

**ANALYSIS OF THE EFFICACY OF LOCAL CONTENT PROCUREMENT
REQUIREMENT LEGAL REGIME IN ENHANCING SOCIAL WELFARE OF
ALBERTINE GRABEN AREA**

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**A DISSERTATION SUBMITTED TO THE FACULTY OF LAW IN PARTIAL
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DECLARATION

I, Nyangoma Ester do hereby declare that this research Dissertation entitled **ANALYSIS OF THE EFFICACY OF LOCAL CONTENT PROCUREMENT REQUIREMENT LEGAL REGIME IN ENHANCING SOCIAL WELFARE OF ALBERTINE GRABEN AREA** is entirely my original work, except where acknowledged, and it has never been submitted to any other university or any other institution of higher learning for the award of a Degree

SIGNATURE.....

DATE.....

APPROVAL

This is to certify that this Dissertation entitled an **ANALYSIS OF THE EFFICACY OF LOCAL CONTENT PROCUREMENT REQUIREMENT LEGAL REGIME IN ENHANCING SOCIAL WELFARE OF ALBERTINE GRABEN AREA** has been done under my supervision and now it's ready for submission.

NAME: MUGABI IVAN.

SIGNATURE: 

DATE02/05/2023

DEDICATION

This Dissertation is dedicated to my sister Janeva Natukunda for the support in all aspects of my life and especially encouraging me to pursue the master's degree as well as persevere when the going got tough. Secondly, to my dear husband Ajiyo Patrick and children Faith, Favour, Fervent, Felicia and Fortunate for the support and constant encouragement.

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May Almighty Lord bless you abundantly!

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LIST OF ACRONYMS

AG	Auditor General,
ASCM	Agreement on Subsidies and Countervailing Measures
CSOs	Civil Society Organization.
CAIP	Community Action Investment program
IFRI	French Institute for International Relations
IOC	International Oil Company
KPMG	Klynveld Peat Marwick Goerdeler
LDC	Low Developed Countries
LC	Local Content.
LDC	Law Development Countries
LCP	Local Content Policy
LPLR	Local Procurement Legal Regime
MEMD	Ministry of Energy and Mineral Development
NC	National Content
NDPII	Second National Development Plan
NGO	Non-Governmental Organization
NOGP	National Oil and Gas Policy
NSD	National Supplier Database
PAU	Petroleum Authority of Uganda
UNOC	Uganda National Oil Company
WTO	World Trade Organization
CNOOC	Chinese National Offshore Oil Company
SME	Small Medium Enterprises

SLIST OF AUTHORITIES

The Petroleum (Exploration, Development and Production) Act, 2013

The Petroleum (Refining, Conservation, Transmission and Midstream Storage) Act, 2013

The Petroleum (Refining, Conservation, Transmission and Midstream Storage) (National Content) Regulations, 2016

The Petroleum (Exploration, Development and Production) (National Content) Regulations, 2016

National local content Act, 2019

Access to information Act 2005

Uganda local content Act, 2019

The Constitution of the Republic of Uganda 1995.

ABSTRACT.

This abstract provides an overview of an analysis of the efficacy of the legal regime that requires local content procurement in the oil and gas sector and its impact on social welfare. The study aims to evaluate whether the implementation of the local content procurement requirement has enhanced social welfare for people in the sector.

The research methodology was involving a comprehensive review of existing literature on local content procurement policies in the oil and gas sector. Additionally, primary data will be collected through surveys and interviews from stakeholders, including oil and gas companies, government agencies, and local communities.

The study was analyzing the legal and policy framework governing local content procurement and examine its impact on employment creation, local enterprise development, technology transfer, and

Overall economic growth. The research will also evaluate the challenges encountered in implementing the local content procurement requirement and suggest policy recommendations to enhance its effectiveness in promoting social welfare.

The study's findings were to contribute to the ongoing discourse on local content procurement policies' efficacy and inform policymakers and stakeholders on ways to promote social welfare in the oil and gas sector.

CHAPTER ONE.

GENERAL INTRODUCTION.

1.1. Introduction.

This study analysed the efficacy of the local content procurement legal Regime and its implementation in Uganda's oil and gas industry as a way of enhancing the living standards of Ugandans. Procurement requirement is a strategy through which oil companies are required to locally produce goods, and in a long run provide employment to Ugandans in the oil and gas sector. Many countries engaged in Oil and Gas production or mining are introducing requirements for participation commonly referred to as 'local content',¹

This has increased significantly in recent years in the developing world mainly in Africa, Asia and Latin America. Local content requirements are mainly in form of policy and regulatory measures that focus at increasing use of the locally available labour, technology and other resources in the Oil and Gas sector. The focus is on transfer of technology by companies engaged in the extractive resource sector to the native people of a particular nation with a hope of assuring them income, employment and ultimately sustainable development and all these aimed at enhancing social welfare in the oil and gas sector.

The oil and gas sector is a significant contributor to many countries' economies worldwide. However, this sector's growth and development can also lead to social and environmental challenges if not appropriately managed. One of the strategies that governments have adopted to mitigate these challenges is the implementation of local content procurement requirements. The local content procurement requirement seeks to ensure that local businesses and individuals benefit from the oil and gas sector's growth and development.

This research aims to analyze the efficacy of the legal regime that requires local content procurement in enhancing the social welfare of people in the oil and gas sector. The study seeks to evaluate the impact of the local content procurement requirement on employment creation, local enterprise development, technology transfer, and overall economic growth.

The study will use a combination of secondary and primary data sources, including literature reviews, surveys, and interviews, to analyze the legal and policy framework governing local

¹ Collier. The political Economy of Natural Resources, Social Research, (2010) 777(4):1105-1132.

content procurement. The research will also examine the challenges encountered in implementing the local content procurement requirement and suggest policy recommendations to enhance its effectiveness in promoting social welfare.

This study's findings will contribute to the ongoing discourse on local content procurement policies' efficacy and inform policymakers and stakeholders on ways to promote social welfare in the oil and gas sector. Ultimately, the study seeks to provide insights that can help shape policies that lead to sustainable and inclusive growth in the oil and gas sector while ensuring the social welfare of local communities.

1.2. Background of the study.

The oil and gas industry is a significant contributor to many countries' economies, providing a critical source of revenue and employment opportunities. However, this industry's growth and development can also lead to various social and environmental challenges, such as increased inequality, environmental degradation, and human rights violations.

In response to these challenges, many countries have adopted local content procurement requirements to ensure that local businesses and individuals benefit from the oil and gas sector's growth and development. The local content procurement requirement aims to enhance local participation in the sector, promote technology transfer, and encourage job creation and entrepreneurship.

However, the efficacy of the local content procurement requirement in enhancing social welfare remains a subject of debate. Some argue that the local content procurement requirement has not led to significant benefits for local communities, while others contend that it has led to notable improvements in social welfare.

To evaluate the impact of the local content procurement requirement on social welfare, this study seeks to analyze the legal regime governing local content procurement in the oil and gas sector. The study will also evaluate the challenges encountered in implementing the local content procurement requirement and suggest policy recommendations to enhance its effectiveness in promoting social welfare.

By providing insights into the efficacy of local content procurement policies, this study aims to contribute to ongoing discussions on ways to promote sustainable and inclusive growth in the oil and gas sector while ensuring the social welfare of local communities.

1.2.1. Historical Background.

Uganda discovered commercially viable deposits of hydrocarbons in the Albertine Graben region in 2006.² The government of Uganda embarked on an ambitious development of its legal and policy frameworks aimed at facilitating coordinated exploitation of oil and gas that had been discovered in the country.³ The National oil and gas policy was formulated, in 2008, the formulation of the National Local Content Policy,⁴ in 2012, the oil and gas Revenue management policy was launched, in 2012, the Petroleum (Exploration, Development and Production) Act,⁵ the Petroleum (Refining, Conversion, Transmission and Midstream storage) both upstream and the midstream Act and the National local content Regulation Regulations of 2016 and the National local content Act of 2019.

However, prior to that, Uganda had entered into Production Sharing Agreements and these include the 1999 model, 2012 model, 2016 model and the latest which is the 2018 model.⁶

As observed by Allen Gelb and Stephanie,⁷ in most developing countries, the discovery of oil and Gas resources has been classified as both as a blessing and a curse.⁸ The reasons for being a blessing are the fact that the extraction of oil and Gas generates significant flows of revenue to the host country.

Local content itself has integrated into the international oil sector in ways that four decades ago would have seemed quite unlikely or impossible to imagine due to the hegemony of neoliberal economics of oil and gas industry according to Cimmo, et al.⁹ Local content in the Oil and Gas sector evolved from the following countries, Brazil, Mexico, Chile, Oman, Kazakhstan and Indonesia. Major oil sector conferences such as the Global! Local Content

² Alert I. Governance and Livelihoods in Uganda's Oil-Rich Albertine Graben, 2013 at page 6.

³ Auty, Richard & Jose Luis Evia, A Growth Collapse with Point Resources, Bolivia. In Resource Abundance and Economic Development, edited by Richard M. Auty. Oxford University press 2001.

⁴ Uganda National Local Content Policy of 2009.

⁵ Act no 4 of 2013 (Parliament of Uganda).

⁶ Uganda's production sharing Agreement of 2016.

⁷ Allen Gelb and Stephanie Majerowicz, Oil for Uganda? Or Ugandans? Can cash transfers prevent Resource curse? 2011.

⁸ Allen Gelb and Stephanie Majerowicz oil for Uganda or Ugandans Can cash transfers prevent the resource curse , 2011. Centre for Global Development working paper 261

⁹ Cimino, Gary Clyde Hoffbauer & Jeffrey J Schott. A proposed Code to Discipline Local Content Requirements. Peterson Institute for International Economics Policy, Brief NoPB14-6, P. 1.

Summit and the Global Local Content Council's 'NOCs and Governments Summit compete to attract delegates from government agencies and multinational corporations willing to pay thousands of dollars per person in registration fees so they can learn about the latest trends according to Cogan, Sharpe and Hertzberg.¹⁰

Local content became a global concern in the 1970s as countries began forming their own national oil companies.¹¹ The development of local content has basically been a result of recognition that after years of Oil and Gas or mineral exploitation in many developing countries, little seems to be transferred to the citizens of resource-rich countries in form of technology and employment as advanced by Matthews and Lynch,¹²

Many citizens of resource-rich countries especially in the developing world tend to be mere spectators yet local content must focus on helping in enhancing welfare of citizens participating in the oil and gas sector. This trend of local people not benefiting from the oil and gas continues to exist in spite of the fact that many mining and petroleum companies in the developing world are given incentives such as tax holidays with a hope that they will be able to exploit the resource, provide employment for the natives and develop infrastructure which would enable the economy to develop which will in turn improve people living standards.

Uganda is not exception to the observation that many citizens of resource-rich countries especially in the developing world are mere spectators. After the announcement of commercially viable quantities of petroleum in the country, there was excitement about the developments that the new resource would bring.¹³ Ugandans have been excited at the potential for development, improvement of household incomes and general living standards once petroleum revenues start flowing. However, it is not always the case since there are many things that need to be done in order to make local content a reality.

¹⁰ Cogan A ..., Sharpe S & Hertzberg, J. Citizen Participation. In So, F. S, Hands, I., & Madewell, B. D (Eds.) the practice of state and regional planning. Municipal Management Series, Chicago: American Planning Association.

¹¹ Grossman. The Theory of Domestic Local Content Protection and Content Preference (2004) 96'4 Quarterly Journal of Economics page 583.

¹²Grossman. The Theory of Domestic Local Content Protection and Content Preference (2004) 96'4 Quarterly Journal of Economics page 583.

¹³Muhwezi, et.al, crafting an Oil Revenue -sharing Mechanism for Uganda. (A Comparative Analysis Policy Research Series, No 30, 2009 Kampala)

All these efforts are focused on enhancing living standards of Ugandans in the sector. Uganda needs stringent macro and micro economic policies to enable the economy sustain the negative impacts that petroleum might have on the economy.¹⁴

According to Hansen,¹⁵ History shows that natural resources especially Oil and Gas are not necessarily an engine for economic growth due to the fact that they intend to come with distortions that slow down economic development. Such an economic blockage has been explained by the term resources curse as explained by Auty.R.M.¹⁶ The Author expounds this concept to mean instances where developing countries with abundant extractable resources such as oil or minerals but are still lagging behind in economic terms especially if compared with other nations.¹⁷

The oil and gas industry is a significant contributor to many countries' economies, providing a critical source of revenue and employment opportunities. However, this industry's growth and development can also lead to various social and environmental challenges, such as increased inequality, environmental degradation, and human rights violations.

In response to these challenges, many countries have adopted local content procurement requirements to ensure that local businesses and individuals benefit from the oil and gas sector's growth and development. The local content procurement requirement aims to enhance local participation in the sector, promote technology transfer, and encourage job creation and entrepreneurship.

However, the efficacy of the local content procurement requirement in enhancing social welfare remains a subject of debate. Some argue that the local content procurement requirement has not led to significant benefits for local communities, while others contend that it has led to notable improvements in social welfare.

To evaluate the impact of the local content procurement requirement on social welfare, this study seeks to analyze the legal regime governing local content procurement in the oil and gas sector. The study will also evaluate the challenges encountered in implementing the local

¹⁴Muhwezi, et.al, crafting an Oil Revenue -sharing Mechanism for Uganda. (A Comparative Analysis Policy Research Series, No 30, 2009 Kampala)

¹⁵ Hansen. The Political Economy of Local Content in Africa Extractives: Lessons from Three Africa Countries. Paper presented 2014 at page 46 Armode, Dansk Selskab for Stateskundskab, Vejle, Denmark. P3.

¹⁶Auty, R.M Social Sustainability in Mineral -Driven Development, Journal of International Development, 10:487-500.

¹⁷ Richard Auty. Sustaining Development in Mineral Economics: The Resources Curse Thesis (1993) London Routledge.

content procurement requirement and suggest policy recommendations to enhance its effectiveness in promoting social welfare.

By providing insights into the efficacy of local content procurement policies, this study aims to contribute to ongoing discussions on ways to promote sustainable and inclusive growth in the oil and gas sector while ensuring the social welfare of local communities.

1.2.2. Theoretical Framework.

The theoretical framework for this study will be based on three main concepts: local content procurement, social welfare, and legal and policy frameworks.

Local content procurement refers to policies and practices that seek to enhance local participation in the oil and gas sector. Local content procurement policies seek to promote local employment, local enterprise development, technology transfer, and overall economic growth. The study will examine the impact of local content procurement policies on social welfare and evaluate their effectiveness in enhancing the social welfare of people in the oil and gas sector.

Social welfare refers to the well-being of individuals, communities, and societies. The study will evaluate the impact of local content procurement policies on social welfare by examining the policies' impact on employment creation, local enterprise development, technology transfer, and overall economic growth. The study will also examine the challenges encountered in implementing the local content procurement requirement and suggest policy recommendations to enhance its effectiveness in promoting social welfare.

Legal and policy frameworks refer to the laws, regulations, and policies that govern local content procurement in the oil and gas sector. The study will examine the legal and policy frameworks governing local content procurement and evaluate their impact on promoting social welfare. The study will also evaluate the challenges encountered in implementing the legal and policy frameworks and suggest policy recommendations to enhance their effectiveness in promoting social welfare.

Overall, the theoretical framework for this study will focus on evaluating the impact of local content procurement policies on social welfare, examining the legal and policy frameworks governing local content procurement, and identifying ways to enhance the effectiveness of these policies in promoting social welfare in the oil and gas sector.

The Relational Theory by Freeman and Phillips, which has a root from the complex firm-environment relationships, guided the study. As the term implies, interrelations between the two are the focus of the analysis of local content. Relational theory is further divided into four sub-groups of theories: these include business and society, stakeholder approach, corporate citizenship and social contract.

Business and society are proposed to mean ‘business in society’ in which local content emerges as a matter of interaction between the two entities. One of the measures of local content is the development of economic values in a society.¹⁸ Another is a person’s obligation to consider the effects of his decision and action social system. This social system involves a general relationship which calls for social responsibilities of businessmen which needs to reflect the amount of social power they have through supporting and improving the welfare of the people in that sector.¹⁹

Stakeholder approach has been developed as one of the useful strategies in improving the management of the firm.

It is also said to be a way to understand reality in order to manage the socially responsible behaviour of a firm. Based on Garriga analysis, stakeholder approach is both within the integrative and ethical theories, where the former emphasizes the integration of social demands and the latter focuses on the right thing to achieve a good society. These are supported by the work of Mitchel, Agle and Wood. Where balances among the interests of the stakeholders are the emphasis and the work of Freeman and Phillips considers fiduciary duties towards stakeholders of the firms, respectively. This is broadly covered by the learned Author Lubogo in his Book, The law of Oil and Gas in Uganda.

Finally, the social contract theory refers to the fundamental issue of justifying the morality of economic activities in order to have a theoretical basis for analysing social relations between corporation and society.²⁰

Hence, local content is derived from the moral legitimacy the corporation achieves in the society and understanding about local content is contained in the justification of social actions

¹⁸ Michael & Hansen. The Political Economy of Local Content in African Extractives. Lessons from Three African Countries, Paper Presented at 46. Armode I Denmark Selskabstatskundskab ,Okt , 23-24, Vejle , Denmark , pg.3.

¹⁹ Isaac Christopher Lubogo , The Law of Oil and Gas In Uganda, First Edition, Jecho Group Ltd, Kampala East Africa, .2021, Pg 58.

²⁰ Ibid.pg.19.

that legitimize the behaviour of the corporation, which focusses on enhancing the welfare of Ugandans or people in the oil and gas sector.

The main rationale behind this theory is to prevent chances of resource curse which is a common phenomenon in many developing countries such as Nigeria, Venezuela, Iraq, South Sudan and many other countries according to Anderson & Browne A.J,²¹ this is done through impacting knowledge and skills, providing employment to the local power and helping their communities.²²

Resource curse theory²³ is widely analysed and explained by the Dutch disease phenomenon, which refers to the fact that countries with abundant resources tend to innovate at a slower pace than the resource poor ones²⁴ due to corruption and bad governance in these countries. These countries are full of political instabilities and economic crisis which is associated with poverty even though these countries are rich in resources since they fail in addressing the social welfare problem of their citizens since the local content policies are aimed at improving the living standards of people especially those participating in the oil and gas sector.²⁵

The rationale for low economic growth is over dependence on the easy money accruing from the natural resources,²⁶ which undermines the linkages between various sectors of the economy that usually serve to keep the economy strong and healthy. Many authors for example Michael Warner²⁷ and Silvana Tordo with Brandon's Tracy and Nouri Arfra,²⁸ have extended it to be problem that often gives rise to corruption and deficit in public governance and sometimes leads to situations that have led to extreme collapse of institutional structure, civil conflicts and mismanagement of oil resources for example the unabated corruption in Nigeria, Venezuela among others. This caused by discontent among the citizens of these countries when they feel that they have not benefited from the countries resources and this explains the increasing

²¹ Anderson & Browne AJ. The politics of Oil in East Africa 5:2, Journal of East African Studies 395.8.

²² Marie Claire Aoun and Carole Mathieu, Local Content Strategies in Oil and Gas Sector. However, to maximize benefits to Host Communities (2015) the French institute of international relations page 3.

²³ Peter Megillah Gwayaka, local content in oil and gas, an assessment of Uganda's legal and policy Regimes (A code policy, Briefing paper series No 28 2014, Kampala) 2

²⁴ Jeffrey D Sachs & Andrew M. Warner, the big push, Natural Resources Booms and Growth, (1997) of Development Economics 59.

²⁵ Isaac Christopher Lubogo, The Law of Oil and Gas In Uganda, First Edition, Jecho Group Ltd, Kampala East Africa, .2021, Pg 54.

²⁶ Jeffrey D Sachs & Andrew M. Warner, the big push, Natural Resources Booms and Growth, (1997) of Development Economics 59.

²⁷ Local content in procurement. Creating local jobs and competitive Domestic Industries in supply chain (Sheffield, Greenleaf Publishing 2011.)

²⁸ National Companies and value creation (world Bank working page no 218, 2011) page 8

instabilities in resource rich countries like Angola, Nigeria and Liberia that are full of civil unrests.

This backdrop is a major concern not only for governments, international institutions and civil society, but also for the extracting companies, which seeks to secure their investments by building long lasting partnerships with the host countries and ensuring that the welfare of the citizens of those states and countries are catered in their living standards through creation of employment opportunities, skilling them through education and training and purchasing locally made products from citizens as a way of enhancing their living standards through empowering them economically and requiring the companies to procure locally produced goods from the local market.²⁹

In order to ensure that resources actually generate benefits for the local economy, there is a need in particular for the creation of productive sectorial linkages in the economy aimed at lifting all vital sectors of economy together to avoid the lagging behind of sectors for example education and agriculture which are crucial to the growth of the economy through the promotion of local content strategies in the country. There has been adoption of local content development policy referred to as content requirement.³⁰ This has made local content to become a priority strategy. This has been achieved through enactment of more stringent legal provisions and following the advice of international institutions issuing recommendations and Oil and Gas companies.³¹

1.2.3. Conceptual framework.

The conceptual framework for this study will be based on the following key concepts:

Local content procurement policies: These are policies that seek to promote the participation of local businesses and individuals in the oil and gas sector. The conceptual framework will examine the specific policies and practices adopted by governments to promote local content procurement, such as local employment requirements, local supplier development programs, and technology transfer initiatives.

²⁹ Ibid

³⁰ Marie-Claire Aoun and Carole Mathieu. Local Content strategies in Oil and Gas sector. How to maximize Benefits to Host Communities, The French Institute for International Relations pg.4

³¹ Ibid.pg.22.

Social welfare: This refers to the well-being of individuals, communities, and societies. The conceptual framework will evaluate the impact of local content procurement policies on social welfare, focusing on the policies' impact on employment creation, local enterprise development, technology transfer, and overall economic growth.

Legal and policy frameworks: These refer to the laws, regulations, and policies that govern local content procurement in the oil and gas sector. The conceptual framework will examine the specific legal and policy frameworks governing local content procurement, including the legal basis for local content requirements, the role of government agencies in implementing the policies, and the monitoring and evaluation mechanisms in place.

Stakeholder perspectives: The conceptual framework will also consider the perspectives of various stakeholders, including oil and gas companies, government agencies, local communities, and civil society organizations. The study will explore the stakeholder perceptions of the impact of local content procurement policies on social welfare, as well as their views on the challenges and opportunities for improving the policies.

Overall, the conceptual framework for this study will focus on the interplay between local content procurement policies, social welfare, legal and policy frameworks, and stakeholder perspectives. The study will use these concepts to evaluate the efficacy of local content procurement policies in enhancing social welfare in the oil and gas sector and identify ways to improve their effectiveness.

1.3. Problem Statement.

Despite the adoption of local content procurement requirements in the oil and gas sector by many countries, there is a lack of consensus on their effectiveness in enhancing social welfare. While some argue that the policies have led to significant benefits for local communities, others contend that the policies have not lived up to their potential. This study seeks to address this issue by analyzing the efficacy of local content procurement requirements in enhancing social welfare in the oil and gas sector and identifying the challenges encountered in implementing these policies.

1.4. General Objective of the study.

The general objective of this study is to evaluate the efficacy of local content procurement requirements in enhancing the social welfare of people in the oil and gas sector.

1.4.1. Specific Objective of the Study.

Based on the general objective, the specific objectives of the study are:

1. To identify the specific local content procurement policies and practices adopted by governments in the oil and gas sector.
2. To evaluate the impact of local content procurement policies on social welfare, specifically on employment creation, local enterprise development, technology transfer, and overall economic growth.
3. To examine the legal and policy frameworks governing local content procurement and evaluate their effectiveness in promoting social welfare.
4. To identify the challenges encountered in implementing local content procurement policies and suggest policy recommendations to enhance their effectiveness in promoting social welfare.
5. To analyze the perspectives of various stakeholders on the impact of local content procurement policies on social welfare and identify opportunities for improving the policies.

1.5. Research questions.

Based on the specific objectives, some potential research questions for the study are:

1. What are the specific local content procurement policies and practices adopted by governments in the oil and gas sector, and how do they vary across different countries?
2. What is the impact of local content procurement policies on social welfare in the oil and gas sector, and how can this impact be measured?
3. What are the legal and policy frameworks governing local content procurement in the oil and gas sector, and how do they vary across different countries?

4. What are the challenges encountered in implementing local content procurement policies, and how can these challenges be addressed to enhance their effectiveness in promoting social welfare?

5. What are the perspectives of various stakeholders on the impact of local content procurement policies on social welfare, and how can their views be used to inform policy recommendations for improving the policies?

1.6. Scope of the study.

The scope of the study was divided into three perspectives; these include content, time and Geographical scope.

1.6.1. Content scope.

This study focused on analysing the efficacy of the local content regulatory regime in the Oil and Gas sector in Uganda's oil and Gas sector in terms of enhancing social welfare of Ugandans in the oil and gas sector. A case study of the procurement requirement policy. The study assessed the effectiveness of LC procurement requirement in enhancing the living standards of Ugandans in oil and gas industry by looking at various laws relating to National content and their implementations in areas of employment and procuring goods from locally available firms.

The study focused on the Upstream, Midstream, stages of Uganda's Oil and Gas industry basing on the fact that the regulations in place capture the big part of these stages in the industry. More so it is where most opportunities lie for the citizens of Uganda to participate fully through different entrepreneurial ventures that are sustainable to both the host government and different stakeholders in the industry.

1.6.2. Time scope.

The study considered a period of 10 years spanning from 2012 up to 2022, the time from 2006 was when the discovery of commercially viable quantities of Oil and Gas reservoirs were discovered. Since most of the legal regime concerning Oil and Gas industry of Uganda have

just come into effect with the most recent one, which is the National Local Content Regulations of 2022. Although the study also referenced to the period before 2012.

1.6.3. Geographical scope.

This study focused on Uganda as country in terms of assessing its oil and Gas industry. Uganda is found in East Africa Neighbouring Kenya in the East, Tanzania in the south and D.R. Congo in the west, South Sudan in the North and Rwanda in the south Western part of East Africa. It is located in the heart of Africa in the central sub-Saharan region of Africa. Its Oil and Gas fields are located near the part of Uganda and D.R. Congo

1.7. Justification of the study.

The justification for the study on the efficacy of local content procurement requirement (LCPR) legal regimes in enhancing social welfare of people in the oil and gas sector in Uganda is multi-faceted. Below are some of the reasons why this study is significant for Uganda:

Ensuring equitable distribution of benefits: The oil and gas sector in Uganda has the potential to provide significant economic benefits to the country, but it is important that these benefits are distributed equitably among all Ugandans. A study on the efficacy of LCPR legal regimes can help ensure that local communities, particularly those in the oil-rich regions, benefit from the development of the sector.

Boosting local content development: The Ugandan government has set ambitious targets for local content development in the oil and gas sector, with the aim of increasing local participation and boosting economic growth. A study on the efficacy of LCPR legal regimes can help identify the strengths and weaknesses of the existing legal framework, and suggest ways to improve it to enhance local content development.

Promoting compliance with regulations: The Ugandan government has enacted various laws and regulations to govern the oil and gas sector, including the Petroleum (Exploration, Development and Production) Act, the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act, and the National Oil and Gas Policy. A study on the efficacy of LCPR legal regimes can help ensure that oil and gas companies operating in Uganda are compliant with these laws and regulations, and are contributing to the social welfare of Ugandans.

Supporting sustainable development: The development of the oil and gas sector in Uganda must be sustainable to ensure that it does not have negative impacts on the environment or the well-being of Ugandans. A study on the efficacy of LCPR legal regimes can help ensure that the development of the sector is sustainable, and that social welfare considerations are integrated into the legal framework.

Overall, a study on the efficacy of local content procurement requirement legal regimes in enhancing social welfare of people in the oil and gas sector in Uganda is justified as it can help ensure that the development of the sector is sustainable, equitable, and benefits all Ugandans. It can also help boost local content development and promote compliance with regulations, thereby contributing to the overall development of the country.

1.8. Significance of the Study.

The significance of the study on the efficacy of local content procurement requirement (LCPR) legal regimes in enhancing social welfare of people in the oil and gas sector in Uganda is multi-dimensional. Below are some of the significant aspects of the study in the context of Uganda:

Ensuring equitable distribution of benefits: The discovery of oil and gas in Uganda presents a significant opportunity for economic growth, but it is important that these benefits are distributed equitably among all Ugandans, particularly those in the oil-rich regions. A study on the efficacy of LCPR legal regimes can help ensure that local communities benefit from the development of the oil and gas sector, and that social welfare considerations are integrated into the legal framework.

Promoting local content development: The Ugandan government has set ambitious targets for local content development in the oil and gas sector, with the aim of increasing local participation and boosting economic growth. A study on the efficacy of LCPR legal regimes can help identify the strengths and weaknesses of the existing legal framework, and suggest ways to improve it to enhance local content development.

Supporting compliance with regulations: The Ugandan government has enacted various laws and regulations to govern the oil and gas sector, including the Petroleum (Exploration, Development and Production) Act, the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act, and the National Oil and Gas Policy. A study on the efficacy of LCPR

legal regimes can help ensure that oil and gas companies operating in Uganda are compliant with these laws and regulations, and are contributing to the social welfare of Ugandans.

Enhancing transparency and accountability: The oil and gas sector in Uganda has been criticized for lack of transparency and accountability, particularly in relation to the management of oil revenues. A study on the efficacy of LCPR legal regimes can help enhance transparency and accountability in the sector, by identifying the role of local content requirements in promoting social welfare and ensuring that oil and gas revenues are used for the benefit of all Ugandans.

Overall, a study on the efficacy of LCPR legal regimes in enhancing social welfare of people in the oil and gas sector in Uganda is highly significant, as it can help ensure that the development of the sector is sustainable, equitable, and benefits all Ugandans. The study can also support local content development, promote compliance with regulations, and enhance transparency and accountability in the sector, thereby contributing to the overall development of Uganda.

1.8.1. To the Researcher.

The study helped the researcher in articulating pertinent problems that are hindering the development of plausible effective Local Content Procurement requirement as a policy in Uganda especially in the Oil and Gas industry. With this study, the researcher was able to add value to what has been put across in the research and be able to identify other key issues and help the already existing policy aspects in place meant to develop. Local content procurement legal requirement regulatory regime, for example the effectiveness of local content regulatory regime in enhancing the living standards of the people in Uganda's oil and gas sector in this research in question. This will help to create more ideas that are pertinent to the growing and development of the oil and gas industry in the years to come.

1.8.2. To policy makers.

This study helped to recommend and illustrate practical solutions to policy makers. Following the extensive analysis that shall be undertaken, this study enabled the learning of new practical approaches by policy makers particularly those practical approaches that relate to potential ways they can use in promoting the effectiveness of local content-oriented procurement procedures. The researcher also demonstrated those approaches, which enhances the living standards of Ugandans. The researcher also enlightens policy makers on how the adoption of

policies creates amicable policy and regulatory instruments for strengthening the concept of local content in Uganda's oil and gas industry.

1.8.3. To students.

This study will be used by students who would want to learn more about the complementary interactions that subsists between local content issues and procurement laws on domestic bidding as requirements. This analysis shall ensure that procurement law is applied in ways that improve living standards of Ugandans through strategies of rely on nationals to supply the oil and gas sector. Pertinent issues that will be discussed will not only be for oil and gas sector but the knowledge acquired will be for the other extractive industries at large. This study will further be used as a source of information from which students can refer in case of any serious issues pertaining the study in question.

1.9. The research framework of the study.

They are two types of frameworks, the theoretical that deals with the ideal and real situation of the research problem and the conceptual framework, which deals which how the research variable interacts to form the existing problem, and upon that basis, I used the theoretical framework to explain the research problem.

1.9. Conceptual Framework:

Conceptual Framework: The conceptual framework for this study is based on three main theoretical perspectives: Institutional theory, Stakeholder theory, and Social Welfare theory.

Institutional Theory: The institutional theory emphasizes the importance of formal and informal rules and regulations that govern the behavior of organizations and individuals. According to this theory, organizations conform to the rules and regulations of the institutional environment to gain legitimacy and ensure their survival. The introduction of LCPRs as a legal regime is an institutional intervention aimed at ensuring that the benefits of the oil and gas sector are distributed equitably among stakeholders (North, 1990). Thus, the effectiveness of LCPRs in enhancing social welfare can be analyzed through the lens of institutional theory.

Stakeholder Theory: Stakeholder theory emphasizes the importance of considering the interests of all stakeholders, including employees, suppliers, customers, and the community, in organizational decision-making. According to this theory, organizations have a responsibility to create value for all stakeholders (Freeman, 1984). The introduction of LCPRs as a legal

regime is aimed at enhancing the value created for local stakeholders in the oil and gas sector. Thus, the effectiveness of LCPRs in enhancing social welfare can be analyzed through the lens of stakeholder theory.

Social Welfare Theory: Social welfare theory emphasizes the importance of ensuring that basic needs and rights of individuals are met. According to this theory, individuals have a right to basic needs such as healthcare, education, and employment opportunities (Sen, 1999). The introduction of LCPRs as a legal regime is aimed at enhancing the social welfare of individuals in the oil and gas sector by providing employment opportunities, training, and capacity building for local communities. Thus, the effectiveness of LCPRs in enhancing social welfare can be analyzed through the lens of social welfare theory.

Conclusion: The theoretical framework for this study is based on institutional theory, stakeholder theory, and social welfare theory. The effectiveness of LCPRs in enhancing social welfare in the oil and gas sector can be analyzed through these lenses. Institutional theory emphasizes the importance of formal and informal rules and regulations that govern the behavior of organizations and individuals. Stakeholder theory emphasizes the importance of considering the interests of all stakeholders in organizational decision-making. Social welfare theory emphasizes the importance of ensuring that basic needs and rights of individuals are met. Through the analysis of LCPRs effectiveness in enhancing social welfare in the oil and gas sector using these lenses, this study will provide valuable insights into the impact of LCPRs on social welfare.

Conceptual Framework: The conceptual framework for this study is based on three theoretical perspectives: Resource Dependency Theory, Institutional Theory, and Stakeholder Theory.

Resource Dependency Theory: Resource Dependency Theory posits that organizations are dependent on resources from their environment to survive and thrive (Pfeffer & Salancik, 1978). The oil and gas industry depends on various resources such as land, labor, and capital to operate. The introduction of LCPRs as a legal regime is aimed at ensuring that local communities benefit from the resources of the industry. Thus, the effectiveness of LCPRs in enhancing social welfare can be analyzed through the lens of Resource Dependency Theory.

Institutional Theory: Institutional Theory emphasizes the role of formal and informal rules, regulations, and practices in shaping the behavior of organizations (DiMaggio & Powell,

1983). The introduction of LCPRs as a legal regime is an institutional intervention aimed at ensuring that the oil and gas industry operates in a socially responsible manner. Thus, the effectiveness of LCPRs in enhancing social welfare can be analyzed through the lens of Institutional Theory.

Stakeholder Theory: Stakeholder Theory posits that organizations have a responsibility to consider the interests of all stakeholders in their decision-making processes (Freeman, 1984). The oil and gas industry has various stakeholders such as employees, shareholders, customers, and the community. The introduction of LCPRs as a legal regime is aimed at enhancing the value created for local stakeholders in the oil and gas sector. Thus, the effectiveness of LCPRs in enhancing social welfare can be analyzed through the lens of Stakeholder Theory.

Conclusion: The theoretical framework for this study is based on Resource Dependency Theory, Institutional Theory, and Stakeholder Theory. The effectiveness of LCPRs in enhancing social welfare in the oil and gas sector can be analyzed through these theoretical lenses. Resource Dependency Theory emphasizes the dependence of the industry on resources from the environment, while Institutional Theory emphasizes the role of formal and informal rules and regulations in shaping the behavior of organizations. Stakeholder Theory emphasizes the importance of considering the interests of all stakeholders in organizational decision-making. Through the analysis of LCPRs effectiveness in enhancing social welfare in the oil and gas sector using these lenses, this study will provide valuable insights into the impact of LCPRs on social welfare.

1.10. Chapter synopsis. Structure of the Research paper.

The study was be divided into five chapters.

1.10.1. Chapter one. Introduction.

This chapter introduced the study, an overview of the background, problem statement, justification of Research Objectives and Questions, significance of the study, conceptual framework, chapter synopsis and the limitations of the study.

1.10.2. Chapter Two. Literature Review.

This section reviewed the existing literature explaining what is meant by local content, the need for local content, the reasons for and against local content procurement requirement in enhancing the living standards of people in the oil and gas industry, it looked at the practical decisions and perceptives in the formation of local content policies, looked at the hindrance and

challenges facing the effective implementation of local content procurement legal regime in enhancing living standards of people in the oil and gas industry of Uganda.

1.10.3. Chapter Three. Methodology.

This part looked at the research methodology, Research design, data collection methods, source of data, data analysis, Ethical considerations, Limitations of the study, and chapter summary.

1.10.4. Chapter Four. Analysis of the local content procurement regulatory regime enhancing social welfare of people in the Oil and Gas of Uganda.

This chapter gave a detailed analysis of how content in the regulations in question highlighted is portrayed in relation to the literature reviewed so as to portray and show how effective these regulations are and will be in ensuring that the concept, procurement policy and living standards of people in question is dealt with in the Oil and Gas industry of Uganda.

In so doing best LCPR practices was highlighted looking at how some of the countries that have managed to keep up some of the best practices from which conclusions and recommendations will be drawn there from where the application of local content has been successful in enhancing welfare of people in Uganda's oil and gas industry. This chapter also looked at some of the best local content practices adopted by countries who are producing oil and gas. The researcher aimed at those countries who have tried and have practiced the adoption of the LCPR procurement requirement strategy as a policy aspect in the Oil and Gas industry and most especially embracing the fact of using the policy aspect in its approach while dealing with LCPR policy aspects especially using the legal and institutional framework to effectively deal with issues related to local content and social welfare of people in the industry.

1.10.5. Chapter Five. Summaries Recommendations and conclusion.

This section includes summaries and conclusions, recommendations as well as outlines areas for future research.

CHAPTER TWO.

LITERATURE REVIEW

2.0. Introduction

This chapter handled the literature review basing on the objectives highlighted of which this was through reviewing scholarly work that is related to the topic in question, identifying the gaps there in the research in question seeks to bridge. Local content procurement policy requirement was further explained as to why they are needed and why they are important. The objectives of the study were handled separately and identified as discussed below.

Analysing and reviewing literature involves the systematic identification, location and analysis of documents containing information related to the research problem being investigated. The activity of literature review involves location, reading and evaluating reports of research as well as reports of observation, discussions and opinions that are related to the individuals planned research project.³²

³²Barifaijo, K., Basheka, B. and Oonyu, J. (2010) How to write a good Dissertation Thesis, 1st Edition, The New Vision printing and publishing Company Limited, Kampala.

Lubogo in his book,³³ He stipulated that the oil and gas resource, like every other resource, is finite. Nations are increasingly becoming preoccupied with improving the chances for local businesses to participate in the exploitation of resources, especially resources in the extractive industries like mining and Oil and Gas since it aims at enhancing the welfare of Ugandans in the oil and gas industry. This is because of a global belief that the resources in these industries drive economic growth and can help lift a nation out of poverty.³⁴ Tordo,³⁵ in the same view explains that in order to obtain benefits for their countries, policy makers usually design various policies to guard their nations interests often backed up with increasing local content.³⁶ It's very true that local content polices can help poverty alleviation especially through job creation and providing market for the local suppliers and locally sourced products.

The use of various strategies and performance standards by developed countries to influence economic growth and nature various local industries is a prodding trend.³⁷ Ado³⁸ in his article stipulates that various nations such as Canada, in their automobile industry, Australia in their automobile and tobacco industries and several European countries in their automobile and electronics industries have employed the use of policies such as local content requirements, or export performance to their advantages.³⁹ Kazzazi et al in their research stipulated that countries like United Kingdom, Norway, Brazil, Malaysia and Trinidad and Tobago are often touted as local content successes in the Oil and Gas industry.⁴⁰ These countries have exhibited and registered a lot of success as local content, use of local suppliers is concern, and Uganda can learn better lessons from their approaches.

³³ Isaac Christopher Lubogo, *The Law of Oil and Gas in Uganda*, First Edition, Jecho Group Ltd, Kampala East Africa, .2021, Pg 58.

³⁴ Esteves A. M. B, Coyne and A. Moreno. *Local content Initiatives: Enhancing the Sub National Benefits of the Oil, Gas and the Mining Sectors*. Briefing, Natural Resources Governance Institute for Science and Technology .2013, 1089-1009

³⁵Tordo Silvana Warner, Manzano Osmel, E, and Yahya, *Local Content Policies in the Oil and Gas sector* (The World Bank, Washington DVC.2013) 1.

³⁶Tordo Silvana Warner, Manzano Osmel, E, and Yahya, *Local Content Policies in the Oil and Gas sector* (The World Bank, Washington DVC.2013) 1.

³⁷Tordo Silvana Warner, Manzano Osmel, E, and Yahya, *Local Content Policies in the Oil and Gas sector* (The World Bank, Washington DVC.2013) 1.

³⁸ Ado Rabi, *Local Content Policy and the WTO Rules of Trade-Related Investment Measures (TRIMS): The Pros and Cons*, 2013. *International Journal of Business and Management Studies* 137-146.

³⁹ Ado Rabi, *Local Content Policy and the WTO Rules of Trade-Related Investment Measures (TRIMS): The Pros and Cons*, 2013. *International Journal of Business and Management Studies* 137-146.

⁴⁰Abolfazi Kazzai & Behrouz Nouri. *A Conceptual Model for Local Content Development in the Petroleum Industry* 2012. *2 Management Science Letters*. page 2166,

Kazzazi et al continued to portray that the use of these policies and their proper implementation has benefited these nations and played a vital role in their industrial growth and economic development. It has been an example to other oil producing and exporting entities to take positive approaches towards local content development to increase the benefits from Oil and Gas extraction aimed at enhancing the welfare of Ugandans in the oil and gas sector.

Sigam⁴¹ and Garcia (2012) Brazil study reports that one of the barriers to the expansion of production capacity of the domestic industry in Brazil, as well as to new investments in research and development, is the difficulty, especially for SMEs, in obtaining finance due to the high cost of capital from the private banking sector. In order to facilitate credit for domestic suppliers, the Program for the Mobilization of the National Industry of Oil and Natural Gas supported the structuring of new financing mechanisms and capitalization of the production chain through collaboration with public and private banks.

To this effect a Program in conjunction with Petro bras and the 11 large banks in Brazil, this program aims to make available credit with competitive conditions to the Petro bras supply chain (contractors and subcontractors). It also aims to improve liquidity and financial requirements and more than 40 cross-industry enabling initiatives across six dimensions of human resources, technology and innovation, business development, capital and finance, contracting and tendering, legislation and process improvement, which stimulated procurement participation and SME competitiveness Sigam et al.

Although the literature was informative on the affirmative action on promotion of financial access among SMEs and procurement participation, its generalization in the Ugandan context was limited given the uniqueness of Ugandan financial services sector policies. This study strives to provide empirical evidence on if the efforts to promote financial access among SMEs has resulted into significant procurement participation in the embryonic O & G sector of Uganda.

The use of local supplies promotes procurement participation in the O&G sector of Uganda especially with issuance of procurement guidelines and their simplification and standards certification to promote quality and exclusive local tendering.⁴²

⁴¹ Sigam and Garcia (2012)

⁴² Isaac Christopher Lubogo, The Law of Oil and Gas in Uganda, First Edition, Jecho Group Ltd, Kampala East Africa, .2021, Pg 64

Operational base

A key emphasis of the local content policy is the need for Licensed NOC, their contractors, subcontractors to establish operational bases in the explorations country, and studies report of mixed findings on its effect on procurement participation. In their study, Adedeji et al⁴³ conceptualized backward integration to include the level of cooperation between local oil service firms and their local affiliate suppliers through local input development, information exchange, technical upgrading, negotiation of payment and delivery, and labour training.

Ghana's study by Ablo⁴⁴ (2016) reports that in terms of goods and services provision, the policy mandates that all operators in the oil and gas industry shall as far as practicable have a local base and use goods/services produced by or provided in Ghana for their operations. It was the hope of the government that after the commencement of operations. The participation of Ghanaians in value-added would be at least 10% initially, with a 10% increase annually in the provision of goods and services with the policy of having a local base in Ghana.

However, Boyefio et al, ⁴⁵ the Ghanaian oil industry was dominated by foreign manufacturers or suppliers of goods and services that could ordinarily be made or supplied by local SMEs or firms. They noted that, although most international oil companies profess support for local content, the reality is that they prefer to deal with their global suppliers for a number of reasons and are reluctant to break such supplier relationships. A Venezuela study by Giroud et al⁴⁶ (2012) equally revealed that promotion of local goods and services by establishing a local base in the local content policy resulted into significant improvement in local firm's participation O&G sector and overall contribution to GDP. However, a Nigerian study by Ihua ⁴⁷ concluded that the legislations on local supplies has had very little positive implication in enhancing SMEs participation in the industry.

The literature on promotion of firm localization in the O&G sector as highlighted above could not be generalized in the Ugandan context given its unique local content policy and the nascent

⁴³ Adedeji 2014

⁴⁴ Ablo (2016)

⁴⁵ Boyefio and Ochai (2014)

⁴⁶ Giround (2012)

⁴⁷ Ihua n

nature of the O&G sector. This study strives to provide empirical evidence on local base strategy and its contribution to SME participation in the O&G sector of Uganda.⁴⁸

Standardization

To deliver cost savings on projects, operators across the oil and gas industry are looking at standardization as a way of simplifying the processes from design and construction through installation and start-up, in order to create safer, more predictable and reliable facilities that start-up on time and stay up.⁴⁹ To this effect, one of the strategies in to increase the use of locally produced or available goods and services by the oil and gas industry in Uganda is to develop and adopt standards and quality assurance systems for locally available/produced goods and services.⁵⁰

On the influence of standardization on procurement participation, Mohammad and Price noted that since procurement process in the oil, gas industry is a capital-intensive industry, and about 90-95% of project costs are paid to contractors and suppliers, to ensure project success, it is critical that procurement strategies should incorporate and integrate with the standardization in local supplies. Some form of standardization programme and specification reviews must also be included. Mohammad and Price further notes that a strategic outsourcing, such as in supply chain management, must be in place. Finally, a management and incentive programme for all key contractors and suppliers must exist in order to secure the commitment of contractors and suppliers to the overall success of the project by supplying standardized goods and services.

The literature on promotion of standardization in the O&G sector as highlighted above could not be generalized in the Ugandan context given its unique local content policy and the nascent nature of the O&G sector. This study strives to provide empirical evidence on standardization strategy and its contribution to SME participation in the O&G sector of Uganda.

2.1. Exclusive Local Tendering

The role of exclusive or preferential local tendering in promoting local firm participation in the extractive sector has been emphasized in most local content policies. To begin with, Ihua, views local content from an angle of ‘community content’; stating that ‘Ultimately, community content is about realizing a competitive advantage for an oil and gas development

⁴⁸ Isaac Christopher Lubogo, *The Law of Oil and Gas in Uganda*, First Edition, Jecho Group Ltd, Kampala East Africa, .2021, Pg. 68.

⁴⁹ Mohammad & Price, 2013

⁵⁰ National Local Content Policy, 2017

company in the eyes of both the local population and the country's guardians of economic policy. He observed two distinct policy strategies for achieving higher local content vis-à-vis: firstly, where the state requires oil companies to give greater preference to those nationals and national suppliers who can compete internationally on cost, quality and timeliness notably what can be termed local content participation.

For instance, the Trinidad and Tobago case, where oil production operators shall give preference to national subcontractors where such are competitive with foreign bidders in skills, availability and price and meet technical and financial requirements; and the case in Nigeria where the proposed LC bill requires about 95 percent managerial and supervisory positions, 100 percent risk insurance and legal services to be handled by indigenous professionals as per Ihua.

In Latin America, Tordo et al reports that virtually all of the surveyed regimes mandate preference for local goods, services, consumables, works or enterprises. In all of the jurisdictions examined, the IOCs has an obligation to give due and proper consideration to preferring locally sourced services and goods when their price, quality, time of delivery and other terms are comparable to internationally available ones. A related study by Leahy revealed that on overall, reveal that reactive exclusive tendering policy as opposed to proactive ones are believed to hinder Petro bras from achieving its production and financial targets. Ablo equally noted that through extensive fieldwork conducted in Ghana's oil industry over a period of three years, the study concludes that Ghana's local content law on exclusive local tendering is largely beneficial to local elites and does not stimulate broad-based social and economic benefits. The case studies of Ghana entrepreneurial activities show how embedded resources and practices of actors shape local SMEs participation in the oil and gas industry.

The literature on promotion of excusive tendering as highlighted above could not be generalized in the Ugandan context given its unique local content policy and the nascent nature of the Oil & Gas sector. This study strives to provide empirical evidence on exclusive tendering strategy and its contribution to SME participation in the Oil & Gas sector of Uganda.

The use of locally manufactured goods tends to contain affirmative action on simplification of procurement procedures, emphasis on local operational base, standardization of local products through quality assurance and exclusive local tendering.

2.1. Capacity development and Competitive level of local companies compared to the foreign companies.

Local content development is believed to depend on capacity and competitive level of local companies compared to the foreign companies. It is assumed that even in the face of the regulations favouring the local firms, the foreign oil companies will choose to engage local companies provided they offer higher value services in terms of cost-effectiveness and efficiency.

This is in other words what can be referred to as the competitive advantage of local firms which partly leverages this study. According to Heum, et al., factors that are crucial for competitiveness include; macroeconomic stability and predictability, adequacy and quality of infrastructure for business development including public utilities such as transport modes, telecommunications, electricity, water supply, and supportiveness of institutions such as taxes, interest rates, and exchange rate.⁵¹

Tordo et al, argue that industrial capacity is one of the most important factors for policy makers to consider when designing a local content policy.⁵² According Herum et al, the level of technology and the industrial base of a country shape the type of policy required to promote local content. If a country's local content strategy was focused on the promotion of local procurement, for example, national and local service companies must have high levels of technology and the country's national industries must be able to meet the standards that international extraction companies require.⁵³

Tordo et al. argued that Corruption, lack of transparency and bureaucracy are challenging that countries and companies commonly faced with negative influence regarding local content implementation.⁵⁴ Nordas et al, analyses specific case studies of countries that have adopted a local content policy and the general outcomes they have achieved.⁵⁵

These countries include Angola, Brazil, Indonesia, Kazakhstan, Malaysia, Trinidad and Tobago, Brazil, Mexico, Nigeria, Angola and Norway. According to the authors, after adopting specific local content policies, Brazil successfully increased its local content quotas. In this scenario, Brazil has emerged as an important actor for implementing local content and

⁵¹ Heum, P. Kasande, R., Ole, F.E and Nyombi, A. (2011). Policy and regulatory framework to enhance local content. Yardsticks and Best Practice: Paper presented at The 5th Conference & Exhibition on the Petroleum Potential and Investments Opportunities in East Africa Revenue

⁵² Tordo & Anouti, Local Content in the Oil and Gas Sector: Case Studies, 2013.

⁵³ Heum, n 45

⁵⁴ ibid

⁵⁵ Nordas, K. H., Vatne, E., Heum, P. 2003. The Upstream Petroleum Industry and Local Industrial Development: A Comparative Study. SNF Working Paper No. 08/03. Institute for Research in Economics and Business Administration, Bergen

permanent monitoring of the compliance of local content targets. Bidding processes incorporate local content requirements and designated institutions monitor compliance according to the national local content framework.

However, despite the fact that there has been an increase in the creation of jobs and local industries have been strengthened, Brazil has faced challenges due to the costs of implementing its local content policy, production quota delays, a lack of technology and some issues of corruption. Despite this, Brazil has become a reference for other countries in the region when creating and adopting local content frameworks.

Heum, et al also argued that Uganda is faced with limited investment capital and inadequate financing which includes limited working capital, insufficient equity and expensive credit costs; all these have characterized inadequate capacity. He further opined that it is also evident that SMEs in Uganda lack international quality certifications in the procurement processes especially for transport and logistics supplies are complex where as the cost of production is high.⁵⁶ These challenges have also been stressed in the country's National Development Plan. The magnitude of challenges is likely to vary across SMEs depending on their age and size measured in terms of fixed assets value and investment capital.

Abuka, suggested that with time business enterprises tend to discover and develop long term survival strategies and advance from their capital developments over time. Business maturity reduces tendencies of risk averseness and crafting of risk mitigation procedures.⁵⁷

Mwakali reports that many Private Sector Apex Institutions have responded to the obvious needs for capacity building of the companies by educating best practices to the business community; training in fundamental business skills, calculating costs, keeping of proper accounting records and certification of skills.⁵⁸

According to Tullow Oil, the oil extraction company has taken lead in implementing the interventions towards promoting local content in Oil and Gas. The company has streamlined

⁵⁶ Heum, n 45

⁵⁷ Abuka, C.K., Egesa, C.A., Atai, A and Abeona, M. . Firm Level Investment: Trends, determinants and Constraints: Research Series No.47, Economic Policy Research Centre, Kampala, 2006.

⁵⁸ Mwakali, J.A. (2011). "Local Content in the Oil and Gas Industry: Implications for Uganda", in J.A. Mwakali and Alinaitwe (eds.), Proceedings of the 2nd Conference on Advances in Engineering and Technology, Entebbe, Uganda, 31 January-1 February 2011

local content development in its operations.⁵⁹ The company's interventions have focused on building a dynamic supplier base, which can take part in the Uganda's oil industry's supply chain. The capacity building activities have entailed; closing-the-gap seminars and business development advisory services to local SMEs, provision of information to suppliers regarding available business opportunities in the oil and gas industry.⁶⁰

2.2. Challenges in implementing local content strategy

Cerbusca, V reported a number of challenges identified in the literature on local content and they have classified the challenges into capacity gaps, corruption, inefficiencies risks, policy implementation and monitoring.⁶¹ **Kazzazi, A, et al** reported that capacity gaps arise on the basis that local entities are not able to provide the required inputs in most low developed economies.⁶²

Akpanika argues that it is quite difficult for **LCDs** to quickly supply specialized goods and services to the oil industry for lack of technical complexity of producing them, the specific skills required and the large size of the contracts, and among others' problems.⁶³

Akpanika also stated that the capacity challenges are also exhibited in restricted access to finance by local SMEs due to lack of significant collateral requirements, and lack the knowledge and skills to prepare attractive business plans for loan proposals.⁶⁴ He further reported that corruption has resulted into opportunities for local participation being denied and explored by the economic elites, which leads to less efficient than a perfectly competitive environment, thus giving rise to welfare losses.

Cases of fictitious companies could equally lead to flaw a procurement process based on local content policy.⁶⁵ He also reported inefficiency risks that are widely cited as significant threat in local content policy. This arises from the position that the local content policies are grant by law. A portion of the contracts to local suppliers give rise to a decrease in their incentives to

⁵⁹ Tullow Oil (2012). Tullow Uganda Country Report: Creating shared prosperity in Uganda, 2012

⁶⁰ Ovadia, n 54

⁶¹ Cerbusca, V, financing SME future development. *economy and sociology*, 139-142

⁶² Kazzazi, A, & Nouri, B; conceptual model for local content Development in the Petroleum Industry, *management science letters* 2165-2174 & Nouri, 2012;

⁶³ Akpanika, technology transfer and the challenge of local content Development in the Nigerian oil industry. *Global journey of engineering research*, 11(2),123-131

⁶⁴ Akpanika, n 45

⁶⁵ Ibid

invest in research and development innovation, as the jobs are assured to them, without facing foreign competition.⁶⁶

Tordo⁶⁷ defines local content as the benefit brought to a host nation (regional and local areas in that country) through the activities of the Oil and Gas sector. This may be measured by (project affiliate or country aggregate) and undertaken through two main attributes which include; workforce development, through employment and training of local workforce, and investments in supplier development through developing and procuring supplies and services locally.⁶⁸ He referred to local content as jobs or significance that is created anywhere in the domestic economy as a result of the actions of an Oil and Gas company, or jobs that are created in the neighbourhood of the oil production plant. Although policies mainly refer to local content without specifying its location within the economy, but it is common to the communities.

2.3. Services in the Oil and Gas Sector as an aspect of enhancing living standards in the oil and gas sector.

According to the World Bank,⁶⁹ delivering local benefits to the communities where Oil and Gas companies operate is no longer an option. It is a commercial necessity, which is increasingly mandated by law in many countries. However, in the new competitive landscape of diminishing supply and increasing demand for energy resources, companies in the Oil and Gas sector face rising expectations to do more than simply mitigating negative impacts, serve as sources of tax/royalty revenue and act as good neighbours.

Hackenbruch et al,⁷⁰ state that the increasing Oil and Gas findings in any country offer significant opportunities to fast track economic development and ensure that public welfare improvements are delivered to their citizens. The Local Content policy is an approach that can be adopted by developing countries. These policies enable a country to capture the benefits of

⁶⁶ ibid

⁶⁷Tordo Silvana Warner, Manzano Osmel, E, and Yahya, Local Content Policies in the Oil and Gas sector (The World Bank, Washington DVC.2013) 1.

⁶⁸Maira& Martini 2014 Local Content policies and Corruption in the Oil and Gas sector. U4 Anti-Corruption Resource Centre, September pg. 6.

⁶⁹ World Bank Report 2014). Human Capital for the Oil and Gas and Minerals Industries, Science Technology and Skills for Development, March 2014, page 1.

⁷⁰ Hackenberg M and J.D. Pluses, 2011. Commercial Value from Sustainable Local Benefits in the Extractives Industries, Local Content BSR.

foreign direct investment by imposing conditions on foreign investors to ensure value addition in the country.⁷¹

Local content procurement policies can help domestic firms in developing countries integrate themselves into global economic networks. This is in agreement with the studies that show that in the 1990s, both local “productivity-enhance entrepreneurship” and state support to local development helped East Asian firms to achieve significant positions in global economic networks.⁷²

Additionally, Loutites⁷³ argued that LCPs could contribute to the productivity and competitiveness of domestic firms through knowledge transfers that take place from foreign firms to domestic firms and this in return will increase on the welfare of people participating in the oil and gas sector through improving their living standards. Other proponents observe that most advanced economies utilized industrial policies similar to LCPs to boost their domestic economy while in the early stages of their industrial development.

According to Sebbowa,⁷⁴ local content in the Oil and Gas sector is a topic taking Centre stage. He expounded on the vast opportunities that exist and these include; the supply of food and beverages, transportation, and joint ventures with foreign firms to supply needed equipment, among others. The Uganda investment authority (UIA) is also very engaged in building the capacity of the small and medium enterprises (SMEs) in the oil areas to be able to harness the existing opportunities and be competitive in a sector that requires international standards in the supplies.

2.4. Limitations to Participating in the Oil and Gas Sector

International Monetary Fund 2005 noted that an abundance of Oil and Gas resources invariably raises the hopes and expectations of governments, citizens, local communities, and the petroleum companies that provide the essential services of exploration, extraction, and distribution. Governments hope for large and consistent revenues, citizens expect that their

⁷¹Heum, P. (2008) Local content Development Experiences from Oil and Gas Activities in Norway, SNF Working Paper No .02, 08, Institute for Research in Economics and Business Administration.

⁷² Esteves A. M. B, Coyne and A. Moreno. Local content Initiatives: Enhancing the Sub National Benefits of the Oil, Gas and the Mining Sectors. Briefing, Natural Resources Governance Institute for Science and Technology .2013, 1089-1009.

⁷³ Loutit J. J. Mandelbaum S. Szoke-Burke 2016. Emerging Practices in Community Development Agreements. Columbia Centre for sustainable Development.

⁷⁴Sebbowa. Local Content Policy in Uganda. Trends and Existing Vast Opportunities.

standards of living will be raised, local communities hope to see a quick recovery from poverty, and multinational companies expect high returns on the large-scale investments they are obliged to make. Other actors, rebels, insurgents, secessionists sometimes see the possibility of using the illicit control of petroleum resources and revenues to advance their own particular causes. Often, the high hopes and expectations of these various groups are tangled in problems of weak governance, social tensions, and corruption that further sow the seeds of conflict. In this context, certain types of conflict over Oil and Gas resources are frequently and readily observable, especially in fragile states.

Grossman⁷⁵ noted that local businesses that provide services to oil companies are currently necessitated to raise the required operating capital through commercial loans from local commercial banks under difficult financing terms. The lack of concessionary loans for equity financing of local businesses have made expansion of local businesses to match their foreign counter-part in provision of goods and services to the Oil and Gas sector which is a difficult undertaking.

According to World Bank,⁷⁶ a nontrivial issue connected to local content policies is their compliance with international regulation. Both multilateral and regional negotiated agreements regulate trade between nations. The World Trade Organization oversees compliance with these rules. The most relevant agreements among WTO members with implications for LCPs include the General Agreement on Tariffs and Trade (GATT), the agreement on Trade-Related Investment Measures (TRIMs), the General Agreement on Trade in Services (GATS), and the agreement on Government Procurement (GPA). All these are extra ordinary attached with strings behind and this can affect the effectiveness of a relevant local content policy in any country.

Andre⁷⁷ noted that local content in Oil and Gas sector has become a slogan of sorts across many developing countries including Uganda. Different countries have made laws and policies to provide for local content where citizens can be employed, provide services or get a direct benefit from the sector. However, what many countries have not done is to increase citizen participation. There is often confusion when it comes to discussion of citizen participation as

⁷⁵ Grossman, *The Theory of Domestic Content Protection and Content Preference* (2004) 96:4 *Quarterly Journal of Economics* pg.583.

⁷⁶ World Bank (2014) *Human Capital for Oil and Gas and Minerals Industries, Science Technology and skills for Africa's Development*, March, 2014, page 1.

⁷⁷ Andre. P.et al.(2006) *ParicipationPublique. Principles of Internationaux pour uneMeilleurePratique*, publication speciale Serie No 4 Fargo (ND) International Association for Impact.

a concept and issues of local content. Whereas citizens can participate through local content, this is rather one of the forms of participation and it is not conclusive. It would therefore be wrong to conclude that there is citizen participation just because you have local content law and policies.

Furthermore, the ACODE Policy Briefing Paper⁷⁸ noted that there is a tendency to mix local content and citizen participation in Uganda. A Jot of communication tends to claim that there is promotion of citizen participation through local content, which is not the case. Many times, local content limits itself to employment of citizens, transfer of technology and service provision leaving out the most important aspect of citizen participation which is ‘participation in decision making’. From the many policy and legal documents in Uganda, there is actually local content as opposed to citizen participation.

The NOGP report⁷⁹ noted that the upstream and midstream laws also require companies to submit to the Petroleum Authority a detailed programme for recruitment and training of Ugandans every year for approval. What is not clear from the law is how the approved plans for training Ugandans will be followed through and whether there are any forms of punishment for companies that fail to meet their obligations under the approved plan or the plan submitted during the application for a license.

Government has not done Training Needs Assessment (TNS) or other forms of capacity needs assessment for the Oil and Gas sector and the only existing data is the study conducted by the joint partners involved in the Oil and Gas sector. This means Uganda will have to rely on data provided by industrial players. The challenge with this data is that it was gathered and analysed in the lenses of an industrial player seeking to maximize profits and this may not necessarily reflect the needs of the country.⁸⁰

According to Collier and Paul,⁸¹ non-governmental organizations working on issues such as good governance, community participation, or the environment can play a key role in promoting transparency, environmental best practices, and general local content. Timely support for fledgling host country NGOs working in areas with these issue can help to promote dialogue in resource abundant developing countries. To that end, USAID’s community Action

⁷⁸A CODE Policy Series (2014)

⁷⁹Ibid.pg.20.

⁸⁰A CODE Policy Series (2014)

⁸¹ Collier and Paul (2003) Natural Resources, Development and Conflict: Channels of Causation and Policy Interventions page 50.

Investment Program (CAIP) creates and strengthens participatory mechanisms to alleviate sources of potential conflict, including issues such as the extension of gas pipelines, in select communities of the five Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

Dani Rodrick stipulated that developing of new industries usually require an encouragement and push from governments. He continued to say that form of encouragement can be in form of subsidies, loans infrastructure and other kinds of support yet on the actual reality; most times government assistance is hidden.⁵⁶

In the same view, top economist Chang stipulated that developing countries should not kick away the ladder which they had used to climb to the top of economic development.⁵⁷ However much their studies are not tackling the legal aspects of their views like having in place regulations that uphold the aspects of LC as a platform for ensuring effective public-government relations concerning various projects like upcoming industries.

According to Michael Warner in his book portrayed that protection of infant industries is one of the most important arguments given for introducing local content, requirements into various industries.⁸² Warner continued to support his position arguing that local industries in developing countries are not as mature as their multinational counterparts who may have been in the industry longer and probably enjoyed economies of scale.⁸³

He continued to stipulate that these domestic companies are given some sort of shield to enable them catch up and compete effectively with their international competitions.⁶⁰

Tordo in support of Warner's views portray that as such, LC enables them to partner with bigger companies and learn from them, as is evident in Norway's Model.⁶¹ However, this is true, these too fail to tackle the aspect of how important the role of regulations to effectively uphold LC is, towards ensuring that some of these aspects are upheld positively.

⁸² Michael Warner, Local Content in Procurement, Creating Local Jobs and Competitive Domestic Industries in Supply Chains (Shelford: Greenleaf Publishing 2011)

⁸³ Michael Warner, Local Content in Procurement, Creating Local Jobs and Competitive Domestic Industries in Supply Chains (Shelford: Greenleaf Publishing 2011)

2.5. Practical decisions and perceptions in the formulation of Local Content Procurement policies as an aspect of enhancing social welfare of people in the oil and gas industry.

This section handles one of the objectives in question that is to ascertain the practical approaches necessary to enhance an effective Local content procurement regime and the aspects of welfare of people in Oil and Gas industry of Uganda.

2.5.1. Use of Required Targets

According to Chinyere et al if one of the major issues with LCPLR is that local skills availability has frequently lagged behind the industry needs.⁸⁴ They continued to stipulate that many Oil and Gas companies use this as a pretext for not meeting local content directives. Chinyere et al further stated that imposing stringent conditions regarding the use of local procurement could not therefore achieve the best outcome.⁷²

In the same view, Chinyere et al continued to specify that it might not be the best way to address the capacity problem as it incorrectly assumes that the requisite skills are available. Their argument stipulated that local content works best to create value where the necessary technical and vocational skills are available and, in that way, enhancing social welfare of Ugandans through improving their living standards.⁸⁵

Promoting of mandatory targets, as an incremental approach to promote local content overtime may not be the best approach, but as a country continues to invest in training local professionals, the level of local content required of companies can be increased gradually in proportion to a reasonably projected increase in the availability of qualified local professionals and firms to take up the opportunities. The scholar's views portrayed above are articulate however their research did not portray that with a pertinent regulatory framework in place to enhance the social welfare of the people in the extractive industry of Uganda particularly oil and gas sector. It becomes easy to have an effective LC regulatory regime to cut across and balance the sectors in question.

⁸⁴ Chinyere Shirley Ayonmike&Benjamin Chukwumaijem Okeke, The Nigerian Local Content Act and its Implementation on Technical and Vocational Education and Training (TVET) and the Nationals Economy, (2015).3:1 International Journal of Education learning & Development Page 30.

⁸⁵ Chinyere Shirley Ayonmike&Benjamin Chukwumaijem Okeke, The Nigerian Local Content Act and its Implementation on Technical and Vocational Education and Training (TVET) and the Nationals Economy, (2015).3:1 International Journal of Education learning & Development Page 30.

2.5.2. Promoting project linkages

Warner in his study portrays that there is always an assumption concerning the design and the implementation of most local content policies in developing countries that the capture of economic benefits from the presence of foreign investors can come only through employment generation and the participation of local firms which in turn will improve the social welfare of Ugandans in the oil and gas sector.⁸⁶

Warner continues to portray that most times inadequate attention is paid to the potential benefits that could come from project linkages or what is referred to as off-project strategies.⁸⁷ He explained off- project strategies as the involvement of companies in local content capability development outside of a particular employment, supplier or subcontractor contract, such as through community investment programs.⁸⁸ Morrissey in the same view defined three basic types of linkages; (i) through relating with employment, (ii) those relating to demand for inputs from local supplies, and (iii) those relating to supply of inputs to local producers.⁸⁹

On the other hand, inputs from local suppliers carry linkage potentials because in the effort to meet the demands of foreign firms, local firms improve their production standard and practices. Similarly, when foreign firms supply inputs to local producers, some technology is implanted in it that it benefits local producers.⁹⁰

2.6. Conclusion

In nutshell, Local content procurement legal regime requires companies to give preferential treatment to nationals of the country in which they operate in. It is revealed through the literature review that the government has not done training needs assessment and the joint partners conduct the only existing data, which is very critical in providing training, employment and market for the locally produced goods as a way of enhancing social welfare of Ugandans. As a researcher, I do believe that doing a needs assessment will help the government fore see the needs of the sector and see how much it can enhance Ugandans social

⁸⁶ Michael Warner Community Content, The Interface of Community Investment Programs with Local Content Practices in the Oil and Gas Development Sector, Policy Brief Note 9, 20072, 2017.

⁸⁷ Michael Warner Community Content, The Interface of Community Investment Programs with Local Content Practices in the Oil and Gas Development Sector, Policy Brief Note 9, 20072, 2017.

⁸⁸ Michael Warner, Local Content in Procurement, Creating Local Jobs and Competitive Domestic Industries in Supply Chains (Shelford: Greenleaf Publishing 2011)

⁸⁹ Oliver, Morrissey, FDI in Sub-Saharan Africa, Few Linkages, Few Spillovers (2012) 21:1 European Journal of Development Research 21.

⁹⁰ Adeolu O Adewuyi & Ademola Oyejide, Determinants of Background Linkages of Oil and Gas Industry in the Nigerian Economy, (2012) page 37 Resource Policy 456.

welfare through effective procurement local content regulatory regime and in the end, it will enhance the social welfare of people in the oil and gas sector.

The discussions held above cut across various aspects, which are key and vital in ensuring that procurement as a local content mechanism in the Oil and Gas industry of Uganda flourishes especially with the transformation of various policy aspects like the LCPR aspect in question. The main concern is how best these aspects can be conjured in a reasonable approachable manner like having a reasonable procurement legal regulatory framework meant to ensure that policies like LCPR in question produce a realistic venture, which can help to enhance the welfare of people within the sector.

CHAPTER THREE

3. METHODOLOGY

3.0. Introduction

This chapter presents the methodology used in the study, covers the research design, and it's purely a qualitative approach. It will be conducted using library and desk research methods. The desk research methods will be used to review government published data such as laws and policies, which are very helpful in the entire research process. In addition, important textbooks and articles will be reviewed to obtain and contextualize scholarly opinions for the guidance of this paper.

The research will review Newspapers to ascertain the current trends in the industry. The paper will rely on some internet sources for secondary or tertiary information to support the study especially in ascertaining current global trends in the industry.

This chapter presents the methodology that will be used in the study. It covers the research design, data collection methods, sources of data, data analysis, ethical considerations, research limitations, and chapter summary.

Methodology for the topic "Analysis of the Efficacy of Local Content Procurement Requirement Legal Regime in Enhancing Social Welfare of People in the Oil and Gas Sector":

Research Design: This study will adopt a mixed-methods research design that combines both quantitative and qualitative data collection and analysis techniques. The study will begin with a review of relevant literature on LCPRs, social welfare, and the oil and gas sector. This will inform the development of research instruments and data collection methods.

Sampling: The study will target two groups of participants: stakeholders in the oil and gas sector and members of local communities affected by the sector. Purposive sampling will be used to select participants who have knowledge and experience in the sector and LCPRs.

Data Collection: The study will use both primary and secondary data sources. Primary data will be collected through interviews, surveys, and focus group discussions. Secondary data will be collected from existing literature, reports, and other relevant documents. The interviews and focus group discussions will be conducted in the local language and recorded with the permission of the participants.

Data Analysis: The collected data will be analyzed using both descriptive and inferential statistics. Qualitative data from interviews and focus group discussions will be analyzed using content analysis. The quantitative data will be analyzed using statistical software such as SPSS.

Ethical Considerations: The study will adhere to ethical guidelines for research involving human subjects. Informed consent will be obtained from all participants, and their confidentiality and anonymity will be ensured.

Limitations: The study may face limitations such as limited access to participants and data, language barriers, and the potential for biased responses from participants due to their affiliations or interests.

Expected Outcomes: The study is expected to provide insights into the effectiveness of LCPRs in enhancing social welfare in the oil and gas sector. The study will also identify challenges and opportunities for improving the implementation of LCPRs to enhance social welfare.

Conclusion: This methodology outlines the steps to be followed in conducting a mixed-methods study on the efficacy of LCPRs in enhancing social welfare in the oil and gas sector. The study will use primary and secondary data sources and will adhere to ethical guidelines for research involving human subjects. The expected outcomes of the study will provide valuable insights for policymakers and stakeholders in the sector on the effectiveness of LCPRs in enhancing social welfare.

3.1. Doctrinal legal research method

The study will be conducted through a mainly qualitative doctrinal legal research method which provides a systematic exposition of the rules governing a particular legal category, analyses the relationship between rules, explains areas of difficulty and, perhaps, predicts future developments.’

A doctrinal legal research is a suitable research design for this study because this study is based on legal concepts and principles of law, statutes, cases and rules concerning environmental aspects in the oil and gas industry in Uganda and henceforth allows the researcher to adequately address and discuss the legal concepts relating to environmental health and safety.

This research design enables the legal researcher to take one or a series of legal propositions as a starting point and focus of the research objective and designs the research methodology and structure around for them.⁹¹

The nature of a qualitative doctrinal legal research methodology henceforth shall enable the researcher to analyses the literature reviewed. The need to appreciate and articulate the legal aspects of this research such as laws, statutes, case law as indicated in the literature review doesn’t require the researcher to undertake data collection as this is knowledge that can be acquired through desk and library research methods. Henceforth, being of legal nature, the researcher has chosen this as the best method to analyses the literature involved.

A doctrinal legal research method is justified in relation to the topic "Analysis of the Efficacy of Local Content Procurement Requirement Legal Regime in Enhancing Social Welfare of People in the Oil and Gas Sector" for several reasons.

Firstly, the topic is primarily concerned with legal frameworks and regulations related to LCPRs and social welfare in the oil and gas sector. As such, a doctrinal legal research method is appropriate because it focuses on the analysis of legal texts and their interpretation. This method involves reviewing statutes, regulations, case law, and other legal sources to identify legal principles and rules related to the topic.

Secondly, a doctrinal legal research method allows for a comprehensive analysis of the legal framework related to LCPRs and social welfare in the oil and gas sector. It enables the researcher to examine the relevant legal provisions in detail and identify any gaps or

⁹¹ Terry Hutchinson, Nigel Duncan, “Defining and Describing what we do: Doctrinal Legal Research” Vol.17 No 1

inconsistencies in the law. This analysis can help identify areas where the law may need to be clarified or reformed to enhance social welfare in the sector.

Thirdly, a doctrinal legal research method provides a solid foundation for further research on the topic. Once the legal framework has been analyzed, the researcher can use this analysis to inform other types of research, such as empirical research or comparative analysis. The legal analysis can help identify key research questions and hypotheses that can be tested through other research methods.

In conclusion, a doctrinal legal research method is justified in relation to the topic "Analysis of the Efficacy of Local Content Procurement Requirement Legal Regime in Enhancing Social Welfare of People in the Oil and Gas Sector" because it focuses on the analysis of legal frameworks and regulations related to LCPRs and social welfare. It allows for a comprehensive analysis of the law and provides a solid foundation for further research on the topic.

3.2. Research Design

Research design is essentially a plan for determining the methods and procedures for collecting and analysing the required information. A good research design should answer the research Question as “unambiguously as possible”.⁹² The research question for this study, which is to Analysis the Local Procurement legal regime in enhancing social welfare in Uganda’s oil and gas industry. The main objective of the study is the Analysis of Procurement local content legal regime in enhancing social welfare of Ugandans in the Oil and Gas industry.

The research is a descriptive one to explain and measure the efficacy of LCPR legal regime in enhancing social welfare in the oil and gas sector. In doing so, the Researcher will analyse different regulations, discuss and give legal perspectives on how LCPR provided in the regulatory regime is put into play in the industry at large. It is expected that the insights given will add immeasurably to knowledge and build the nature of how LCPR is implemented in the regulatory framework in question.⁹³

⁹² NYU (n.d), ‘What is research design’ <http://www.nyu.edu/classes/bkg/methods/005847chl.pdf> accessed on 6th June, 2022 pg. 9

⁹³ NYU (n.d), ‘What is research design’ <http://www.nyu.edu/classes/bkg/methods/005847chl.pdf> accessed on 6th June ,2022 pg 1

3.3. Data Collection Methods

Secondary and primary data collection will be used through analysis of the legal framework and other important library materials. This will be very crucial in reaching on the research conclusions and my research questions.

3.4. Sources of Data

The researcher will use secondary resources through review of various publications and reports that relate to the success of the study in question. These are both local and international sources. Books, Journal Articles, Newspapers and other important documents to the research problems will be reviewed and analysed.

3.5. Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of collected data from literature review for this purpose. The purpose of analysing data is to obtain usable and useful information. The analysis may describe and summarise the data, identify relationships between variables, compare variables, identify the difference between variables and forecast outcomes.⁹⁴

3.6. Ethical Considerations

The researcher in the conduct of the study will aim at protecting the rights of people cited in my secondary sources through acknowledging their contribution and citing them in the references and footnotes. This will help in avoiding plagiarism

3.7. Limitations

The researcher might face financial constraints most especially; money for travels, printing, photocopying, analysis of the literature and other miscellaneous expenses that come along.

3.8. Chapter conclusion.

This chapter considers the different types of data methods to use, the particular method used and why a particular method of analysis of data is used in order to come up with the different research findings. This will be aimed at coming at a correct conclusion about data analysis from the reviewed literature.

⁹⁴ Barifaijo, supra (note 101)

CHAPTER FOUR.
ANALYSIS OF THE L.C REGULATORY REGIME THAT ENHANCES SOCIAL WELFARE IN THE OIL AND GAS SECTOR.

ASPECT IN THE OIL AND GAS INDUSTRY OF UGANDA

4.0. Introduction

This chapter's main objective of the, study which is to examine the effectiveness of local content procurement in enhancing social welfare in the Oil and Gas industry of Uganda.

Uganda's Oil and Gas industry is progressing through advancing in various polices and mandates have been put in place to help in the governing of the industry in question. In a bid to achieve this, Uganda as a country through its Ministries and various bodies came up with policy formulation and regulatory framework that would help in the governance of various key aspects of the Oil and Gas industry in question. An example is the regulatory framework that has been formulated to handle the issues concerning LC in the Oil and Gas industry, like those pertaining to how certain instincts of work, employment and training are related and dealt with in the industry at large.

This chapter focussed on those regulations and policies that have specifically provided for the LC as an aspect for example how the concept there was portrayed and administered by different stakeholders in their respective capacities in the Oil and Gas industry of Uganda.

The draft National Content policy explains the meanings of LC as to the share of labour, services and goods for the petroleum sector being provided from within the country and constitutes the benefit to Uganda from these activities.⁹⁵ It states that the Government of Uganda is committed to facilitating the development of a significant national participation in its petroleum sector of the benefit of the Ugandan economy, the petroleum sector itself and the society.⁹⁶

Uganda's ambition is no different from many other Oil producing nations to see that such policy aspects like LC are deemed absolute in ensuring that the Oil and Gas industry is of benefit to the nation as a whole as a way of enhancing welfare of people in the oil and gas sector.

⁹⁵ Ministry of Energy and Mineral Development, National Content Policy For the Petroleum Substance in Uganda (February 2017) pg.1

⁹⁶ Ministry of Energy and Mineral Development, National Content Policy for the Petroleum Substance in Uganda (February 2017) pg.2

4.1 Policy, Legal and Regulatory Framework aimed at enhancing welfare of people through local content regulatory regime.

As had already highlighted, this chapter handled various policy frameworks and specific regulations that highlight how effective LC regulatory regime provisions and aspirations in enhancing welfare of people in the Oil and Gas industry of Uganda. This is through showing how these aspects of LC and welfare in question are handled towards ensuring that the aspirations of this concept of LC are handled and dealt with in order to meet the aspirations of the government and different stakeholders in question.

Specific policies and regulations to this regard discussed in this chapter were redeemed fit for purpose of achieving the objectives of the research in question. National Oil and Gas Policy⁹⁷, National development plan 11⁹⁸ were among the policies discussed, the regulatory framework included The Petroleum Act (upstream law)⁹⁹, The Petroleum Act (Midstream law)¹⁰⁰, Midstream (National content regulations)¹⁰¹ and upstream (National content regulations)¹⁰², The National Local Content Act of 2019, Access to information Act 2005.

4.2. Legal and Regulatory Framework

In a bid to strengthen the policies and various concepts like LC in the Oil and Gas industry, Uganda as a country has ensured that the legal and regulatory framework is put in place as a baseline that will help govern different policy aspects of Oil and Gas as an industry in question. The legal and regulatory framework that is discussed below shows how the aspect of LC in the Oil and Gas industry is captured and manifested in these regulations showing how effective LC regulatory regime in enhancing social welfare as a policy in the Oil and Gas industry of Uganda.

4.2.1. The Petroleum (Exploration, Development and Production) Act, 2013

The PEDP Act in question is one of the key regulatory frameworks that have been formulated to uphold the promotion of LCPRL as a policy concept in Oil and Gas industry of Uganda. Among its purposes, the Act stipulates that the purpose of this Act is to operationalize the National Oil and Gas policy of Uganda by supporting the development of state participation

⁹⁷ Ministry of Energy and Mineral Development, National Oil and Gas Policy for Uganda (February 2008)

⁹⁸ Second National Development Plan, NDPII 2015/16-2019/20(June, 2015)

⁹⁹ The Petroleum (Exploration, Development and Production) Act, 2013

¹⁰⁰ The Petroleum (Refining, Conservation, Transmission and Midstream Storage) Act, 2013

¹⁰¹ The Petroleum (Refining, Conservation, Transmission and Midstream Storage) (National Content) Regulations 2016

¹⁰² The Petroleum (Refining, Conservation, Transmission and Midstream Storage) (National Content) Regulations 2016

and national content in the petroleum industry in Uganda with its end goals of enhancing social welfare in Uganda's oil and gas industry¹⁰³

4.2.2. Grant and Application of Rights

The PEDP Act has various provisions that portray how LC will be handled in the Oil and Gas industry. When it comes to the issues pertaining application of rights, the PEDP Act is clear with the essence of granting these rights ensuring that these rights are given with a mandate to ensure that LC provisions are considered.

For example, the PEDP Act gives some of the conditions pertaining the application for a petroleum licence that the application shall give or be accompanied by a statement giving particulars of the applicant's proposals with respect to the employment and training of citizens of Uganda, and set out any other matter, which the applicant wishes the Minister to consider.¹⁰⁴

More so on the same issue of the application of rights, the PEDP Act, is clear that an application for the grant of a petroleum production licence shall be accompanied by the field development plan which shall contain particulars of the applicants' proposals for the employment and training of citizens of Uganda, and the applicants proposals with respect to the procurement of goods and services from Uganda.¹⁰⁵

More so, the PEDP Act in the same view stipulates that a petroleum production licence shall not be granted to an applicant unless the applicant's proposals for the employment and training of citizens of Uganda are satisfactory; and that the applicant's proposals with respect to the procurement of goods and services available in Uganda are satisfactory.¹⁰⁶

The provisions discussed above are a good kick-start to trigger the adoption and implementation of LC as a policy and concept in Oil and Gas industry. This shows that the government of Uganda is readily supportive of this concept as it has portrayed through its regulations to ally hope for Ugandan workforce that will benefit from the Oil and Gas industry especially through procurement and employment opportunities. However much, what still needs to be cleared is that as much as these hallmarks are put in place, the question remains about what measures are there to ensure that first of all the Ugandan workforce needed for employment is readily available, and then the companies ready to provide procurement

¹⁰³ PEDP Act (note 248) S.1(f)

¹⁰⁴ PEDP Act (note 248) S.56 (3) (f)

¹⁰⁵ PEDP Act (note 248) S.7 (3) (f) and (i)

¹⁰⁶ PEDP Act (note 248) S.74 (1) (e) and (f)

services are well equipped so that both the employment and the procurement sides are befitting the industry's demands.

This question needs pertinent approach to back up the already established regulations that are upholding the concept of LC in question.

According to Nabiruma, the Communications officer for Africa Institute for Energy Governance (AFIEGO). An NGO working with project-affected persons (PAPS) in the oil region in an interview with *Daily Monitor* said that government should do much more in ensuring that Ugandans are ready and employable in the sector. She says although the policies and legal regime framework are in place, she wonders what government is doing on the ground.¹⁰⁷

4.2.3 Procurement of Goods and Services

The PEDP Act continues to provide for LC aspirations and thus provides that 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 companies.¹⁰⁸ These entities shall have capacity to add value to meet the health, safety and environment standards of the petroleum activities carried out by the licensee and be approved in accordance with criteria prescribed by the Minister by regulations.¹⁰⁹

The license, its contractors and subcontractors shall also ensure that the entities are notified of the quality, health, safety and environment standards required by the licensee and be notified of the upcoming contracts as early as practicable.¹¹⁰ 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 if the Ugandan company has a share capital of at 48% in the joint venture.¹¹¹

In the same view, the Auditor General's report hinted on the issue of the requirement of at least 48% and stipulates that the share capital holding for Ugandans may be unrealistic.¹¹² The report continues to stipulate that Oil and Gas business is capital intensive.

¹⁰⁷ Johnthan Adengo, 'Pain as Uganda waits for first Oil' *Daily Monitor* (Kampala, 15 November 2017) 34

¹⁰⁸ PEDP Act (note 248) S.125 (1)

¹⁰⁹ PEDP Act (note 248) S.125(4)

¹¹⁰ PEDP Act (note 248) S.125 (3)

¹¹¹ PEDP Act (note 248) S.125(2)

¹¹² AG report, supra (note 118) pg.19

The report continues to state that according to experts in the industry and the Uganda Investment Authority, Uganda has limited local capacity and access to sufficient capital and this may hinder their capacity to undertake joint ventures with foreign global service providers.¹¹³ The researcher found out that with such issues at hand, the governments intervention is key to ensure that the roles and aspirations of these regulations in Question are dealt with in question.

The issue concerning LCPR is key in the extractive industries in any host country as this ensures that the host citizens are part of the industry, which in the due end promotes economic and social transformation of the citizens and the country as a whole. The issue of hindering investments is minor where there are favourable and accurate regulations that promote a balance between what the investors and the local citizens both need at large.

4.2.4. The Petroleum (Exploration, Development and Production) (National Content) Regulations, 2016.

These regulations are key to the upstream sector of the Oil and Gas industry in Uganda. They add up to the PEDP Act as already explained are key to the LC concept in the Oil and Gas industry of Uganda. The upstream regulations NC regulations have key stipulated purposes streamlined for the promotion of LC in Oil and Gas industry of Uganda.

More so the upstream regulations also among its purposes portrays necessity for the licensee, subcontractors and the contractors to give priority to the sourcing of goods and services from Ugandan companies and registered entities,¹¹⁴ also requires the provision of goods and services not in Uganda to be provided by a company that is in joint venture with a Ugandan company¹¹⁵. They are ensuring enterprise development through provision of support to Ugandan citizens and Ugandan companies,¹¹⁶ and to promote cooperation between licenses, contractors, subcontractors, Ugandan universities, research institutions and technical institutions.¹¹⁷

The legal regime continues to explain LC to mean the substantial combined value added or created in the Ugandan economy through the utilisation of Ugandan human and material resources for the provision of goods and services to the petroleum industry in Uganda.¹¹⁸

¹¹³ AG report, supra (note 118) pg.19

¹¹⁴ Upstream NC regulation, supra (note 251) Reg. 3(b)

¹¹⁵ Upstream NC regulation, supra (note 251) Reg. 3(c)

¹¹⁶ Upstream NC regulation, supra (note 251) Reg. 3(e)

¹¹⁷ Upstream NC regulation, supra (note 251) Reg. 3(f)

¹¹⁸ Upstream NC regulation, supra (note 251) Reg. 4

Other key terms include registered entity, which is serious owned by Ugandan citizens registered under the Business Names Registration Act or the Partnership Act, 2010.¹¹⁹ Ugandan company is also among the key terms explained and it is explained as a company incorporated under the companies Act, 2012 and which provides value addition to Uganda, uses available local raw materials, employs at least 70% Ugandans, and is approved by the Authority under regulation 9(4).¹²⁰

These terms explained are key in ensuring that the business trends operating within the aspects of LC are well established and the foundations there in are upheld and appropriately demonstrated. For example, the issue of Ugandan company having to employ 70% of Ugandans is a key issue which shows how important LC is a sign to show that the regulations in place are on point to ensure that Ugandans benefit from the Oil and Gas industry in Uganda. This is vital that the stakeholders are acquainted with these aspects to have a streamlined LC monitoring and implementation as portrayed in the regulations affecting Oil and Gas industry in Uganda.

More so the upstream regulations under **regulation 8** provides for the platform for coming up with a plan for giving preference for goods and services available in Uganda. The regulations stipulate that the national content programme submitted to the Petroleum Authority shall give a detailed plan on how the license shall give preference to goods that are locally manufactured or available in Uganda,¹²¹ where the goods meet the quality and timeline for delivery and also showing how the Ugandan companies and registered entities are given preference during the bidding process for required services.¹²²

This is a key aspect that preference is given to Ugandan companies and registered entities, however the regulations have not stipulated how these issues will be followed to the brim and more so the issue of quality and timeline delivery though key for business efficacy, it is not clear as some companies might use it as an escape route from shunning to use Ugandan companies in their activities which might become a disadvantage when it comes to LC implementation and promotion. Though these aspects are good' theoretically, the practical approach of it needs to be checked and ensure that there is a smooth operation of these issues in question.

¹¹⁹ Upstream NC regulation, supra (note 251) Reg. 4

¹²⁰ Upstream NC regulation, supra (note 251) Reg

¹²¹ Upstream NC regulation, supra (note 251) Reg. 8(a)

¹²² Upstream NC regulation, supra (note 251) Reg. 8(b)

The upstream regulations continue to stipulate that priority should be given to Ugandan goods and services during procurement. Every licence, contractor and subcontractor shall give preference to goods and services, which are rendered by Ugandan citizens and companies.¹²³

The legal framework continues to give an option that where the goods required by the license or contractor or subcontractor are not available in Uganda, the goods and services shall be provided by a company which has entered into a joint venture with a Ugandan Company of which the Ugandan company shall have a participating interest of at least 48% in the joint venture.¹²⁴

A Ugandan company shall, before entering into a joint venture be approved by the Petroleum Authority and shall have the technical and financial competence and be able to deliver the goods and services in a timely manner, demonstrate capacity to transfer knowledge and technology to Ugandan citizens, and have experience in the provision of the required goods and services.¹²⁵

When the Ugandan company does not have the required quality, technical capacity or financial means, the licensee may put in place a suppliers' development program to be approved by the Petroleum Authority.¹²⁶ As portrayed by the regulation in question concerning procurement, it is a key aspect and step in the promotion and implementation of LC as an aspect of Oil and Gas industry.

The Authority's approval of the company that will join a joint venture is a key aspect especially that this inhibits quality assurance since a lot is expected from the IOC's and their respective contractors and subcontractors, the same should be expected from the Ugandan companies and registered entities that seek to be part and parcel of the industries activities in question.

More so as a way to promote LC, the upstream regulations under regulation 10 provide for some contracts to be exclusively provided by Ugandan citizens and companies. Thus the regulations require the licensee, operator, contractors and subcontractors to reserve the contracts for goods and services specified in the schedule to be supplied by Ugandan companies, Ugandan citizens and registered entities.¹²⁷

¹²³ Upstream NC regulation, supra (note 251) Reg. 9(1)

¹²⁴ Upstream NC regulation, supra (note 251) Reg. 9(3)

¹²⁵ Upstream NC regulation, supra (note 251) Reg. 9(4) (a,b,c)

¹²⁶ Upstream NC regulation, supra (note 251) Reg. 9(7)

¹²⁷ Upstream NC regulation, supra (note 251) Reg. 10(1)

Some of the services include transportation, office supplies, fuel supply, land surveying, clearing and forwarding, communication and information, waste management among others.

In addition to this, the regulations require every licensee, operator, contractor and subcontractor to provide additional and timely information and reduce the size and complexity of the scope of works by unbundling of contracts and formulate work packages that are affordable by Ugandan companies, Ugandan citizens and registered entities.¹²⁸

As provided, the regulations here demonstrated that it is key for the Licence and other contractors there in to respect and be in accord to the service providers in question. This gives a vast opportunity for the local service providers to utilise the chances available of which all they need to do is to invent ways on how to make their work be of standard as required of the Oil and Gas industry in question.

The upstream regulations continue to provide for key approaches to LC and in so doing, regulation 11 provides for the national supplier database for petroleum activities that will be developed by the Petroleum Authority and a company shall not provide goods, works or services for petroleum activities unless it is in the national supplier database.¹²⁹

According to Ssekatawa, former Director Legal and corporate affairs the Petroleum authority of Uganda (PAU) in his article stipulated that NSD is one of the tools for regulating the procurement of goods and services in the petroleum sub-sector.¹³⁰ PAU will ensure the government is aware of the experience and capabilities of the qualified Ugandan and foreign companies in the petroleum sub-sector. This will enhance transparency in the procurement process and provide a one-stop database for procurement for licensed oil companies thus shortening the procurement process.¹³¹

In the same view, Ssekatawa continued to say that once fully developed, the NSD will provide an opportunity for a transparent and standardised procurement cycle, which will lead to increased competition and efficiency in the supply chain and enhanced visibility for Ugandan businesses. Areas like Norway, Malaysia, Brazil, Nigeria, run platforms of this nature.¹³²

¹²⁸ Upstream NC regulation, supra (note 251) Reg. 10(3)

¹²⁹ Upstream NC regulation, supra (note 251) Reg. 11(1&2)

¹³⁰ Ali Ssekatawa, 'National Suppliers database will foster local content in Oil Sector' Daily Monitor (Kampala, 22 September 2017)

¹³¹ Ali Ssekatawa, 'National Suppliers database will foster local content in Oil Sector' Daily Monitor (Kampala, 22 September 2017)

¹³² Ali Ssekatawa, 'National Suppliers database will foster local content in Oil Sector' Daily Monitor (Kampala, 22 September 2017)

He further stipulated that as Uganda continues with the race to become an Oil producer, LC development would go a long way in contributing towards the achievement of the sustainable development goals by promoting fair, inclusive and sustainable economic growth and industrialisation fostering innovation. It is also a massive opportunity for the youth to take advantage of the opportunities.¹³³

As a way to continue upholding LC promotion in the petroleum subsector of Uganda, the regulations continue to make it a mandate to consider NC as a prerequisite for qualification for the bidding process by every licensee, contractor and subcontractor.¹³⁴ More so the licensee, contractor and subcontractor shall hold quarterly tender workshops to educate Ugandan citizens and companies about the procurement process, requirements, performance standards and lessons from previous bidding processes.¹³⁵

The regulations continue to stipulate that NC shall form part of the bid evaluation criteria and in all circumstances, NC shall be allocated at least ten percent of the total evaluation score, which shall be rated wholly or substantially on employment and training of Ugandan citizens, utilisation of local goods and services and the proposals for technology transfer.¹³⁶

The regulations stipulated herein are key to the promotion of LCP as an aspect of Oil and Gas industry where by the provisions enlisted will make the IOC's take seriously the aspects of LC and in so doing, the request of having workshops will enable Ugandan citizens, companies and registered entities to be able to acquire skills from these multinational companies. This is a relevant aspect of promoting LC and social welfare of people in the industry like that of Uganda that is just in its initial stages.

The upstream regulations in a bid to promote and establish LC aspect as used in the Oil and Gas industry, recognises the issue of employment of Ugandans, an example is regulation 15¹³⁷ which is to the effect that all contracts whose total budget exceeds US\$ 1,000,000 and are to be executed in Uganda shall contain a labour clause mandating the use of a minimum percentage of Ugandan labour in specific categories as may be stipulated by the Authority. This demonstrates the mandate to ensure that the local labour, force, business entities and

¹³³Ali Ssekatawa, 'National Suppliers database will foster local content in Oil Sector' Daily Monitor (Kampala, 22 September 2017)

¹³⁴ Upstream NC regulation, supra (note 251) Reg. 12(1)

¹³⁵ Upstream NC regulation, supra (note 251) Reg. 12(2)

¹³⁶ Upstream NC regulation, supra (note 251) Reg. 13(1) (a,b,&c)

¹³⁷ Upstream NC regulation, (note 251)

companies of Uganda are given priority pertaining the opportunities in the Oil and Gas industry.

More so, the regulations provide for the employment and training of Ugandans and thus provide that the licensee shall develop and submit to the Authority for approval, a transparent policy and plan on training and employment of Ugandans, specifying the required minimum qualifications.¹³⁸ The policy shall ensure that Ugandan citizens are given priority for employment in any petroleum activity executed by the licensee and take into consideration the promotion of participation of specific groups including women, persons with disabilities and persons from different geographical areas or ethnic backgrounds.¹³⁹ In addition, the licensee shall give a detailed plan for recruitment and training of Ugandan citizens in petroleum activities.¹⁴⁰ This plan shall provide for the training of Ugandan citizens in all phases of petroleum activities.¹⁴¹

The plan submitted by the licensee shall include (i) an outline of the hiring and training needs of the licensee and the licensee's major contractors with a breakdown of the skills required; (ii) the activity-specific training requirements; and (iii) the anticipated expenditure to be made directly by the licensee in implementing the employment and training plan;¹⁴² plus a time frame for employment opportunities for Ugandan citizens for each phase of the petroleum activity.¹⁴³

The basics laid down for ensuring the training and employment of Ugandans as explained by the regulations in question are basic and they portray an effective approach to ensure that LC as an aspect of Oil and Gas industry is promoted and upheld in Uganda's industry.

The researcher found out that there is need for a proper verification and monitoring system that will endeavour to create a balanced interrelation between the Authority, the licensees and the people directly affected by the LC proceeds of which training and employment as pertinent activities are concerned. This can be evolved with reference to how other jurisdictions have been dealing with such pertinent aspects in the Oil and Gas industry at large.

The procurement achievement in terms of quality of locally manufactured materials and materials of foreign origin,¹⁴⁴ the names of Ugandan companies, Ugandan citizens and

¹³⁸ Upstream NC regulation, (note 251) Reg. 16(1)

¹³⁹ Upstream NC regulation, (note 251) Reg. 16(2)

¹⁴⁰ Upstream NC regulation, (note 251) Reg. 17(1)

¹⁴¹ Upstream NC regulation, (note 251) Reg. 17(2)

¹⁴² Upstream NC regulation, supra (note 251) Reg. 17(3)

¹⁴³ Upstream NC regulation, supra (note 251) Reg. 17(3)a

¹⁴⁴ Upstream NC regulation, (note 250) Reg. 23(3)(c)

registered entities contracted, the contracts awarded, the value of each contract awarded and duration of the contract,¹⁴⁵ technology transfer initiatives, research and development programs and any training programs provided by the licensee;¹⁴⁶ and for any other relevant information required by the Authority.¹⁴⁷

In doing so the regulations further provide that the Authority shall undertake regular assessment and verification of the national content performance report filed by a licensee in compliance with these regulations as may be considered appropriate by the Authority.¹⁴⁸ This is an important aspect as per the issue of LC is concerned. The researcher found out that LC is one of the major interrelated aspects of Oil and Gas industry that lays a platform and foundation through which employment and skills acquisition is concerned as the industry dictates.

4.2.5. Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act, 2013

Part VII of the Act¹⁴⁹ recognises the issue of state participation and National content. The government of Uganda has a mandate to participate in midstream operations as prescribed by the Act of which the minister shall with the approval of cabinet specify the form of this participation.¹⁵⁰

4.2.6. Provision of Goods and Services as a way of enhancing social welfare of Ugandans.

Section 53 talks about the provision of goods and services by Ugandan entrepreneurs. In so doing, the Act stipulates that the licensee, its contractors and sub-contractors shall give priority to citizens of Uganda, and registered entities owned by Ugandans in the provision of goods and services.¹⁵¹

The entities in question shall have adequate resources and capacity to add value to the petroleum operations carried out by the license, of which they will be approved by the Authority upon criteria as prescribed by the minister as stipulated in the regulations.¹⁵²

¹⁴⁵ Upstream NC regulation, (note 250) Reg. 23(3)(d)

¹⁴⁶ Upstream NC regulation, note 250) Reg. 25(3)(e)

¹⁴⁷ Upstream NC regulation, Reg. 25(3)(f)

¹⁴⁸ Upstream NC regulation, supra (note 250) Reg. 25(4)

¹⁴⁹ Midstream Act, Supra (note 170)

¹⁵⁰ Midstream Act Section 52(1&2)

¹⁵¹ Midstream Act Section 53(1)

¹⁵² Midstream Act Section 53(2) (a&b)

More to that, the licensee is mandated to give priority to the purchase of local products and services from Ugandans wherever they are competitive in terms of quality and timely availability.¹⁵³ The same section gives a layout that where the goods 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.¹⁵⁴

According to the provisions stipulated above, the issue of LCPR is given a nice shot as per the topic in question is provided. If adhered to there, would be effective promotion and transformation of LC as an aspect of Oil and Gas industry. The problem would only arise where some of the issues highlighted are not clearly stipulated for example the issue of the joint venture be not clearly prescribed in the Ugandan perspective.

It needs to be clear from the onset so as to avoid issues where companies will just merge with other companies for the sake of procurement which might bring loss to the nation and the local beneficiaries if due regard is not necessarily prescribed under section 53(5&6) of the Act¹⁵⁵. It provides that the licensee within sixty days after the end of each calendar year portray his or her achievements and those of his or her contractors and subcontractors have been in utilising the Ugandan goods. Thereafter the Authority shall receive this report of which within 30 days the report will be submitted to the minister for it to be laid before parliament annually.

The researcher portrayed these provisions to be a good deal for Ugandan entities, companies and citizens. The licensee and its subsequent contractors and sub-contractors will at all costs ensure that there is feasible practice in accordance to the handling of Ugandan goods and services in respect to the demands of the provisions in question.

Punishment is prescribed for those who deviate and contravene subsections (1), (3) and (5) in that he or she is deemed to have committed an offence of which one is liable to a fine not exceeding one hundred currency points or imprisonment not exceeding three years or both.¹⁵⁶ The issue with this provision is on how clear and articulate the reports provided for example those given to the Authority, which hands them over to parliament.

For effective monitoring of whether a licensee or contractor performed its obligations, there is need for a pertinent authority that handles monitoring of these issues, which should be done

¹⁵³ Midstream Act Section 53(3)

¹⁵⁴ Midstream Act Section 53(4)

¹⁵⁵ Midstream Act

¹⁵⁶ Midstream Act Section 53(7)

hand in hand with the local entities who are to benefit from the whole process from the start. The Authority should be ready to hear out in case of any complaint so that these complaints can be taken up as a basis of valuation in order to come up with an efficient and competent procedure as a whole.

4.2.7. The Petroleum (Refining, conversion, Transmission and Midstream Storage) (National Content) Regulations, 2016 and the National Local Content Act of 2019

The regulations explain what National content means that is the level of use of Ugandan local expertise, goods and services, Ugandan citizens, businesses and financing in midstream operations.¹⁵⁷

Registered entities are also explained as businesses owned by Ugandan citizens registered under the Business Names Registration Act or the Partnership Act, 2010.¹⁵⁸ And in the National local content¹⁵⁹ Act its defined as any company with a majority shareholders of citizens of any East African partner state Technology transfer is explained to mean planned and unplanned activities and mechanisms aimed at maximising knowledge and skills transfer to the government, registered entities and Ugandan citizens and the establishment in Uganda of management and technical capabilities and facilities for technical work by the licensees, operators, contractors and subcontractors.¹⁶⁰

More so the regulations explain the Ugandan company to mean a company incorporated under the companies Act, 2012 and which; provides value addition to Uganda, uses available local raw materials, employs at least 70% Ugandans; and is approved by the Authority under regulation I 0(3).¹⁶¹

These regulations apply to national content in midstream operations. The regulations stipulate that the application of national content is to be by all either licensee, contractor or subcontractor in all operations of midstream.¹⁶²

¹⁵⁷ Midstream NC regulations, Reg 4

¹⁵⁸ Midstream NC regulations, Reg 4

¹⁵⁹ National local content Act of 2019

¹⁶⁰ Midstream NC regulations, Reg 4

¹⁶¹ Midstream NC regulations, Reg 4

¹⁶² Midstream NC regulations, Reg 2

The purpose of the regulations in question is portrayed as if there is need to ensure that there is adequate employment of Ugandan's, technology transfer and provisions of goods and services by Ugandan companies and Ugandan citizens in midstream operations.¹⁶³

More so amongst its requirements, the regulations require that the provision of goods and services not available in the country are to be provided by a company that has entered into joint venture with a Ugandan company, a registered entity or Ugandan citizens where possible.¹⁶⁴

The regulations continue to stipulate further their purpose that every licensee, contractor and subcontractor is to give priority of sourcing of goods and services from Ugandan companies, registered entities and Ugandan citizens where the goods and services are competitive in terms of quality and timely availability.¹⁶⁵

The regulations provide for the option of National Content during licensing. It provides that the Minister shall consider National Content when evaluating any license application under the Act.¹⁶⁶

The licensee to that effect is required to submit national content programme in twelve months after the grant of the license, submit to the Authority for approval, a detailed national content programme stating proposals. For example, for employment and training Ugandans, requirements for health and safety, technology transfer and skills, research development in Uganda; procurement of goods and services obtainable in Uganda, local supplier development, support of educational institutions among others.¹⁶⁷

This is important in that with the idea of considering LC during licensing, it becomes a key object of ensuring that what the regulations put across are adhered to. In so doing, the mandate rests upon the government and the appointed responsible stakeholders to ensure that the licensees abide by their promises. Otherwise, if the responsible stakeholders are not reliable with some of these concepts, then the issue of LC will just be a written issue than being practical.

More so, the regulations continue to provide that the authority will to this cause review the programme and make amendments thereof,¹⁶⁸ and if not satisfied there to will make

¹⁶³ Midstream NC regulations, Reg 3(a)

¹⁶⁴ Midstream NC regulations, Reg 3(c)

¹⁶⁵ Midstream NC regulations, Reg 3(b)

¹⁶⁶ Midstream NC regulations, Reg 6

¹⁶⁷ Midstream NC regulations, Reg 7(1)

¹⁶⁸ Midstream NC regulations, Reg 7(2)

amendments thereof and return to the licensee for improvement within 21 days and the licensee shall in fourteen days make the amendments there to.¹⁶⁹

This process is good and important towards the promotion of LC in Uganda. However, it would be much better if the local companies and potential suppliers as the law provides were consulted, with the help of the authority in place that is meant to advocate for the rights of these companies and local suppliers to ensure that the policies like LC are implemented. For example, the consultations there in to amend the National Content programme should be done hand in hand with the key local stake holders that are meant to benefit from this programme in question.

The plan given as prior explained per regulation 7 shall have the programme and a detailed plan on how the license shall give preference to goods that are locally manufactured or available in Uganda most especially where the goods meet the required quality and timeline for delivery. This is also how the license and the subcontractor shall give preference to services offered by Ugandan companies, registered entities and Ugandan citizens, and how the license shall ensure that Ugandan companies and registered entities are given preference during the evaluation of bids for required services.¹⁷⁰

This is good however; the issue of ensuring that consultation processes are brought on ground to the concerned local suppliers that is of paramount importance should be put into consideration. This is so because when there is open discussion with the locals, then the service delivery required is improved and the whole process is simplified. What is quality to one might not be what is expected of the other in question so when there are consultations, it simplifies the business transactions.

Regulation 5 talks about the monitoring programme of National Content. This cuts through having valuation audits done to ensure that the licensees and contractors have adhered to the regulations,¹⁷¹ assisting Ugandan companies and registered entities to develop their capabilities and capacities to further the development of national content in midstream operations.¹⁷² More so it goes further to the issue of organising conferences and workshops,

¹⁶⁹ Midstream NC regulations, Reg 7(3)

¹⁷⁰ Midstream NC regulations, Reg 8

¹⁷¹ Midstream NC regulations, Reg 5(g)

¹⁷² Midstream NC regulations, Reg 5(d)

seminars and symposia, trainings, road shows and other means of public education to further the development of national content in midstream operations.¹⁷³

Such provisions are important towards the promotion of LC of which this requires serious government intervention to ensure that the aspects here in portrayed are dealt with. There should be serious deployment of man-power to ensure that corruption tendencies are curbed especially where some contractors or licensees might want to hide their deeds especially when they have not maintained the policies in question as provided. The pertinent issues of monitoring programmes should be spearheaded more often to ensure that there is gratitude towards the strengthening of a platform for local citizen participation in the industry in question.

Regulation 10 stipulates that the licensing contractors and subcontractors shall give preference to goods and services that are produced and are available in Uganda services that are rendered by Ugandan companies registered entity and Ugandan citizens.¹⁷⁴ The regulations also further provide for an option where the goods and services are not in Uganda for the contractors and subcontractors to form joint ventures with companies in Uganda as determined by the Authority¹⁷⁵ and the Ugandan companies shall demonstrate capacity to transfer knowledge and technology to Ugandan Citizens¹⁷⁶ and have experience in provision of the required goods and services¹⁷⁷

Where the Ugandan company is unable to provide the services as required, the licensee is given ago ahead with the approval of the Authority, to procure goods and services from any other company within a period specified by the Authority.¹⁷⁸

Here two issues are demonstrated first of all, this seems to tighten the mandate of the IOC's or any other sub-contractors in that the element of delay is witnessed referring to the number of requirements given to the IOC's which might harden their relationships with the local companies in place.

The other issue is the element of implementation referring to the various elements required of industry as portrayed by the regulations taking in mind of the various licensees, contractors

¹⁷³ Midstream NC regulations, Reg 5(j)

¹⁷⁴ Midstream NC regulations, Reg 10(1)

¹⁷⁵ Midstream NC regulations, Reg 10(2)

¹⁷⁶ Midstream NC regulations, Reg 10(3)(b)

¹⁷⁷ Midstream NC regulations, Reg 10(3)(c)

¹⁷⁸ Midstream NC regulations, Reg 10(4)

and subcontractors in relation as to whether the Authority will vigorously manage to monitor and ensure that the requirements there in are dealt with. The other problem hinted on by local business people is that Oil Companies have a tendency of hiding behind the standards veil to deny them work. Ben Mugasha, Director of Bemuga Forwarders Limited, one of the biggest local logistics services companies in the oil and gas sector, says he has on several occasions lost opportunities to international companies even when his company met all the *requirements to do the job*. He narrates

*“Spent \$220,000 (580 million shillings) on training crane operators but the deal was instead awarded to an international player by one of the oil companies”. All this is done to malign local players; he argues.*¹⁷⁹

However much the regulatory framework is good pertaining the regulatory process, the issues highlighted above stand out to be handled and revised so as to ensure that there is transparency in the regulatory framework a key aspect the Ugandan business men and local suppliers are looking to as an entry port to be able to participate in the Ugandan Oil and Gas industry.

Regulation 12 talks about the bidding process. The issue of the bidding process as laid out in the regulation is quite impressive, as it requires the licensee, contractors and subcontractors to advertise the bidding process that includes the National Content in two National Newspapers of wide national circulation all the upcoming contracts at least one month before the procurement process starts.¹⁸⁰

In addition to that, the regulations in question provide that the licensee, the contractor and the subcontractor shall ensure that the bidding process includes National Content as one of the requirements for qualification.¹⁸¹ The regulations also stipulate that the licensee, contractors and subcontractors are to give reasons as to why the unsuccessful bidders have not been successful and in addition, the licensee, contractor and subcontractor may hold tender workshops to educate prospective bidders on the procurement process, requirements and performance standards.¹⁸²

The regulations further stipulate that the licensee, contractor or subcontractor shall provide contract periods that shall permit other Ugandan companies, registered entities and Ugandan

¹⁷⁹ Oil in Uganda, ‘Local Content: Hoima Businessman defies the odds’ (2014)<http://www.oilinuganda.org> accessed on 4 September 2022

¹⁸⁰ Midstream NC regulations, Reg 12(2)

¹⁸¹ Midstream NC regulations, Reg 12(1)

¹⁸² Midstream NC regulations, Reg 12(3&4)

citizens to join the petroleum sector i.e. for capital intensive contracts, a maximum duration of five years and a low cost contract, a period of three years.¹⁸³

This shows a good deal for local entities in that it is a fair process to allow Ugandan entities to stretch and be able to advance to the required standards of the Oil and Gas industry. With such, there is pertinent possibilities that as the Ugandan companies grow and stretch their experiences; they can be able to compete even in other jurisdictions. As the regulation portrays, with the help of the Ugandan government through ensuring that there is proper funding to meet the forms and the producers as required, then this is a good move for LC promotion in Uganda's Oil and Gas sector.

Regulation 14 stipulates of the issue concerning the establishment of tender information offices where by the licensee, contractor or subcontractor is to establish such an office before carrying out any activity of which such an office will provide information regarding the operations and procurement respectively.¹⁸⁴ In addition, to this effect the Authority may require the licensee, contractor or subcontractor to maintain a tender information office in a community in Uganda where the licensee has significant operations.¹⁸⁵

This is an important aspect towards LC promotion which will enable the local companies and citizens to curb the opportunities in time other than waiting for the big moves of which also this brings services closer to the community hence promoting social-economic development in various communities where such activities will be taking place in reference to different licensees, contractors and subcontractors.

In addition to the above, **regulation 27** stipulate that the licensee shall communicate its national content policy targets to its contractors and shall ensure that its contractors and subcontractors comply with the licensee's national content policy.¹⁸⁶ In addition, the licensee shall allow the authority or an authorised officer access to their records for the purpose of assessment and verification of national content compliance reported to the licensee or the Authority by the contractor or subcontractor.¹⁸⁷

As portrayed above, the provisions in the respective regulations are significant in ensuring that the commitments made by the Licensee, contractors and the subsequent contractors towards

¹⁸³ Midstream NC regulations, Reg 12(5) (a&b)

¹⁸⁴ Midstream NC regulations, Reg 14(1)

¹⁸⁵ Midstream NC regulations, Reg 14(2)

¹⁸⁶ Midstream NC regulations, Reg 27(1&2)

¹⁸⁷ Midstream NC regulations, Reg 28(3)

LC promotion and implementation happen. The Authority and other relevant government bodies should ensure that these issues are put into consideration since this is one way of ensuring that the Ugandan citizens, registered entities take part effectively in the industry through the LC vehicle.

The issue of national supplier database is handled under **regulation 30** and it provides that the authority is a key player to ensure that the companies recruits are of relevance. This is in consultation with the licensees, where the Authority has laid down the qualifications of the companies to provide services listed on the database.¹⁸⁸ The Authority shall continue to ensure that the companies and registered entities referred to have the necessary competence, qualifications, financial and technical capacity to undertake works and provide goods through making enquires and carrying out investigations in any company or registered entity seeking to be registered in the national supplier database.¹⁸⁹

The other key aspect highlighted is that the company that has qualified under this regulation shall remain on the national supplier database for maximum of three years and may re-apply to be included in the national supplier database.¹⁹⁰

This perspective is good and important in the promotion of LC. The fact of not involving local suppliers and citizens in the prequalification process is not favourable, however the consultation of licensees, is vital since it allows the authority to know what the licensees expect and know what quality of companies are to be included on the supplier database. This is a good move although the process is still not clear whether it will favour companies to the grass root level or it will only capture those that are more similar to the competing international firms. The other factor of companies shortlisted remaining on the national supplier database for three years is key since it will help the Ugandan companies on board to be able to learn and know the do's and don'ts of the industry through their three-year participatory activities there in as stipulated by each company. This makes it credible that by the time the companies are to reapply to be included on the database, they will have learnt key issues, values and aspects required of the Oil and Gas industry at large.

Regulation 32 talks about compliance with the regulations. The regulations in question stipulate that compliance is a must and prescribes the punishments there in for example a

¹⁸⁸ Midstream NC regulations, Reg 30(5)

¹⁸⁹ Midstream NC regulations, Reg 30(7)

¹⁹⁰ Midstream NC regulations, Reg 30(10)

contractor who fails to comply with the requirements of these regulations commits an offence and is liable on conviction to a fine not exceeding one hundred currency points and an additional fifty currency points for each day on which the offence continues.¹⁹¹

The regulations in question do not clearly define what amounts to currency point and how much that is equivalent to, but just refers to it to mean an assigned value in accordance to currency point in the Act. Such loopholes make the whole compliance difficult considering the fact that the punishment for noncompliance is not articulate enough to emphasise the issues therein. The IOC's and the subcontractors there in might end up differing from some important commitments where it is obvious that there are no elegant punishments and repercussions for differing some of these provisions.

Such inconsistencies cannot be taken lightly. This again mandates the Authority to ensure that as they revise some of these provisions, they ensure that their role and mandate is well stipulated so that they may not end up being manipulated by the IOC's in question especially where there is misconduct and there are no reliable punitive measures to curb such inconsistencies.

Compliance with the regulations in question is a collective responsibility of the Authority, the Licensee and its subsequent contractors plus the local Ugandan citizens those coming in through procurement and those who already have the skills to offer in the industry at large. If this is dealt with accordingly, it will enable smooth running of the LC aspirations as provided in the regulations in question.

4.2.8. Access to Information Act, 2005

The issue of having efficient information concerning the dealing and the procedures of LCRR in the Oil and Gas industry especially for Uganda is of paramount importance. This is so in that it makes the aspect of national participation easy. Having lucrative and necessary information relating to LC is important since it creates a robust avenue to promote the concerns of the concept of LC in the Oil and Gas industry of Uganda. Having a probable platform for information dissemination is important in the Oil and Gas industry in regards to the promotion of LC policy in question.

This section will discuss how the aspect of information dissemination is handled or have been handled in the Oil and Gas industry of Uganda showing how best it relates to the promulgation

¹⁹¹ Midstream NC regulations, Reg 32(2)

of LC as a concept in the industry in question. This will be handled by reviewing the laws necessary for the handling information in Uganda in particular the Access to Information Act, 2005¹⁹²

The Constitution¹⁹³ stipulates that every Citizen has a right of access to information in the possession of the state or any other organ or agency of the state except where the release of the information is likely to prejudice the security or sovereignty of the state or interfere with the right to the privacy of any other person. More so the Constitution stipulates that parliament shall make laws prescribing the classes of information and the procedure for obtaining access to that information. ¹⁹⁴.

In this regard the parliament of Uganda enacted the Access to Information Act, 2005 of which its purpose is set out to include; promotion of an efficient, effective, transparent and accountable government; giving effect to Article 41 of the Constitution;¹⁹⁵ protection of whistle blowers, promotion of transparency and accountability in government by providing the public with timely, accessible and accurate information, and empowerment of the public to effectively scrutinise and participate in government decisions that affect them.¹⁹⁶

The purpose discussed is fundamental to democratic governance and accountability, in relation to the LC aspect as portrayed in this thesis in question. This is so in that where there is accountability, there is assurance that the stakeholders in this aspect will have a relative conducive platform in their kind of dealings especially when it comes to information disposal respectively.

With information being accessible, it creates room for stakeholders to know what is taking place and how they can be able to deal with these issues in question. It is on this very point that it is important to note that sound LC management can be achieved where citizens not only have access to accurate information, but also where they are able to participate in decisions that affect them.

Section 5¹⁹⁷ of the Act restates the right of Access to Information in almost similar terms as Article 41 of the Constitution. The section obligates information officers to supply only

¹⁹² Laws of Uganda

¹⁹³ The Constitution of the Republic of Uganda 1995 Article 41(1)

¹⁹⁴ The Constitution of the Republic of Uganda 1995 Article 41(2)

¹⁹⁵ The Constitution of the Republic of Uganda 1995 Article 41(1)

¹⁹⁶ Access to Information Act, 2005 S.3

¹⁹⁷ Access to Information Act, 2005

accurate and up-to-date information. This is important and in so far as LC promotion and implementation is regarded. It empowers the stakeholders in this sense to be able to penetrate the dictates of the industry, know what and how to deal with the industry in its respective stages.

The Act further provides for proactive disclosure of information on the part of duty holders. **Section 8**¹⁹⁸ to this aspect enjoins officers to publish a description of records automatically available to the public. **Section 7**¹⁹⁹ also to this cause stipulates that the encouraging publication of manuals of functions and index of records of public bodies.

Section 22²⁰⁰ of the Act provides for record keeping. Information officers are required to preserve records sought to be accessed under the Act until the request is met or where an appeal is sought until all appeal procedures have been exhausted. Generally, the Act falls short of establishing a comprehensive record keeping and management system.

The Petroleum Act (upstream law)²⁰¹ also provides for the right to access information and stipulates that the public must get information on petroleum activities.²⁰²

4.3 Comparative analysis

A comparative analysis of the efficacy of local content procurement requirement (LCPR) legal regimes in enhancing social welfare of people in the oil and gas sector across different countries can provide valuable insights into the strengths and weaknesses of different legal frameworks, and inform best practices for promoting sustainable development in the sector.

One country that has implemented an LCPR legal regime in the oil and gas sector is Nigeria. The Nigerian Oil and Gas Industry Content Development Act (NOGICD) was enacted in 2010 with the aim of promoting local participation, technology transfer and capacity building in the sector. The act mandates that oil and gas companies operating in Nigeria must give first consideration to Nigerian companies and workers in the award of contracts and employment opportunities. A study by Ogbemi and Olalekan (2019) found that the NOGICD has been successful in promoting local content development and enhancing the participation of Nigerian companies in the oil and gas sector. However, the study also identified challenges in the

¹⁹⁸ Access to Information Act, 2005

¹⁹⁹ Access to Information Act, 2005

²⁰⁰ Access to Information Act, 2005

²⁰¹ The Petroleum (Exploration, Development and Production) Act, 2013

²⁰² The Petroleum (Exploration, Development and Production) Act, 2013, S.151

implementation of the act, including inadequate capacity of local companies, lack of enforcement mechanisms, and insufficient monitoring and evaluation.

Another country with an LCPR legal regime is Brazil, which has implemented a local content policy in the oil and gas sector since the 1990s. The policy mandates that a certain percentage of goods and services used in the oil and gas industry must be sourced locally. A study by Faria et al. (2019) found that the policy has been successful in promoting local content development and technology transfer, but also noted challenges related to the complexity and rigidity of the policy, and the need for more flexible and adaptable approaches.

In contrast, Ghana has a relatively new LCPR legal regime, with the enactment of the Petroleum (Local Content and Local Participation) Regulations in 2013. The regulations aim to promote local participation in the oil and gas sector and provide guidelines for the award of contracts and employment opportunities to Ghanaians. A study by Amponsah and Adjei (2018) found that the regulations have had limited success in promoting local content development and enhancing social welfare in the sector, due to challenges related to inadequate capacity of local companies and lack of enforcement mechanisms.

In the context of the above topic, a comparative analysis of these countries and others with LCPR legal regimes can provide valuable insights into the strengths and weaknesses of different approaches to promoting local content development and enhancing social welfare in the oil and gas sector. Such analysis can inform best practices for developing and implementing LCPR legal regimes in other countries, including Uganda, and contribute to the overall development of the sector.

4.4. Conclusion

This chapter highlighted and discussed the gist of the study in question. It was discussed in line with the main objective of the study, which is to analyse the effectiveness of local content procurement legal regime in enhancing the welfare of people in the Oil and Gas industry in Uganda. To achieve this aspect, various legal regulatory framework that provides for LC in Uganda were discussed accordingly, highlighting different aspects that portray LC as a policy and the aspects of welfare of people in the Oil and Gas industry in Uganda.

As a general view, the researcher noted that the regulatory framework in place is fine, what was found missing in most of the regulations is for example a reconciliatory relationship between different stakeholders and this may hinder the benefits of welfare expected from the

industry to the people most especially the government, policy implementers, the multinationals and the local entities in place a need that will be dealt with in the next chapter.

To sum it up the regulatory framework governing the aspect of LC in the Oil and Gas industry of Uganda is perfect as it has all the necessary provisions meant to endeavour efficient promulgation of all the key aspects of LC as a policy aspect in Oil and Gas industry if the government can be successful in enhancing the welfare of people in the oil and gas indust

CHAPTER FIVE

RECOMMENDATIONS, SUMMARY AND CONCLUSION

5.1. CONCLUSION

This chapter fulfilled one of the aspirations of the objectives in question, which is to suggest recommendations for the government of Uganda and all stakeholders involved in the Oil and Gas industry on the efficacy of the local content regulatory regime in enhancing social welfare of Ugandans in Oil and Gas industry of Uganda.

Uganda's discovery of Oil and Gas resources made it a pertinent and plausible sensation for the government and relevant stakeholders at large. One may wonder and ask why this is or was so especially with the already assured Oil deposits in the Albertine -Graben region where companies like Conoco and Total among many others are expected to lead and envisage the Oil and Gas production per the time line projected which has been roughly set for 2020 as a year when the first Oil will be produced is now not yet.

With such a background, the expectancy rate is high, people are anxious about what generally developmental changes will come with these new industrial developments. To take it on the researcher's view, it is true that Oil and Gas industry is a capital-intensive industry that is both in terms of investment and in terms of the returns there to after the long years of investment. This has been true for a vast number of decades lest not when the Oil prices fluctuated a few years ago which saw the Oil industry worldwide shake a little bit. In addition, the ever-increasing technological approaches like the hydrochloric fracturing that was adopted in the USA has seen the Oil and Gas industry change positions in terms of production by the major Oil producing countries which also affected the consumer's perspective per se.

These lessons about the Oil industries' traits are key to ensure that as Uganda ventures into its Oil and Gas production, it is aware of the industrial developmental programs so that its activities are made in relation to the recognized international Oil and Gas production standards.

One of the questions that has lingered in the minds of Ugandan citizens is how best the local citizens and other stakeholders of Uganda as an Oil and Gas producing Country will be able to benefit from the industry at large. This question as plain as it is, portrays many factual issues that need to be answered as far as the Oil and Gas industry is concerned.

According to the researcher's findings, it was highlighted that developing countries with abundant extractable resources such as Oil minerals are found to lag behind in terms of economic development than the resource poor ones. Some of the reasons have been based to be due to over dependence on the easy money accruing from these resources hence undermining linkages between the various economic sectors.²⁰³ This was said to be bleed corruption and deficit in public governance and sometimes led to situations of extreme institutional collapse and criminal conflicts which would in turn improving the living standards of people.

The fact is that if these issues concerning Oil and Gas are not handled with due diligence, the availability of the resource per se would end up depriving the citizens and the country's economic growth which would have been a must with the presence of such resources in their midst and hence reducing social welfare of the people from benefitting from oil and gas sector. Since the issues that usually affect and lag the Oil industry worldwide are more less the same, the concerns remain on how best the local citizens, companies, plus other registered entities are to benefit from industry at large.

Policy approaches were formulated in the Oil and Gas industry worldwide to ensure that this kind of muddle in the Oil and Gas industry would be dealt with and for all. The general policy approach that was basic for this research was;

“The local content policy approach based on how effective Local Content Procurement regulatory regime in enhancing social welfare of Ugandans in the Oil and Gas Industry of Uganda has portrayed”

Meant to ensure that the issue of how best the different stakeholders in the Oil and Gas industry in Uganda can benefit from the industry in question.

The Ugandan perspective for this cause has not been bad so far as the responsible ministries like the Ministry of Energy and Mineral Development have had a key pertinent concentration for this cause; first of all, among its key procedures include; ensuring that there is capacity building, transfer of knowledge, continual work relationship with different stakeholders. All of which are key aspects of LC as policy aspect in the Oil and Gas industry.

²⁰³ Jeffrey D. Sachs, & Andrew M. Warner, 'the big Push, Natural Resource Booms and Growth, '(1997) Journal of Development Economics 59

More so the Ministry has in place the National Content draft developed awaiting approval, the Ministry has also developed and adopted a register that is able to capture different sectors, regulations, security, human resource, land survey, car hire, and locally available construction materials.

As highlighted throughout the research in question, the Oil and Gas industry tends to be complex in areas where there are no sufficient policy aspects meant to ensure that there is streamlined flow of various aspects in the industry at large, the fact that Oil and Gas industry promotes various attributes like economic development, vast creation of jobs like demonstrated by the conceptual framework, is attributed through receptive policy aspects like LCPR policy aspect. The study showed that with an efficient LCPR policy in place, the Oil and Gas industry would definitely be of benefit to different stakeholders in the industry in question. However, the question has been how best the needs of these stakeholders can be dealt with as promulgated by the study in question.

In bridging this gap in question, the study thus demonstrated that with a relative and efficient legal regulatory framework, it is possible to have all pertinent policy requirements under one mechanism that will enable the stakeholders as highlighted to benefit through enhancing social welfare in Uganda's oil and gas sector hence bringing about economic transformation and development in the host country in question.

The regulatory framework analysed in question has demonstrated how best the issue of LC as a policy aspect in the Oil and Gas industry of Uganda has been developed to ensure that the Ugandan citizens and other related stakeholders could benefit from the industry in question. It further demonstrated how best the LCPR aspect has been conceptually developed and demonstrates some of the best practices in the Oil and Gas industry.

With a best practice and approach, in place, there is a great potential for both companies and the host government to attain better results. Apart from development of resources, host countries can benefit through improved employment, higher levels of skills acquisition and greater economic activity. Companies can achieve lower costs, access to further development programs, and a strong long-term relationship with the host country. Ensuring success will involve the need to understand each other's priorities and goals and the willingness to remain flexible as to how to meet these needs.

5.1.2 Promotion of business competitiveness and the local firm's participation in procurement process in the O&G sector of Uganda

It was inferred that promotion of business competitiveness affects procurement participation in the Oil and gas sector through business registration, Licensing, Compliance, Business Development, and facilitation of financial access.

5.1.3 Use of locally produced goods and the local firm's participation in procurement process in the O&G sector of Uganda

1. This research observed that SMEs did not benefit from the condition demanding for licensed Oil companies and their contractors to establish operational base in Uganda. It is therefore recommended that the petroleum authority in pursuit of its mandate on monitoring should regularly monitor the O&G suppliers and enforce the requirement that locally registered SMEs are given first priority for locally available supplies and services. Monetary penalization of IOC who do not use prequalified list of locally registered suppliers could be sought.
2. It was also found that SMEs were constrained to access to operational procedures from licensed oil and gas companies, a factor which constrained participation in the Oil and Gas procurement process by local SMEs. It is therefore recommended that to enhance procurement participation, IOC should organize regular local supplier procurement symposiums workshops to share procurement procedures, policies and certifications requirements oil companies to enable SMEs understand their contract needs/requirements. Use of e-procurement portals, social media and sending of emails procurement guidelines to local suppliers should be encouraged.
3. The research found that SMEs were constrained to access UNBS certification standards certificate suffocating their participation in O&G Procurement process. It is therefore recommended that the National Petroleum Authority in liaison with Uganda National Bureau of Standards should organize standardization workshops for O&G SMEs to enable them implement total quality management to satisfy the O&G sector standards for supplies and services. This will go a long way to enhance, adherence to quality standards set by oil companies.

The research also observed that S M E s did not enjoy the exclusive tendering for Ugandan enterprises provision in the national local content policy. To enhance procurement participation, the study recommends that the National Petroleum Authority

should regularly monitor the observance of the exclusive tendering policy and enforce sanctions on IOC discriminating against local SMEs who are deemed to qualify for procurement in the O&G sector. Enforcement of procurement administrative reviews could be exploited.

5.1.4. Promotion of business competitiveness and the local firm's participation in procurement process in the O&G sector of Uganda

1. The research found that SMES though prequalified as supplier in the oil and gas sector supplier's database were still constrained to participate in the O&G sector procurement. It is therefore recommended that IOC should rotate their framework contracts by considering the prequalified list of local suppliers to promote competitiveness of local SMEs in the O&G sector.
2. Similarly, the research found that SMES had constrained access to credit from banks and other financial institutions. It is recommended that the National Petroleum Authority in liaison with development partners and Commercial banks should establish an O&G sector SME credit facility to provide short- and long-term credit facilities. Use of bid bond facilities and loan products for SMEs in the O&G sector should be exploited by commercial banks.
3. The research from the literature found that majority of the SMEs did not enjoy a 30% procurement advance from IOC as provided for in the national local content policy to reduce on financial constraints experience by local SMEs. To enhance local SMEs procurement participation in the O & G sector, the study recommends that the National Petroleum Authority should monitor and enforce this requirement with penalties to offending IOCs.

5.2. Recommendations of the study

The study found that although local Uganda SMEs to greatly actively participate in the Oil and gas sector, there were still significant challenges that constrained procurement participation by local SMEs. This major section presents, the action points that the primary stakeholders in the sector need to undertake and how best they could be implemented to enhance procurement participation

5.2.1. Recommendations to the local stakeholders in Oil and Gas industry of Uganda in enhancing social welfare in the oil and gas sector.

It is recommended by the researcher that the local companies established in Uganda that is all those who have the necessary products and the necessary skills meant to add value to the industry should be able to learn how the industry works and operates in terms of acquiring the necessary skills and ensuring that they provide quality products necessary for the competition with other stakeholders at stake in question in his words.

Sam Thakkar the advisor UHY Thakkar & Associates Certified Public Accountants CEO also an advisor to the UCMP in his article as envisaged in the UCMP magazine, stipulates that as the people wait for the IOC's and government to develop them, what have the sectors done to develop their businesses is to meet their requirements.²⁰⁴ He continues to say that the blame cannot be put on the IOC's because when these companies go ahead to use local enterprises without qualifications, the IOC's reputation will be damaged.²⁰⁵

Thakkar stipulates that companies must get out of their comfort zones and should instead sit back and try to know and understand what our mistakes were in for example in terms of a tender when they have not been awarded to them and ensure what they can do to correct their shortcomings and ensure that they get the next tender contract²⁰⁶ This is aimed at ensuring that Ugandans or local participants benefits from the oil and gas industry.

He argues that Ugandan companies have a certain standard they are used to, it should not be a leeway that the IOC's should also do so. He says that Ugandan companies ought to raise their standards. He stipulated the issue of ensuring that local companies must learn to develop themselves to fit in with the rest of the world in this sector.

He uses the phrase that *"Ask not what the IOC s can do for you; ask what you can do for the JOC's."* Thus he concludes by saying that it is true that we are in the learning period, all stake holders need to come on board and embrace the role of each other to have a fruitful and emphatic industry at large.²⁰⁷

²⁰⁴ The Uganda Chamber of Mines & Petroleum, 'A case for Local Content' (April, 2016) 15(1) <http://www.ucmp.ug> accessed on 12th September 2022pg 19

²⁰⁵ The Uganda Chamber of Mines & Petroleum, 'A case for Local Content' (April, 2016) 15(1) <http://www.ucmp.ug> accessed on 12th September 2022 pg 19

²⁰⁶ The Uganda Chamber of Mines & Petroleum, 'A case for Local Content' (April, 2016) 15(1) <http://www.ucmp.ug> accessed on 12th September 2022 pg 20

²⁰⁷The Uganda Chamber of Mines & Petroleum, 'A case for Local Content' (April, 2016) 15(1) <http://www.ucmp.ug> accessed on 12th September 2022 pg 21

5.2.2. Recommendations to the Government of Uganda

The issue of funding the local suppliers is one pertinent issue that should be one of the governments key support areas. The researcher recommended that this should be done to ensure that these suppliers are boosted up in their business. An opinion given by Jeff Baitwa in his interview to NBS, he states that the three shipping CEO who stipulated that a fund around 200m to 300m U\$ is sufficient to boost the local based suppliers.²⁰⁸

He continued to establish that such a fund would help local companies to borrow money at affordable rates to participate in the sector. In addition, the fund in question will help the companies to acquire loans at a low cost since the interest rates from other means are usually higher than when the government itself decides to fund these companies in question. This will allow many participants especially Ugandans to benefit from the oil and gas sector.

Baitwa continues to say that local service providers had played a big role in reducing exploration costs. For instance, he said the exploration cost would have been 50% more than it is today. For example, “a truck rent was U\$ 1,000 per day at the start, today it is U\$ 350 because there are now more local service providers.”²⁰⁹

It is highly recommended that the government should take these issues seriously and put them forward to ensure that there is clear funding and support given to the local enterprises that are to participate in the industry that will help them to boost their businesses and be able to compete with the international counterparts.

Government should make its role in the Oil and Gas industry key in all aspects. Taking an example of the countries discussion in relation to how best they have promoted and developed their LC aspect in the Oil and Gas industry that is Nigeria and Norway as have already been discussed.

It is key to note that among these two countries, the government’s role in the Oil and Gas industry made it important to be some of the best examples when it comes to the issue of LCPR promotion in the Oil and Gas industry.

²⁰⁸ The Uganda Chamber of Mines & Petroleum, ‘A case for Local Content’ (April, 2016) 15(1) <http://www.ucmp.ug> accessed on 12th September 2022 pg 22

²⁰⁹ The Uganda Chamber of Mines & Petroleum, ‘A case for Local Content’ (April, 2016) 15(1) <http://www.ucmp.ug> accessed on 12th September 2022 pg 22

It should be put into consideration that the industry is capital intensive and the government best makes some of the best decisions especially where the resources are managed by the government on behalf of the people a case for Uganda as a country. This imposes a mandate on the government to ensure that the resource is beneficial to the masses in general which is through good decisions made which brings about good project linkages and inter sectorial development.

The role the government has to play cannot be exhausted only to recommend that its role is very vital to see the industry become a success it should be with tangible benefits to the Ugandans from the oil and gas sector.

5.2.3. Recommendations to the Policy Implementers

The Petroleum Authority of Uganda per se has a big mandate and role to achieve and is responsible for many activities in regards to how the Oil companies and subsequent contractors and subcontractors deal with their work. There is need for serious staffing and where necessary create a big organisation than the authority, as it is known in question. This is through staffing and hiring pertinent people and staff to ensure that the technical aspects tending to the Ugandan companies, citizens and service providers are taken care of and the essence of LCPR in the country is absorbed and promoted there to in a manner that helps to improving the social and economic welfare of Ugandans in the oil and gas industry through improving their living standards.

The Petroleum Authority needs to always have massive sensitization programs concerning all stakeholders affected by the regulations in question. This should be done to stop keeping people in the dark towards their respective roles as envisaged in the regulations in place.

Through this, seminars should be handled where all the stakeholders are on board which would help to bridge the gap of those who would be having issues not only to what is in the regulations in question, but also to how they should relate with other stakeholders under the mandate provided by the Authority as the regulations provide in question.

This would help to have a harmonious LC policy aspect Promotion in the Oil and Gas of Uganda. Credit is given to the Petroleum Authority of Uganda that has of recent launched a campaign whereby it has teamed up with media houses to always update the public on what is transcending in the Oil and Gas industry of Uganda. Such insights help to curb the queries in the industry at large.

5.2.4. Recommendations to Oil Companies

To make sure that the local content policy can work, Oil and Gas companies should provide clarity on their quantitative and qualitative needs in terms of work force and procurement. The second step is to look at whether the country already has the capabilities necessary to respond to these needs. This will help to narrow down the potential for immediate local participation and identifying the gaps, which will need to be filled overtime with specific programmes. This approach has recently been used in Uganda CNOOC Uganda Limited. Total E& P Uganda and Tullow Uganda Operators Property Limited have carried out an extensive “industrial Baseline Survey” and presented their results in a handbook, which was published in May 2014.²¹⁰

5.2.5. Other Recommendations

It is recommended that there is need to develop a collaboration approach, which is important for governments to set up dialogue with oil and gas companies. Governments cannot see the full picture alone, in fact, the oil and gas companies have a clear interest in becoming involved in the discussion and providing technical advice to public authorities as a way to ensure that the local content requirements will be fit for purpose and will not generate unbearable constraints for their business activities. A collaborative approach should therefore be built on this coverage of interests between the state and the private sector.

It is recommended that capacity building is one of the key developmental aspects as highlighted by the respondents that will make the aspect of LCPR pertinent in the Oil and Gas industry and how it ensures welfare of people in the oil industry. This can be done through first of all sensitisation of the masses plus effective communication of the opportunities available in the industry in question. This can also work hand in hand through ensuring that there is a boost of the educational institutions in Uganda that have ventured into massive training of the local citizens to acquire the skills required to be used in the Oil and Gas industry per se.

In order to boost this cause, there is need for partnerships with some of the educational institutions that are already established so that the people with the zeal to acquire skills can use the opportunity and chance to participate in the industry through the skills acquisition process.

²¹⁰ CNOOC, TULLOW, TOTAL (2014): ‘Planning for the Future: a demand and supply study on the oil and gas sector in Uganda.’

This can help to get certified courses that will be key for the promotion of LC in the industry since it will make the local citizens able to compete on international standards.

5.2.6. Hindrance towards implementation of LC

It is incumbent on public sector officials; in particular, a minister to ensure that they are not parties to instruments that deny Ugandans access to relevant information regarding petroleum activities, if such information is not exempted, by business confidentiality.

In regards to this, Edward Ssekika in his article on the oil in Uganda website stipulated that it is important for the government and the necessary stakeholders to ensure that issues and ideas to deal with Oil and Gas transactions are brought to light through transparency.²¹¹ In his Article, he reported that a group of Civil society organisations (CSOs) working in areas of oil governance and transparency have implored government to end secrecy in the oil subsector. In a joint petition to the Parliamentary Committee on Commission of statutory Authorities and state enterprises that was investigating Shs.6bn oil cash pay outs to 42 government officials, the CSOs argue that the increased secrecy in the petroleum subsector is likely to trigger an oil curse.²¹² They stated thus

“We CSOs believe that in spite of the continuous assurance by government of Uganda officials that oil will not become a curse, the level of secrecy with which the government is transacting businesses with regard to oil and gas resources is the very definition of an oil curse”.

This was in accordance to their petition as of Monday 27 February 2017. The CSOs more so stipulated that unless the oil sector is not managed in the most transparent manner where the public sector officials look at themselves as servants of Ugandan citizens and trustees of the offices they occupy and the authority they hold, the oil and gas subsector will not benefit majority of the Ugandans.²¹³

In another scenario, in November 2009, a case was brought before the Chief Magistrate’s Court in Nakawa to access information held in the hands of the state. In this case, Charles

²¹¹ Edward Ssekika, ‘CSOs Call for end of secrecy in Oil deals in a petition to parliament’ <http://www.oilinuganda.org/feature/civil-society/csos-call-forend-of-secrecy-in-oil-deals-in-a-petition-to-parliament.html> accessed 20 January 2023.

²¹² Edward Ssekika, ‘CSOs Call for end of secrecy in Oil deals in a petition to parliament’ <http://www.oilinuganda.org/feature/civil-society/csos-call-forend-of-secrecy-in-oil-deals-in-a-petition-to-parliament.html> accessed 20 September 2022.

²¹³ Edward Ssekika, ‘CSOs Call for end of secrecy in Oil deals in a petition to parliament’ <http://www.oilinuganda.org/feature/civil-society/csos-call-forend-of-secrecy-in-oil-deals-in-a-petition-to-parliament.html> accessed 20 September 2022.

Mwangunya Mpagi & Izama Angelo vs. Attorney General,²¹⁴ the applicants applied to the Chief Magistrate's Court in Nakawa for an order to force the government to disclose the oil Production Sharing Agreements signed between the government and the oil companies in Uganda. This was the first case brought under the Access to Information Act.

However, the request was refused because a clause in the PSAs provided for confidentiality about the agreements and mandated the consent of the multinational companies for disclosure.

Relating this with the aspect of LC in the Oil and Gas industry of Uganda, it makes the whole concept retarded since lack of information will stall the progress of the whole industry in question. For example, where stakeholders need information concerning the progress of the industry, and cannot access it, there occurs inconsistency in the. Whole concepts in question.

5.2.7. Progress towards the promotion of Access to Information

Promotion of access to information is key as far as the concept of LC in that it cuts across to all stakeholders in their different capacities. It is important for the stakeholders to avail information to be able to promote the facets of LC as a concept in the Oil and Gas industry of Uganda.

As part of their promotion and ensuring that the oil and gas industry is developed, the PAU has been delighted to collaborate with the New Vision printing and publishing Corporation to publish a weekly pull out on the oil and gas sector in Uganda. This pull out which will run every Tuesday during 2018 will represent the PAU's contribution to building knowledge, especially among Ugandans, through increased and regular sharing of information on the sector.²¹⁵

This effort, which is also in fulfilment of the Petroleum Exploration, Development, Act 2013, should enable more informed participation in and inclusive development of the sector. Through this programme, the planned activities in the sector, together with the roles, contributions and progress being made by different participants in the different pull outs during the year. The PAU welcomes this opportunity to continue building knowledge of the Ugandan society about the Oil and Gas sector.

This is important since the industry is developing and activities are increasing in the country especially in the Albertine Graben where Oil and Gas resources were discovered, profile

²¹⁴ No.751 of 2009

²¹⁵ <http://www.paug.og.ug>

international business delegations visiting the country to explore areas of partnership and investment, and the high value contracts for provision of goods and services in the sector which are regularly advertised in the media.²¹⁶

Associations such as Association of Uganda Oil and Gas Service Providers, which have been established and the existing ones such as the Uganda chamber of mines and petroleum, are being promoted as avenues for sharing information on the opportunities in the sector in a more efficient and effective manner.²¹⁷ This is important towards the promotion of the concept of LC if the affected stakeholders are aware of the opportunities enabling them on how to strategies and be set and ready for the industry in question.

The PAU is also working with the licensed oil companies and their key sub- contractors to hold workshops where the details and quantities of the goods and services required for the different activities are presented to the entities registered on the NSD. This facilitates Ugandan entities to better appreciate the opportunities available and prepare themselves to participate in delivery of the required goods and services.²¹⁸

5.2.8 Policy Framework

The government of Uganda has done a great incite by formulating various policies, which have implications for LC development in the country. The researcher found out that reviewing these policies is key to ascertain the truth about the topic in question and create a need for a dedicated platform for future reference in ensuring that the aspect of LC is concentrated and captured with key brave lance in the Oil and Gas industry as it is a desire not only for Uganda but also other Oil producing countries.

5.2.8.1. National Oil and Gas Policy

The National oil and gas policy (NOGP) have a goal that seeks to use the Country's Oil and Gas resources to contribute to early achievement of poverty eradication and create lasting value to society. One of the ways to achieve this, Uganda as a country has recognised the need to promote LC as a way to ensure that some of the goals of the policy in question is achieved. Being the tool that will see Oil and Gas industry be of value in the country at large.

²¹⁶ <http://www.paug.org.ug>

²¹⁷ <http://www.paug.org.ug>

²¹⁸ <http://www.paug.org.ug>

The NOGP recognise the need for national participation through employment, training and skills development and service provision in the sector as one of the key aspects in ensuring that LC promotion and implementation is adhered to in the Oil and Gas industry of Uganda.

The NOGP with its objectives thus seeks to ensure optimum national participation in Oil and Gas activities.²¹⁹ More so, NOGP seeks to support strategies for development and maintenance of national expertise in the Oil and Gas sector.²²⁰ Some of the strategies include; promotion of national participation in the production sharing agreements, encourage civil society to participate in the building of a productive, vibrant and transparent oil and gas sector, promotion of the employment of Ugandans in the Oil and Gas sector, promotion of transfer of skills and technology to the country, and to broaden the national education curriculum to prepare the necessary workforce for the growing oil and gas sector in the country.

The NOGP for Uganda recognise that the benefit which the country obtains from its Oil and Gas resources, will depend on the extent of participation of its citizens and enterprises in the sector.²²¹ Being a foundation that has laid some of the strategies that are to be upheld in the Oil and Gas industry, it is evident that there is need for adherence of these factors by the Government of Uganda with various stakeholders with a strategy to ensure that these aspects are adhered too.

The effort shown by the government of Uganda by formulation of the regulatory framework to monitor the issues and trends concerning LC in the Oil and Gas industry is key towards the promotion of these policy aspects. These aspects need to be upheld and understood by the stakeholders and be worked upon as per the provisions in those regulations. This should be a collective bargaining with the government as a lead with other stakeholders that directly the NOGP recognise the need for national participation through employment, training and skills development and service provision in the sector as one of the key aspects in ensuring that LC promotion and implementation is adhered to in the Oil and Gas industry of Uganda.

The NOGP with its objectives thus seeks to ensure optimum national participation in Oil and Gas activities. More so, NOGP seeks to support strategies for development and maintenance of national expertise in the Oil and Gas sector.³¹⁹

²¹⁹ NOGP for Uganda, supra (note 167) Objective 7

²²⁰ NOGP for Uganda, supra (note 167) Objective 8

²²¹ Draft National Content Policy, supra (note 165) pg.22

Some of the strategies include; promotion of national participation in the production sharing agreements, encourage civil society to participate in the building of a productive, vibrant and transparent oil and gas sector, promotion of the employment of Ugandans in the Oil and Gas sector, promotion of transfer of skills and technology to the country, and to broaden the national education curriculum to prepare the necessary workforce for the growing oil and gas sector in the country.

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The effort shown by the government of Uganda by formulation of the regulatory framework to monitor the issues and trends concerning LC in the Oil and Gas industry is key towards the promotion of these policy aspects. These aspects need to be understood by the stakeholders and be worked upon as per the provisions in those regulations. This should be a collective bargaining with the government as a lead with other stakeholders that are directly affected by these regulations hand in hand. The efficacy desired by the policies in place is a move that will necessitate real participation and adherence to these issues by the stakeholders in question.

5.3. Suggestions for Further Research

As the global aspects tend to keep changing especially with the aspects of Oil and Gas as an industry, there ought to be new features that are expected especially with how LC as an aspect is dealt with. This makes it relevant to endeavour to do more research on the topic on a later stage to ensure that best practices are come up with the industry in question.

5.4. Contributions of the study

The study has helped to evaluate the level of implementation of the national local content strategy and its effect on local SME participation in the O&G Sector. This has been the first study of this nature to provide such empirical evidence. The study has also helped to fill knowledge and literature gaps on the effect of local content strategy on procurement participation in the O& G sector.

5.5. Areas for further research

The research study found that majority companies in Uganda lack competitive advantage in bidding and in the supply chain. The promotion of business competitiveness strategy and use of local goods and services could explain the inadequacies in the variations in procurement participation. Other studies need to examine the effect of capacity building, and promotion of procurement strategies as enshrined in the national local content policy on procurement participation.

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