

**PROJECT INFORMATION DOCUMENT (PID)  
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC103547

<b>Project Name</b>	National Content Development for the Oil Sector
<b>Region</b>	AFRICA
<b>Country</b>	Uganda
<b>Lending Instrument</b>	IPF
<b>Project ID</b>	P162924
<b>Borrower Name</b>	Ministry of Finance, Planning and Economic Development
<b>Implementing Agency</b>	Directorate of Petroleum
<b>Environment Category</b>	C - Not Required
<b>Date PID Prepared</b>	06-Feb-2017
<b>Estimated Date of Approval</b>	27-Feb-2017
<b>Initiation Note Review Decision</b>	The review did authorize the preparation to continue

## **I. Introduction and Context**

### **Country Context**

#### Political context

Landlocked Uganda has transformed itself into a country of relative stability and prosperity. Following the end of the armed conflict in 1986, the ruling National Resistance Movement (NRM) led by President Museveni introduced a number of structural reforms and investments, which led to a sustained period of high growth and poverty reduction between 1987-2010. The last three years have seen some improvement in government effectiveness. At the same time, voice and accountability, which improved between 2003 and 2008, have declined. The policy and legal frameworks continue to improve, notably through the Public Financial Management Act (2015), albeit there remain implementation gaps in key areas of procurement and anti-corruption. Strategies, guidelines and programs are generally sound, but weaknesses in applying sanctions and public service effectiveness constrain implementation and service delivery. President Museveni was re-elected in February, 2016, for another five-year term, in what was the most contested election in Uganda's history. Concerns about violations of freedom of association, assembly, and expression have continued during and after Uganda's February 2016 elections.

#### Development Challenges

Uganda's overall Millenium Development Goals' (MDGs) results are impressive, although progress was not uniform across all the goals. Particularly progress has been made on halving the proportion of people below the national poverty line, on access to HIV treatment, reduction in incidence of Malaria and other major diseases, and some targets on global partnerships for development. While this progress is significant, it is also evident that progress on Universal Primary Education, gender equality, maternal health, the spread of HIV/AIDS is still slow, and in some cases, reversible. In addition, poverty and vulnerability remain in the Northern and Eastern regions, which account for 84% of those living beneath the national poverty line. For every three Ugandans

who get out of poverty, two fall back in, demonstrating the fragile gains in the country's poverty success. Gender inequality persists and women face discrimination in access to economic opportunities, social services and ownership of assets

Youth unemployment and a relatively unskilled labor force pose serious challenges. Almost two thirds of Uganda's unemployed are 18-30 years of age with the vast majority being engaged in subsistence agriculture. Informal employment accounts for 95 percent of youth employed in non-farm enterprises. Causes of youth unemployment and underemployment range from an inadequate supply of jobs to insufficient employable skills. Agriculture, tourism and extractives represent the sectors with the highest job creation potential in Uganda.

#### Economic context

Since the late 1980s, the Ugandan government has pursued a series of stabilization and pro-market structural reforms, resulting in a sustained period of high growth and poverty reduction during 1987-2010. Real gross domestic product (GDP) growth averaged 7.3% between 2000 and 2010, placing Uganda amongst the fastest growing economies in the world. Due to rapid population growth, however, the increase in per capita income was just above 3% per year. In the past decade, the country has witnessed more economic volatility, and GDP growth has slowed to an average of about 5%. As the economy becomes more resilient and election-related uncertainties recede, economic growth is expected to accelerate to about 5.5% in FY17, and average 6-7% in FY18-20. In the short term, large public sector infrastructure projects will continue to be the main driver of economic activity as the economy. In the medium term, both the expected investments in oil development and the investments intended to address constraints on growth, particularly related to energy supply and transport infrastructure, are set to revive private investments, boost agricultural production, and energize the light manufacturing sector.

#### Sectoral and Institutional Context

The oil discoveries made in Uganda in the mid-2000s were the largest onshore oil discoveries in sub-Saharan Africa in over two decades. Recoverable oil is estimated to be between 1.8 and 2.2 billion barrels, and oil production is expected to reach 200,000 to 250,000 barrels per day (bpd) once the existing discoveries are fully developed. Still, almost immediately after the discovery of oil, a series of disputes between the Ugandan government and international oil companies arose and this has resulted in protracted delays in the start-up of development and production. Many of the delays came about as a result of disagreement over the route of the export pipeline. A route to the Kenyan coast was long been argued to be the preferred solution, particularly after Kenya's discovery of oil in 2012, but a route through Tanzania was finally agreed. With this log-jam apparently broken, development of the oil fields could begin as early as 2018, however Uganda's first oil exports are not expected until 2020 at the earliest.

A major policy priority for government is to ensure a high degree of participation by Ugandan workers and Ugandan enterprises in the petroleum sector. However, Uganda faces a severe skills gap with respect to the capacity of the Ugandan workforce and Ugandan enterprises. Universities and vocational training institutions offer general engineering, technical, and business programs, but they are not able to produce graduates with the highly-specialized skills and competencies required by the oil and gas industry. Ugandan enterprises face major hurdles in terms of technical, financial, and managerial capacity. To address these challenges, Government of Uganda (GoU) is developing a comprehensive National Content Policy organized around five themes: (1) Capacity building, (2)

Employment of Ugandan citizens, (3) Procurement of locally produced or available goods and services, (4) Technology transfer and R&D, and (5) Measurement and monitoring.

As foundation for the National Content Policy, GoU has taken a number of start-up initiatives including: (1) Establishment of a National Content Unit within the Directorate of Petroleum in the Ministry of Energy and Mineral Development (MEMD), (2) development (with World Bank and Norwegian support) of a Workforce Skills Development Strategy and Plan (WSDSP), (3) commencement of degree programs in Petroleum Geoscience at Makerere University, (4) establishment of the Uganda Petroleum Institute Kigumba (UPIK), (5) formation of a Sector Skills Council focusing on the training and certifications required for employment in the petroleum industry, and (6) inclusion of specific National Content provisions in the petroleum legislation and Production Sharing Agreements.

### **Relationship to CAS/CPS/CPF**

A consistent pillar of World Bank engagement with Uganda for the last several years has been skilling and this has been repeatedly emphasized as a priority by the government of Uganda and is reflected in the strategic focus area A "Strengthening Governance, Accountability and Service Delivery" of the Country Partnership Framework (CPF) 2016-2021.

## **II. Project Development Objective(s)**

### **Proposed Development Objective(s)**

The proposed development objective is to support Uganda's implementation of the country's National Content Policy.

### **Key Results**

The key outputs of this project are: i) prepare National Content Regulations; ii) initiate the National Content monitoring and reporting system; iii) conduct 3 multi-stakeholder consultations; iv) conduct 3 study tours and/or South-South learning events; v) prepare curriculum recommendations and faculty development plans for degree programs in Petroleum Geoscience at Makerere University.

The key expected outcomes are: i) National Content Regulations are adopted after stakeholder consultation; ii) the first National Content monitoring and evaluation report is finalized and disseminated to the public; iii) Makerere University adopts curriculum and faculty standards comparable to similar programs at international universities.

## **III. Preliminary Description**

### **Concept Description**

## **IV. Safeguard Policies that Might Apply**

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
Environmental Assessment OP/BP 4.01		<b>x</b>	
Natural Habitats OP/BP 4.04		<b>x</b>	
Forests OP/BP 4.36		<b>x</b>	
Pest Management OP 4.09		<b>x</b>	

Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

## V. Financing (in USD Million)

Total Project Cost:	0.5	Total Bank Financing:	0
Financing Gap:	0		
<b>Financing Source</b>			<b>Amount</b>
Extractives Global Programmatic Support			0.5

## VI. Contact point

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