent expenditures.

At the same time, people also recognize the need to ensure that potential oil wealth helps communities develop in positive, sustainable ways. During the CEP visit, people consistently stated the concern that Uganda would “become the next Nigeria” if the development of the sector were not handled properly. The basis for this sentiment is borne out of concern, particularly within Kampala, that the country has neither a history nor any experience in developing and managing an extractives sector. Civil society representatives throughout the country indicated that they feel they do not know enough about the industry, what oil operations mean for the environmental and social well-being of the country, and what impacts, both positive and negative, it could have on society. The dense civil society network in Uganda has shared these concerns with local communities in the areas where TEPU will operate.

- A related concern centers on the level of transparency in the governance of the oil industry to date. External stakeholders say they are waiting for the Oil Revenue Management and Resource Management bills in this respect. They also want to see what parts of the production sharing agreements (PSAs) will be made public. Knowledge of the existence of a PSA, and awareness of the type of information a PSA should include, are remarkably widespread; many stakeholders mentioned the PSA independently of each other. At the national level this means that people’s perception of Government accountability hinges, to large degree, on the government eventually making the PSAs public. In the oil region, local community members expect to know, up front, what percentage of the benefits of oil production will come directly back to the community, through revenues, job creation, and provision of social services. A widespread expectation of transparency has lead many stakeholders to suggest that, by not disclosing the content of the PSA, the international companies have acted in a manner that is inconsistent with their commitment to the Extractive Industries Transparency Initiative (EITI). The perceived lack of transparency on commitment to revenue and benefits sharing has also

lead many people to believe that oil is already being produced, stolen, and trucked out, and that PSAs that are highly favorable to companies have already been negotiated; these beliefs, in turn, have convinced many that the revenues derived from oil operations are already being misappropriated by elites in the capital.

- In Uganda, unlike many other countries that CEP has visited, local stakeholders are very aware of what they do not know and what they feel they need to know about the development and management of the oil industry. This information gap offers an opportunity for TEPU play an educative role, as community, civil society and government representative are all aware of a need for more information and are welcoming of varied sources of education about the oil sector.
- The perceived lack of transparency has led to some politicization of the oil sector. Because people do not know what the distribution of revenues and subsequent benefits will look like across the country, there is a great deal of speculation about oil related issues. At the district level, several politicians have used oil as part of their campaign platform, which has created rifts among the various branches of district-level leadership. As the sub-dividing of districts and development of new sub-counties continues within Uganda, some sub-counties in West Nile have been experiencing border demarcation disputes in the hopes that additional lands they lay claim to will bring future profit from compensation and commercial development due to the presence of the company.
- Half of Block 1 lies within the boundaries of the Murchison Falls National Park and adjacent conservation areas. Many environmental NGOs and government agencies expressed concern about the impact of oil operations on the tourism industry in the region. While, to date, oil operations have not had adverse impacts, environmental and tourism organizations hoped that, as the industry advances, its development will not pit the interests of oil against those of tourism and conservation. Instead, they hope that oil companies will pursue strategies that are favorable to tourism and conservation.
- While the CEP heard concerns about movement of animals out of the North side of the park as well as a decrease of fish in lake, local communities do not directly link this to exploration activities. Local community members said that, although they were concerned about the effects of vibrations from drilling in the park, the movement of large animals, such as elephants, and the subsequent destruction of homes due to their movement, had been an issue for many years. And several local fisherman and community members who lived in communities along the lake said that the decrease in fish was mostly due to improper fishing techniques, such as using nets with small mesh.
- High parity and decreasing child mortality rates means that the country is already experiencing population pressures. Several experts in Kampala raised concerns that, as the oil industry advances, potential influx as well as natural population growth will be important factors in the effect of oil operations on natural resources, land usage, and benefits distribution.

- Security-wise, there were no reports of open conflict. The Acholi region is reportedly in a state of “rebuilding” and reintegration after many years of open violence, and West Nile continued to be relatively stable following a reduction of the presence of small arms along the border with Democratic Republic of the Congo. However, in post-war areas, local perceptions that NGOs focus on specific groups such as returnees and ex-child soldiers can foster the perception of “haves” and “have-nots”.

Dividers/Connectors

All societies are characterized by elements that can be used either as ***Dividers*** (elements that divide people into subgroups), and ***Connectors*** (elements that can connect people across subgroups). In Uganda, many local community members and local authorities spoke of latent dividers and tensions as possible conflict triggers due to the presence of oil. A better understanding of what divides or connects people provides opportunities for TEPU to better align its policies to overcome local conflict dynamics.

Dividers

- The wide range of tribes and languages in the project area can create divisions, and sometimes resentment or competition both between and within Cultural Institutions and ethnic groups.
- Political parties are seen to create division within communities.
- The consequences of the war have long term implications, particularly for the region east of the Nile, such as Nwoya, Amuru and Gulu.
- The historical disagreements between the central government and the Bunyoro Kingdom
- The historical conflict in Uganda that has fueled perceptions of divisions between “Northern” and “Southern” tribes.

Connectors

- The shared belief in religious institutions is strong in Uganda. For example, when a new Bishop was consecrated in February 2011, representatives from every religion participated and were given recognition at the ceremony.
- Regional Justice and Peace Commissions take an interfaith-based approach to their activities, including educational projects on oil impacts, and are highly respected by all stakeholders.
- Cultural (traditional) leaders and the cultural (traditional) institutions are highly regarded and seen to link groups across religious or political divides.
- The Alur Chieftaincy is present both within the West Nile and across the border in the Democratic Republic of Congo (DRC). Despite border issues, the similarity of tribe and language has helped to support peaceful cross-border trade and inter-marriage.

1.2 Perceptions of Oil Companies

- Current and past operating oil companies are seen in a generally positive light, and are not perceived to have had particularly egregious social or environmental impacts to date. Community members are fairly aware of the presence of Tullow and, formerly, Heritage. Some

local community members mention names of seismic contractors and impact assessment contractors when asked about the company. But, in general, the community articulated a sense of confusion about which company is responsible for which of the Blocks. This responsibility has yet to be allocated, but it appears that there is no clear understanding of this at community level

- Local community members across districts indicated that they see uneven levels of community engagement and community projects from district to district. While the geographic scope of the region is substantial, there is a great deal of movement and communication between districts and among tribes. This means that people are relatively aware of what is happening in other areas and they routinely compare company practices and impacts. For example, officials in Block 1 were aware that in Block 2 Tullow had sponsored visits to operations sites and 4-day trainings for NGOs, District leaders, technical officers, and media. These same officials recognized that the majority of exploration activities had, to date, happened in Block 2. They mentioned this to communicate an expectation that engagement activities would be equally or more substantial when exploration advances in Block 1. At the same time, they also see Tullow to be more willing to share information than previous operating companies had been.
- Tullow's community engagement to date has been focused on public community consultation in order to fulfill Environmental Social Impact Assessment (ESIA) regulatory requirements, especially in Block 1. Tullow has used existing authority structures to access and engage with local communities, which was generally seen as the correct approach.
- Tullow's Community Liaison Officers (CLOs) use daily reports to track engagement activities or community concerns. However, while community members were able to detail their level of contact with the company, some stated that "the company came and they left" indicating that they were unaware of the possible next steps in the advancement of the project. Several Kampala-based civil society representatives and district officials said that, to their knowledge, Tullow has not yet initiated any long-term engagement strategy.
- Tullow's local employment strategies have been, for the most part, positively received. Local community members and officials say they perceive Tullow to have paid particular attention to working within the local structures of authority, especially working with the village-level authority (LC 1). This has meant that the non-skilled staff that Tullow hires is recruited on the basis of the communities' definition of "local," contributing to a low level of reported cases of influx of jobseekers from outside the project area.
- Tullow is seen to be controlling the level of negative social impacts that its operations have on local communities, especially around their exploration camps. There is a strict code of conduct at the exploration camps, including no alcohol, no fraternization with locals, and controlled driving speeds. While this means that fewer of Tullow's staff are able to support local businesses, Tullow attempts to maximize the economic benefit through local hiring and some local content.

STAKEHOLDERS

1.3 National and Local Government

- The government agencies that have regulatory authority over the oil and gas industry, namely the Petroleum Exploration & Production Department (PEPD), the National Environment Management Authority (NEMA), and – where operations are taking place within the national parks system – the Uganda Wildlife Authority (UWA), have formed a multi-sector monitoring team for oil and gas. Each agency has field staff that monitor the daily activities of the company and expect regular contact with company management to address specific issues that fall within their jurisdiction.
- The Uganda Wildlife Authority (UWA) heavily controls the “visible presence” of exploration in the park, by, for example, keeping the number of access roads to drill pads to a minimum. It also tries to reduce poaching opportunities, impact on the flora and fauna, and the visibility of exploration activities to tourists. In some cases, it has diverted park roads used by tourists so that they avoid locations where exploration activities take place. UWA was also adamant that all exploration and production camps be placed outside the park.
- Across government and civil society, people recognize a lack of Government experience and know-how related to oil issues. Various parts of the government have worked at addressing this in different ways. Regulatory agencies, such as PEPD, have been proactive in reaching out to, and learning from, other countries. For example, Norway’s Oil for Development Program has played an integral role in strengthening the sector by aiding the government to develop various facets of its Oil Policy and Petroleum bill, and to build capacity through training and experience sharing. Other government officials, such as the Parliamentary Forum on Oil and Gas² have more readily engaged in civil society collaboration, such as dialogue and information sharing sessions held by locally-operating International NGOs. The government reportedly always makes sure to have a representative present at various national and regional dialogue meetings and information-sharing discussions put on by companies and civil society.
- The Government structure is organized in a clear, hierarchically intensive, structure. This structure is strong, functioning at both the national and local level, and consistent across all districts and all levels. Within each district, there are three parallel authority figures, each of which plays a key role in an engagement plan within the district.
 - Resident District Commissioner (RDC) – is a political appointee of the President of Uganda
 - Chief Administrative Officer (CAO) – is the head of the civil service for each district. Below the CAO is a range of technical officers, for example the District Commercial Officer, with whom one would engage on local business issues.
 - District Council – consists of the politically elected officials for the district. Each Local Council position is nested within a hierarchical structure based on the level of subdivision in the district:

² A voluntary group of members of parliament who are interested in advancing their understanding of the sector as well as playing an internal watchdog accountability role.

- LC V – District Chairman
- LV IV – County Chairman
- LC III – Sub-county Chairman
- LC II – Parish Chairman
- LC I – Village Chairman

A company intending to engage with a local community must first engage across the three district level officers; the RDC, CAO, and LC V. Having engaged them, the LC V will then bring together the various Sub-County Chairmen, LC III's, from across the district with which the company can meet and engage. From there, each LC III will bring together their Village Chairmen, LC I's, to meet with the company and to arrange village meetings with their respective communities.

- The CEP team witnessed a strong adherence to the protocol set within the administrative structure. Repeatedly, community people would ask if the local chairman or internal security had been informed about the CEP visit. Especially at the village level, the local chairman (LC1) was consistently pointed out as the person elected to represent community interests. Cultural and Religious leaders were also pointed out as trusted entities. On a technical level, some people pointed to District Technical Officers and Police for ensuring the safety of communities in the face of an influx of outsiders, or to ensure that companies adhere to environmental policies. For example, local girls in Pakwach, a busy trucking transit town, stated that they trust the capacity and will of the Local Chairman and police to address safety issues if they were required to call on them due to harassment by truck drivers.

1.4 Cultural Institutions

- Within the geographic scope of Block 1 and 2 the three main Cultural Institutions are the Bunyoro Kingdom, the Alur Union of Chieftaincies, and the Acholi Chieftaincy. The cultural leaders of each Kingdom are seen as the cultural moral authority, and are highly regarded and influential in determining public opinion and resolving community-level or kingdom-level disputes. Because of the practice of customary land usage in the regions, for example, the district-level judicial system is known to often consult with cultural leaders on the administration and resolution of land-related disputes.
- The Bunyoro Kingdom, which resides primarily in Block 2, has had the most engagement with companies and the government on oil issues, as the primary exploration activities have happened in that region. Due to historical experiences of the Banyoro people with past and current governments, the Banyoro perceive the lack of transparency around the PSA as evidence that their rights are being curtailed. Hence, there is a risk that oil exploration in the area can be used by the Banyoro as a proxy to address their larger political disagreements with the Government.

1.5 Civil Society and Multi-Lateral Institutions

- The number of local NGOs and Community Based Organizations (CBOs) working on oil-related issues in Uganda is considerable. While many of them are experienced in working with communities and within the Ugandan context, CEP heard anecdotal examples that indicate that NGOs who previously had different mandates are now focusing on oil issues, in part because of funding opportunities.
- Civil society groups are in the process of quickly becoming networked and coordinated around oil sector issues. International NGOs provide support and capacity building in the form of information sharing, networking and education on oil impacts and impact-mitigation and conservation efforts. As a result, oil related civil society networks have developed, including:
 1. International Alert – supports the Civil Society Coalition for Oil (CSCO)
 2. WCS (Wildlife Conservation Society) – supports CSCO
 3. World Wildlife Fund – supports CSCO as well as Regional Oil Networks

Alongside civil society groups, many donor governments and multi-laterals are working on issues of oil and gas as it relates to good governance, transparency, and coordination.

In view of the fact that each international NGO is providing various types of support to different networks, NGOs confirm concern over the risk of duplicate agendas among the networks. They all cite a need for better alignment among support institutions and within local civil society to avoid confusion amongst companies and local authorities over the appropriate point of engagement for different issues.

- All of the civil society representatives with whom CEP spoke demonstrated a sophistication in their thinking about the issues of oil impacts on the well being of the local community, clearly articulating their concerns and expectations regarding how the oil sector, and operating companies, should be managed. Within both Kampala-based and locally-operating NGOs, there is focus on developing a strong internal organizational structure within the groups, inclusive of developing a clear mandate and operating procedures, prior to engaging with companies or other stakeholders on oil issues.
- At the time of the visit, most NGOs saw their role as being that of a concerned but constructive watchdog on oil impacts on local communities. Many civil society representatives spoke of the need for genuine engagement with oil companies. They view their role as advocating for the rights of the community and for access to information– including revenue transparency, access to justice and public participation through mobilizing communities. NGOs say that the Government of Uganda controls the quantity of civil society groups granted permission to speak with local communities, out of concern that a potential shift of unrelated NGOs into oil sector issues would negatively influence local communities against oil interests. Some NGO representatives perceive this control as another piece of evidence of a lack of transparency on the government’s part.
- Locally-operating multi-donor initiatives, such DFID are focusing their programming around the development and management of oil in addressing poverty alleviation. They engage with the

government to focus on issues such as Extractive Industry Transparency Initiative (EITI) compliance. They support international NGOs and local civil society programs to increase information sharing and networking efforts. They also would like to engage more with oil companies to see where they can develop more linkages between their capacity building efforts with oil industry operations. For example, where donor coordination is focused on improving opportunities for viable local content through support for SMEs and by increasing training and development institutes for the development of skilled labor, several donor representatives said they would need to speak more directly with companies to understand the types and quantity of manpower that companies need within different trades over the course of oil development and production.

Analysis and Options

- Local civil society is highly motivated and in the process of building networks but still in the process of working out their mandate and the purpose of their activities. This indicates an opportunity for Total to **be involved in providing ideas for collaboration** and by being proactive in providing information on company plans.
- At the same time, although local stakeholders, including donor governments and civil society, are open to constructive engagement, the company will need not only to share information openly, but also to determine how best to share that information. A bevy of organizations, networks, and programs on oil-related activities means that Total will need to **invest up front in human resources to understand and map the (dynamic) structure of civil society and donor government efforts**. This exercise will aid TEPU in developing a proactive engagement plan.
- Since oil related issues are new to the different levels of both government and civil society, various stakeholders suggested that TEPU should initially **engage with a range of actors at the same time**, inviting NGOs, internal security, companies, and government authorities to the same meetings and dialogues on oil, in order to keep the discussion open and transparent. One LC3 suggested that a two-day workshop in Paraa Lodge in Murchison Falls National Park would draw the desired stakeholder crowd and serve an educational purpose. TEPU could possibly even organize this together with its business partners to present a unified perspective.

PART 2: ISSUES WITHIN THE OIL REGION

During the CEP visit, people were consistent in speaking about the issues and expectations surrounding the development of the oil industry in Uganda. In that they are consistent, they are still complex issues that require time and resources to develop strategies in effectively addressing them.

2.1 Consultation and Engagement

- Across all interviews conducted, people strongly emphasized the importance of companies taking a transparent and inclusive approach to engagement. Repeatedly and consistently, local people spoke of their expectation to have access to the company as well as their interest in knowing about the basic principles of oil, such as the phases, economics, and impacts of exploration and production. One young woman in Block 1 said she would ask, “How do you mine for oil?” as her first question if she encountered a company representative.
- Many local community members are aware that companies need to hire non-skilled labor, and they expect that available jobs should be set aside for the immediate community, and that companies will make deliberate efforts to buy locally. Additionally, there is an expectation that the company, upon entering a community, should be able to address and speak to the community’s expectations early on. The community expects the company to be able to answer questions about job availability, length of presence, and the progression of the project from the beginning of the campaign. They also expect to see meaningful discussion on the company’s part about the positive *and* negative impacts of oil, as well as the mitigation plans to address negative impacts.
- While people acknowledge that current and past companies have worked within the existing government structures, many village and parish level chairmen noted that there are information gaps between the LC 5, LC 3, and LC 1; whereas information appears to trickle down from LC5 to LC3, there is limited trickle down of information between LC3 and LC1.

Analysis

- The continued lack of information and perceived lack of transparency mean that Transparency and Inclusiveness are paramount principles for a new company to demonstrate if it intends to get genuine and meaningful stakeholder engagement right from the beginning.
- In that communities expect answers to their questions, and expectations, early on, failure to provide those things suggests to them an intentional lack of transparency and thereby implies that the company has something to hide. This indicates that communities may not understand the process with which oil exploration, and subsequent development and production, happens. The opportunity for Total is to take a proactive and on-going approach to communication and information sharing within communities, providing clear and accessible information about what the oil exploration and production process looks like from the technical and social standpoint, as well as communicating proactively whatever answers the company may be able to provide to the questions of community members.

- While Tullow's current engagement efforts have been recognized for working within the existing community and authority structures, and Tullow has been cited as being more open and willing to share information, its current engagement approach focuses primarily on public consultations in order to fulfill regulatory ESIA requirements. As each business partner will now become the operator of individual blocks, there is an opportunity to move towards a long-term engagement approach.

Options

- As Total takes over a block, it would be beneficial to **front-load engagement activities**, approaching engagement from the beginning with a long-term, relationship-building strategy. This will require investment in staff, and time to professionalize them on engagement and social performance, in order to have a large enough team to reach relevant stakeholder groups throughout the geographical scope of the Block.
- Developing an engagement plan that is straightforward and inclusive at the same time is key to managing stakeholder relationships. In the Ugandan context, this means **engaging vertically and engaging laterally**, and increasing access to information at all levels.
- **Engage broadly and regularly within different national-level government agencies to build relationships within all levels of the agency**, rather than focusing only on key decision makers, and address regular coordination issues. At the same time, unified engagement among the business partners with government will help to bring social issues to the table, communicating that developing oil is dependent on getting the social issues - land, compensation, impacts on tourism - right from the beginning. As one Kampala-based civil society representative suggested; "position it in terms of the facts on the ground that need to be addressed in order for oil to move forward".
- Multi-laterals, such as UN agencies, invite companies to engage them on how they address issues such as understanding conflict triggers, livelihoods security and development, reintegration of returnees and ex-combatants, support of civil society, environmental issues, etc., which can **increase Total's access to technical and advisory assistance in a new operating context**.
- **Ensure that information reaches the community, rather than assuming a trickle-down effect is happening**. At the district level, ensure that proactive engagement is happening laterally among the district heads, and at the same time actively ensure that information is passing vertically from the district Chair down to LC 3 and LC 1s. At that stage, through the LC 1, the company can gain access to the local villages and engage broadly across villages. In that respect, the company can achieve a breadth and depth in their engagement at the district level.
- **Ensure vertical engagement with civil society**, especially in a time where the NGO coalitions are still in the process of determining their own future. Reach out to regional and local NGOs

and CBOs on a regular basis to provide TEPU with a better insight about whom it should be engaging with. It would also foster a positive relationship from the start of operations and allow the company and civil society to work on issues of mutual concern.

- **Use overlapping and complementary stakeholder groups.** By engaging broadly across stakeholder groups, TEPU would be able to overcome *dividers* within the community. At the district level, this means engagement across five groups to ensure broad and inclusive reach to local communities:
 - Administrative structure
 - Cultural Institutions (Kingdoms and Chieftaincies)
 - Civil Society
 - Religious authorities
 - Local business/Chamber of commerce

- **Establish a formal engagement schedule.** Both national-level and local authorities expect regular engagement, through courtesy visits by company representatives as well as scheduled coordination meetings. Government representatives suggested the idea of having quarterly or semi-annual joint meetings across government agencies or across district heads. For example, one LC 5 suggested/agreed that holding a formal meeting every 6 months to bring together all of the district heads of all of the districts within any given Block would provide an opportunity to share information broadly, to demonstrate transparency in the discussion across the districts, and to provide a forum where district heads could jointly brainstorm on options and ideas for the management of the oil sector in their region.

Venues for Engagement

The radio was cited as one of the best, among many possible modes of company-community engagement, ways to reach local communities as well as to provide a forum with which local community members can voice their opinions. Many stated that, although oil-related programming was already happening, more programs are needed as well as more time allocated for discussion and phone-in communication by locals. As well, in that some people only listen to specific stations, it was suggested that companies be sure to use all radio stations, including the Catholic station which is available for information sharing and educational programming.

Implementing an overlapping and complementary engagement strategy will ensure broad and inclusive reach with local stakeholders and community members:

- Personal meetings with officials
- Cross-District workshops with leaders of each stakeholder group
- Community Liaison Officers – roving informal community visits
- Grievance Officer
- Project-based public community consultations
- Community-based Information Offices
- Monthly bulletin notes– to give updates on stage of project
- Newspaper communiqués – to reach national and local level
- Bulletin boards – announce job availability or list job candidates
- “Information Days” – bringing stakeholders in for site visits
- Engagement tools (such as cartoons) that explain the oil process
- Radio

- **Establish a Grievance Mechanism.** The Grievance Mechanism should be closely aligned and considered in parallel with a stakeholder engagement plan in order to define appropriate engagement points for collecting feedback as well as the appropriate locus within the existing authority structure for the grievance mechanism. For example, Total will need to consider whether the LC 1 – the Village Chairman – is an appropriate access point for submission of grievances, if at the same time they play a key role in determining local candidates for employment or in developing community-based projects.

2.2 Employment and Local Procurement

- Local community members consistently define “local” non-skilled labor as those residents of villages where seismic and drilling activities are taking place. It is the LC1 who holds the register of “local” residents. Several stakeholders warned against taking a tribal or language based definition of “local”. For all employment opportunities, people agree that the various degrees of “local” should follow a concentric model with preference for those people, respectively, from: The Village, Parish, Sub –County, District, Region, and then National.

It is also expected that community liaison officers will be hired locally and the positions will be advertised locally.

- Tullow's approach to hiring non-skilled positions, choosing candidates from the immediate villages on a project-by-project basis, has generally been considered appropriate. For semi-skilled positions, community leaders and local government representatives felt that recruitment was only happening at the national level and that local people, who might have qualified for such positions, missed out.

Related to this point was a general perception that local stakeholders did not have any information regarding the hiring process, required number of employees, qualifications needed, duration of the contract, etc.

- Although the elected Local Chairman was always referenced as the public authority that must play a role in making "recommendation" on non-skilled labor candidates, at the community level, there were some locals who expressed concerns about nepotism and favoritism among the Village Chairman and the company in the selection of non-skilled labor candidates.
- Company procurement of local goods was repeatedly stated as an expectation by local civil society and local community members. They suggested this as one way in which companies can ensure broader community benefit from the company presence and as a trust-builder between the company and community.

Analysis and Options

- Institute measures to ensure that, no matter what the process chosen for hiring, it is clearly and transparently communicated to the local community. In initial community meetings, Total can state what the definition of "local" is, if and how candidates are short-listed, the role of the Village Chairman in naming candidates, and how people are chosen from the short list or lottery.
 - Develop a local employment strategy
 - Ascertain agreement over the definition of "local"
 - Use the concentric circle model for all employment opportunities
 - Ensure that employment opportunities are well advertised in the project area
 - Ensure that contractors abide by the TEPU Policy
 - Ensure that contractors provide the names and number of "local" employees per community so that TEPU can use such numbers in its engagement efforts.
- *Ensure that the recruitment process is perceived as fair and transparent*

Some community members felt they would be acceptable for the Village Chairman to pick the workers directly, stating that it would be "their good luck" to get the job. Others were supportive of ideas that gave the community a greater sense of transparency.

 - Consider using a public lottery system, choosing from the short-listed candidates to reduce the risk of accusations of nepotism

- Post the names of selected candidates on a community bulletin board for all to be able to verify that they were indeed local residents
- Develop a local procurement strategy that also includes local procurement clauses in contracts.
- Work with the local Chamber of Commerce and multi-lateral institutions to conduct contractor capacity assessments. To do this, Total may need to help reignite several of the District Chambers of Commerce, and can ask for support from the Kampala Chamber. Including the local business community in procurement efforts means increases in indirect employment due to the presence of the company.
- As exploration advances, focus on “employability” and “contractability” efforts through project phases, including working with multi-donor initiatives that support the building of curriculum and infrastructure for vocational schools and capacity building for local SMEs.

2.3 Land

- Within Blocks 1 and 2, both customary and communal land practices are used. Customary land tenure is when land is passed from generation to generation within a family, and thus all family members must agree to the use or selling of said land at any given time. It is generally expected that neighbors would also become involved during land sales to ensure that there is agreement with the demarcation of the land borders. Community land is generally land that is used for the wellbeing of the entire community, for example to raise cattle. The selling of community land must be agreed to by the entire community. Commercial land in urban areas, for example of provincial capitals, does not fall under these two types of tenure, and is instead governed by the district land board for selling or renting to commercial tenants.
- Although the team was not able to verify specific cases, CEP consistently heard concern from many local stakeholders about increasing land speculation and illegal or semi-legal land appropriation within the areas of the Blocks, which has led to community conflict because the traditional process was not being observed for land usage.

Analysis and Options

- Rampant land speculation or grabbing indicates that people anticipate that increased benefits and opportunities will be widespread throughout the region due to the presence of oil operations. Despite uncertainty regarding the extent of the footprint of oil operation, speculation could mean that many people will become very disappointed or frustrated if and when the land that they have acquired is not within the zones of oil production. As part of engagement efforts, there is an opportunity for the company to emphasize the uncertainty about location of future oil infrastructure as a possible way to curb land rushes. Total can integrate land speculation information, as well as basic technical information on the process of oil exploration and production, into their engagement efforts.

- TEPU also needs to look more closely into landownership patterns and the history of land ownership between various groups. As land becomes more valuable as a result of oil activities, so increases the risk of conflict and tension over land. Close collaboration with cultural authorities will help guide the company in avoiding pitfalls and understanding land related dynamics.

2.4 Compensation

- Compensation rates for crops and assets are determined at the district level and reviewed and approved by the national Valuer. There are currently no provisions for compensation of land. At the district level, there have been delays for certain districts to get their rates updated to a rate that both the district land board and the national Valuer both agree on. During these delays, there are no up-to-date rates by which the company can pay compensation. For example, the update of Buliisa's compensation rate has been delayed by two years, and Nebbi and Nwoya rates have still not been determined.
- Local community members expressed frustration with below-market rates being offered by the company, even though they recognize that the rates are set by the government.
- Although locals know that, within a district the compensation rates are the same, they perceive that if the company negotiates compensation in private it means that extra deals are being worked out between the company and the land owner. People define open negotiation as a responsibility of the company; the opposite is likely to generate suspicion that some are getting more than the set rate.
- Because there is no guidance offered to local crop owners in financial management, there have been many cases of unwise spending when an owner receives a flush of compensation money. As one local NGO representative said "the 3D campaign will lead to poverty".

Analysis and Options

- As Total moves into operations, make a priority to lobby Nebbi and Nwoya, as well as national-level agencies, to determine crop and asset compensation rates. As a joint initiative, engage the Government on land value and compensation and align the approach to compensation as much as possible with business partners.
- Include an explanation of compensation rates and processes in engagement efforts. Prior to beginning seismic operations, agree with the community which rates will be used. Maintain open and transparent negotiations on all compensation issues, so as to decrease negative perceptions of special treatment or private deals.
- Work through a local NGO to build financial management training into the compensation process with local owners. Also consider working with an NGO to conduct a Cultural Heritage baseline survey prior to seismic operations, so as to clearly document people's valuation of

their land and assets and to reduce the potential for additional cultural significance to be assigned to land once compensation negotiations have begun.

Getting Engagement Right from the Beginning of Operations

The recipe for getting it right in the short term is straightforward, but will require hard work to institute the appropriate plans and engagement efforts:

- Front-load staff resources for community engagement efforts
- Broad Consultation a) across different levels b) across stakeholder groups
- Local employment for non-skilled and semi-skilled labor
- Local procurement efforts
- Focus on staff over stuff but...some CSR projects would help

Paramount principles: Transparency and Inclusiveness

PART 3: CONCLUSION

There are high expectations regarding the benefits and impacts of oil and gas for the country of Uganda. There is an equivalent amount of movement and action across stakeholder groups around the issue of oil, as everyone prepares themselves for the development of an entirely new sector in the country. And as Total enters into operations within Uganda, they will be considered one of the more experienced players in the Ugandan oil sector; addressing local expectations means that Total has the opportunity to enter operations with a clear articulation of how it intends to do business, sharing its plans for engagement and benefits distribution.

Total has demonstrated a commitment to constructive engagement efforts since the onset of operations by considering these expectations, and issues in development of the sector, up front. While beginning operations in Uganda will take dedicated commitment to developing appropriate staff and tools for the context, the recipe for getting it right is consistent in the need to practice broad and inclusive engagement and provide local employment and local procurement opportunities that align with local expectations. Within Uganda, the paramount principles of engagement are *Transparency* and *Inclusiveness*. This provides Total an opportunity to leverage its experience elsewhere to engage broadly across stakeholder groups, while at the same time working in alignment with business partners to maintain positive relations across the blocks.