



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

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Cover photo source: Petroleum Exploration & Production Department, Ministry of Energy and Mineral Development, Government of Uganda.

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1. Introduction

In May 2010, a research team consisting of individuals from the University of Leeds and London School of Economics (LSE) in the UK, Business-Community Synergies (BCS) in the US, the Uganda Wildlife Society and the Water Governance Institute (representing the Civil Society Coalition on Oil), conducted a pilot study to assess the relationship between Tullow Oil and communities within and in proximity to the company's current operational area in the Albertine Graben of Uganda.

This study, a Community-Company Assessment (CCA), aims to develop shared understanding among companies, communities and government officials, so that the extraction of natural resources results in net benefits to people living in and around the areas of exploitation.¹ This study is the first step in enabling communities to negotiate with large companies from a position of strength. The study intends to inform communities in the Albertine Graben how they can engage more strategically and effectively with the emerging oil and gas industry, and how companies operating in the region can address community concerns. The study also intends to inform central and local governments on the interaction between companies and communities, the emerging issues for consideration, and the management of community and other stakeholder expectations with respect to the industry. Ultimately, the study will strengthen capacities so that the benefits of Uganda's natural resources extend to the country as a whole and specifically to the communities where operations may disrupt livelihoods. This is the first in a series of five CCA reports that include Ghana, Zambia, Brazil and Ireland.²

The assessment team used grounded theory, a qualitative research approach which begins with generative questions that guide the research but are not limited or confining. Thus, as data are gathered, core concepts and themes are identified, coded, and linkages are developed. A central feature of this approach is that the respondents themselves and not the researchers, identify the important themes that emerge in the study. The interview is carried out in the form of a conversation with the respondent selecting the topics to discuss, and, with probing, the respondent provides the detail and depth to the topics discussed. The interviewer's role is to keep the conversation linked to the broad theme of the industry and its effects on personal and community life, and to document what is said.



The road to L. Albert: a scenic view of the lake from the escarpment

¹ The CCA is both a methodology and a process, which aims to build trustful relationships. Shared understanding is achieved when each party recognizes the legitimacy of the others' perspectives. The CCA was developed by BCS as a way to strengthen relationships between large companies and the communities where they operate. The CCA has been applied successfully in many extractive industries and contexts around the world. For more information on the CCA, see www.bcsynergies.com

² For more information see: www.lse.ac.uk/communitycapacities

2. Background

In this case, the study team interviewed community members in four villages in the Albertine Graben, namely: Kiryamboga, Tonya-B and Kyehoro villages in Hoima District, and Kakindo village in Buliisa District. Community stakeholders interviewed included fisher-folk, women and youth groups, elders, business people, farmers and local leaders. The team also interviewed senior management at Tullow headquarters in Kampala and field staff in Hoima and Buliisa Districts. It conducted in-depth one-on-one interviews, small group interviews and some focus groups. A total of 51 individuals (12 women) and 10 focus group/small group interviews contributed to this report. In addition, the team carried out observational exercises using rapid appraisal techniques.

Both the community and company interviews covered the same four components, which the team used to trigger interview conversations: a description of community-company interactions, current and potential benefits to communities from these interactions, obstacles to greater benefits that communities experience, and recommendations on improving community-company relations. Generally, the order, the emphasis and choice of topics is determined by the respondent, not the interviewer.

The collected data were validated by both the communities and the companies at workshops held specifically for this purpose in Hoima and Kampala. The validated data were also shared and discussed with local and central government officials for their views and comments.

It is important to note that this study was conducted at a time when Tullow Oil was at the exploration and appraisal stage. Although community expectations may be high, this is a stage when a company's ability to meet those expectations is limited as it concentrates on the viability of its investment. It is expected that additional CCAs will be conducted at later stages of the petroleum development life cycle in the Albertine Rift.

The study forms a basis for future CCA work involving other hydrocarbon and mineral extraction companies in the Albertine Graben and the rest of the country. The CCA is both an assessment and the beginning of a process by which community stakeholders and the company(ies) and government engage with each other to achieve net mutual benefits. Subsequent to this study, pending additional funding, the team would work with communities and the company to increase understanding as well as to develop their capacities to hold themselves, corporate and government authorities accountable using participatory monitoring tools³ that promote multi-directional accountability and help reduce corruption at the local level.

Over the last four years, Uganda has registered tremendous success in petroleum exploration in the Albertine Graben. To date, 39 oil and gas exploration wells have been drilled in Uganda and only two have been found not to have commercial quantities of petroleum reserves.⁴ The discovery of these petroleum reserves has raised expectations within communities and the population at large. The discoveries present opportunities for economic growth and transformation of the country. At the same time, the experience of many other countries exploiting natural resources, poses considerable challenges to realizing the opportunities presented by the extraction of oil.



The route to Buliisa district livestock keeping is the main source of household income

One aspect that needs attention is the extent to which communities whose livelihoods are disrupted by the extraction process are compensated and able to benefit from oil extraction. Trustful relationships based on legitimacy and shared understanding between oil companies and communities within and around areas of oil activity are critical to mutual benefit. The relationship between companies and communities, if not guided by some trust and respect, could be mismanaged, and result in conflicts among the parties. Often misconceptions, misunderstandings and unrealistic expectations are the triggers of conflict in many oil producing areas. It is, therefore, important to understand the dynamics between communities and oil (extractive) companies in order to avoid, mitigate and/or adequately compensate for negative impacts and to maximize benefits toward equitable development.

This study was a collaboration of the London School of Economics (LSE) and the University of Leeds in the United Kingdom, Business-Community Synergies (BCS) in the United States and members of the Civil Society Coalition for Oil (CSCO) in Uganda (i.e. the Uganda Wildlife Society & Water Governance Institute). Business-Community Synergies developed and has been employing the Community-Company Assessment (CCA) process in order to understand

³ These tools may be found in Extending Trust (www.bcsynergies.com). They will also be published by the World Bank's IFC in 2011.

⁴ NEMA (2009), Sensitivity Atlas of the Albertine Rift

the interactions between companies and communities and to generate greater benefits to communities within extractive contexts worldwide. It is on this basis that the CCA was conducted between Tullow Oil Uganda and the communities within and in proximity to the company's operational area.

The study is part of a larger research programme based at LSE and University of Leeds, which aims to increase understanding about the extractive industries and enhance community capacities to negotiate more effectively with the extractive industries for sustainable local benefits.⁵ The research seeks to find constructive and peaceful solutions to divergent community and company perspectives, and is conducting the CCA in multiple contexts. Country case studies include: Uganda (oil and gas), Ghana (oil and gas), Brazil (bauxite), Zambia (copper) and Ireland (oil and gas). This study and the LSE/Leeds research programme is funded by the Alcoa Foundation of the United States.

3. Methodology

The CCA is a process by which the relationship between companies and the communities where they work is assessed, measured and developed over time.⁶ The CCA is distinct from many other research-based approaches in the following ways:

1. The subject matter is not pre-determined. Rather, the focus of the assessment arises from discussions with communities and company personnel. A protocol with open-ended questions ensures that themes that emerge from the data are identified by respondents and not the interviewers.
2. Data are reviewed and coded on a daily basis.
3. The assessment team summarizes and presents findings back to a sample of the data providers (company and community), who in turn are asked to review and validate the data, to change it or to strike out anything that clearly looks incorrect. This process ensures that the researchers' understanding of the meaning of what was said is as intended.
4. Emphasis is placed on understanding and documenting what is said regardless of whether or not the perceptions and opinions may be factually correct from the interviewer's point of view.
5. Both communities and companies provide data, and their responses are compared and analyzed to generate the assessment. The gap in company and community perspectives is the space for building relationships. The overlap is the space from which shared understanding and trust are generated.
6. Different levels of government, donors and other actors are also solicited for their inputs, and their views are incorporated into the team's analysis and recommendations.

7. Power relations among the different groups of actors, their interests, priorities and capacities are also analyzed.
8. The results of a CCA are twofold: net benefits to communities and companies, and trustful relationships between companies and the communities in their areas of direct impact. Intermediate results are strong community capacities to negotiate for their priorities, to monitor agreements, and to advocate on their behalf in an effective way.

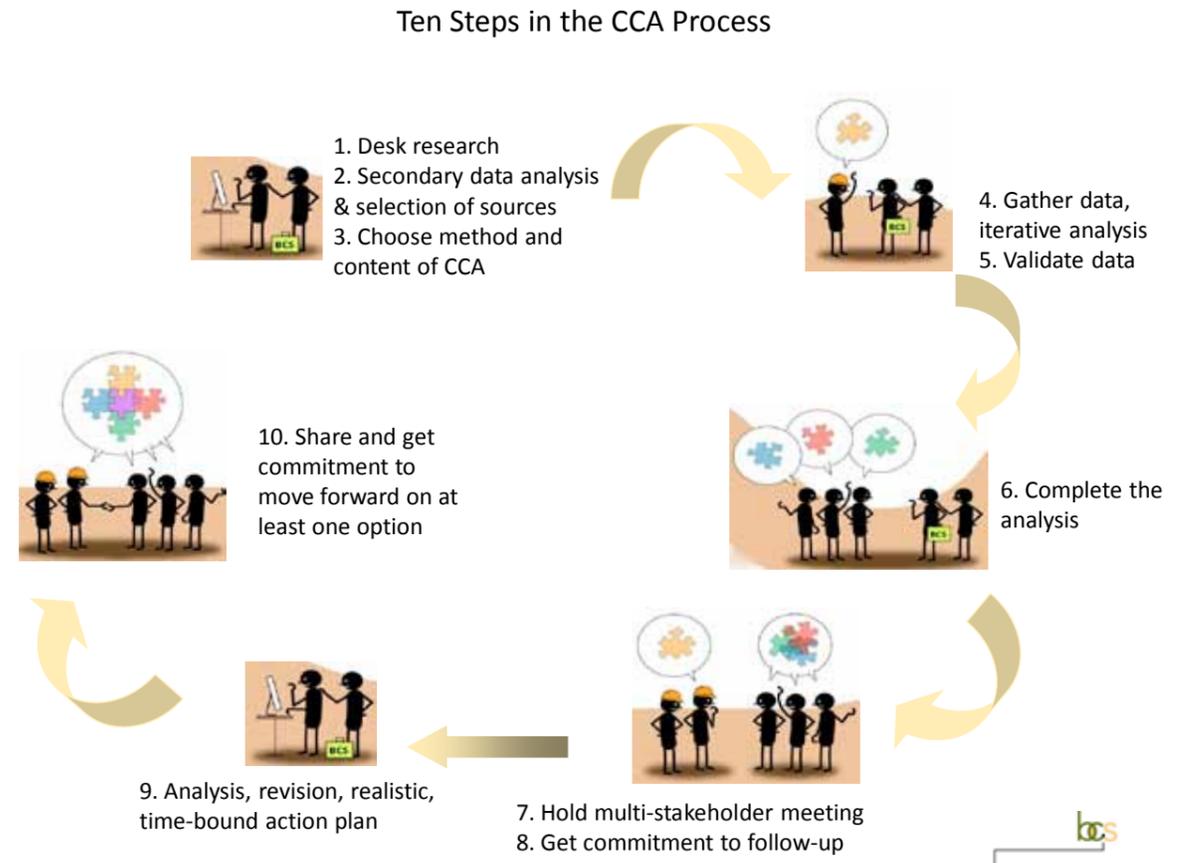
Four principles guide and underlie the CCA process. In order to build trust, it is crucial for the research team:

- To respect each stakeholder's knowledge (scientific and non-scientific), logics (or ways of seeing and thinking about the world) and languages (ways of expressing themselves);
- To make significant effort, even before the intervention begins and on an ongoing basis, to understand the histories, diversities and local-national-global power relations, as well as the full spectrum of livelihoods that characterize the communities and regions impacted by extraction.
- To consider local history, diversities and past relationships within and among communities, as well as with international actors.
- To ensure that all interactions with stakeholders creates shared understanding, i.e., recognition of the reality of the many perspectives on natural resource extraction in each context and accepting the legitimacy of those perspectives.

3.1 The CCA Process⁷

The steps of the CCA, as noted below, draw heavily from principles of participation. The ten steps are detailed in Figure 2.

Figure 1: The CCA process



For this study, steps 1 and 2 were carried out in the UK, by masters students at the University of Leeds and at BCS in the U.S. Steps 3 to 6 were carried out by the research team in Uganda. Two validation exercises (step 5) were conducted in Uganda: one in Hoima bringing together representatives from the four communities where we conducted interviews and one in Kampala with Tullow Oil staff.

An important step in the CCA process is the validation of data. This requires that a sample of data providers from communities and company review the summary of data they themselves provided and verify its accuracy. The validation step is critical not just because it confirms or challenges the research team's understanding of what was said, but also because it reveals the degree of receptivity to the data and implications for action.

The team is able to note the following: Are there gender/ethnic/age differences within and among the communities in terms of their view of the data? Where do we see the greatest consensus and where can we anticipate resistance to change? In some validation exercises, participants may substantially challenge and change what people in their own community or company said. This is an indicator of divisions within the company or community. It may also be a misunderstanding on the part of the team – one reason why it is essential to have teams that bring both local and international perspectives and experience to data interpretation.

The research team shared and discussed the validated data with local government officials in Hoima and Buliisa Districts, and with central government officials in Kampala. The research team also completed its own analysis of the validated data (Step 6).

⁵ For more information see: www.lse.ac.uk/communitycapacities

⁶ For more information see: www.bcsynergies.com

⁷ For more detail on the CCA process and how it has been applied elsewhere, please contact BCS at info@bcsynergies.com

The next steps of this process will be to hold a multi-stakeholder meeting (Step 7), get stakeholder commitment to follow-up on recommendations with an action plan (Step 8 and 9), and put at least part of the action plan to the test (Step 10).⁸

3.2 The Questions Asked

Central to the CCA approach is to hold conversations using generative questions and allowing the respondents to identify the topics of interest and concern to them. Thus, the content of the data emerges from the individuals interviewed rather than from the research group. See Appendix One for the protocol used in this study. The purpose of the interview is to hear and understand what the respondents think and to give them voice, so their voice and perspective can come through independently of the interviewer's perspectives. The team also used some group interviews, which enabled the researchers to explore perceptions, opinions and beliefs in a group setting, where the participants actively interact. Here insights arise from the shared language/responses (or not) established by the group. The observation of participant interaction can also lend insights into community and company power dynamics.

The study team introduced every conversation with community, company and government representatives using the same four themes:

1. To enable each person interviewed to describe in his or her own language the nature of their contact/interaction with the company or community;
2. To state whether and to what extent the communities have benefitted from oil exploitation;
3. To offer their perspectives on the barriers to community benefits; and
4. To provide an ideal scenario from the interviewee's perspective. What would they change if they could and how?

3.3 Data Sources

In light of the limited time available for the CCA, the research team prioritized Block Two where Tullow Oil has 100% exploration and production rights. In this block, the team focused on the directly impacted areas, i.e. those areas closest to Tullow's operations. The team conducted fieldwork in the villages of Kiryamboga, Tonya-B, Kyehoro in Hoima district and Kakindo in Buliisa district. The entire team visited each of these communities for one day and spread out, conducting concurrent interviews and focus groups.

Figure 2: Map of Uganda showing licensed oil blocks



In addition, the research team participated in a day-long meeting organized by the Civil Society Coalition on Oil (CSCO) in Hoima. The purpose of this meeting was to raise awareness and share information with stakeholders about the discovery of oil in the Albertine Graben and its implications for sustainable development. The meeting brought together about 150 participants, including Members of Parliament, local communities, academia, private sector and central and local government officials.

Within the villages, the CCA research team conducted a total of 61 interviews. We aimed for stratified random sampling, but given the time constraints of the research team, we also used some snowballing to ensure that we included hard to reach groups, such as women. Of the 61 interviews, 10 were conducted in groups. The majority of people interviewed were male, although we interviewed 12 females, including one group of female youth.

Table 1: Stakeholders interviewed

Stakeholders	Numbers Interviewed ⁹		
	Male	Female	Groups
Community	16	6	3 (mixed), 1 (female), 4 (male)
CBOs/NGOs	3	1	0
Oil Companies	10	3	1
Kingdom officials	1	0	0
Local Businesses	2	1	0
Central/Local Government	6	1	1
Media	1	0	0
Total	39	12	10

⁹ Excludes numbers in Focus Group Discussions

Figure 3: Overall gender participation in the CCA conducted in Hoima and Buliisa districts

Pie chart showing the distribution of gender in the CCA

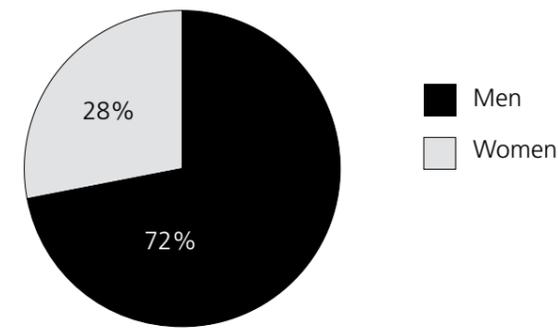
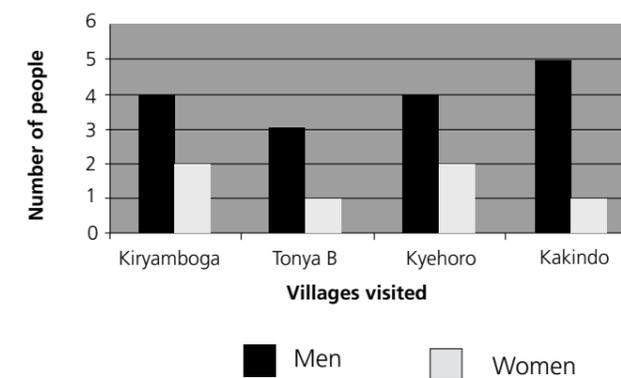


Figure 4: Gender participation across the villages covered in the CCA

Representation of gender in community data collection



3.4 Limitations

An important limitation was our inability to include more women in the data gathering process. Even with proactive initiatives, the proportion of females who contributed to this report is inadequate. Any future efforts must allocate sufficient time to accommodate women's schedules and conditions in which women are able to participate more fully. Unfortunately our tight time frame made this impossible.

There are also limitations to the use of such open-ended methods. For example, the influence of the researcher in the interview/group discussion process may be significant, which raises questions about the validity and replicability of the research results. Several steps were taken to mitigate against these biases:

1. We conducted substantial and detailed secondary data review;
2. The team included multiple local NGO personnel with extensive inter-disciplinary and specialized expertise and familiarity with the industry and the local context;

3. The team combined local knowledge with extensive international experience;
4. Team members received training in the CCA prior to the study,¹⁰ and additional training and practice immediately before starting the field work;
5. Daily summaries of interview data, in addition to daily coding and discussion during the data gathering phase facilitated the iterative nature of grounded theory-based approaches, such as this one;
6. Researchers worked in teams whenever possible (one as primary interviewer the other as note taker) so that consistency of research findings was maximized; and
7. Finally, validation workshops were held for community and company representatives to ensure that their views and perceptions were captured appropriately.

The other major limitation to the CCA was the time available. Typically, a CCA of this nature covering one company and four villages that are relatively far apart would require more time. Ideally, the CCA would cover a more systematic sample of community members, and include an equitable distribution of females and males, additional villages per district, and a wider diversity of national and sub-national stakeholders. However, the members of the research team volunteered their time to get the process started.

Despite these limitations, the information generated during the study exhibited a high degree of consistency within and across the different groups, thus the study team has confidence in the research findings. Where there were inconsistencies and uncertainties, they were noted during the validation exercise and are recorded in this report.

With respect to the accuracy of community and company perceptions, the validation exercise helped ensure the study team had documented these perceptions accurately. The validation process permitted company and communities (each validation group represented someone in leadership) to ensure the data did indeed represent their perspective. However, company staff in particular felt that some community perceptions were incorrect, arising at least in part from confusion over government versus company responsibilities and decision-making. For instance, the compensation schedule is established by government, not by the company, and its correct implementation is monitored by the local government. Yet, the belief persists within communities that it is the company that determines these amounts. Indeed the company may choose to uphold international standards where they exceed governmental requirements when it comes to compensation packages for communities. The disjuncture between community-company perceptions informs our recommendations.

⁸ The research team is in the process of applying for further funding to keep the CCA process ongoing over the next three years.

¹⁰ A five-day workshop held by the Leeds and LSE project was co-sponsored with the World Bank's IFC, and facilitated by BCS in 2009.

4. Community findings

The research team's field work began at a stakeholders' meeting held in Hoima, organized by the Civil Society Coalition on Oil under the auspices of the World Wildlife Fund (WWF). From the expectations of the participants at the meeting the study team gained insight into community-company relations. More than 50% of the participants wanted more information about oil and the industry's actual progress. Other participants expected to see, inter alia: the revenue management plan; mechanisms put in place by Tullow Oil for stakeholder engagement; information about likely social and environmental effects of oil production; and answers to their many concerns and fears. As such, this meeting provided valuable information to the CCA team in addition to providing an opportunity to meet a diverse group of stakeholders, including community members, civil society organizations, academia, private sector and key government and Bunyoro Kingdom officials, whom the team would otherwise have found it difficult to interview.

The study team then made field visits to the villages of Kiryamboga, Tonya-B, Kyehoro in Hoima District and Kakindo in Buliisa District (see Figures 6 and 7 for village locations). In each of these places, the study team worked through the LC-1¹¹ Chairperson to hold individual and group conversations with community members. The presentation below summarizes information generated from discussions held within these communities.

Figure 5: Location of Kyehoro, Tonya-B and Kiryamboga villages in Hoima District



4.1 Kiryamboga

Community-Company Interactions

Kiryamboga village is one of the predominantly fishing communities in Hoima District located in the Kaiso-Tonya stretch, an operational area for Tullow Oil. At the very first introductory meeting with local leaders and other residents in Kiryamboga, the team was immediately confronted with many questions and concerns:

"When people come and ask questions our people are worried because they think it is the government's way of getting information, which will be used to evict us, to move us out for oil."

"This is the third or fourth time people have come to ask questions. Nothing has happened."

"We hear that oil companies don't want livestock... we hear that livestock will not be allowed here. If so, please tell us so we can prepare to leave, tell us honestly."



Community members asserted that they initially had no direct contact with Tullow Oil officials and at the time of the company commencing operations in the area there was no notification. In their opinion, notification would have offered the community an opportunity for meaningful interaction with the company. A group of women in Kiryamboga stated:

"We've had no contact with them. We don't know anyone there. Don't know them and we have never been invited to meet them..."

However, they noted that later there had been some degree of indirect interaction with the company through its community development initiatives. These included the peer educators on health and HIV/AIDS, the Basoga Trust, on improving access to safe water and the lake rescue team.¹²

The other indirect contact noted was through security agents that often came to warn the residents to cease grazing and keep their cattle out of Tullow's operational zones. This interaction fueled the belief among community members of possible eviction as a result of oil exploration and production activities in the area. The fear of evacuation was further aggravated by the fact that some households were involuntarily relocated from the oil exploration zones,



without proper compensation and unclear resettlement criteria. This concern was most pronounced in our conversations with cattle keepers in the area.

The Beach Management Unit (BMU) had some contact with Tullow through a water safety program and life jackets were introduced as a safety measure. However, the life jackets were said to cost 20,000 per jacket and the fishermen could not afford them.

According to the Petroleum Exploration and Production Department (PEPD) in the Ministry of Energy and Mineral Development, the Kiryamboga community's denial of direct interaction with the company is false.

PEPD asserts that when Tullow Oil was issued a license to explore in the area, PEPD accompanied Tullow Oil to the communities for introductions and reconnaissance through the Local Council system. PEPD officials also refute claims that Tullow Oil came into Kiryamboga unannounced, especially since the issuing of Tullow's license was made public. Although the issuing of the license may have been made public, the questions that arise are whether or not the timing and mode of the announcement was sufficient to inform the Kiryamboga community about the impending exploration activities. It was not clear whether or not the department assessed the effectiveness of the announcement and its mode in informing the public and/or sought alternative means of communicating to the affected communities about the impending oil exploration activities by Tullow Oil.

Benefits and Barriers

Even with a negligible level of direct interaction, community members were quick to enumerate benefits that they have enjoyed from the presence of Tullow Oil in their area. They include infrastructure (e.g. road network), health (i.e. a health centre), education (i.e. schools), and communications services (e.g. telecommunication systems).

Comments from some women:

"The road came because of oil."

"Road eased the way for us to go to town."

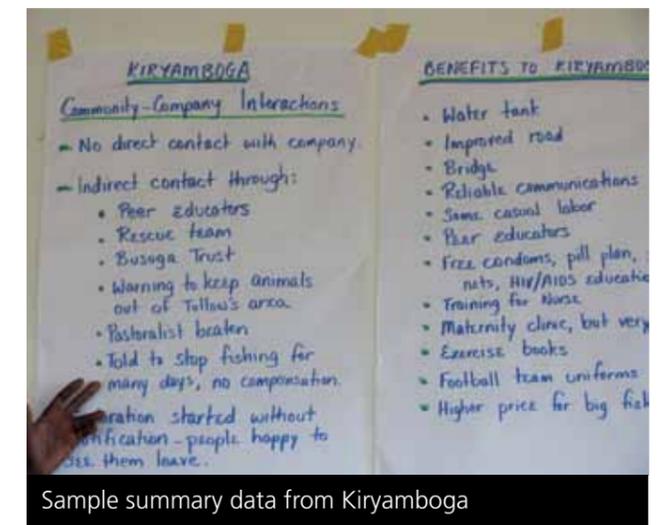
"New goods are brought in because of the road, but I cannot afford to buy them."

Residents also stated that Tullow Oil had invested in road rehabilitation, safe water supply, health education and construction of bridges in the area. In addition, the company provided scholastic materials to schools and supported school sports teams with uniforms. In terms of health promotion, Tullow Oil was acknowledged for training and facilitating peer educators in the village, sponsoring the training of medical practitioners (nurses) and providing free contraceptives and mosquito nets to households.

Additional comments related to fear of eviction, poor communications and inadequate information, insufficient and inadequate employment opportunities, and increased population pressures.

The fear of eviction emerged as the most pronounced limitation to community benefits. In the words of a local fisherman,

"...we cannot be sure that the new road is for us, because we may be asked to leave this place anytime."



Community anxiety with respect to involuntary resettlement dominated the discussions during the field visit as well as subsequent validation exercises.

Poor communication or flow of information to local communities on petroleum exploration activities was identified as another hindrance to maximizing community benefits. Community members in Kiryamboga expressed dissatisfaction about the surprises that characterize Tullow Oil's operations due to lack of advance information and limited consultation. They also noted that local leaders were not doing enough to inform them about oil exploration

¹¹ The lowest local government administration at community level.

¹² Notably this group is said to have absconded with bicycles and other materials provided by the project and returned to their own villages.

activities and what to expect in this process. Additionally, the level of consultation in activity planning and implementation, whether by Government or the Company, was reported to be low. As a result, community members' appreciation of Tullow Oil's initiatives is limited; because they feel that they are not being informed or consulted adequately as expressed in the quotations below:

"We just see people here and they say they are doing work on oil. When they ask us questions, they talk about Tullow. Sometimes we see vehicles coming in and going out, we are told that they belong to Tullow."

"Let them come and tell people what changes will happen so that we can be aware."

"I have a feeling that what is coming may make people suffer. Tell them the truth. No harassment."

Residents noted that they do not have access to good jobs in the industry. The community is limited to semi-skilled casual labour that pays low wages and results in heavy work (too heavy according to some interviewees). Respondents were concerned that Tullow Oil employed technical staff from other places. However, they also acknowledged that they lacked the required training and skills to take advantage of the high paying jobs. Tullow Oil stated that it asked the Bunyoro Kingdom for a list of all people – skilled, semi-skilled and unskilled – that could be employed a year ago, but the Kingdom has yet to provide one.

Respondents also noted that there is greater competition for resources in Kiryamboga as a result of an increase in population related to oil exploration activities. Local leaders reported that people from different parts of the country and from the Democratic Republic of Congo (DRC) had started trickling into Kiryamboga in search of jobs and business opportunities related to oil exploration. Whereas some respondents viewed this development positively (as an expansion of the market for the products and services), others viewed it as a threat to their means of survival, due to competition for employment opportunities, conflicts, crime and cultural disintegration.

4.2 Tonya-B

Community-Company Interactions

Tonya-B is a village also located in the Kaiseo-Tonya area within the greater Albertine Rift Valley in Hoima district. The area is predominantly undeveloped except for cattle and goats grazing, fishing, collection of firewood and little thatch. The population of Tonya is settled at small landing sites/fishing villages along the lake shore. The population in the valley is predominantly illiterate, with literacy rates estimated to be approximately 40 percent and as low as 15 percent amongst the women.¹³

¹³ In Uganda the local administration political structures are as follows: LC I – Village level; LC II – Parish level; LC III – Sub-County level; LC IV – County level; and LC V – District level.

As was the case with Kiryamboga, community members stated:

"We have no contact with the company. We don't know anyone there. We see them passing by in their vehicles..."

Local leaders acknowledged having interacted with the company, which came to announce the beginning of operations in the area. However, majority of the community members in Tonya-B, as in Kiryamboga, stated that Tullow Oil commenced exploration activities in the areas unannounced. Both the oil company and PEPD asserted that the traditional communication channel they use to reach the community is the LC system from LC V down to LC I. Therefore, from their point of view, once they have reached the LC I, communication to the community is considered complete. As in the Kiryamboga case, PEPD and company officially claim to have visited Tonya-B to announce commencement of exploration activities. It is possible that failure to effectively communicate to all community members lies with the local council leadership. To ensure this occurs, it would have been necessary for Tullow Oil and PEPD, through their respective community development and monitoring officers, to continually verify whether or not the information they send out actually reaches the intended recipients. The community members recalled one meeting convened by Tullow through their LC I Chairperson. It is also possible that this was the only meeting called by the company in this community.



Some of the communities and homesteads in Tonya B, Hoima District



Benefits and Barriers

From the interviews conducted, very few actual benefits were recognized by residents of Tonya-B. The principal benefit noted was the occasional casual labour opportunities. Nevertheless, community members expect future benefits including community consultation, tree planting for firewood, more employment opportunities, credit schemes for small and medium enterprises, health care, bursaries, and houses for vulnerable children.

Community members attributed the limitation of benefits to a number of reasons, including lack of information about oil exploration activities, little or no technical skills in the community, oil companies coming in with their own workers, low wages for casual labourers, no community consultation on decisions taken and denial of access to grazing land on the fringes of the company's operational zones

Residents of Tonya-B also claimed that they were exposed to black/brown fumes during exploration, and that this has negatively impacted on their health. In a group discussion with local farmers in the area, voices of uncertainty were heard:

"...they pumped something in the ground and there were big black and brown fumes, which may be bad for health. We did not say anything to them and they did not speak to us. When they finished, they left. Now, sickness has increased – fever, chest pains, leg pains..."

Residents further assert that no deliberate efforts have been made to remedy this situation. In response to this, PEPD stated that environment issues are the responsibility of the



National Environment Management Authority (NEMA), which is supposed to carry out an audit to evidence linking health complaints in the community with exploration activities. Tullow questioned the basis upon which the community



Tullow camp entrance in Kyehoro, overlooks the village

attributed those symptoms to the company's operation in the area, and wanted to know if such symptoms had been reported to the authorities. In addition, Tullow officials highlighted that an evacuation arrangement is in place for communities.

4.3 Kyehoro

Kyehoro is a fishing village located in Hoima District. It is also home to Tullow Oil's Kyehoro camp. It is a multi-ethnic community consisting of Banyoro, Alur and immigrants from the neighbouring Democratic Republic of Congo.

Community-Company Interactions

Kyehoro stands out as the one place where contact with Tullow Oil is recognized. Community members were quick to state that: *"Tullow came and asked what we needed."* Tullow's camp physically overlooks the village of Kyehoro and interactions with residents are extensive, through employment and development.

Tullow Oil has been organizing meetings with the community through the LC I. The first meeting with Tullow was introductory. Some of the subsequent meetings were updates about exploration activity, while others consulted the community about their priority social needs. They also noted that the company used local facilities at the beginning of its operations, which enhanced direct interaction, as shown in the community members' words below:

"When they came, they rented a local community member's lodge for accommodating their workers, but also hired a car for one of us in this town to do for them their shopping".

Benefits and Barriers

In comparison to other communities in Hoima District, Kyehoro residents report that they have experienced significant benefits from Tullow Oil. These include:

- Supporting local businesses during initial preparation for oil exploration around Kyehoro. For example, Tullow hired the truck of a community resident, rented a locally-owned guesthouse for two months, and bought food for its workers from local producers for about a year;
- Construction of Kyehoro Health Centre II, including initial payment of salaries for two nurses, until it was handed over to the Hoima District Local Government. Tullow Oil also facilitated the provision of free HIV/AIDS counseling/ testing and free maternity services to local community members;
- Construction of a classroom block and staff houses. Beyond this, the company bought books for students, bought benches/tables for classrooms, supported tree planting projects in the area, and initially paid salaries for some teachers;
- Distribution of blankets, mattresses and mosquito nets to boost community welfare, improve sanitation and fight diseases such as malaria;
- Construction of a borehole for domestic water to reduce water-borne diseases;
- Employment opportunities: primarily casual work due to limited technical skills in the community. The few that were able to have access to this opportunity were quick to single it out as the most significant benefit that came from the presence of Tullow Oil in their area;
- Infrastructure development, especially the construction of roads. This has enhanced access to markets for community goods and eased service delivery. The road network is reported to be responsible for the improved prices of goods produced in Kyehoro such as milk, meat and fish due to easy market access;
- Improved communication and security services. Tullow Oil operations attracted mobile telephone companies as well as state and private security agencies into the area; and
- Support for religious organizations and sports facilities.

Although some efforts had been made to involve community members in planning for their village, respondents said that the level of consultation was still low and their priorities were not being addressed, especially in corporate social responsibility (CSR) projects.

Fisher folk in Kyehoro stated that they were prevented from fishing for months during oil exploration. The boundaries of the blocked areas and the option to fish elsewhere were not made clear to the fisherfolk who understood only that they were not allowed to fish. They expected to be compensated for lost revenue, but this did not happen. In this regard, PEPD and the Tullow acknowledge that fisherman were advised to abandon fishing for short periods of time in certain parts of Lake Albert to allow for seismic surveys to be conducted on the Lake, but were allowed to fish in other parts not under survey and told that they would be allowed to return to their traditional fishing areas once seismic studies were completed. Because the fishermen still had an opportunity to fish anyway, PEPD felt there was no loss of livelihood and therefore no need for compensation.



Residents process and carry fish from Lake Albert and mend nets



Most Kyehoro interviewees were of the opinion that one borehole was insufficient for the whole Kyehoro and conflicts often occurred due to the large number of users who congregate around it. The borehole itself became a point of division among residents. The residents who had been there for a long time felt that they should have priority over the newcomers.

There was also a feeling that migrants to Kyehoro in search of employment were making disproportionate sacrifices. Some migrants would sell everything they owned to travel to Kyehoro in search of casual labour that would often last as little as a few days, leaving them stranded in Kyehoro thereafter. Interviewees highlighted that the increasing population was leading to more crime, insecurity, competition for resources and the presence of sex workers. In addition, loss of land tenure and shortage of grazing land was exacerbating the situation.

Lastly, community members noted a period when some of their leaders were included on Tullow Oil's monthly payroll as facilitators. They raised this as one of the main impediments to efforts towards having their concerns aired to the company for consideration. From the perspective of the community, their leaders no longer represented community interests, but those of Tullow Oil. Tullow Oil officials clarified that the arrangement was inherited from their predecessors (Hardman) and was later abandoned. The combination of requiring the LC's recommendation and the Tullow foreman's perceived inclination only to hire his ethnic group left many community members feeling hopeless. They lamented thus:

"...the foreman discriminates against those who don't speak his language. Two people went for work; one got work, the other did not because he did not speak the Foreman's language. Please connect the local people to Tullow; let us speak with Tullow without going through the Foreman".

Proximity of Kyehoro to the company's camp has generated considerable contact at different levels. In addition to the emotions surrounding favouritism based on ethnicity in hiring, some residents also charge corruption in contracting and provided details. When the specifics the team heard were raised with Tullow, the team was told that such corruption was "impossible."

4.4 Kakindo

Kakindo is located in Buliisa District and hosts the Kasemene oil well. The area is predominantly inhabited by pastoral communities, with minimal crop cultivation for subsistence production. Land is communal for grazing, while there is private ownership for settlement and personal use. Unlike the other multi-ethnic villages in Hoima District, Kakindo is a largely mono-ethnic community consisting of the Bagungu-Banyoro. The area has had poor social services, with the major setback being limited or no accessibility to clean water and sanitation, health care and electricity.¹⁵ Levels of income in the area are low and most people depend on grazing as the main source of livelihood.¹⁶

¹⁵ NEMA (2008), EIA report for Oil and Gas exploration drilling at Kasemene 1 (Kisansya well site) Kakindo cell, Buliisa District in Northern L. Albert Basin, 2008

¹⁶ Ibid, NEMA, 2008

Figure 6: Location of Kakindo village in Buliisa District



source: Google maps

Community-Company Interactions



A homestead in Kakindo village, Buliisa

Residents of Kakindo have had some direct interaction with Tullow Oil. Most of the interaction respondents talked about was through community meetings organized by Tullow Oil through their local leaders. However, some members of the community were of the view that Tullow Oil calls community meetings only when they want to request something from them. For instance, the latest meeting had taken place two months prior to this study, and according to respondents in Kakindo, Tullow Oil called community members to ask for land for construction of office structures. Residents were also concerned that Tullow Oil calls meetings without communicating the purpose and agenda of the meetings in advance. This limits the ability of the community to prepare adequately for discussions.

On the whole, residents of Kakindo expressed dissatisfaction with their level of interaction with Tullow Oil, which has been characterized by involuntary resettlement accompanied by compensation schemes that they perceived to be inadequate and insulting. Some community members' view of Tullow Oil was one of a business entity, whose mission is to reap profits with little regard to community welfare.

Benefits and Barriers

Residents of Kakindo listed the following benefits of Tullow Oil's presence in their community:

- Construction of a borehole in Kakindo village as a safer domestic water source;
- Contribution to household incomes by providing casual labour opportunities;
- Training and facilitation of peer educators to spread messages about HIV/AIDS and family planning, including provision of free condoms and menstruation cycle beads to members of the community; and
- Support to village and school football teams with uniforms and footballs.



One of the economic activities (cattle keeping) at stake due to non-compensation for grazing land

There are a number of factors that have limited the benefits of Tullow Oil operating in Kakindo. One dominant issue is anxiety about possible permanent loss of land currently in use for livelihood activities such as livestock grazing. Of particular concern to some residents of Kakindo was the fate of their cattle, whose pasture was being lost in the process of involuntary displacement (eviction) and surrender of land to Tullow Oil. Community members also expressed concern about not being given ample time to prepare for their displacement and resettlement. One of the affected community members said:

"They came to my house and told me you're going to be displaced from here. They told me you will come back...they deceived me. They gave me 3 days to leave. I thought I would come back. After

some months I realized I would not go back and I constructed a new house over there. Now they want that land too. From what I know about how oil is done, I don't have any power. Last time they said they want land, 3.5 km square. We said that's a lot. Tullow said, we have already acquired land, we are just informing you. We are worried because we as a community, we don't know what to do. Because the displacement is fast; they deceive you; we don't know; they don't give us time to think. In three days you are moved and you have to construct a new house. They are not treating us as Ugandans, as human beings."

Another stated:

"...when the company came, we were told to move some distance away from the oil well. This we did, but with inadequate compensation. A few months later, the company communicated to us that they also needed the land on which we had resettled..."

Another barrier listed by residents of Kakindo was lack of or low rates of compensation. For example, they were not compensated for land forfeited as a result of eviction. They were told that since the land is communal, it does not belong to anyone except the government. Residents were only compensated for their homes and their possessions, and the compensation rates for relocation or property loss were low. The inadequate compensation for home and goods was compounded by lack of compensation for inability to use grazing land for cattle as that land has traditionally been considered communal. In addition, there was no compensation for gravesite disruption.

Residents also complained that only eight days were compensated during well testing, instead of the actual ten days they were temporarily displaced. In one of the validation meetings that followed data collection, Central Government officials said community complaints about compensation have been compiled and will be addressed. PEPD officials insist that compensation for gravesite disruption is provided for, although the actual barrier to effecting the compensation is community conflicts over ownership of gravesites in Kakindo.

Tullow Oil staff also clarified that well testing was projected to take ten days, but the exercise actually lasted a period of eight days, and that compensation covered the actual as opposed to the projected number of days. They also revealed that they were prepared to pay higher compensation rates, but were restricted by the current local government compensation structure that set the rates and excluded land. It was discovered that compensation rates are usually determined by the Government Valuer with the assistance of Local Councils and with little or no consultations with the project-affected persons or communities. Also, the rates usually vary from place to place, but are not significantly different. The justification for this approach is that government is avoiding setting precedence in one community of members demanding exorbitantly high compensation

from one company that may not be possible with another company. Despite this explanation, good industry practice requires that compensation be a negotiated settlement with affected persons/ households, and in accordance with international standards and good practice. For instance there are international standards established by the IFC, which government could compel developers to follow in a bid to satisfy affected communities.

The explanation for excluding land from the list of compensated items is that land was being taken temporarily for exploration purposes and would be returned to the owners once exploration activities are over and no commercially viable hydrocarbons are discovered. However, once commercial quantities of hydrocarbons are discovered on somebody's land, which necessitates complete land-take; then the affected person/household would be compensated for the land taken. Such a case was indeed discovered and there were complaints of inadequate compensation and resettlement and eventual loss of livelihood of the affected household.

Residents of Kakindo also complained that there is usually no advance communication about community meetings with Tullow Oil, and that they are therefore unable to prepare adequately for those meetings. In addition, both District and Tullow field staff are unable to answer some questions that Kakindo community members ask. The Buliisa District officials concurred that they do not have sufficient information about petroleum development activities to be able to answer community questions satisfactorily.

Some community members also felt that the environmental impact assessment (EIA) was conducted in favour of Tullow Oil. They claimed that the questions they were asked were leading in nature and the way in which they were asked indicated that they did not want community responses to negatively impact Tullow Oil in any way in the present or in the future.

Residents of Kakindo noted that employment opportunities provided by Tullow Oil were seasonal and only casual in nature. They also expressed dissatisfaction that only three people from the village were employed during Tullow Oil's seismic studies. They protested that Tullow Oil brought people from other communities to do most of the high-paying work, and a few residents of the village earned low wages from casual labour. Both Tullow Oil and Buliisa District officials responded to this complaint saying that local communities often do not have the necessary technical skills for anything other than casual labour. No study appears to have been conducted as to the skills and capacities of the people of Kakindo.

5. Company findings

The company, in this study, refers to Tullow Oil whose operations were licensed by the Government of Uganda. The villages that were the focus of this study are in Hoima and Buliisa Districts and fall within Tullow Oil's area of operation.

5.1 Company-Community Interactions

Tullow Oil's headquarters and field staff stated that the company has frequent interactions with the communities through their leadership from LC I to LC V. LC I Chairpersons provide the initial channel of access to their villages and are the point of contact used to convey messages to the respective communities. Tullow Oil's contact with the community occurs during village meetings, EIA consultations and CSR projects. Tullow also has a team of community relations staff who appear to have responsibilities with various levels of government in addition to direct community relations. During the team's field visit the community relations staff were pre-occupied with senior government meetings, and thus had limited time to meet with the research team in the communities.

Tullow officials said community visits are more frequent during active periods such as when seismic surveys and drilling operations are undertaken, and particularly where the well is located. In such a case, information to communities about company operations in a given village are provided through monthly radio programmes on local FM stations throughout the duration of the activity. As one member of staff highlighted:

"They (i.e. communities) do get regular information, for example about what trucks are doing. Information is shared through radio programmes. Radio programmes can be used as an opportunity to sensitize..."

5.2 Benefits and Barriers

While it foresees many other potential community benefits, Tullow personnel highlighted a number of current benefits that communities have received through its presence in Hoima and Buliisa Districts.

- **Employment:** Whether directly or indirectly through its contractors, Tullow Oil has provided employment opportunities to communities, resulting in an improvement in household incomes for those that have gained employment. Tullow Oil officials stress that communities have been confined to temporary casual labour opportunities, because they lack skills for more permanent gainful employment.
- **Infrastructure:** Tullow representatives stated that they have constructed a number of roads which have led to increased access to goods, services and markets. Movement to and from some villages has greatly improved making previously inaccessible areas more accessible and productive. In addition, telecommunication services have been attracted into the communities as a result of improved road access and increased economic activity in oil exploration areas.
- **CSR Projects:** Tullow cites various CSR projects in the areas of environment, health and safety,

sanitation, and income generation as examples of community benefit. There is a well established apiary project that is generating significant revenues for the beneficiaries. Tullow Oil assists the producers in marketing the honey produced. The company has constructed health centres, classroom blocks, facilitated teachers and nurses, sponsored health educators, constructed boreholes, facilitated a lake rescue team in Hoima, introduced small and medium livelihood enterprises, and supported communities in tree planting. Tullow Oil staff informed the research team that CSR projects arise from needs analysis done in communities and public engagements.

- **Taxation and others:** Tullow Oil staff point out that their contractors contribute to the local and national tax base and therefore, by extension, the company contributes to community development. Relatedly, Tullow personnel claimed that their activities in the country resulted in increased foreign direct investment, with investors coming into the country, because of the ongoing oil and gas activities. They also highlighted that the presence of the oil industry has contributed to a more positive credit rating for Uganda, will help nurture and maintain economic diversification, and has improved the security situation.
- **Future Benefits:** Tullow Oil plans to improve infrastructure, increase opportunities for commerce, construct three schools in 2010, build a hospital in each sub-county, support the petroleum institute soon to be established by government, and contribute more money to the national treasury.

In addition, Tullow Oil officials identified a number of factors that may hinder communities' access to benefits, such as the lack of skills and training in communities, which is an important barrier to employment benefits. They believe communities need to be empowered, get involved, and take up roles to be responsible for their development. They also noted that NGO advocacy, education and awareness stops in Hoima as opposed to the villages that need it, and that some NGOs employ approaches and strategies that are not constructive. To this, PEPD says that government is setting up education institutions to bolster knowledge and skills in communities, in addition to working with NGOs on aspects of information dissemination and awareness creation within communities. PEPD will identify credible NGOs to work with on matters related to the industry.

Lack of information is still another challenge identified by Tullow Oil staff. They observe that people are not informed about what they ought to ask for from the company and from government. They also believe that people do not know their rights, their entitlements and who to demand them from, as a Tullow employee elaborated:

"...the problem is with the people they select to represent them."

The lack of information makes it difficult for the company to manage community expectations, especially when communities demand services that would ordinarily be the preserve of government. Tullow staff also highlighted the difficulty of managing the Bunyoro Kingdom's expectations:

"The Kingdom prefers the soft target (company) over the hard target (the government) for their concerns and interests."

The other barrier identified was limited central and local government resources for social services and infrastructure. Company officials cited the example of a school they constructed in Kyehoro, Hoima District, but the government did not provide the necessary staff, support materials and equipment, hence requiring the company to facilitate its teachers for a number of months. The same goes for a health centre built in the same area where Tullow Oil paid salaries for its nurses, until it was handed over to Hoima District Local Government.

Tullow also sees a challenge in weak leadership and governance structures at the local level. When Tullow Oil communicates with communities through the local leadership, the full message is often not passed along. For instance, district officials have not informed communities about how compensation rates are determined and they have limited capacity to disseminate information about oil exploration activities. To add to this, the District Community Development Office (CDO) for Buliisa noted that local governments are often as uninformed as communities about oil exploration activities. The CDO attributes this to the company's approach of doing business through politicians.

Social and cultural issues were also highlighted as hindering the flow of benefits to communities in Hoima and Buliisa Districts. In-migration was leading to a population explosion, as there was migration of youth into areas and unplanned settlements. Tullow personnel stressed that government could do more to control transboundary migration. In addition, in multi-ethnic communities Tullow officials noted that some leaders choose members of their ethnic group for job allocation and access to certain resources. Aggrieved parties then blame this on Tullow Oil. Additionally, there are cultural barriers to community benefits and one Tullow employee observed that:

"The rate of adoption of new livelihoods is quite slow."

6. Recommendations from Communities and Company

The following recommendations were made by the individuals we interviewed. The team's recommendations, which took into consideration these recommendations as well as the team's own analysis, are provided in Section 7.

6.1 Community Suggestions

Training for work in the oil industry: Most of the members in the communities we consulted were engaged in activities for subsistence production. Therefore, one of the consistent recommendations was that Tullow Oil should help community members develop additional skills to work in the oil industry and improve their household incomes.

Boreholes: Communities recommend that efforts should be made to avail them with reliable water sources such as boreholes. Those that already had a borehole, such as Kyehoro, believed it was insufficient for a community with their population and requested for more. This recommendation partly stems from the fear that oil operations will have a negative impact on the quality and quantities of water currently available to the community.



A cross of participants in the Hoima validation workshop

Education, health and transport infrastructure: Communities also expressed the desire for Tullow Oil to provide more support for schools, health centers and roads. Respondents urged Tullow Oil to facilitate existing schools with more text books and equipment.

Improve consultation with communities on CSR projects: Respondents recommended that Tullow Oil should consult them about their priorities, before deciding on which CSR projects to implement in a community. They also asked that issues important to women, widows, children, persons with disabilities, and the elderly be considered when designing community development initiatives.

Access to unbiased information about the impacts of oil exploration and production: Communities reported that the information they were being given was skewed towards the positive aspects of oil production. They asked for information about environmental issues associated with oil exploration and production and to be equipped with knowledge about what to expect.



The research members facilitate the Hoima validation meeting

Technical/vocational training: To address their apparent lack of skills to engage in high paying jobs in the oil industry, communities recommended that Tullow Oil support skills enhancement, so that future generations may benefit more than the current generation.



Representatives from Kakindo validate the data from their village

Transparency in job allocation: Community members recommend that jobs should be publicly and locally advertised and a committee in each community consisting of a variety of stakeholders should be set up to allocate jobs. They believe that this would go a long way in reducing the dissatisfaction related to discrimination and nepotism that characterizes the current system of job allocation.

Enhance communication channels: Communities need regular and updated information about oil exploration and production and they believe direct communication with Tullow Oil will help this happen. They propose that Tullow create a position of Community Representative to enhance communication with each community. They also requested that Tullow Oil provide agenda for meetings before the meetings occur so that communities could prepare in advance.

Promises should be honoured: Respondents claim that companies make some promises to them, which are not fulfilled. They recommend that the company honours its promises about infrastructure and sanitation projects.

Purchase local goods and services: Respondents expressed one of their expectations as being increased and regular market access for local goods and services once oil companies began operating in the area. However, oil companies buy food items from outside the region. Therefore, communities recommend that oil companies purchase from the region and at market prices to be able to contribute to community development.

Employment: Respondents recommended that Tullow Oil employ people from the communities where they operate. They were disappointed that Tullow Oil brought people from other districts to take up jobs that they feel could be done by local residents.

Compensation: Communities appealed to government and Tullow Oil to provide fair compensation and to make sure that it includes land. They also recommended that the government sets a minimum compensation rate or resettlement amount that is fair enough to ensure minimal disruption of life when they are displaced due to oil exploration activities.

Land for oil activities: Community members alleged that there had been some attempts by wealthy and/or highly placed individuals to grab community land under the guise of preparing it for oil companies, which has resulted in a number of unsuspecting homesteads evicted unlawfully. They recommend that any land needed by oil companies for their operations should be leased from owners or occupants to avoid land grabbing.

6.2 Company Suggestions

Mobilization and capacity building:



Data validation with the Tullow oil staff

Tullow staff highlighted the need to build capacity and raise awareness about the oil and gas industry within communities in order to enhance engagement. For example, awareness can be raised in communities about CSR interventions, and the capacity for communities to provide resources to the oil and gas industry can be assessed and developed. Related to government, Tullow representatives pointed out that there is a need to enhance the capacity of central and local government and to strengthen institutions. The distance between the government and people needs to be reduced so the people of Uganda have more say.

- They also called for much greater participation of local people in higher levels of decision making, such as the district and national levels of government.
- Tullow personnel stressed that human resources can be developed both within the company and the country.

Partnership: The Tullow team emphasized the need for companies, NGOs, communities and government departments to work together to enhance community benefits from oil and to ensure that the benefits are shared equitably. They highlighted the importance of ensuring sustainability and partnerships in the environments where the company is operating, and stressed the desire to “bolster the grassroots” and work with all stakeholders as appropriate. Tullow staff identified the importance “CSR from the bottom up.”

Information sharing and managing expectations: Transparent information sharing is important, particularly related to managing expectations and aspirations versus realization of the industry and what it will bring. Tullow staff stressed that information sharing can also equip communities with tools for demanding what they are entitled to and for them to know where to demand from. In addition, the company recommends sensitization of communities and companies to be conflict sensitive as one staff member said:

“Grow the learning curve of industry with Uganda.”



Tullow staff and the research team during validation

Infrastructure development and service delivery: Tullow personnel encourage government spending in the region, and recommend that government puts greater focus on the provision of social services and the development of communities. In addition, communities should be sensitized about the social services provision mandate being from government.

Compensation, land and revenue management: Local government should create greater awareness around the compensation framework, and government should sensitize communities on land ownership and enhance land management in view of the industry. The government must also ensure that revenue management and development benefits communities.

In-migration and conflict: Tullow staff members recommend government to regulate trans-boundary migration (e.g. DRC to Uganda).

7. Core Team Analysis

Following the validation workshops, the core team conducted its own analysis of the research findings and recommendations. This analysis took into consideration the raw data we gathered, as well as the process and substantive changes that were made during the validation workshops, and the team’s own experience with other projects and in other countries.

7.1 Community-Company Interactions

Tullow Oil interacted with communities primarily through its CSR projects and the employment opportunities it provided. Community benefits such as improved roads, telecommunications and security were largely a result of their serendipitous proximity to Tullow Oil operations and Tullow’s own need for that infrastructure.

Central and local government have done very little to keep communities informed of oil development activities and the implications on their lives. Amongst many other issues,



Research present community data during a validation workshop in Hoima district

communities were not notified when oil exploration blocks were being demarcated within or around their settlements, they are unsure about the value or security of their customary rights to land, they have little or no information about the potential impacts of oil development on their livelihoods, they are unsure about when to expect compensation, what the rates are and how decisions are taken about compensation rates. In fact, several years after oil exploration activities have begun, many community members still expect government to address these issues and more.

Little or no access to information on oil development phases and activities has limited community trust and expectations of central and local government. During one district validation workshop, a district official who is expected to interact regularly with communities stated that he had failed to carry out education and awareness about oil because of lack of the necessary information and facilitation (e.g. limited local government budgets for transport). Over and above the proverbial financial constraints faced by districts, this official noted that information about oil from central government was limited and erratic. With communities unable to interact with and get information from government, they are left with little choice but to direct their demands and expectations to Tullow Oil.

Some sections in communities, particularly Tonya-B and Kiryamboga, were adamant that there had been no direct interaction with Tullow Oil or government officials. However, officials at PEPD disputed this. They cite a number of meetings organized by Tullow Oil at Tonya-B and Kiryamboga, in which a cross spectrum of community members interacted with Tullow Oil technical staff and administrators. Denials from our sample of interviewees may point to possible dissatisfaction with the way the interactions are handled and organized, and the extent to which their expectations have been met.

Community complaints about Tullow Oil interacting with them primarily through their local leadership are difficult to address. Local leadership or political representatives such as LC I Chairpersons provide an immediate and recognized entry into any community in Uganda. However, there is no guarantee that local leaders will disseminate information

adequately to community members, especially in situations such as Tonya-B where the community seemed to have lost confidence in the local political leader.

Whereas it is understandable that companies often communicate through local leaders as a matter of government protocol, it may be desirable for companies to diversify this approach. In fact, Tullow has identified community relations officers, but the team was unable to meet them as they appear to have greater responsibilities at the camp or in meetings with high level officials. More local individuals who are able to spend time in the communities getting to know the people, institutions and power relations within the communities would place the company in a better position to respond to informational and other needs.

7.2 Barriers

Community anxiety about issues such as eviction and land tenure insecurity, lack of clarity on compensation, limited information or disinformation on the negative impacts of oil development stems from unclear roles between central and local government and companies about who is responsible for addressing these issues and at what level. It is also possible to argue that the anxiety is due to the lack of trust in government or the company to respect their rights, which means that they feel little will be done to care for community welfare. The burden to address the majority of these issues is usually skewed towards companies and, therefore, often strains the relationship between communities and companies. This appears to be the case in Hoima and Buliisa Districts and indicates that Uganda is ill-prepared legally, technically and institutionally for oil development.

Communities seem to think that compensation rates and procedures are a prerogative of the company. As a result, they tend to hold it against Tullow Oil when they are dissatisfied with the package handed to them. PEPD officials clarified that compensation rates are derived from the recommendations of Local Councils, which are approved by the Chief Government Valuer. In the absence of deliberate efforts to make communities aware about such procedures, the relationship between communities and companies becomes increasingly strained.

Most of oil company CSR projects are not part of the recoverable cost and are carried out to keep good relations between the company and communities. However, companies are typically not knowledgeable about development, and decisions guided by philanthropic instincts can result in unsustainable projects and unhappy beneficiaries.¹⁷ A more constructive option is for the company to complement such philanthropy with proper compensation with non-recoverable funds, based on international standards.

If not properly explained to the beneficiaries, beneficiaries of CSR projects may misconstrue CSR contributions as a

requirement of the government. Any attempt by government to dictate terms might attract the company's insistence that such CSR costs become recoverable. This is some of the information necessary to empower communities and to inform the actions of civil society organizations.

This raises the necessity for communities, and the public in general, to be sufficiently informed about and involved in decision-making in petroleum development. Indeed, NGOs in Uganda and Ghana, two countries which are both new to the development of the petroleum sector, have highlighted the need for transparency, leadership and civic participation in the development of laws, regulations and institutions for the petroleum sector.¹⁸ Lack of information at both the national and local scales leads to suspicion, mistrust and breeds speculation and misinformation and creates unnecessary divisions. Improved understanding of the petroleum sector will restore citizens' confidence.

CSR projects can also introduce divisions within communities even with the best of intentions, as in the case of Kyehoro's borehole. The need for development expertise, and an exit strategy with sustainability in mind, and the explicit plan for sustainability of development projects, is not clearly understood and practiced. Projects that promote community cohesion require participation and local ownership. Philanthropic contributions to the local population perceived as being under resourced also sets the stage for exclusion and division.

7.3 Core Team Recommendations

Six themes are covered in the recommendations offered below. Many of these also reflect concerns expressed by both communities and company.

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

- (a) The company can eliminate perceptions of discrimination in employment by establishing an employment committee with a two or three year term, rather than relying exclusively on company foremen or Local Council Chairpersons to identify individuals for casual labor. Such a committee may be comprised of individuals who represent a diversity of interests within the community such as the LC1, a woman leader, an elder, one youth, and a company representative. The rotational nature of membership prevents nepotism. The committee may even be given goals that ensure gender equality and multi-ethnicity.
- (b) The company and government agencies should conduct a socio-economic baseline study in and

around communities it operates so that it may better understand and document community demographics, land ownership, land use practices, power relations, as well as their skills and capacities. Study methods should be open, allowing the respondents to identify key issues and impacts, rather than gathering data on company, government, researchers and others' perspectives on key issues and impacts.¹⁹

- (c) The companies should invest in training and skills development so that future generations may have greater employment benefits from the oil industry, or other viable livelihood options.

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

- (a) Compensation for displacement and relocation should be carried out on the basis of World Bank standards.²⁰
- (b) Short-term disruptions to livelihoods should also be compensated. For example, those related to stopping fishing while the company carries out seismic tests in Lake Albert or people displaced because well-testing by flaring is going to be carried out.
- (c) People who are evicted should be resettled with comparable livelihoods and according to World Bank standards.
- (d) Districts should endeavour to educate communities about the procedures for compensation. Transparency around how compensation decisions are taken, and information to communities about the roles of local officials in determining the compensation schemes may very well change future recommendations from these officials. Such information also ensures that community members participate in local elections with adequate information about how their elected officials are representing their interests.

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

- (a) Companies should share information on planned activities two months in advance so that communities are given time to prepare.

¹⁹ More information on such studies and their use in other parts of the world may be obtained from BCS at info@bcsynergies.com

²⁰ For example, see various IFC guidelines, such as: Social Safeguards, updated, forthcoming January 2011; Strategic Community Investment, 2010; Stakeholder Engagement, 2007; and Participatory Planning and Monitoring, forthcoming, 2011.

(b) Central government officials should inform communities (at village level) of the boundaries of exploration blocks as soon as they have been determined, and about the companies that will be carrying out exploration activities before the companies arrive in the area.

(c) Government and international donors should invest in awareness building about individual and group rights within the national legal framework and in international law. Legal and advocacy services are needed so people can exercise their rights through non-violent, constructive channels.

(d) Grievance procedures must be in place for households that do not wish to be displaced, so that a mutually satisfactory solution may be found.²¹

(e) Government and companies should use creative methods (such as the cartoons developed by Neptune Oil) to inform communities about activities related to oil extraction.

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

(a) Companies should identify and employ community liaison officers (who are not elected or formal leaders) to build and maintain relationships with communities, to answer community questions, and to facilitate deeper understanding within the company of community interests, concerns and priorities. Such individuals should visit communities regularly and document their visits.

(b) Agendas for meetings called for by companies should be provided two weeks before the meeting so that communities can be prepared and participate effectively.

(c) Further research is needed to look more closely at the timing and the means by which information is currently disseminated and to seek alternatives.

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

(a) The government, in consultation with communities, needs to set clear terms upon which communities can be displaced in oil development zones. Such terms should be widely disseminated and publicized for potentially affected communities to be aware of.

²¹ For examples, see <http://www.cao-ombudsman.org/howwework/advisor/documents/implemgrieveng.pdf>, 2008; or BCS (2009), Extending Trust: Techniques for Community Engagement in the Extractive Industries. BCS Publications, USA.

¹⁷ Anderson, Mary B., (1999) Do No Harm: How Aid Can Support Peace—or War. Lynne Rienner Publishers, Boulder -USA

¹⁸ International Alert. Harnessing Oil for Peace and Development in Uganda. In Investing in Peace, Issue No. 2. Kampala: International Alert 2009; Oxfam America. Ghana's Big Test: Oil's Challenge to Democratic Development. Washington D.C.: Oxfam America, ISODEC 2009.

- (b) In areas where land is owned communally, companies should lease land for their operations from the community as opposed to individuals. This will deter wealthy land speculators displacing communities unlawfully.
- (c) Local Councils should work with the District Land Boards to ensure that land disputes in communities are resolved before oil companies begin operations.

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

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

8. Way Forward

The research team proposes the following way forward:

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

Appendix One: Interview Protocol

Record starting time:

Introduction

Hello, I am XXX (name) and I am XXX (name). I work with XXX and I work with XXX. We are studying the relationship between communities and oil companies in Uganda (in Hoima and Buliisa districts). Thank you for agreeing to speak with us about your opinions.

The focus of our research is your experience of the relationship between your company and communities in which you work in Uganda. We would like to bring your personal and/or corporate experience into your response

We will not identify you especially with what you say. We will only put your name on a list of all the people we interview. Is this agreeable to you? Before we begin, do you have any questions about our study?

Topics for interview:

1. Company interactions – Could you please speak about your interactions with communities/company? Have you had direct contact with a community/company? Could you describe your experience? (When, where, respectful, listening, full story)

2. Benefits: individual and community – Can you tell us some benefits you have already seen from the oil companies in Uganda? (Potential benefits, individual, community)

3. Barriers to benefits – In your experience could identify some things that are negative or blocking communities from benefiting from oil extraction (respect for individuals, cultures, history; lack of services; in-migration)

4. King or queen – If you are in charge could do any thing you wanted, what would you do to change the circumstances surrounding the extraction of oil that the benefits to communities are maximized?

5. If there is one thing you absolutely want to be sure we put in our report, what would that be?

6. Is there anything else you would like to add?

After interview: Record ending time.....

Final appreciation: thank the interviewee for their time and contribution to the study.

Record any relevant interview setting notes: (use interview sheet)

Record interviewer impressions:

Appendix Two: List of Stakeholders Interviewed

Tullow Oil staff

Gerald Ahebwa – Community Liaison Officer
 Rosie Birungi - Community Liaison Officer
 Eddie Flett – Contracts and Procurement Manager
 Brian Glover – General Manager
 Nadeem Hashmi – Country Well Engineering Manager
 Abdul Kibuuka, Human Resources Manager
 Michael Kizito – Community Health Programme Manager
 John Morley, General Service Manager
 Didas Muhumuza - Community Liaison Officer
 Jane Mutiti – Community Liaison Officer
 Marion Namanya, Community Liaison Officer
 Nahya Nkinzi – CSR Manager
 Collins Opia – Field Operations Manager
 Pamela Uwakwe – CSR Advisor

Hoima District

LC I Chairperson, Kiryamboga Village
 Lay Reader, Kiryamboga Church of Uganda
 LC I Chairperson, Tonya B. village
 LC I Chairperson, Kyehoro Village
 Prime Minister, Bunyoro Kingdom
 Hoima District Community Development Officer
 Hoima District Environment Officer
 Area councilor
 District Woman Councilor
 Chairman, Beach Management Unit
 Women’s group
 Youth group
 Fishermen
 Business community
 Hoima District Khadi

Buliisa District

LC I Chairperson, Kakindo Village
 Secretary, LC I Kakindo village
 Buliisa Community Development Officer
 Sub-county Chairperson, Buliisa Town Council
 Chairman, Buliisa District NGO forum
 District Council Speaker
 District Revenue Officer
 District Fisheries Officer
 Area Councilor
 Women’s group
 Farmers
 Youth group

Appendix Three: Community Data Summaries

a) TONYA B

1. Community-company interactions
 - Company called meeting (through LC 1)
 - No direct contact
 - Both Hardman and Tullow came in unannounced
2. Benefits
 - Occasional work (casual labour)
 - Expected benefits
 - Community consultation
 - Tree planting for firewood
 - Employment opportunities
 - Introduce credit scheme
 - Bursaries
 - To build houses for vulnerable and provide other support
3. Barriers
 - Lack of information about the activities
 - Company hires with own workers
 - Low wages
 - No community consultation on decision taken
 - Herders denied access to grazing land
 - Black/brown fumes when drilling, bad for health and causes more sickness
4. Recommendations
 - Training on income generation activities
 - Bore holes for communities
 - Meeting to be held to plan for community
 - Build the following
 - Nursery school
 - Health clinic

- Secondary school
- Road to village
- Consider priorities of women, widows and children
- Consider priorities of people with disabilities and old persons
- To provide alternatives for job opportunities
- Introduce micro-finance institutions for the community
- Equip more health facilities in existing clinics
- To provide scholastic materials in existing schools
- To provide training on HIV/AIDS, family planning to the communities
- To provide training on environmental sustainability
- To support community projects

b) KAKINDO

1. Community – company interactions
 - Initiated at Tullow,s request
 - Meetings called through community leaders
 - No prior agenda so community unable to prepare
 - Meeting called when Tullow needs some thing from the community
2. Benefits
 - Borehole
 - Three people employed during seismic studies
 - Peer educators (for condoms, beads, 1bicycle)
 - Football teams were supported (uniforms, footballs)
3. Barriers
 - Decisions taken about land without community consultations
 - Poor communications between district and communities about company activities
 - Exposure of flaring and seismic testing- no compensation for those near 300m boundary
 - Compensation
 - Does not include land, only other assets
 - Insufficient

- Non for gravesite disruption
- Only 8 out of 10 days for well testing
- Tullow comes with workers from outside
- No advance information about meetings, unable to prepare
- Tullow staff unable to answer questions
- Anxiety because displacement can be fast-no time to prepare
- EIA biased in favour of Tullow
- Seismic testing no compensation
- Information gap between communities, government and companies
- Seasonal casual employment

- Peer educators
- Rescue team
- Busoga trust
- Warning to keep animals out of Tullow,s areas
- Pastoralist beaten
- Told to stop fishing for many days, no compensation

2. Benefits

- Water tank
- Improved roads
- Bridge
- Reliable communication- MTN
- Some casual labour
- Free condoms, pill plan, mosquito nets, HIV/AIDS education
- Training for nurse
- Maternity clinic, but very fast
- Exercise books
- Football team uniforms
- Higher price for big fish

3. Barriers

- Fear of eviction or resettlement without advance warning
- Lack of information about impact of company's activities on community
- Cannot cut trees to build houses
- Stopped by game rangers
- Cattle grazing has to be moved without compensation
- Low wages for DOTT work-4000shillings per day/no lunch(DOTT services)
- Lack of skills
- Not respected, not consulted
- Tullow hires people from elsewhere, not locally
- Fewer fish since oil
- Increased migrants from DRC seeking work

3. Recommendations

- Employ people from the community
- Offer training opportunities for community members
- Compensation should e fair, adequate and take land into consideration
- Government and company should inform people about oil and other developments
- Provide tarmac roads
- Create a way for companies to communicate directly to communities
- Discuss together and consult with communities
- Protect the environment
- More and higher education petroleum institutions
- Memorandum of understanding between company , district and Kakindo cell must be transparent
- Agenda should be given in time
- Land needed by company should be leased from village to avoid land grabbers
- Minimum compensation and resettlement amount that is fair

c) KIRYAMBOGA

1. Community interactions

- No direct contact with the company
- Indirect contact through

- Migrants not taking care of the environment
- Tullow and Heritage too heavy work
- The price of fish has gone high

4. Recommendations

- Ask people what they want
- Eliminate tribal and ethnic segregation in jobs
- Need for company to consult directly with communities
- Guarantee that pastoralists will not be evicted
- Some of the money from oil should come back to the communities
- Learn more about oil
- Get answers that address our concerns
- Company should build schools and health centres
- "whoever bought our land should be told that he bought air"
- We need more boreholes

d) KYEHORO

1. Community interactions

- Meeting in LC1 office to notify us about exploration-many attended
- Tullow consulted us about what we wanted
- Tullow supported our businesses
 - Hire car – 3months
 - Bought our food-1year, 3months
 - Rented lodge- 2months

2. Benefits

- Construction of health centre II
 - Initially paid 2 nurses
 - Free HIV/AIDS counseling/ testing
 - Maternity services
- Construction of classroom block and staff quarters/ houses
 - Bought books
 - Bought benches/tables

- Some teachers paid by Tullow
- Supported tree planting project

- Distribution of blankets, mattresses and mosquito nets
- Borehole
- Casual work
- Roads
- Access to markets for community goods and services
- Higher prices for community goods- milk ,meat, fish
- Supported religious organizations
- Improved communication phone companies
- Improved security services- army and police
- Sports facilities

3. Barriers

- Lack of skills
- Corruption/nepotism in job allocation; tribal preferences
- Limited access to jobs for youth
- Limited opportunity to for community to with company
- No consultation with communities about their priorities
- Prevented from fishing for months without compensation
- One bore hole insufficient for large community-source of lights
- Increasing population leads to increased crime, insecurity, competition for resources and sex workers
- Loss of land tenure and shortage of grazing land
- Peer educators stopped because they are returned to their original areas
- No compensation for houses destroyed during road construction
- Casual labour jobs too short and yet some people sell possessions to come looking for jobs
- Some local council leaders were on Tullow's payroll as Tullow facilitators
- Peer educators not local, leave with facilitation (bicycles and other resources)

4. Recommendations

- Invest in technical/vocational education
- Help children acquire skills for future employment
- Education should not be a requirement for unskilled jobs
- Jobs for youths without discrimination; the indigenous Bakobyas should be given priority
- Jobs should be publicly and locally advertised and a committee of the community should allocate jobs
- Ugandans should get appointment letters and contracts stating clear terms of employment
- Direct communication between Tullow-Community. Instead of using foremen, use cultural leaders
- Communities use regular and updated information about progress of oil extraction
- Improve access roads within Kyehoro
- Promises made by Tullow should be honoured – camp land, Kalso water
- Companies should purchase locally and at market price
- The clinic should have an ambulance for emergencies
- A position of Community Representative be created to bridge gap

Appendix Four: Company Data Summary

1. Company interaction with communities

- LC 1-5
- LC I access to village
 - EIA consultations
 - CSR projects
 - Visits to where Programmes occur are more frequent
 - Sensitization about oil industry
- Radio Programmes to sensitize communities monthly
- One on one meetings with the people to make sure they are fine with the company

2. Community benefits

- Employment
 - direct with Tullow
 - indirect through contractors
 - casual labour from communities: LCI to identify casual workers
- Infrastructure
 - Roads = increased access to goods and services, and access to markets
 - Telecommunication services
- CSR project/ Programmes
 - Health education
 - Water/boreholes(16 in Buliisa)
 - SME programmes/livelihood/social enterprise
 - Environment/Tree planting, agricultural, bees
 - Lake rescue team
- Taxation: contractors adding value to tax base
- Increased foreign direct investment
- More positive credit rating for Uganda
- Future benefits
 - Better infrastructure and increased commerce

- Plan to construct three schools in 2010
- Hospitals in sub-county
- Petroleum institute
- \$ to treasury

3. Barriers to communities

- capacity
 - lack of skills and training
 - communities need to be empowered, need roles, need to get involved, be responsible for them selves
 - NGO advocacy stops in Hoima; some NGO strategies are not helpful(questionable approaches)
- Information
 - People are not informed about what to ask from the company
 - People do not know their rights and their entitlements and where to go
 - The problem is with the people they select to represent them
 - Even the kingdom does not know who to approach for their share and interests
 - Government needs to share information
 - Managing expectations(like time frame)
- Government
 - Lack of government support
 - Lack of coordination between Tullow and government(e.g schools but no teachers)
 - Need to control transboundary migration
 - Need to address land policy, acquisition compensation and resettlement
 - Need to address corruption and land acquisition and employment
 - Weak leadership and governance structures at local level
 - Pressure to align politically
 - District not involved in sensitizing people on compensation rates

- In migration: population explosion; migration of youth into area; un planned settlements
- Social and cultural issues
 - Tribalism/ ethnicity in employment and resource use
 - Small mafia groups
 - Cultural barriers to change livelihoods and attitudes
- People complain that compensation rates are low
- Communities will not benefit from oil in Uganda; only the elite will benefit

4. Recommendations

- Capacity building
 - Organizing communities into groups in order to have more say
 - Working together: companies, NGOs, communities and government departments
 - Robust information
 - Sensitize communities and companies to be conflict sensitive
 - Assess communities' capacities to provide supplies
- Infrastructure and social services
 - Build schools and hospitals
 - Strengthen infrastructure(e.g roads)
 - Encouraging spending
- Environmental safety
- Bolster the grassroots: "Don't go the NGO rout
- CSR from the bottom up
- Advise government to take care of its responsibilities to communities e.g provision of social service and development
- Regulate transboundary migration(e.g RDC to Uganda)
- Educate the community more about their rights
- Maintain the company reputation and honour company promises
- Develop human resource
- Local governments should inform people about compensation rates

- Give the industry time to grow; support the company
- Government should sensitize communities on land ownership
- People should not look at oil as a curse; communities are going to benefit enormously

Appendix Five: The Research Team



The study team during data collection: L-R: Henry Bazira, Ivan AmanigaRuhanga, Jacob Manyindo, Noreen Nampewo, James Van Alstine, Rani A. Parker and Margaret Barihaihi

Mr. Ivan AmanigaRuhanga is a consultant in environment and natural resources management and a Research Associate with the Advocates Coalition for Development and Environment (ACODE). Mr. AmanigaRuhanga has published widely in the areas of environment science as well as natural resource management, covering such sectors as oil and gas in particular, and the extractive industry in general. He has played both managerial and leadership roles in his professional career, which has strengthened his capacity in advocating for pro-poor sustainable development.

Ms. Margaret Barihaihi is currently working as national coordinator for Africa Climate Change Resilience Alliance Project (ACCRA). She holds a masters in Sustainability (Environment and Development) from the University of Leeds, UK and a Bachelor of Forestry with Honours from Makerere University, Uganda. Ms Barihaihi has a wide experience in research at community using both quantitative and qualitative methods. She has worked on projects for USAID, Germany Technical Corporation (GTZ), CARE International and IUCN.

Mr. Henry Bazira is a water resources specialist. He is the Executive Director of Water Governance Institute and chairperson of the Civil Society Coalition for Oil & Gas (CSCO) in Uganda. He has been involved in the review of safeguard policies of international finance institutions (IFIs) and environment impact assessment studies of a number of large infrastructure projects. He is an adept researcher, trainer and advocate for sustainable and equitable natural resources use.

Mr. Jacob Manyindo recently began working with a multi-disciplinary, non-profit organization called Maendeleo ya Jamii. Prior to that Mr. Manyindo was Senior Research Fellow at the Uganda Wildlife Society. He has led a civil society process to monitor mitigation measures for the

environmental impact assessment of a mining company in Uganda, he was part of a research team that advocated for the introduction of derivation funds in various natural resource sectors in Uganda, and has been involved in efforts to raise public awareness on Uganda's oil and gas sector. Mr. Manyindo was a key member of research teams that co-authored recommendations on sharing oil and gas revenue in Uganda and maintaining the conservation and tourism value of national parks and wildlife reserves in petroleum development areas of the Albertine Rift.

Ms. Gloria Namande holds a Bachelor of Community Forestry with Honours from Makerere University, Uganda and a MSc in Sustainability (Environment and Development) from the University of Leeds, UK. She has research experience using both quantitative and qualitative methods. Working for the Uganda Coffee Development Authority she evaluated coffee consumption and regulatory measures, and Ms. Namande has also worked as a Young Development Professional conducting reviews of various environmental projects for the Aga Khan Foundation in Uganda.

Ms. Noreen Nampewo is the gender and community support officer at the National Association of Professional Environmentalists (NAPE), Uganda. She participated in the pilot research on gender mainstreaming in the oil region in Uganda and developing a gender policy for NAPE. Ms. Nampewo received a bachelors in Environmental science from the Makerere International Institute of Environment and a diploma in Radio and Television production. In addition, she has received a certificate in gender and development from SIDA training centre Sweden and a diploma in gender and project planning from Makerere University.

Dr. A. Rani Parker is founder of Business-Community Synergies (BCS), an organization that is committed to building positive relationships between multinational corporations and localities, which in turn generate net benefits to each. BCS provides consulting services to the extractive industries on practical solutions based on Dr. Parker's research on engagement between community groups and multinational businesses in the extractive industries, as a means to achieve sustainable local development. Dr. Parker has developed a methodology for assessing corporate-community relationships and identifying decision points that guide action to develop such relationships. Drawing on this methodology, the CCA (Community-Company Assessment), BCS has worked with clients in the public and private sectors such as Chevron, BG Group, the World Bank Group and Oxfam America.

Dr. James Van Alstine is Lecturer in Environmental Policy at the Sustainability Research Institute (SRI), University of Leeds and associate fellow at the London School of Economics (LSE). His research focuses on the emergence and implementation of environmental policy in developing countries, the social and environmental risks of industrial development, and the governance of resource extraction. Dr. Van Alstine is also directing a four year Alcoa Foundation grant funded research programme that explores sustainable development in extractive industry host communities. Prior to joining SRI in 2008, he was a fellow in environmental policy at LSE where he completed his PhD on corporate environmentalism in the South African petrochemical industry.

Executive Summary

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

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

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

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

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

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

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

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

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

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

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

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

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Companies should identify and employ community liaison officers (who are not elected or formal leaders) to build and maintain relationships with communities, to answer community questions, and to facilitate deeper understanding within the company of community interests, concerns and priorities. Such individuals should visit communities regularly and document their visits.

Agendas for meetings called for by companies should be provided two weeks before the meeting so that communities can be prepared and participate effectively.

Further research is needed to look more closely at the timing and the means by which information is currently disseminated and to seek alternatives.

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

The government, in consultation with communities, needs to set clear terms upon which communities can be displaced in oil development zones.

In areas where land is owned communally, companies should lease land for their operations from the community as opposed to individuals.

Local Councils should work with the District Land Boards to ensure that land disputes in communities are resolved before oil companies begin operations.

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The company should seek out professional expertise and guidance on CSR projects, which are essentially development projects, to ensure that they are locally-owned and sustainable with appropriate monitoring and evaluation.

Government and companies need to coordinate and support each other in the planning and implementation of CSR projects. This will ensure, for example, that there is a smooth transition from company construction of a public service facility (health center) and the government's ability to staff, maintain and otherwise sustain that service when the company's obligation is completed. Early coordination will ensure sustainability of projects even when the company concludes its operations and leaves the area.

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It is essential that the company conducts a socio-economic/livelihoods baseline study and social impact assessment in the exploration blocks. A methodology should be used that is less structured than what was used for the EIA, explicitly encouraging the identification of issues and impacts by community members.

Seek additional funding to complete the CCA process. This includes holding a multi-stakeholder meeting, getting stakeholder commitment to follow-up on recommendations with an action plan, and implementing at least part of the action plan.

Carry out CCAs in exploitation blocks held by other licensed companies focusing on communities within and in proximity to the company operation areas. It might be necessary to take the CCA beyond the traditional operational area and make the CCA a repeated or regular exercise to continuously inform industry, government and communities.

Non-Government Organizations and donors could establish and maintain a system that monitors and evaluates the implementation of agreed CCA action plans by companies.

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

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

