Sustainable Development Petroleum Resources Programme

Semi-Annual Budget Monitoring Report

Financial Year 2023/24

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Budget Monitoring and Accountability Unit
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ABBREVIATIONS AND ACRONYMS

AGRC	Albertine Graben Refinery Consortium
CNOOC	Chinese National Offshore Oil Corporation
CPF	Central Processing Facility
DP	Directorate of Petroleum
E&P	Exploration and Production
EA	Exploration Area
EAC	East African Community
EACOP	East African Crude Oil Pipeline
EISA	Environmental Impact and Social Assessment
EPC	Engineering Procurement and Construction
FDP	Field Development Plan
FEED	Front End Engineering Design
FID	Final Investment Decision
GoU	Government of Uganda
HGA	Host Government Agreement
HSE	Health Safety and Environment
IFC	International Finance Corporation
IFMS	Integrated Financial Management System
JST	Jinja Storage Terminal
JV	Joint Venture
KST	Kampala Storage Terminal
LPG	Liquefied Petroleum Gas
MDAs	Ministries, Departments and Agencies
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MoJCA	Ministry of Justice and Constitutional Affairs
MLHUD	Ministry of Lands, Housing and Urban Development
MPS	Ministerial Policy Statement
NDP III	National Development Plan-3
NEMA	National Environment and Management Authority
NOGTR	National Oil and Gas Talent Register
NOGP	National Oil and Gas Policy
NPC	National Pipeline Company
NPDR	National Petroleum Data Repository
NPP	National Petroleum Policy
NSD	National Supplier Database
NTR	Non-Tax Revenue
OGTAU	Oil and Gas Training Institutions Association of Uganda
PAPs	Project Affected Persons
PAU	Petroleum Authority of Uganda
PBS	Programme Budgeting System
PDHs	Physically Displaced Households
PEPD	Petroleum Exploration and Production Department
PIAP	Programme Implementation Action Plan
PIP	Public Investment Plan
PPDA	Public Procurement and Disposal of Assets
PPP	Public-Private Partnership
PRR	Petroleum Reservoir Report

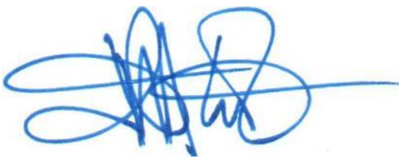
PSA	Production Sharing Agreement
QHSSE	Quality Health, Safety, Security and Environment
RAP	Resettlement Action Plan
RDP	Refinery Development Program
RMP	Reservoir Management Plan
ROW	Right of Way
RTMC	Real-Time Monitoring Centre
SDPR	Sustainable Development of Petroleum Resources
SEA	Strategic Environmental Assessment
SME	Small Medium Enterprise
ToR	Terms of Reference
UDB	Uganda Development Bank
UNBS	Uganda National Bureau of Standards
UNOC	Uganda National Oil Company
URHC	Uganda Refinery Holding Company Limited
VTI	Vocational Training Institution

FOREWORD

At the start of this Financial Year 2023/24, the Government of Uganda outlined strategies to accelerate the country's economic growth agenda. Some of these strategies centered on enhanced domestic revenue mobilization and collection, and effective implementation of various initiatives to improve the efficiency and effectiveness of government programs and projects.

Within your programmes, I urge you to undertake a comprehensive reflective exercise to find out if indeed the interventions being implemented are achieving the true essence of efficiency and effectiveness. If not, why? How can this situation be remedied? Without efficiency and effectiveness, the impact and the ensuing sustainability from the interventions will not be achieved, thus reducing the opportunities for investment in new and more productive ventures.

The government is concerned that some programmes have stagnated at fair performance over the years, although they receive a considerable amount of their budgets annually. These monitoring findings form a very important building block upon which the programmes can begin the reflective exercise. I will be happy to hear your ideas on how the last-mile service delivery can be improved.



Ramathan Ggoobi

Permanent Secretary/Secretary to the Treasury

EXECUTIVE SUMMARY

The semi-annual Sustainable Development of Petroleum Resources Programme performance for financial year (FY) 2023/24 was fair at 62.9%. The programme budget for FY 2023/24 is Ug shs 446.7 billion (bn), of which Ug shs 261.2bn (58.5%) was released and Ug shs 223.8bn (85.1%) spent by 31st December 2023. Under the three sub-programmes that make up the oil and gas value chain, progress was being made towards commercial oil production.

Programme Performance

The Upstream Sub-programme performance was fair at 59.5%. Preparatory activities for more oil exploration were ongoing. Planned data acquisition in the Kyoga basins commenced with the holding of sensitization meetings in the region before exploration field activities could commence. However, further exploration work in the Moroto-Kadam basin did not progress in the first half of the FY due to the insecurity in the Karamoja region. The Ministry of Energy and Mineral Development (MEMD) was engaging security agencies and local leadership to forge a way forward. Additionally, reconnaissance surveys for studies of areas of interest within the explored region by the speculative companies were yet to be held.

The second licensing round was concluded to promote the explored petroleum potential with the Kasuruban and Turaco blocks awarded to Uganda National Oil Company (UNOC) and DGR Global Limited respectively. The MEMD was in the process of kick-starting workshops to launch the licensing strategy to guide the third licensing round for additional prospective explored areas.

Development of the upstream facilities in preparation for the first oil production in the Tilenga and Kingfisher production areas was progressing well. The civil works for the enabling infrastructure (industrial area site preparation, access roads, well pads, camps, construction support bases) were nearing completion. A total of three drilling rigs (one in Kingfisher and two in Tilenga) were in operation. Cumulatively, a total of 24 wells (Tilenga -20, Kingfisher – 4) had been drilled by 31st December 2023 in preparation for oil production. The Resettlement Action Plans (RAPs) for the production areas were at 97% with 4,868 affected persons compensated and 189 of the 201 resettlement houses completed.

The Midstream Sub-programme performance was also fair at 62.1%. The development of the midstream infrastructure was at various stages. Under refinery development, the Refinery Project Framework Agreement expired on 30th June 2023 and the project progressed as a public sector project. A review of agreements was underway by the respective ministries, departments and agencies (MDAs) to support the Government in the search for a development partner. To that effect, the Government, through the budget released Ug shs 97.69bn as part of the phased disbursements for the refinery equity.

Under pipeline development, the East African Crude Oil Pipeline (EACOP) 40% equity contribution by the partners was completed and the Government was in search of a potential partner for the debt financing. The EACOP cumulative progress was at 32.2% with the first batch of the pipelines for 100km delivered in December 2023 and the installation of the coating plant in Tanga, Tanzania completed. Resettlement of persons affected by the EACOP pipeline had progressed to 98%, whereas the product pipeline RAP registered slow progress.

As part of the promotion of national participation, a total of 13,819 people were employed in the oil and gas sector. Of these, 12,813 (93%) were Ugandans and 4,344 were from within the host communities. The total number of qualified companies stood at 2,947 with 2,343 (79.5%) Ugandan companies. The local companies had also benefited by a total of USD 23.5M (39.2%) by contract value. The local content regulations to operationalize the local content fund act to support local firms were being developed.

The Downstream Sub-programme performance was fair at 67.1%. The Petroleum Supply Act aimed at giving UNOC sole mandate to import petroleum products for the country was enacted and the oil marketing company sales and purchase agreement was finalized. By 31st December 2023, UNOC managed to restock 19.4 million litres (65%). However, stock levels were still below the storage capacity (30 million litres) at the Jinja Storage Terminal (JST).

As part of the regulation of the downstream petroleum supply value chain, during the first half of FY 2023/24, MEMD had 534 fuel retail outlets monitored and inspected (89% of target) in the Western and Eastern regions of the country. Overall, fuel compliance levels were at 99.3% and 178 illegal retail facilities were enforced in mid-central and western with 15 undergoing prosecution in Masaka district. A total of 237 petroleum licenses for new outlets were also issued.

However, the initiative to promote the use of alternative clean cooking technologies through the distribution of Liquefied Petroleum Gas (LPG) cylinder kits at a subsidized price to reduce the dependence on biomass (charcoal and firewood) had not progressed by 31st December 2023. This was due to no budget allocation to the LPG Supply and Infrastructure Project in FY 2023/24, therefore the suppliers of the LPG kits could not be paid. There is a very large backlog of applications for these kits that could not be processed.

Challenges

i) Delayed commencement of construction of the midstream infrastructure in particular the East African Crude Oil Pipeline will further delay the production of the country's first oil beyond 2025.
ii) Slow pace of compensation of project-affected persons on some of the oil sector infrastructure risks generating bad publicity for the project due to the delays in the process and the disruption to the livelihoods and social well-being of the local communities.

Recommendations

i) The Government and Joint Venture Partners should fast-track financial closure of the EACOP debt financing through the engagement of other alternative funders and MEMD should actively counter the negative publicity of the project.
ii) The MEMD should prioritize funding for the product pipeline compensation and also strengthen the monitoring and supervision of the on-going compensation process to ensure the process is fair and timely.

CHAPTER 1: BACKGROUND

1.1 Background

The mission of the Ministry of Finance, Planning and Economic Development (MFPED) is, "*To formulate sound economic policies, maximize revenue mobilization, and ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development.*"

The MFPED through its Budget Monitoring and Accountability Unit (BMAU) tracks the implementation of programmes/projects by observing how values of different financial and physical indicators change over time against stated goals and indicators. The BMAU work is aligned with budget execution, accountability, and service delivery.

Commencing FY 2021/22, the BMAU began undertaking Programme-Based Monitoring to assess performance against targets and outcomes in the Programme Implementation Action Plans (PIAPs)/Ministerial Policy Statements. Semi-annual and annual field monitoring of Government programmes and projects was undertaken to verify receipt and expenditure of funds by the user entities and beneficiaries, the outputs and intermediate outcomes achieved, and the level of gender and equity compliance in the budget execution processes. The monitoring also reviewed the level of cohesion between sub-programmes and noted implementation challenges.

The monitoring covered the following programmes: Agro-Industrialization; Community Mobilization and Mindset Change; Digital Transformation; Human Capital Development; Innovation, Technology Development and Transfer; Integrated Transport Infrastructure and Services; Manufacturing; Mineral Development; Natural Resources, Environment, Climate Change, Land and Water Management; Public Sector Transformation; Sustainable Development of Petroleum Resources; and Sustainable Energy Development.

This report presents findings from the annual monitoring of selected interventions under the Sustainable Development of Petroleum Resources Programme for the budget execution period from 1st July 2023 to 31st December 2023.

1.2 Programme Goals and Objectives

The Sustainable Development of Petroleum Resources (SDPR) Programme aims to attain equitable value from petroleum resources and spur economic development in a timely and sustainable manner.

The key programme objectives are to:

i) Ensure sustainable production and utilization of the country's oil and gas resources.
ii) Strengthen policy, legal and regulatory frameworks as well as the institutional capacity of oil and gas industry.
iii) Enhance local capacity to participate in oil and gas operations.
iv) To promote private investment in the oil and gas industry.
v) Enhance Quality Health, Safety, Security and Environment
vi) Improve security of supply of refined petroleum products.

The key expected results include:

i) Reducing the volume and value of imported petroleum and petroleum products
ii) Increasing revenue from the oil and gas industry and its contribution to Gross Domestic Product (GDP)
iii) Creating more employment opportunities for Ugandans along the petroleum value chain

1.3 Sub-programmes

The programme is comprised of 3 sub-programmes, namely:

i) Upstream Sub-programme which covers promotion, licensing, exploration, development and production of oil and gas,
ii) Midstream Sub-programme which includes transportation, refining of oil and conversion of gas; and
iii) Downstream Sub-programme which deals with distribution of petroleum products.

The lead implementing Ministry for the programme is the Ministry of Energy and Mineral Development (MEMD) whereas the Petroleum Authority of Uganda (PAU) and the Uganda National Oil Company (UNOC) are key agencies in implementation. Other key partners in the programme are the Ministry of Finance, Planning and Economic Development (MFPED), National Environmental Authority (NEMA) and the private joint venture partners (TOTAL Energies, China National Offshore Oil Corporation /CNOOC).

1.4 Programme Outcomes

The expected outcomes under the sustainable development of petroleum resources programme are:

i) Increased revenue from oil and gas resources.
ii) Increased contribution of the oil and gas sector to employment.
iii) Increased contracts awarded to Ugandan firms in the oil and gas value chain.
iv) Increased private investment in the oil & gas industry.
v) Improved safety in the oil and gas industry.
vi) Increased days of security stock levels of refined petroleum products.
vii) High-quality supply of refined petroleum products.

CHAPTER 2: METHODOLOGY

2.1 Scope

This monitoring report is based on selected interventions in the Sustainable Development of Petroleum Resources Programme covering the three sub-programmes. The interventions and respective outputs reviewed under each sub-programme; Ministry, Department and Agency/(MDAs)/Vote are listed in *Annex 1.* Monitoring involved the analysis and tracking of inputs, activities, processes, and outputs in the Ministerial Policy Statements (MPSs), annual and quarterly work plans and progress and performance reports of MDAs. A total of 13 interventions were reviewed. The 13 reviewed interventions translated into 83.5% coverage of` projected funding under the MPS allocation.

The selection of interventions to monitor was based on the following criteria:

i) Significant contribution to the programme objectives and national priorities.
ii) Levels of investment and interventions that had a large volume of funds allocated were prioritized.
iii) Planned outputs whose implementation commenced in the year of review, whether directly financed or not.
iv) Completed projects to assess beneficiary satisfaction, value for money and intermediate outcomes.

2.2 Data Collection and Analysis

2.2.1 Data collection

Both qualitative and quantitative methods were used in the monitoring exercise. The physical performance of interventions, planned outputs and intermediate outcomes were assessed by monitoring a range of indicators. The progress reported was linked to the reported expenditure and physical performance.

The monitoring team employed both primary and secondary data collection methods. Secondary data collection methods included:

i) Literature review from key policy documents including, Ministerial Policy Statements (MPS) FY 2023/24; National and Programme Budget Framework Papers; Re-prioritized Programme Implementation Action Plans (PIAPs), quarterly progress reports and work plans for the respective implementing agencies, Quarterly Performance Reports, Budget Speech, Public Investment Plans, Approved Estimates of Revenue and Expenditure, project reports, strategic plans and policy documents.

ii) Review and analysis of data from the Integrated Financial Management System (IFMS); Programme Budgeting System (PBS) and Quarterly Performance Reports.

Primary data collection methods on the other hand included:

iii) Consultations and key informant interviews with Institutional heads, project managers at various implementation levels.
iv) Field visits to various districts, for primary data collection, from Household Heads, and service beneficiaries; observation and photography.
v) Call-backs in some cases were made to triangulate information.

2.2.2 Data Analysis

The data was analyzed using both qualitative and quantitative approaches.

Qualitative data was examined and classified in terms of constructs, themes or patterns to explain events among the beneficiaries (interpretation analysis) and reflective analysis where the monitoring teams provided an objective interpretation of the field events.

Quantitative data on the other hand was analyzed using advanced excel tools that aided interpretation. Comparative analyses were done using percentages, averages, and cross-tabulations of the outputs/interventions and the overall scores. Performance of outputs/interventions was rated in percentages according to the level of achievement against the annual targets. The sub-programme score was determined as the average percentage ratings of the outputs for the various interventions.

The overall programme performance is an average of the individual sub-programme scores assessed. The performance of the programme and sub-programme was rated based on the criterion in Table 2.1. Based on the rating assigned, a BMAU colour-coded system was used to alert the policy makers and implementers on whether the interventions were achieved or had very good performance (green), good performance (yellow), fair performance (light gold) and poor performance (red).

Table 2.1: Assessment guide to measure performance for half year FY 2023/24

Score	Performance Rating	Comment
90% and above	Green	Very Good (Achieved at least 90% of outputs and outcomes)
70%-89%	Yellow	Good (Achieved at least 70% of outputs and outcomes)
50%- 69%	Light Gold	Fair (Achieved at least 50% of outputs and outcomes)
49% and below	Red	Poor (Achieved below 50% of outputs and outcomes)

Source: Author's Compilation

Ethical considerations

Introduction letters from the Permanent Secretary/ Secretary to Treasury were issued to the respective MDAs monitored. Consent was sought from all respondents including programme or project beneficiaries. All information obtained during the budget monitoring exercise was treated with a high degree of confidentiality.

2.3 Limitation

Lack of disaggregated financial information for some outputs.

2.4 Structure of the Report

The report is structured into four chapters. These are: 1) Introduction; 2) Methodology; 3) Programme performance; and 4) Conclusion, and Recommendations respectively.

CHAPTER 3: PROGRAMME PERFORMANCE

3.1 Overall Programme Performance

Financial Performance

The programme budget was revised from Ug shs 447.1 billion (bn) to Ug shs 446.7bn. Release was fair at Ug shs 261.23bn (58.5%) and absorption was good at Ug shs 223.78 billion (85.7%). The midstream sub-programme took 59% of the programme budget with funds for refinery equity contribution and the Resettlement Action Plan for the Multi-Product pipeline. Table 3.1 gives the detailed programme budget performance for the semi-annual F 2023/24 per sub-programme.

Table 3.1: Financial performance of the Sustainable Petroleum Development Programme by 31st December 2023

Sub-programme	Budget (Ug shs billion)	Release (Ug shs billion)	Expenditure (Ug shs billion)	Release as % of budget	Expenditure as % of release
Upstream	144.410	66.001	54.107	45.7	82.0
Midstream	265.375	174.289	149.969	65.7	86.0
Downstream	36.885	20.940	19.706	56.8	94.1
Total	**446.670**	**261.230**	**223.781**	**58.5**	**85.7**

Source: Approved Budget Estimates and Q2 Reports FY2023/24

Physical Performance

The semi-annual programme physical performance for FY2023/24 was fair at 62.9% with all the sub-programmes performing fairly (Table 3.2). Under the Upstream Sub-programme, development of upstream facilities in Tilenga and Kingfisher continued with overall progress at 22%. The further exploration of petroleum potential in the Moroto Kadam and Kyoga basins did not progress due to insecurity and delays in concluding stakeholder consultations respectively.

The Midstream Sub-programme performance was fair with the Government and joint venture partner searching for development partners for the refinery and the pipelines. More Ugandan firms also participated in the oil and gas contracts. Under the downstream sub-programme, the restocking of Jinja Storage Terminal (JST) was at 19.4 million litres and the MEMD continued enforcement of petroleum quality with compliance levels at 99.3%. The programme performance was majorly affected by procurement delays and funding constraints that led to poor progress in some activities such as equipping of the PAU data repository.

Table 3.2: Overall Performance of the Sustainable Development of Petroleum Resources Programme by 31st December 2023

	Sub-programme	Performance (%)
1	Upstream	59.5
2	Midstream	62.1
3	Downstream	67.1
Overall Programme Performance		**62.9**

Source: Author's Compilation

3.2 Upstream Sub-programme

The Upstream Sub-programme covers the promotion, licensing, exploration, development and production of petroleum resources. It also monitors all petroleum upstream operations to ensure the exploitation of the petroleum resource in undertaken in an economically and environmentally conducive manner. The outcomes for the sub-programme include; the amount of revenue from the oil and gas sector, level of upstream oil and gas compliance, number of exploration licenses issued and percentage change in amount of revenue from oil and gas. The implementing agencies are the Ministry of Energy and Mineral Development (MEMD), Petroleum Authority of Uganda (PAU) and Uganda National Oil Company (UNOC).

The planned interventions in the sub-programme for FY 2024/23 that were monitored were:

i) Undertake further exploration and ventures of the Albertine Graben and Moroto-Kadam Basin
ii) Undertake construction and operationalization of upstream infrastructure projects
iii) Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher projects
iv) Review, update relevant policies, and harmonize conflicting laws and regulations.
v) Establish Quality, Health, Safety, Security and Environment (QHSSE) governance and assurance framework

Performance of the interventions

The performance of the interventions was fair at 59.5%. Only one intervention showed good performance, two had fair performance while two performed poorly (table 3.3). Further exploration of petroleum potential in the Moroto-Kadam Basin did not progress due to insecurity in the Karamoja area and stagnated at 78%. The exploration in Kyoga Basin was yet to commence and stakeholder-holder engagements were underway.

The construction of the upstream facilities in Tilenga and Kingfisher progressed to 22% but was still behind schedule. There was also a delay in equipping the National Petroleum Data Repository (NDPR) to monitor upstream facilities due to funding constraints. The development of the third licensing strategy to kick start the third licensing round was ongoing awaiting the conclusion of direct application of the crane and pelican blocks in Lake Albert. The intervention performance was generally affected by procurement delays and funding constraints for some of the activities.

Table 3.3 Performance of Interventions in the Upstream Sub-programme

Intervention	Performance Rating	Remarks
Undertake further exploration and ventures of the Albertine Graben		Fair performance at 59.9%. Surveys for Lakes Edward and George were undertaken. 3rd licensing round was in the preparation stages. However, data acquisition for the Kyoga and Moroto Kadam basins did not progress.
Undertake construction and operationalisation of infrastructure projects		Performance was poor at 43.8%. The procurement of a contractor to undertake installation and consultants to design some of the NPDR components showed slow progress due to inadequate funds.
Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher projects		Fair performance at 69.4%. Development of upstream facilities was at 22%. A total of 24 wells had been drilled at five well pads. RAP for facilities was almost complete.

Intervention	Performance Rating	Remarks
Review, update relevant policies, and harmonize conflicting laws and regulations		Poor performance at 46.7% The development of upstream regulations was pending the conclusion of midstream regulations However the draft report for midstream regulations had not been produced though the stakeholder consultations had been conducted.
Establish Quality, Health, Safety, Security and Environment (QHSSE) governance and assurance framework		Good performance at 84.5%. The targets for safety trainings and inspections of the different oil activities by PAU were met.
Overall intervention output Performance		**Fair performance at 59.5%**

Source: Author's Compilation

3.2.1 Undertake further exploration and ventures of the Albertine Graben and Moroto-Kadam Basin

This intervention aims to establish petroleum potential in the country through undertaking exploration activities in the Albertine Graben (Hoima, Masindi, Nwoya, Buliisa), Moroto-Kadam and Lake Kyoga basins. The planned output is new exploration activities undertaken and promotion of the country's petroleum potential with the following targets:

i) Acquisition of 200 line-km of geophysical data plus geological and geochemical mapping of 200sq. km in the Moroto Kadam basin as well as undertaking sensitization exercises in the frontier basins (Moroto-Kadam, Lake Kyoga and Hoima).
ii) Acquisition of 100 line-km of geophysical data and geological and geochemical mapping of 250sq. km in the Kyoga Basin
iii) Acquire specialized equipment and maintain specialized software packages to aid in the analysis and interpretation of seismic data of explored petroleum reservoirs
iv) Licensing strategy and plan for the third (3^{rd}) licensing round developed and two draft reconnaissance agreements prepared.

Performance

The performance of the intervention was fair at 59.9 %.

Exploration of Basins

One sensitization meeting was held in the Kyoga basin and preparations to commence data acquisition were underway. Desk studies to evaluate the hydrocarbon potential for the L. Kyoga and Hoima frontier basins were also undertaken. The acquisition of data in the Moroto Kadam basin however did not progress in the first half of the FY and stagnated at 78% cumulative progress. This was due to insecurity in the Karamoja area and MEMD was in the process of engaging security agencies and local leadership to forge a way forward.

Additionally, analysis surveys for Lakes Edward and George basins were being undertaken. A total of 60 samples and 90 source rock samples were collected from Kanywantaba and Ngaji respectively pending sample analysis. The PAU also continued with the second phase of the basin analysis study for the Southern Lake Albert and Semliki basins which progressed to 86% completion.

The promotion of surveying of unexplored part of Albertine Graben to speculative companies was also undertaken. However, reconnaissance surveys for studies of areas of interest within the explored region were not held and no additional petroleum resources had been quantified from the petroleum explorations undertaken in the FY.

Acquisition of equipment

The annual target is to maintain specialised upstream software (PETREL, Geosoft, Geox, PIGI) and laboratory equipment including Hawk analyser, Gas chromatography and procurement of GPS differential, Vacuum Impregnation Unit and Magnetometers. The two magnetometers were procured while procurement of differential GPS was concluded but delivered had not yet been made.

Procurement of other equipment was at different stages with the maintenance of specialised equipment procurement initiated, procurement for the vacuum impregnation unit awaiting approval on EGP and specialised software at the evaluation stage. The procurements of the Palynological microscope for detailed sample analysis were also pending clearance at the Solicitor General. The renewal of licenses for the specialised software will enable the MEMD to analyse data from the oil fields.

Promotion of Petroleum Potential

After the conclusion of the second licensing round with the Kasuruban and Turaco blocks awarded to UNOC and DGR Global Limited respectively, the MEMD was in the process of the 3rd licensing round to promote petroleum investment. The UNOC and DGR were undertaking further exploration of the awarded blocks to ascertain investment opportunities. A geological, geophysical and geochemical data compilation for some of the planned blocks was undertaken and the MEMD was engaging prospective companies (UNOC and CNOOC) over direct application for exploration licenses for two blocks (Crane and Pelican) in southern Lake Albert. The other areas to be earmarked for petroleum exploration were approved by Cabinet.

Workshops to launch the licensing strategy to guide the 3rd licensing round for these areas were thus awaiting the conclusion of discussion for the direct application of exploration licenses over crane and pelican blocks. The development of the licensing strategy will pave way for printing and distribution of promotional materials for areas earmarked for the 3rd licensing round and eventually lead to the pre-qualification of companies that will participate in the round.

The preparations of the East African Petroleum Conference and Exhibition (EAPCE'25) had not commenced awaiting the review of the EAPCE'23 audit reports by the EAC cabinet and recommendation of the next host for the EAPCE'25.

Other achievements included: The Annual Resource Report for FY 2022/23 was published. The Petroleum Authority of Uganda (PAU) also produced regulatory reports on petroleum reserve estimates and continuing monitoring exploration licenses in the Albertine Graben.

3.2.2 Undertake construction and operationalization of infrastructure projects to ease monitoring of upstream activities

The intervention was aimed at establishing the enabling infrastructure to aid the upstream petroleum operations for the programme. The major goal of the intervention is to establish the National Petroleum Data Repository (NPDR) which will integrate data from the MEMD and PAU. The annual outputs for FY 2023/24 are:

- Petroleum Integrated data management system developed and

- Real-Time Monitoring Centre (RTMC) set up and operationalized, Modern core store equipped, software for surface facilities (Aspen) and subsurface (Decision space) data management procured and installed, a functional offsite data backup and Disaster Recovery System (DRS) set up.

Performance
The performance of the intervention was poor at 43.8%.

Integrated Data Management System Development
The procurement of a consultant to assess and produce a report on the suitable technology for data integration was ongoing at the evaluation stage but behind schedule hence low absorption of funds. The procurement of ICT-specialised equipment did not also progress.

Development of the National Petroleum Data Repository
The National Petroleum Data Repository (NPDR) consist of five components to be developed and housed at the PAU data centre: Modern core, Seismic data tape storage; Offsite data backup and Disaster Recovery; Data Management hardware and software applications and RTMC.

The cumulative development of the NDPR was at 37% by 31st December 2023 but behind schedule against the planned 66%. The following progress was noted:

Modern Core Store: Designs were completed in December 2023. The procurement process for the supply and installation of the equipment was initiated.

Data Management Software: The procurement for the acquisition of software for surface facilities (Aspen) and subsurface (Decision space) was initiated in December 2023 and was at bid evaluation.

Seismic data tape storage: Equipping of the storage was at 95% with installation of shelves for the storage room completed. The pending works included the installation of air conditioning. The tapes for storage and ICT support equipment were acquired.

L-R: Installed ICT equipment for data storage; A view of the installed storage shelves for data tapes

Offsite data backup and Disaster Recovery: The designs were completed in September 2023 and the procurement was yet to be initiated. The Terms of Reference were under development.

Real-Time Monitoring Center (RTMC): This will provide real-time information and monitor drilling, production and crude oil transportation. The procurement of a contractor to setup and operationalise the RTMC was under retendering after being delayed at the bid evaluation stage in the previous FY 2022/23.

Although the procurement for the components had shown some progress, the progress of development for the NDPR was affected by funding constraints with only 1% of the annual budget received by 31st December 2023.

3.2.3 Construct the Central Processing Facilities for Tilenga and Kingfisher projects

The development of Central Processing Facilities (CPFs) includes; well drilling, construction of flow lines connecting the fields (Tilenga[1] and Kingfisher[2]) to the CPFs, construction of the pipeline from the CPF to the Export hub in Kabaale, Hoima and implementation of Resettlement Action Plan (RAP) for Persons affected by the project infrastructure as well as construction of other supporting infrastructure such as temporary and permanent operation support base camps.

The planned outputs under the intervention for FY 2023/24 are Central Processing Facilities (CPFs) constructed; RAP for the Kingfisher and Tilenga fields implemented and supporting infrastructure constructed.

Performance
The performance of the intervention was fair at 69.4%. Overall, the development of the upstream facilities in preparation for the first oil production in the Tilenga production area was 22%. A total of three drilling rigs were in operation in Tilenga and one in Kingfisher. Cumulatively, a total of 24 wells had been drilled in the development areas. The civil works for the enabling infrastructure (industrial area site preparation, access roads, well pads, camps, construction support bases) were also nearing completion.

Tilenga Development Area
The Tilenga has a total of 426 wells and 31 well pads and is expected to produce 190,000 barrels per day at peak production. The construction of the base camp at the Tilenga industrial site was completed. One more drilling rig started operation in November 2023. Overall, three drilling rigs were in operation at the different well pads. Drilling of the oil producer, water injection, spare and reference wells was ongoing at Ngiri 1, Gunya 1 and Job Rii 5 well pads and a total of 20 had been drilled.

The foundations for the main pipe rack, LPG Plant and gas turbine generator at the CPF were complete and the levelling of the operation support base camp was also finished. Additionally, the construction of the temporary worker's camp for accommodation was complete whereas works at the worker's permanent camp were ongoing.

Total Energies which is operating the Tilenga Exploration Area continued to undertake Resettlement Action Plans (RAP) of persons displaced by project activities. The RAP was divided into five

[1] The Tilenga field under Total Energies is located in Nwoya and Buliisa Districts
[2] Kingfisher field under Chinese National Offshore Oil Company (CNOOC) is located in Kikuube District

Well drilling at Ngiri 1 Well Pad in Buliisa

Works at the temporary worker's camp in Buliisa

components, with RAP 1 covering the Central Processing Facilities while RAPs 2-5 covered the Tilenga field access roads, well pads, feeder pipelines and flow lines. A total of 195 houses that were in the development area were relocated. To that effect, cash compensations were at 95% and a total of 235 resettlement houses were completed while 15 were under construction.

Kingfisher Development Area

One drilling rig was in operation in this development area. Drilling of oil producer and water injection wells at two well pads had been undertaken by the Chinese National Offshore Oil Corporation (CNOOC) which operates the Kingfisher development area. The drilling for the first development well at the first well pad (pad 2) was completed. Drilling of other oil producer wells at well pad 2 was also completed.

To prepare for drilling at the remaining three (3) well pads, the civil works at well pad 3 and well pad 1 were complete. Civil works at well pad 4 had commenced.

The compensation of the affected persons and construction of resettlement houses for the communities in Buhuka Parish, Kikuube District in the Kingfisher area was completed. The RAP implementation for the feeder pipeline from the Kingfisher CPF to the export hub in Kabaale was also at its tail end.

Drilling at the Gunya wellpad in the Kingfisher Development area

3.2.4 Review, update relevant policies, and harmonize conflicting laws and regulations

The intervention aims at harmonizing conflicting policies, laws and regulations for effective regulation of oil and gas. The outputs for the FY 2023/24 are: Decommissioning and fiscal meters regulations developed, Petroleum Act 2013 updated, ten (10) standards and codes for upstream developed and National Petroleum Policy (NPP) strategic Environment Assessment conducted.

Performance

The performance was poor at 46.7%. The development of upstream decommissioning and fiscal regulations had not started pending the completion of midstream fiscal regulations. The midstream decommissioning and fiscal metering regulations will be used as a bench mark for the development of the upstream regulations. Therefore, the stakeholder engagements aimed at developing the upstream standards and codes and updating the Petroleum Act 2013 could not commence.

On the other hand, the stakeholder consultations for the midstream regulations were held but the report from the views collected during the stakeholder engagements had not yet been produced.

3.2.5 Establish Quality, Health, Safety, Security & Environment governance and assurance framework

The intervention targets having a safe working environment in oil and gas by promoting Quality, Health, Safety, Security and Environment (QHSSE) guidelines.

The outputs for FY 2023/24 are: engagements on QHSSE held with stakeholders, QHSSE reports for the production licenses issued, QHSSE standards developed in the Petroleum Programme and the Social Media Strategy for the Directorate Sub-Sector Communication Strategy implemented.

Performance

The performance was good at 84.5%. The PAU undertook a total of five (05) engagements in the Tilenga Development Area on environment, health, safety and security management in oil and gas. A total of 12 new staff for PAU were provided with Personal Protective Equipment PPEs/ (safety shoes, coveralls, helmets and earmuffs). The targets for safety trainings and inspections of the different oil activities by PAU were met. However, there were still cases of non-compliance with the regulatory framework in some key health and safety aspects and more regulation was needed.

The MEMD also reviewed the petroleum department communication strategy in preparation for the implementation of the social media strategy in the last half of the FY and commenced preparation for engagements with stakeholders.

The detailed performance of the Upstream Sub-programme is highlighted in Table 3.4.

Table 3.4: Performance of the Upstream Sub-programme by 31st December 2023

Outputs Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Qty	Physical Performance Score (%)	
Undertake further exploration and ventures of the Albertine Graben	Complete data acquisition in Moroto-Kadam and commence data acquisition in Kyoga basin	3.090	38.8	54.2	100	15.0	38.7	Poor Performance
	3rd licensing round commenced, EACPE 25 preparations, two draft reconnaissance agreements	1.900	41.8	33.7	100	25.0	59.8	Fair performance
	Promotion at international conferences Speculative survey promotion frame work undertaken preparations for the 11th EACPE 25 undertaken	5.654	50.5	91.4	100	31.0	61.4	Fair performance
	UNOC Upstream operations	7.463	48.1	48.1	100	36.0	74.8	Good performance
	Regulation of the exploration activities	1.757	53.8	63.7	100	35.0	65.0	Fair performance
Undertake construction and operationalization of infrastructure projects	Integrated data management system developed	1.130	49.2	4.7	100	10.0	20.3	Poor Performance
	National Petroleum Data Repository established	22.000	0.7	-	66	0.3	67.3	Fair performance
Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher projects	Supervision of Kingfisher and Tilenga projects, RAP	1.757	53.8	63.7	50	19.0	70.6	Good performance
	Development of Tilenga and Kingfisher supervised and report produced Tilenga and	0.940	42.4	71.8	75	21.0	66.0	Fair performance

Outputs Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Qty	Physical Performance Score (%)	
	Kingfisher RAP Feasibility study for the conversion of gas produced to Ammonium nitrate undertaken							
	Work programme and budget reviewed and approved	8.084	48.9	88.3	100	35.0	71.5	Good performance
Review and update relevant policies	Decommissioning and fiscal meters regulations developed. The Petroleum Act 2013 updated 10 standards and codes for upstream developed NPP strategic Environment Assessment conducted.	1.757	53.8	63.7	100	20.0	37.1	Poor Performance
	Policy and regulatory framework for midstream strengthen. Quarterly dissemination of sector info in media. Performance reviews held	1.774	55.1	52.3	100	31.0	56.3	Fair performance
Establish QHSSE governance and assurance framework	Five QHSSE standards, and social media strategy developed.	5.351	41.4	87.4	100	35.0	84.5	Good performance
	Total	**62.657**	**31.2**	**68.2**				
Overall sub-program Performance							**59.5**	

Source: MEMD and PAU Q2 Reports, Field Findings

Challenges

i) The acquisition of key software and equipment was affected by delays in the procurement processes
ii) The equipping of the National Petroleum Data Repository for data analysis and storage did not progress due to no funds availed for the activity.

Recommendations

i) The MEMD should fast procurement of key equipment and software in preparation for the oil and gas production phase.
ii) The PAU and MFPED should fast-track the equipping and operationalization of the NDPR.

3.2.6 Sub-programme Conclusion

The sub-programme overall performance was fair at 59.5%. Exploration of the Kyoga and Moroto-Kadam basin was poor with little progress observed. This was due to insecurity in Karamoja and the delay in concluding stakeholder consultations in the Kyoga basin. The second licensing round for the exploration of two of the five blocks was concluded and two exploration licenses were awarded. The development of the licensing strategy to kick start the third licensing round was yet to commence. The development of the Tilenga and Kingfisher upstream facilities to fast-track the country's first oil production projects also progressed with drilling at a total of 24 wells at five of the overall 35 well pads. The compensation of Project Affected Persons progressed with the construction of resettlement houses nearing completion. The sub-programme activities were affected by delays in procurement and limited funds for implementation.

3.3 Midstream Sub-programme

The Midstream Sub-programme consists of activities about transportation, refining of oil and conversion of gas into finished products. The sub-programme also focuses on developing the technical and financial capacity of the Ugandan population in oil and gas as well as promoting investment. The sub-programme outcomes are; the number of Ugandans employed in the oil and gas and related industries, level of midstream oil and gas compliance, percentage change in the amount of revenue from oil and gas and number of contracts awarded to local companies.
The planned interventions for FY 2023/24 are:

i) Undertake construction and operationalization of midstream infrastructure projects in the Albertine region to ease the movement of goods.
ii) Capitalize and/or license UNOC to execute its mandate as an investment arm of the Government in the oil and gas industry.
iii) Operationalize the National Content policy to enhance local Content and national participation in oil and gas
iv) Establish an oil and gas incubation fund to promote local entrepreneurship and SMEs
v) Implementation of a strategy on value addition and marketing of goods and services that will be demanded by the oil and gas sector.

Performance of the interventions

The overall output intervention performance was fair at 62.1% (table 3.5). For the five monitored interventions, one showed good performance, two were fair and two performed poorly. The EACOP equity contributions were completed by the partners and the first batch of 100 km of EACOP pipeline was delivered. The RAP for EACOP was nearing completion but the products pipeline RAP showed poor progress. The promotion of local content showed good progress with more Ugandans participating. The Government also disbursed Ug shs 97.69 billion as part of the refinery equity. Poor progress was noted in the development of a local content fund to support local firms and strategies to enhance value addition for goods and services by the Ugandan population. The strategies did not progress due to inadequate funds to undertake intervention activities.

Table 3.5: Performance of interventions in the Midstream Sub-programme

Intervention	Performance Rating	Remarks
Undertake construction and operationalization of infrastructure projects in the Albertine region to ease the movement of goods		Fair Performance at 63.8%. EACOP RAP was at 98%. Financing for EACOP and Refinery not yet acquired
Capitalize and/or license UNOC to execute its mandate as an investment arm of Government in the oil and gas industry.		Fair performance at 68.7%. The government disbursed Ug shs 97.69 bn for Refinery equity. Designs for Kabalega Industrial Park (KIP) infrastructure (roads, electricity) were ongoing
Operationalize the National Content policy to enhance local Content and national participation in oil and gas		Good performance at 81.5%. percentage of participating Ugandan firms was 79.5% and talents were 93%.
Establish an oil and gas incubation fund to promote local entrepreneurship and SMEs		Performance was at 36.5%. Sensitizations were held and drafting of the act was ongoing but behind schedule.
Implementation of a strategy on value addition and marketing of goods and services that will be demanded by the oil and gas sector		Poor performance at 48.7%. Stakeholder consultations were held. A consultant to undertake needs assessment was not yet procured.
Overall intervention output Performance		**Fair performance at 62.1%**

Source: Author's Compilation

3.3.1 Undertake construction, operationalization of infrastructure projects in the Albertine region to ease movement of goods

The intervention aims at the establishment of midstream petroleum infrastructure including oil refinery, product pipeline and EACOP for refining and transportation of oil during production. The planned outputs for the FY 2023/24 are:

i) Refinery post-FEED activities undertaken and conclude key agreements and compensation of affected persons for the Oil Refinery
ii) Conclude acquisition of EACOP, multiproduct pipeline corridors and Storage terminal through resettlement activities.
iii) Study for the development of a petrochemical industry undertaken

iv) A feasibility study for the natural gas pipeline completed and land for two regional offices acquired.

Performance
The intervention performance was fair at 63.8%. The progress of the various outputs was as below:

Refinery Development
The Refinery Project Framework Agreement expired on 30th June 2023 and the project progressed as a Public Sector led project. The Refinery Implementation Agreement was redrafted and the MOU was developed to support the Government in the search for a development partner. The Government, through the budget also released Ug shs 97.69bn as part of the phased disbursements for the Refinery equity to UNOC.

Pipelines Development
The MEMD and the Joint Venture Partners were in the process of developing the EACOP and product pipelines. The EACOP is 1,443km long from the export hub in Kabaale, Hoima district in Uganda to Tanga Port in Tanzania, with 80% of the pipeline in Tanzania. The multi-product pipeline on the other hand is 211km long and will evacuate refined products from the refinery to a storage terminal at Namwabula, Mpigi District.

a) Pipelines Construction

The Final Investment Decision and construction license for the EACOP were completed. The equity contribution by the joint venture partners[3] was completed. The first batch of pipeline for 100 km was also delivered in Dar es Salaam and the installation of the coating plant was completed. Preliminary civil works at the main camp and pipe yards (MCPY) and the Pump Station at Kabaale had commenced. The construction of the Above Ground Installations (AGI), Marine Storage Terminal, Solarization farms and access routes at Tanga, Tanzania was also ongoing.

However, the financial closure for the debt financing of the project had not yet been achieved and the Government continued the search for a development partner for the 60% EACOP debt financing.

The FEED studies for the finished products pipeline from Hoima were completed and the land for the storage facilities was fully acquired. The Government was in the process of securing financing for the construction of the pipeline.

b) Acquisition of pipeline corridors

The progress of cash compensation of the 30m corridor for the EACOP pipeline was good and cumulatively at 98%. A total of 177 resettlement houses were also completed and handed over to the PAPs.

The progress for Product Pipeline RAP on the other hand was poor despite the availability of funds. There was low staffing for effective monitoring of works and the MEMD was engaging Project Affected Persons (PAPs) who had not signed compensation agreements due to rejection of land rates and absentee landlords.

[3] UNOC (15%), Tanzania Petroleum Development Corporation/TPDC (15%), Total Energies (62%) CNOOC (8%)

c) Development of Natural Gas Pipeline and Regional Offices

The Bilateral Agreement for the development of the Natural gas pipeline was signed by the Government of Uganda and the Government of Tanzania in November 2023. The joint procurement rules and procedures were also signed. The formulation of a procurement committee for a consultant to undertake the feasibility study was underway. The natural gas pipeline from Tanzania to Uganda is anticipated to support iron ore mineral processing.

In a bid to decentralize midstream functions, land for GOU EACOP offices in Tanzania and the Hoima Regional Office was acquired. The Terms of Reference (TORs) for the consultant to develop the designs for the offices were finalized and the procurement process was ongoing.

3.3.2 Capitalize and/or license Uganda National Oil Company to execute its mandate as an investment arm of Government in oil and gas industry

This intervention was aimed at providing equity financing to UNOC to enable it to execute its mandate as an investment arm of the Government in oil and gas industry through: state participation in production licenses; propose new petroleum exploration ventures; develop, own and operate oil refinery, oil pipelines, storage terminals and other related facilities.

The planned output for FY 2023/24 is the contribution of UNOC's equity contribution to the Oil Refinery as part of its shareholding to enable the carrying out operations including, Oil Refinery Pre-FID activities and other supporting activities in the oil gas sector undertaken and development of the Kabalega Industrial Park (KIP).

Performance

The performance was fair at 68.7%. The Government through the budget released Ug shs 97.69 billion (56.9% of the annual target) in the first half of the FY 2023-24 as part of its equity investment in the Oil Refinery. The Government in addition was also in the process of securing debt financing for the refinery.

The UNOC was in the process of developing common infrastructure for the Kabalega Industrial Park (KIP) with designs for roads (38 km), and electricity infrastructure among others ongoing at 60% progress. Additionally, a financing agreement for the construction of common infrastructure for the KIP was under review before it could be approved. The UNOC also continued with the studies of a petrochemical industry and a fertilizer complex and progress was at the procurement process for a consultant to undertake the activities.

3.3.3 Operationalize the National Content policy to enhance local Content and national participation in oil and gas

The intervention aims at training local Small and Medium Enterprises in oil and gas skills. This is to enable them to successfully implement oil and gas contracts to enhance their participation in tendering and delivery of contracts. The planned outputs for FY 2023/24 are:

i) 200 local companies registered on the National Supplier Database (NSD).
ii) 800 talents registered on the database.
iii) 16 supplier development workshops conducted.

Performance
The intervention showed good performance at 81.5%. Training of the local population in oil and gas and provision of employment opportunities in the sector continued.

To promote national content, the PAU registered local capacity on the National Supplier Database (NSD). The NSD established in 2017 captures companies with interest and readiness to supply goods and services in the sector and regulates procurement of goods and services while ensuring prioritization of local firms.

A total of 126 Ugandan companies were qualified on the NSD. Cumulatively, the total number of qualified companies stood at 2,947 with 2,343 (79.5%) being Ugandan companies. Additionally, PAU approved bid evaluation reports worth US$ 23.52m to Ugandan firms translating to 39.2% of total by contract value. It was noted that although the participation of Ugandan firms stood at 79.5%, they only benefited from 39.2% of the total awarded contract value. This is because the sector is highly specialized and capital-intensive and some firms lack capital and skills. Hence a form of financial support and more training is required to boost the level of participation of local firms.

To boost local talent, the PAU registered trained students who can work in oil and gas on the National Oil and Gas Talent Register (NOGTR). The NOGTR captures the talent of both local firms and individuals who can potentially work in the oil and gas sector. On the NOGTR, a total of 618 talents were registered during the first half of FY 2023/24 bringing the total number of Ugandan registered talents to 12,813 (93%). Overall, 13,819 people were employed in oil and gas and of these, 4,344 were from the host communities. Additionally, over 160 Ugandans from the Albertine region were trained and certified according to American Welding Society standards in Shielded Metal Arc Welding 1G-6G.

A total of 19 sensitization engagements on the National Oil and Gas Talent Register and National Supplier Database were also undertaken. Eleven more supplier development workshops were held by Vocational Training Institutions and other stakeholders on skills requirements for the Oil and gas sector.

3.3.4 Establish an oil and gas incubation fund to promote local entrepreneurship and Small and Medium Enterprises

Over the past years, there has been an increase in the number of local firms ready to participate in oil and gas. However, their level of participation by contract value has been minimal since the sector is capital-intensive and they cannot effectively compete with foreign firms due to a lack of capital limited by the high interest rates charged by commercial banks. The intervention aims at establishing and operationalization of a local content fund to enhance its financial capacity in preparation for the oil and gas development phase. The output for the FY 2023/24 is the Local Content Development Fund Act developed.

Performance
The performance was poor at 36.5%. Drafting of the Local Content Development Fund Act was ongoing but behind schedule and only two of the planned four stakeholder engagements were undertaken. The Local Content Development fund is envisaged to be financed by a 1% deduction on awarded goods and services contracts and funds are to be held at the Uganda Development Bank (UDB). The fund will increase the participation of Ugandan firms in the oil and gas sector by contract value which currently stands at 39.2%. Related to the promotion of

Local content, the necessary policy regulations were also translated into various local languages.

3.3.5 Implementation of a strategy on value addition and marketing of goods and services that will be demanded by the oil and gas sector

This intervention aims at adding value to the goods supplied which in turn is expected to enhance the financial benefits of the business communities and ensure sustainability of participation in oil and gas. The output for FY 2023/24 is value addition and a marketing strategy for the petroleum sector was developed.

Performance

The performance of the development of the strategy was poor at 48.7%. The draft ToRs for the strategy were finalized and submitted for review. The awareness campaigns for the strategy were also being undertaken along the EACOP route in Kyotera and Sembabule districts. The procurement of a consultant to undertake further needs assessment for the farmers and develop the strategy had not yet been undertaken. The procurement for the publishing and dissemination of the value-addition strategy for goods and services was also not yet finalized and was at contract signature. The detailed performance of the Midstream Sub-programme is highlighted in Table 3.7.

Table 3.7: Performance of the Midstream Sub-programme by 31st December 2023

Output Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Qty	Physical performance Score (%)	
Undertake construction and operationalization of infrastructure projects in the Albertine region to ease movement of goods	Products Pipeline and storage terminal RAP implemented. Refinery post FEED conducted. Petrochemical industry development undertaken.	1.000	47.5	41.1	100	23.0	48.44	Fair performance
	Feasibility study for natural gas pipeline undertaken. EACOP RAP supervised.	2.527	45.8	43.4	20	8.3	90.69	Good performance
	Refinery, Product Pipeline and Kyakaboga Water pipe system RAPs	73.753	36.6	16.2	49	5.0	27.89	Poor performance

Output Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Qty	Physical performance Score (%)	
	Reports for EACOP and Refinery produced	3.571	51.0	82.6	100	45.0	88.18	Good performance
Capitalize UNOC to execute its mandate as an investment arm of Government in oil and gas industry	Refinery Equity contribution	171.100	57.1	100.0	100	44.0	77.06	Good performance
	UNOC Midstream Operations	22.388	48.1	100.0	100	29.0	60.28	Fair performance
Operationalize the National Content policy to enhance local Content and national participation in oil and gas	National Content Policy Implemented	6.857	50.3	96.3	100	41.0	81.53	Good performance
Establish an oil and gas incubation fund to promote local entrepreneurship and SME's	Local Content Development Fund act developed	1.543	41.1	45.5	100	15.0	36.49	Poor performance
Implementation of a strategy on value addition and marketing of goods and services that will be demanded by the oil and gas sector	Value addition and marketing strategy and plan for the oil and gas sector developed	3.087	41.1	45.5	100	20.0	48.65	Poor Performance
	Total	285.826	50.5	82.7				
Average Output Performance							**62.1**	

Source: MEMD, UNOC and PAU Q2 Reports, Field Findings

Challenges

i) Delay to reach financial closure by both the GoU and the Joint Venture Partners. The private joint venture partners had not secured loan financing needed to implement the EACOP project which was going to further delay the production of the first oil.

ii) The funding constraints led to a slow pace of development of value-addition strategies for enhancing local capacity.

Recommendations

i) The Government and Joint Venture Partners should fast-track the conclusion of the financial closure for the EACOP project so that construction can commence.
ii) The MEMD needs to fast-track the development of the value-addition strategy for goods and services to improve the financial benefits of the local firms that take part in oil and gas.

3.3.6 Sub-programme Conclusion

The overall sub-programme performance was fair at 62.1%. The RAP implementation for EACOP and refinery was almost complete but compensation for the products pipeline was poor despite funds being available. The equity contributions for EACOP by the partners were also completed and the first batch of 100 km for the pipeline was delivered. However, the Government and joint venture partners were yet to secure the 60% debt financing for the EACOP pipeline hence no construction works had been undertaken. The Government through the budget also contributed Ug shs 97.69 billion as part of the refinery equity but the development partner was not yet acquired. The midstream infrastructure development was therefore behind schedule. The promotion of national content (Ugandan firms and people) was good with 79.5% and 93% of firms and persons employed in the sector being Ugandans respectively. Although performance by participation was good, the proportion of local firms by contract value was low at 39.2%. However, the development of the local content fund act to address this though financial support to Ugandan firms had slow progress with sensitization engagement just completed. The development of the value-addition strategy for goods and services for oil and gas also had poor progress due to funding constraints.

3.4 Downstream Sub-programme

The Downstream Sub-programme deals with the distribution, marketing and sale of refined petroleum products within the country. The sub-programme outcomes are; adequate stock of petroleum products on the market and the level of compliance of petroleum quality. The three planned interventions are:

i) Manage and restock Jinja Storage Terminal (JST)
ii) Develop strategic regional storage terminals for petroleum products.
iii) Development of standards for storage infrastructure and other facilities
iv) Invest in LPG infrastructure.

The overall downstream sub-programme performance was fair at 67.1%. The level of compliance of petroleum supply quality was at 99.3% and performance for increased national storage was good with 19.4 of the 30 million litres for JST restocked. The financing for the development of the Kampala Storage terminal to improve stock levels was not yet secured.

Performance of the interventions

The overall intervention performance was fair at 67.1%. One intervention showed good performance, one performance fairly whereas one performed poorly. The restocking of the Jinja Storage terminal was at 19.4 million litres and the MEMD continued with the monitoring of the fuel retail outlets to ensure the fuel quality of the petroleum supply. The development of the Lake Transport regulations was ongoing but behind schedule.

Table 3.8: Performance of Interventions under the Downstream Sub-programme

Intervention	Performance Rating	Remarks
Restock and manage Jinja Storage Terminal		Good performance at 86.6%. The restocking of JST was at 19.4 litres.
Develop strategic regional storage terminals for petroleum products		Poor performance at 48.9%. ToRs for the Lake transport master plan were produced. Partner to develop Kampala Storage Terminal was not yet acquired.
Development of standards for storage infrastructure and other facilities		Fair performance at 66.3%. A total of 534 retail outlets were monitored and enforcement was done in 312. 237 licenses were issued.
Overall sub-programme performance		**Fair performance at 67.1%**

Source: Author's Compilation

3.4.1 Manage and restock Jinja Storage Terminal

The intervention is aimed at overseeing the rehabilitation, operation and management of the Jinja Storage Terminal to oil industry standards to ensure the security of the petroleum supply. The terminal has a capacity of 30 million[4] litres and is managed by UNOC. The planned outputs for FY 2023/24 are:

i) Managing the operations and scaling up trading of the JST.
ii) Construction of the oil jetty and pipeline connecting JST to Lake Victoria.

Performance

The performance was good. The Petroleum Supply Act 2023 aimed at giving UNOC a sole mandate to import petroleum products for the country was enacted and the Oil Marketing Company sales and Purchase agreement was finalized. By 31st December 2023, UNOC had managed to restock 19.4 million litres (65%). However, stock levels were still below the storage capacity (30 million litres) at the terminal. In that regard, UNOC continued efforts to open offices in Kenya to execute UNOC's mandate of direct imports into Uganda and initiated a supply agreement with some companies for fuel restocking.

To ensure the security of supply and scale-up trading, UNOC concluded feasibility studies for the transportation of petroleum products through the development of an oil jetty pipeline from the terminal to Lake Victoria with pipeline designs also completed but a funding partner had not yet been acquired.

3.4.2 Develop strategic regional storage terminals for petroleum products

The intervention aims at developing regional storage terminals to ensure adequate stock of petroleum supply. The planned outputs for FY 2023/24 are: Lake transport routing master plan developed and lake transport of refined petroleum products regulated.

[4] 20 million diesel and 10 million petrol

The performance was poor at 48.6%. The Terms of Reference (ToRs) for Lake transport were developed in consultation with the Ministry of Works and Transport (MoWT), however, the MEMD has yet to embark on the development of the regulations. The UNOC also continued the search for a Joint Venture Partner for the development of Kampala Storage Terminal (KST).

The MEMD completed fully acquiring 20 acres of land for the Liquefied Petroleum Gas (LPG) storage terminal in Mukono. The process of fencing the land was still stuck at procurement for a contractor to undertake the works. The initiative to distribute subsidized LPG cooking kits to reduce biomass dependence performed very poorly because it got a very low budget allocation and therefore not kits were procured during the first half of the FY 2023/24.

3.4.3 Development of standards for storage infrastructure and other facilities

The intervention aims at regulating the quality of petroleum products on the market through monitoring, enforcement and development of standards for regulation. This is implemented by the Petroleum Supply department in the MEMD. The annual planned outputs are: downstream operations monitored and enforcement undertaken, and petroleum standards developed.

Performance

The performance was fair at 66.3%. A total of 534 (89%) retail outlets were monitored and inspected. Quality inspections for the retail outlets were also carried out and the compliance level was at 99.3%. Enforcement in 312 non-compliant retail outlets was undertaken in the Central and Western regions. A total of 33 retail facilities were lined up for prosecution for illegal constructions and operations. Additionally, eight standards for base oils were reviewed. Overall, the compliance level increased and MEMD should continue enforcement to further improve fuel quality.

The MEMD also issued a total of 237 petroleum licenses to outlet development during the first half of the FY for downstream trading with the construction of 45 of these outlets completed by 31st December 2023. The performance of the Downstream Sub-programme is summarized in Table 3.9.

Table 3.9: Performance of the Downstream Sub-programme as at 31st December 2023

Output Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Qty	Physical performance Score (%)	
Restock and manage Jinja Storage Terminal	Bulk Trading of petroleum products scaled up	19.900	48.1	100	30	13	86.6	Good performance

Output Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Qty	Physical performance Score (%)	
Develop strategic regional storage terminals for petroleum products	Consultancy services for the master plan for Lake Transport undertaken Petroleum supply Lake Transport regulations in place	1.241	45.5	49.6	100	22	48.4	Poor performance
Development of standards for storage infrastructure and other facilities	1,200 downstream operations monitored 20 petroleum standards developed 80% fuel stations monitored for quality Four awareness campaigns undertaken	3.170	49.8	63.1	100	33	66.3	Fair performance
	Total	**24.311**	**48.2**	**92.6**				
Average Output Performance							**67.1**	

Source: MEMD and UNOC Q2 Reports, Field Findings

Challenges

i) Funding constraints affected the distribution plan for the promotional LPG cylinder kits to households.

ii) UNOC is not able to fully restock the fuel reserves in Jinja to the recommended safety levels which is a risk to the country's energy security.

Recommendations

i) The MEMD should prioritize the funding for the LPG project to tie in with the Government's plans to discourage the use of charcoal for cooking.

ii) The MEMD and MFPED should prioritize funding to the downstream sub-programme and development of the Kampala storage terminal to ensure that adequate stock of fuel levels is kept in the reserves at all times and that more enforcement is also carried out to ensure the quality of fuel supply.

3.4.4 Sub-programme Conclusion

The Downstream Sub-programme performance was fair at 67.1%. Restocking of Jinja Storage Terminal was good with 100% of the target achieved. Although the target was nearly achieved, the overall stock at the JST was at 19.4 litres with utilization of the facility at 65%. Therefore, UNOC continued to search for potential partners to scale up trading to utilize 100% of the JST.

The distribution of household LPG cylinder kits was not undertaken because no funds were availed for the activity. The MEMD also continued monitoring and enforcement of petroleum quality at the different retail outlets. The compliance of petroleum quality on the market was at 99.3% although issues of non-compliance continued to persist and more effort was needed to undertake market surveillance and enforce the quality standards on the market

3.5 Overall Analysis of the Programme Value Chain

The Upstream Sub-programme showed fair progress towards the country's road to the first oil with construction works on the central processing facilities ongoing but behind schedule. A total of four drilling rigs were acquired and were in operation at three well pads in Tilenga and one well pad in Kingfisher. Further deliberate interventions to discover more petroleum resources in Moroto, Kyoga and Albertine Graben areas did not progress much. With the progress noted in the upstream facilities towards the road to the country's first oil, the outputs of midstream sub-programme infrastructure to support the development of pipelines to transport oil for export and to the storage terminals for supply were behind schedule.

The Government completed UNOC's equity contribution for the EACOP pipeline in FY 2022/23 and the first batch of 100 km for the EACOP pipeline had been delivered. However, the 60% EACOP debt financing was yet to be secured and thus construction works had not begun. Likewise, the development of the refinery and products pipeline to refine and transport oil to the Kampala Storage Terminal respectively had not commenced, pending financial closures.

In preparation for midstream infrastructure construction works, the resettlement of affected persons through compensation for the refinery land and EACOP pipeline was almost complete. The RAP for the products pipeline however had poor progress despite the availability of funds. The slow start of construction especially the EACOP pipeline is putting the country's anticipated revenue benefits from oil production at risk.

The Downstream Sub-programme had fair progress. The Jinja Storage Terminal met its semi-annual target of stock levels to ensure the security of supply for petroleum products. However, the JST utilization was at 65%. The UNOC was therefore searching for partners for bulk trading at the JST and the development of another storage terminal in Kampala. The development of more storage terminals is key as the country heads towards the oil production phase. The distribution of LPG cylinder kits to scale up usage of petroleum products did not progress due to no funds yet there is anticipation of future LPG production from the oil and gas wells in the Tilenga exploration area.

Although the Upstream Sub-programmes showed fair progress, the midstream and downstream sub-programmes were lagging in preparation for oil production. Therefore, the Government and joint venture partners should fast-track the completion of the midstream infrastructure as the development of upstream facilities progresses. Furthermore, the Government should prioritize scaling up the usage of petroleum products through LPG promotion and additional initiatives.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

The overall performance of the Sustainable Development of Petroleum Resources Programme was fair at 62.9%. The development of the explored areas for development of the country's oil production continued with upstream facilities in Tilenga and Kingfisher registering notable progress. Although the programme is making progress towards the key milestone of reaching the oil production phase as can be realized from upstream activities, more still needs to be done to achieve this in time. The Government together with the Joint Venture (JV) partners should explore various financing options for Oil and Gas infrastructure so that the delays especially for the midstream infrastructure development are minimized. It is also in the best interests of the Government and its JV partners to actively engage and undertake adequate consultations with the surrounding communities so that the projects are attractive to potential funders and partners.

4.2 Recommendations

i) The Government and Joint Venture Partners should fast-track the financial closure of the EACOP debt financing through the engagement of other alternative funders and MEMD should actively counter the negative publicity of the project.

ii) The MEMD should strengthen the monitoring and supervision of the ongoing compensation process for products pipeline project-affected persons to ensure the process is fair and timely.

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ANNEX

Annex 1: Monitored Interventions, Outputs and Implementing MDAs

Sub Programme	Intervention	Outputs	Implementing MDA
Upstream	Undertake further exploration and ventures of the Albertine Graben	New Exploration activities were undertaken in the Albertine region, Moroto Kadam and Kyoga basins.	MEMD, UNOC
		Two reconnaissance permits issued in the frontier basins and the third licensing round commenced	MEMD
		Upstream activities regulated	PAU
	Undertake construction and operationalisation of infrastructure projects	Data Repository Centre for the Directorate of Petroleum and PAU established	MEMD, PAU
		Integrated data management system developed	MEMD
	Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher projects	Kingfisher and Tilenga projects developed	MEMD PAU
		Tilenga and Kingfisher RAP and production activities undertaken	
	Review and update relevant policies; and fast-track harmonization of conflicting laws and regulations	Decommissioning and fiscal meters regulations developed, Petroleum Act 2013 updated and National Petroleum Policy (NPP) strategic Environment Assessment conducted	MEMD
	Establish QHSSE governance and assurance framework	QHSSE Systems and standards developed and implemented	MEMD, PAU
Midstream	Undertake construction and operationalization of infrastructure projects in the Albertine region to ease the movement of goods.	Products Pipeline and storage terminal RAP implemented. Refinery post FEED conducted. Petrochemical industry development undertaken	MEMD
		Refinery, Product Pipeline and Kyakaboga Water pipe system RAPs completed	MEMD, UNOC
		Reports for EACOP and Refinery produced	UNOC
	Capitalise UNOC to execute its mandate as an investment arm of the Government in the oil and gas industry	Refinery Equity contribution made	MFPED
		UNOC Midstream operations undertaken	UNOC
	Operationalize the National Content policy to enhance local Content and national participation in oil and gas	National Content Policy implemented	MEMD, PAU
	Establish an oil and gas incubation fund to promote local entrepreneurship and SME's	Local Content Development Fund act developed	MEMD
	Implementation of a strategy on value addition and marketing of goods and services that will be demanded by the oil and gas sector	Value addition and marketing strategy and plan for the oil and gas sector developed	MEMD
Downstream	Restock and manage Jinja Storage Terminal	Bulk Trading of petroleum products scaled up	UNOC
	Develop strategic regional storage terminals for petroleum products	Consultancy services for the master plan for Lake Transport undertaken Petroleum supply Lake Transport regulations in place	MEMD

Sub Programme	Intervention	Outputs	Implementing MDA
	Development of standards for storage infrastructure and other facilities	1,200 downstream operations monitored 20 petroleum standards developed 80% fuel stations monitored for quality Four awareness campaigns undertaken	MEMD

Source: Author's Compilation