



## The Employment and Investment Opportunities in the Oil and Gas Sector: How have Ugandans strategized?

### Overview

The discovery of oil and gas resources in the Albertine region of the country raised expectations of the potential national and local content to participate in the sector. However, the available local capacity lacks the required skills to participate and benefit fully from the sector.

The Government through the third National Development Plan (NDP III) has therefore been undertaking deliberate measures to ensure that the Ugandan population and enterprises tap into and benefit from the current and anticipated oil and gas employment and business opportunities.

This policy brief highlights the extent and impact of the skills development interventions and constraints to implementation. Additional growth opportunities that the Government and sector partners can tap into to create more investment and growth opportunities for the Ugandan population are also discussed.

### Introduction

The NDP III through the Sustainable Development of Petroleum Resources (SDPR) Programme aims to enhance the local capacity to participate in oil and gas operations. It is anticipated that the workforce required during the peak period of field development and the construction of midstream infrastructure (pipelines, refinery) will be 161,700 jobs; of which 14,000 will be direct jobs, 42,700 indirect jobs and 105,000 induced jobs. At least 15% are estimated to be professionals (engineers and managers), 60% technicians and craftsmen and 25% unskilled laborers. However, the number of direct jobs is expected to drop to 3,000 during the oil production phase.

The Ugandan population lacked the critical skills to participate in the sector. To that end, the

### Key Issues

- Lack of a credit facility to support local suppliers.
- No value addition strategies for local supply.
- Funding gaps in the skilling interventions.
- Delayed commencement of the upstream and midstream petroleum infrastructure development to boost opportunities.

Ministry of Energy and Mineral Development (MEMD) embarked on skills development initiatives for local and national content. The MEMD also created an enabling legal environment to ensure the participation of enterprises. For example, the Petroleum Act 2013 requires companies to give priority to local products and skills where they are competitive and mandates oil and gas sector partners to conduct training, employ and transfer technology to the country.

**Financing of skills development:** Skills development has mainly been undertaken under the Skills for Oil and Gas Project (SOGA) led by MEMD. A total of Ug shs 5.18 billion (bn) has been disbursed by the Government of Uganda through the project over the past five years. The interventions that have been implemented to ensure that national and local content benefit are discussed hereafter:

### What has been achieved so far?

The key achievements by MEMD, the Ministry of Education and Sports (MoES) and joint sector partners to skill the population and enterprises to meet the required oil and gas standards include:

#### 1. Training and Accreditation of Vocational Institutions

The education sector executed technical capacity-building initiatives for staff and students at



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Vocational Training Institutions (VTIs) under the Albertine Region Sustainable Development Project (ARSDP). The institutions were Uganda Petroleum Institute Kigumba/UPIK (Kiryandongo) and Uganda Technical College Kichwamba (Kabarole). International accreditation of several courses at the institutions was undertaken by City and Guild and Offshore Petroleum Industry Training Organization (OPITO). The courses accredited included: upstream and downstream operations; mechanical and instrumentation maintenance electrical installations and welding and fabrication among others.

In line with the courses accredited, bursary schemes for trainings in oil and gas technical skills commenced. For example, a total of 466 students (318 males, 148 females) were trained in FY 2021/22 but the target of 674 was not met (table 1).

**Table 1: Bursary scheme beneficiaries trained in FY 2021/22**

Skill	Male	Female	Total
Welding	109	23	132
Electrical Maintenance	89	17	106
Mechanical Maintenance	41	1	42
Health, Safety and Environment	23	82	105
Rigging	27	9	36
Scaffolding	29	16	45
<b>Total</b>	<b>318</b>	<b>148</b>	<b>466</b>

*Source: Author's Compilation*

The enrolment was low despite the loan scheme initiatives to increase uptake for undergraduate science courses. This was attributed to the high failure rate of sciences at the secondary level of education and the poor attitude towards oil and gas courses given that it is fairly a new concept. There is therefore a likelihood that the target of having 13,000 Ugandan trained in oil and gas by 2025 as part of the Work Force Skills Development Strategy (WFSDS) might not be met.

### 2. Training of Small and Medium Enterprises

The target of this intervention is to have at least 50% of local suppliers internationally accredited by the International Organization for Standardization (ISO) and related certifications by 2025. This is meant to improve their tendering success in oil and gas contracts. Over the past three years, a total of 1,216 Small and Medium Enterprises (SMEs) have been trained under the Stanbic Incubator Enterprise Development and Employment and Skills for Development in Africa (E4D) programmes funded by Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ). Additionally, a total of 68 SMEs obtained ISO certification in occupational health and safety, and environmental management systems.

The trained SMEs were then registered on systems regulated by the Petroleum Authority of Uganda (PAU) to capture their readiness to participate in the oil and gas opportunities.

### 3. Promotion of National Content

To promote national content, the PAU developed the National Oil and Gas Talent Register (NOGTR) and National Supplier Database (NSD).

- i) National Oil and Gas Talent Register: The register captures the talent for both local firms and individuals that can potentially work in the oil and gas sector. A total of 7,085 Ugandans were registered. Overall, 4,724 (93.4%) of registered Ugandan nationals were directly employed. Indirectly employment was also estimated at 14,148 in support activities.
- ii) National Supplier Database: The NSD established in 2017 captures companies with interest and ready to supply goods and services in the sector. The NSD also regulates the procurement of goods and services while ensuring the prioritization of local firms.

For example, a cumulative total of 3,837 local SMEs (68.1%) had been registered by



December 2020 in the first four (04) years of operation of the NSD.

A total of 2,651 of the 3,030 contracts worth US\$ 1.35m (91.1% of total value) were won by the local firms. The contracts were in transport, logistics, food supply, clearing and forwarding among others. However, only 460 (12%) of the registered trained local firms benefited. This was due to the delayed commencement of the development of upstream and midstream oil infrastructure to boost job opportunities. The low financial capacity of some SMEs also hindered their participation in the contracts.

## Other Interventions

1. The MEMD developed national and local content policies to guide the prioritization of employment opportunities for Ugandan nationals and firms. The Local Content Policy was also translated into various local languages.
2. Training of MEMD staff in oil and gas courses was undertaken so that they can take on professional jobs.

## Implementation Constraints

- **Funding gaps:** Under the SOGA Project, a total of Ug shs 50bn was planned for five financial years (FY 2016/17 – FY 2020/21). By the end of FY 2021/22 with a year project extension, only Ug shs 9.9bn had been budgeted and Ug shs 5.18bn spent. The poor allocation by MEMD and inadequate release hindered the progress of key activities such as the training of SMEs. The low release especially in the last two FYs hindered key planned activities.
- The delayed commencement of development of upstream and midstream (refinery, pipelines) petroleum infrastructure led to the low realization of direct and indirect jobs thus most enterprises and individuals that had been trained did not benefit from oil and gas business and employment growth opportunities. Only 12% of the trained SMEs had acquired business opportunities.

- Low financial capacity of local companies as many of them lacked the capacity to participate in oil and gas ventures.
- Low enrollment for the petroleum programmes at the vocational institutions implies that the anticipated target of beneficiaries might not be met.
- Low-value addition to local supply: There has been minimal financial benefit from goods supplied by local companies since they were majorly raw materials.

## What More Can Be Done?

With all the achievements noted so far, more can be done for the Oil and Gas Sector to have a positive impact on local and national participation.

### 1. Provision of a financing facility for local firms

Despite the increase in the number of local firms participating in the sector over the past years, their level of participation by number and contract value is still low. Some firms lack the financial muscle to aid their participation. The sector is also capital-intensive and local firms cannot effectively compete with their foreign counterparts due to the high-interest rates charged by commercial banks.

The number of participating local firms is even expected to reduce when the upstream and midstream petroleum infrastructure development phase commences since they cannot execute these infrastructure development activities. The provision of a financing facility such as the Local Content Fund to address this concern will enable local suppliers and SMEs to access cheaper loans and thus enhance their participation.

### 2. Establishment of the industry enhancement centre

The initiative will aim at supporting the establishment of centres to equip enterprises with oil and gas skills and promote local entrepreneurship to participate more in the



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development phase. The centres will provide a one-stop centre for re-skilling enterprises that fail to meet the qualification for oil contracts. The MEMD plans to establish such a centre in Kampala and Hoima districts. The land for the Hoima centre was procured while the location for the facility in Kampala was yet to be identified.

### 3. Developing the capacity of agriculture suppliers

Skilling farmers to benefit from the opportunities in the supply of goods has not been prioritized. Skills development of the agricultural suppliers had lagged. According to the Uganda Bureau of Statistics 2014 Uganda national population and housing census, about 80% of Uganda's population is employed in agriculture. Therefore, the intervention can go a long way in impacting the livelihoods of farmers, especially in the Albertine Graben and along the pipeline routes. At the end of FY 2021/22, an assessment to articulate the needs were being carried out for some farmers in the western region but no capacity building had been undertaken. The MEMD should fast-track the training of farmers.

### 4. Development of value-addition strategies

Although there has been an increase in local content participation, the goods supplied were mainly raw materials and the financial benefits have been minimal. There is a need to add value to the goods supplied. The development of value addition and marketing strategy for goods supplied will enhance their financial capacity and ensure the sustainability of participation in the sub-sector.

### Conclusion

The technical skill development initiatives of local firms and the population has seen fair progress over the years with some individuals and SMEs realizing job and investment opportunities in the oil and gas sector. However, there is more than the MEMD and MoES can do to support the local firms and encourage the enrollment of more individuals into the sector. The Government and sector partners should fast-track the infrastructure

phase to monetize the country's oil and gas assets so that more can benefit.

### Recommendations

- The MEMD should prioritize the funding for some of the key skill development strategies.
- The Ministry of Finance, Planning and Economic Development (MFPED) and MEMD should fast-track the operationalization of a financing facility to enhance the participation of local firms in oil and gas opportunities.
- The MEMD in partnership with the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) should fast-track the development of a goods value addition strategy for local suppliers.
- The Government and joint venture partners should fast-track the development of the oil infrastructure so that more direct and indirect jobs can be created for the trained population and growth opportunities enhanced for the accredited local enterprises.

### References

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- MFPED: National Budget Framework papers
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- PAU: Quarter 1, 2, 3 & 4 FY 2021/22 Performance Reports
- NPA: Third National Development Plan 2020/21 – 2024/25
- UBOS: National Survey Delivery Report, 2021
- National Content Policy for Oil and Gas Sector

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