

**THE EFFECT OF LOCAL CONTENT POLICY IN THE OIL AND GAS SECTOR ON
SUSTAINABLE COMMUNITY GROWTH IN UGANDA A CASE STUDY OF BULIISA DISTRICT**

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DECLARATION

I, **NABISWAZI HAWAH**, declare that this dissertation report is my original work and has never been presented to any academic institution for any award. I have fully acknowledged writings by other authors through citations and references.

Name Nabiswazi Hawah



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Date 22nd February 2024

APPROVAL

This is to certify that this research dissertation by Nabiswazi Hawah titled “**The Effect of Local content Policy on Sustainable Community Growth**” has been written under my supervision and is ready for submission.



Signature

Supervisor’s Name: Prof. Bruno L. Yawe

Date 22nd February 2024

DEDICATION

I dedicate this dissertation to my entire family, my husband Wasswa Akram, my mother Hajat Namagembe Yudaya and my children (Alpha Adams Bulunda, Tareeq Adams Bulunda and Aayan Adams Bulunda) for all the encouragement and support they offered during my studies.

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May the Almighty bless you abundantly

ABSTRACT

This study evaluated the effect of local content policy in the oil and gas sector on sustainable community growth in Uganda using Buliisa district as the case study. The study was focused on three objectives namely, to determine the effect of using local labor; training programs; and sourcing of local goods and services in the oil and gas sector on sustainable community growth in Buliisa district. The study employed a case-study research design and 49 participants were selected using purposive and simple random sampling techniques. Data collection was done using key informant interviews and document reviews. The qualitative data findings were analyzed using thematic analysis and revealed that using local labor; local labor training programs; and sourcing of local goods and services in the oil and gas sector all affect sustainable community growth in Buliisa district. The study concluded that the more local content policy implementation in the oil and gas sector, the higher the sustainable community growth of Buliisa district. The study recommends that priority should be given to local labor when hiring, jobs should be given on merit and formal hiring procedures should be adopted by IOCs. Furthermore, vocational trainings in petroleum studies should be availed for local labor, research and development should be done locally to identify existent skill gaps, and trainings should be given to educators at various teaching institutions by IOCs. For sourcing of domestic goods and services, PAU should conduct periodic check to check for compliance of LCP, priority should be given to local companies to supply goods and services if they meet the standards and IOCs should examine market before calling for submission of bids by local companies.

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LIST OF ACRONYMS

CPF Central Processing Facility

FDI Foreign Direct Investment

GOU Government of Uganda

ILO International Labor Organization

IOC International Oil Company

K.I Key Informant

LC Local Content

LC1 Local Council 1

LCP Local Content Policy

MEMD Ministry of Energy and Mineral Development

MFPED Ministry of Finance, Planning and Economic Development

MLG Ministry of Local Government

MNC Multi-national Companies

PAU Petroleum Authority of Uganda

PEDPD Petroleum Exploration, Development and Production Department

TASC The Assessment and Training Centre

TEPU Total exploration and Production Uganda

UBOS Uganda Bureau of Statistics

UNDP United Nations Development Programme

UNOC Uganda National Oil Company

UNRISD United Nations Research Institute for Social Development

USD United States Dollar

CHAPTER ONE: INTRODUCTION

1.0 Introduction

This chapter presents the background to the study, the research problem, the purpose, objectives of the study, research questions, justification, significance, scope, conceptual framework and ethical considerations of the study.

1.1 Background of the study

Foreign direct investment (FDI) has become an increasingly important topic in underdeveloped and developing countries (Asiedu and Lien, 2011; Kimiagari and Jafari-Sadeghi, 2020). Abdul Hadi et al., (2018) categorized FDI into extractive industries, manufacturing, infrastructure, and services. With approximately 60% of FDI is reportedly used to mine natural resources. The oil and gas sector accounts for a sizable portion of FDI inflows (African Economic Outlook 2013). Nearly all African countries have invested in oil and gas exploration, with some even beginning production (UNDP, 2013). Countries where mineral extractions are taking place remain impoverished (Asiago, 2017), contradictory to the fact that IOCs companies have relished increased profits.

The majority of countries that have displayed the "oil curse" in which oil exploration and production bring about resource-fueled political instability, have found that poor management of oil resources, particularly disregard and ongoing marginalization of local people living there. According to Esteves, Coyne, and Moreno (2013), while resource-rich regions expect oil and gas exploration and production to boost sustainable

community growth, they lack the means to capitalize on the potential benefits of resource extraction in terms of creating skilled, semi-skilled, or unskilled labor jobs. Additionally, local companies can also be boosted by mineral resource extraction through sourcing goods and services with them or joint ventures and partnerships with IOCs; and local residents in Buliisa can benefit by acquiring technical expertise through trainings.

According to (Acheampong, Ashong & Svanikier, 2016), to foster equal distribution of national resources, there has been a push to implement policies, known as local content legislation. Although Dobbs et al. (2013) indicate that over 90% of resource-fueled countries already have LC regulations; Kinyondo and Villanger (2017) argue that these LCPs remain highly contentious and are associated with ineffective politicization and corruption. Despite the highly contentious literature-based debate about whether they are successful or not, Weiss (2016) demonstrated in his study that governments continue to use local content requirements. As a result, it is critical to conduct research on how these local content policies can lead to inclusive development of the community where oil is extracted. Local communities, individuals, professionals and enterprises have a primary responsibility to participate in the implementation of this Policy (National local content policy, 2018).

In Uganda, the discovery and development of commercially viable oil and gas reserves has raised expectations for national and sustainable community growth and participation in the number of oil-related projects that are ongoing in Buliisa District (Ashaba, 2017). However, there are concerns if the people in the district will benefit from these operations. Since the 1990s, the government of Uganda (GoU) has pursued

policies aimed at promoting LC development in the oil and gas sector according to (Bainomugisha et al., 2006) and (Twebaze, 2013). The GoU, in particular, has incorporated local content into legal, policy, and contractual instruments and established institutional measures to encourage local participation (Witte, 2018).

Uganda has so far discovered 6.5 billion barrels of oil resources in 40% of the explored area in the Albertine graben (Kwesiga, 2017). The Tilenga project is managed by Total E&P Uganda and is intended to supply the Kabaale refinery and the EACOP natural gas pipeline with 200,000 barrels of natural oil per day. The refinery is expected to process 30,000 barrels of crude oil per day in the initial phase and 60,000 later after upgrading it (Kwesiga, 2017). The GoU estimates that approximately 20 billion USD will be invested in the oil and gas sector by the peak of the development phase, representing the country's largest investment in such a short period of time if realized (Mawejje, 2019). Numerous financial and infrastructural developments have been made in Buliisa and other oil-rich districts in the Albertine graben. In 2017, government of Uganda through TotalEnergies acquired 772 acres of land in Kasenyi from 153 people to establish a mini oil refinery (CPF) central processing in Buliisa district according to Ashaba (2017).

The Buliisa CPF will be used to extract water, associated gas and other impurities from crude oil (Kwesiga, 2017). The central processing facility is under the Tilenga project operated by TotalEnergies in both Buliisa and Nwoya districts (Ashaba, 2017). Of particular interest has been the oil CPF in Buliisa district, which has with it brought mixed fortunes, among which include creation of jobs improving housing, electricity connectivity and a boost in land prices (Ashaba, 2017). To guarantee sustainable

community growth, numerous government bodies are in place to ensure and oversee LCP adoption and implementation by oil companies in Buliisa so that the local people benefit from oil production on-going in their locality. The Petroleum Exploration, Development and Production Department (PEDPD) which was established to manage policy matters was elevated to directorate status to encourage local participation, and the Petroleum Authority of Uganda (PAU) was established to regulate the industry and ensure compliance with governing policies, laws, and other instruments (Mawejje, 2019). The Uganda National Oil Company (UNOC) was established to manage the country's business interests in the sector, and both institutions have a section and/or department on local content (Ablo, 2017; Vita et al., 2016).

While the discovery of oil in Albertine has raised fear of a likely resource curse, some residents in Hoima and Buliisa districts say they are witnessing some transformation even before oil comes out of the ground (the Independent, 2021). To insulate against such concerns LCP was adopted by the government of Uganda to increase participation of host communities in the oil and gas value chain. Promotion of participation of all key stakeholders by ensuring that the laws and policies developed to manage the oil and gas sector set clear guidelines on the role of each stakeholder in the sector is paramount. The government should also pay special attention to capturing local content in the development of oil and gas policies. This should involve setting up local content committees at local government and community level to monitor local content targets in their respective localities (International Alert, 2013).

The effectiveness of Local Content Policies (LCPs) in ensuring that both local people and the national economy benefit from a country's resource wealth has been analyzed

and evaluated in several countries by researchers such as Acheampong et al. (2016), Ihua (2010), Ovadia (2016), and Vita et al. (2016). However, these studies demonstrate that LCPs have produced mixed outcomes. Positive results have included increased employment opportunities for citizens in oil-producing countries and the participation of local companies in the petroleum industry (Monday, 2015; Peter and Emmanuel, 2014). Although LCPs have resulted in positive outcomes, they may also lead to local discontent when local people are excluded from the supply chain (Ablo, 2017; Ovadia, 2012; Ihua, 2010). Therefore, this research study intends to analyze how local content policy in the oil and gas sector affects sustainable community growth of Buliisa district in the Albertine graben.

1.2. Problem Statement

In many African countries where oil and gas production operations take place; there has been an adoption of local content policies accompanied by strict legal and regulatory frameworks. The effect these policies have on sustainable community growth of host communities is still ambiguous. In Uganda, previous empirical studies (Mushemeza et al., 2017; Neuman et al., 2019; Witte, 2018; White, 2017) have mainly focused on the implementation and challenges of the LCP, with little attention given to its effect on sustainable community growth of the area where oil production takes place. Meanwhile, the effectiveness of Local Content Policies (LCPs) in ensuring that both local people and the national economy benefit from a country's resource wealth has been evaluated and analyzed in other countries by researchers such as Acheampong et al. (2016), Ihua (2010), Ovadia (2016), and Vita et al. (2016), but with mixed outcomes.

In 2006, Uganda confirmed the existence of commercially viable oil deposits in the Albertine Graben (International Alert, 2013), this raised hopes for development of the region but also concerns arose on whether host communities would benefit from the oil production. Although local content policies have been implemented in Uganda's oil and gas sector, there is still a highly contentious literature-based debate about their effect, and it is necessary to research their effect on sustainable community growth of the areas where oil production takes place, Buliisa district in particular. This study aimed to evaluate the effect of local content policy in the oil and gas sector on sustainable community growth of Buliisa district in Uganda. The study findings can contribute to the current knowledge on how local content policies affect sustainable community growth in resource-rich regions of oil producing countries.

1.3. Purpose of the Study

To determine the effect of local content policies in the oil and gas sector on the sustainable community growth of Buliisa district.

1.4. Objectives of the Study

- i. To understand the effect of local labor employment on sustainable community growth of Buliisa district
- ii. To identify the effect of local labor training sustainable community growth of Buliisa district
- iii. To assess the effect of sourcing of goods and services from local businesses on sustainable community growth.

1.5. Research Questions

- i. What is the effect of local labor employment on sustainable community growth of Buliisa district?
- ii. What is the effect of local labor training sustainable community growth of Buliisa district?
- iii. What is the effect of sourcing of goods and services from local businesses on sustainable community growth?

1.6. Justification

The importance of the research findings lies in its timeliness, given that Uganda is a relatively new entrant in the oil production industry, and the study focuses on an issue currently relevant and important. The research findings can enhance the understanding of this timely issue and furnish decision-makers with valuable information on how sustainable community growth can be a result of adopting local content policy.

1.7. Significance

The research findings are valuable to various oil and gas industry players in the following ways;

1.7.1 Policy makers

The research findings seek to bridge the knowledge gap in the practical implementation of the Local Content Policy and its effect on the sustainable community growth of Buliisa district which is crucial for policy makers to ascertain where changes can be made.

1.7.2 Stakeholders

The research findings provide an outlook on the local content policy that can be a trigger to growth in host communities. The information can guide stakeholders on how to best utilize and benefit from mineral resources in their localities.

1.7.3 Academicians

The study findings may also add value to the existing literature in the field of oil and gas management, which could serve as valuable reference material for future researchers. Additionally, the study findings may assist other researchers who are investigating similar topics. From a theoretical standpoint integrating the theoretical framework can provide a comprehensive understanding of the subject matter.

1.8. Scope of the Study

1.8.1 Geographical scope

The study was conducted in Buliisa District in the Albertine Graben Region located in Western Uganda. This area was chosen because of the ongoing oil and gas projects.

1.8.2 Content scope

The study focused on the effect of Local content policy in Uganda's oil and gas industry on the sustainable community growth of Buliisa district, an oil-rich district in the Albertine graben. Local content policy was limited to training of local population, employing of local population in the oil and gas sector and outsourcing/using of local goods and services by international oil companies operating in Uganda.

1.8.3 Time scope

The study took a period of five months, February 2023 to June 2023.

1.9. Conceptual Framework

The relationship between the independent variables and dependent variables is shown in the conceptual framework with interactions clearly indicated. An independent variable, local content policy, refers to a variable that does not depend on the other variables the researcher is attempting to assess. The dependent variable, sustainable community growth, is refers to a variable that is subject to change as a result of the modification of in the independent variable. Local content Policy in the oil and gas sector in Buliisa entails employment of local labor, training of local labor, and sourcing of domestic goods and services. As indicated in the figure below, local content policy directly affects sustainable community growth and the effectiveness of its implementation will result in either a positive or negative change in the indicators of sustainable community growth which are number of new businesses, the average income levels of Buliisa residents, the local unemployment rate, local revenue from taxes and fees and the percentage of locally owned businesses in Buliisa district. Therefore, this study investigated the effect of local content policy in the oil and gas sector on sustainable community growth in Buliisa district.

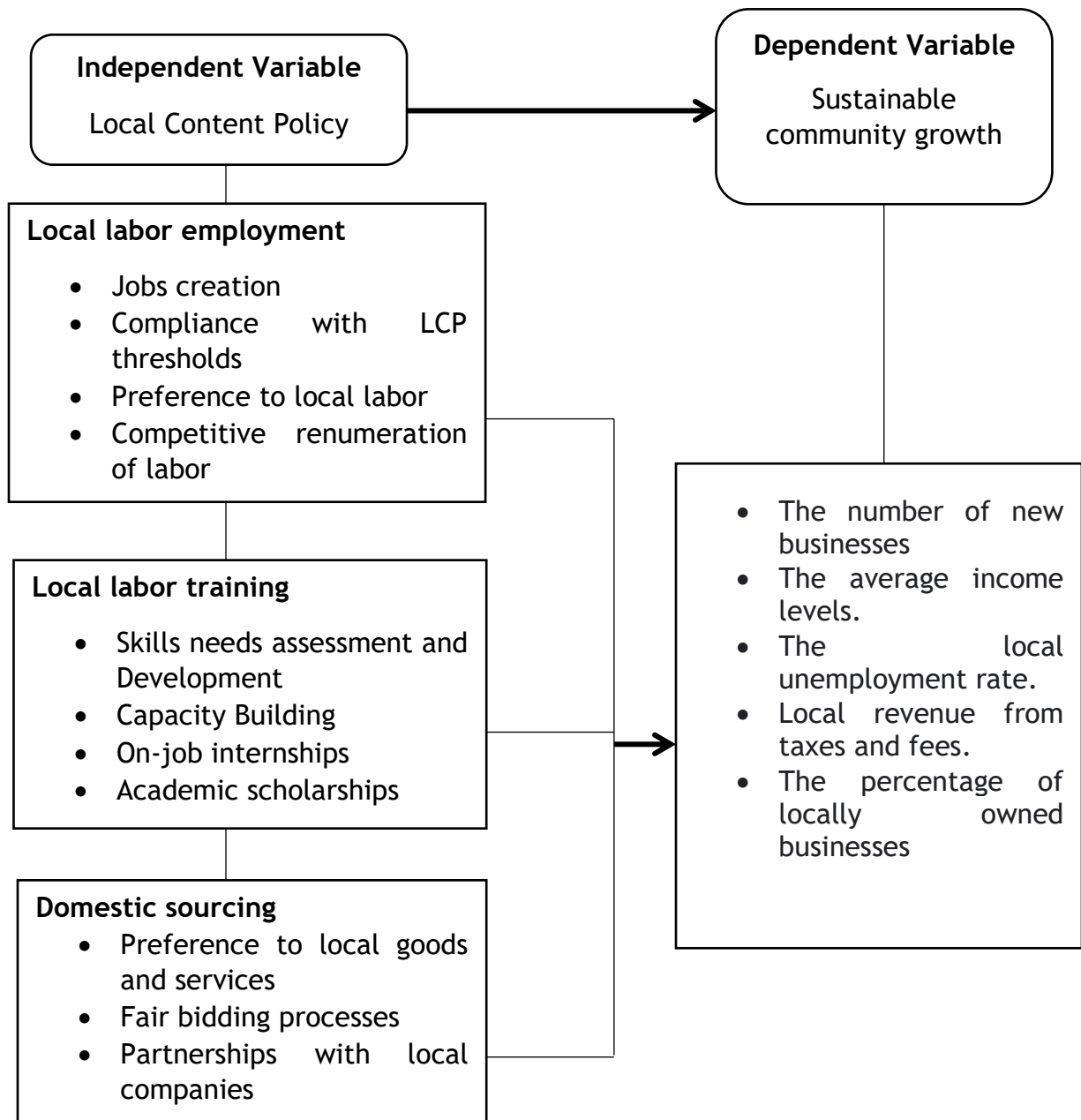


Figure 1: Conceptual framework for the effect of Local Content Policy on Sustainable Community Growth in Buliisa district

Source: Adopted and modified by researcher from Michael (2014)

1.11 Definition of Key terms

Local Content Policy: This refers to a scheme and rule set with regulatory oversight in place to ensure that a large percentage of project inputs come from the host country without negatively affecting the project's or sector's economics.

Sustainable community growth: This refers to are initiatives that aim to enhance a community's long-term prosperity and general quality of goods and services are improved in the due process.

Indigenous/Local Companies: These are of businesses, ventures, or organizations based in Buliisa and offer goods, services, commodities, or other products used in the oil and gas sector.

Local Labor: These are the skilled, unskilled and semi-skilled workers whose primary residence is located within the territorial limits and geographical boundaries of Buliisa district.

1.12 Summary

The thesis has five (5) chapters. Chapter one presents the background to the study, the research problem, purpose and objectives of the study, research questions, justification, significance, scope, conceptual framework and ethical considerations of the study. Chapter two entails the literature that served as a foundation for the study is presented. The empirical framework is in this chapter and empirical studies on how local content policy influences the creation of sustainable community growth Uganda's Buliisa oil producing area. In chapter three, the research design, area of the study,

sources of information, population and sampling techniques, data processing, ethical considerations and methodological constraints are presented. Chapter four presents the findings, analysis and discussion of findings. Chapter five presents the discussion and recommendations.

1.13 Conclusion

Throughout the study, the researcher made the case that Uganda's oil and gas sector's local content policy had an effect on sustainable community growth. In particular, the researcher demonstrates how LCP has affected long-term community growth in Bullisa district which forms part of Uganda's oil-rich Albertine graben. Buliisa district was used as a case study in the research project to examine how local labor hiring, local workforce training, and local goods and services sourcing in the oil and gas sector effect sustainable community growth in Uganda. In doing so, the research results showed that each had a positive effect on community growth in Buliisa. This thesis offers recommendations based on the findings on how LCP can spur sustainable growth in the community with a more all-encompassing strategy and holistic approach for its implementation by every stakeholder who participates in Uganda's oil and gas industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, the literature that served as a foundation for the study is presented. This section also draws attention to the theory and empirical research findings on how local content policy effects sustainable community growth in Uganda's Buliisa oil producing district.

2.2. Theoretical framework.

This research is based on the Stakeholder theory. The important stakeholders of a company are identified by the stakeholder theory, which defines stakeholders as people or organizations that "affect or are affected by" a corporation (Freeman, 1984). Business owners, employees, clients, and suppliers are all considered stakeholders, and each one's identification is evaluated in relation to the relationship's power, legitimacy, and urgency. In stakeholder theory, there are three major perspectives: descriptive, normative, and instrumental. These perspectives explain the existent relations between stakeholders, the prevailing state of these relationships and the most effective methods that can be used to efficiently coordinate the goals according to Donaldson & Preston (1995). The perspectives further define the characteristics of stakeholders.

Government initiatives, as well as those in the public and private sectors, have made use of stakeholder theory (Vita, Lagoke, & Adesola, 2016). Numerous studies have used the theory to assess public services. Researchers like Reed et al. (2009) and Vita, Lagoke, and Adesola (2016) utilized it to assess the state of the Nigerian oil and gas

sector. Bailur (2006) used it to examine government policy initiatives. Understanding the power-interest dynamic between different types of stakeholders and how they relate to one another is facilitated by stakeholder theory (Vita, Lagoke, & Adesola, 2016).

Based on stakeholder theory, this research study analyzed how LCP in Uganda's oil and gas sector affected sustainable community growth in the Buliisa district, in particular how hiring local labor in the oil and gas industry, training local labor, and sourcing of domestic affected sustainable community growth. The research classified the various parties involved in the oil and gas sector in the Buliisa district according to their level about interest and effect with regards to local issues and policies. These parties included government organizations, energy businesses, local employees, and suppliers. Stakeholders' authority and interests were also identified, and stakeholder interactions were investigated to determine the degree to which they correspond with local content regulations. As a result, the study's results add to the stakeholder hypothesis literature by bringing the concept to the evaluation of legislation in the oil and gas industry, and they shed light on the effect of a regional policy on community development that is both sustainable and long-lasting.

2.3 Empirical Review

This section provides an overview of the empirical literature examining the link between local content local content policy and sustainable community growth. It looks at research done all around the world, in Africa, and in East Africa, not only in Uganda. This section also analyzes the effect using local labor, local workforce training, and

domestic sourcing has on the sustainable growth of the Buliisa, in line with the study's objectives.

2.3.1 Employment of Local labor and Sustainable community growth

Direct and indirect effects can arise from operations of international oil and gas companies in host nations according to Abebe & Begum (2016). Creation of new employment opportunities is a direct effect whereas increased spending by the employees of IOCs that boosts local businesses is an indirect effect.

According to James, Ilvento, and Hastings (2001), changes in total employment in comparison to countries in the region can be used as a measure of sustainable community growth. MNCs set sights on creation of new jobs in the host nations. Globally, only 12million of the 73 million jobs created by MNCs are in developing nations according to UNRISD (2010). These employment opportunities in turn lead to improved health, production and improved standards of living. While it is expected that gaining oil and gas employment provides direct benefits to the workers who get those oil and gas jobs, additional benefits may spillover to local workers outside the oil and gas industry via local income multipliers (Zhengyu, 2019).

In a study by Macharia and Tirimba (2014), it was noted that employment by MNCs accounted for 65% in countries where they operate. According to the study jobs created by MNCs lowers unemployment rates and increase production; increased production leads to more jobs according to Agerton, Hartley, Medlock, and Temzelides (2015). An analysis of MNCs operating in the oil and gas sector and their level of job creation in a developing oil and gas country was not covered in the study.

The ILO (2012) report revealed that employment opportunities of up to 1.4million jobs in USA will be created by the oil and gas sector. Increased employment increases household incomes and thus an increase in spending that boosts businesses in the economy. However, the report only focused on a fully developed country with one of the world's highest oil production levels. In Africa, many of the people living in oil-rich regions remain poor and ongoing exclusion prevents them from sharing the benefits of resource extraction because offering them jobs is the main means of rescuing host communities from poverty (Omolo & Mwabu, 2014).

The National Local content policy in Uganda (2017) advocated for employment of women in the oil and gas sector but also acknowledged that employability of women in the oil and gas sector was low mainly because of lack of skills and socio-cultural reasons. A new study with Uganda at a production phase needs to be conducted to check for changes in this imbalance.

Onodugo (2012) observed that despite the fact that IOCs in Nigeria have created jobs, more foreigners than locals are still being hired. The presence of IOCS in Nigeria has further raised the number of foreign workers in the country with HR decisions coming from the headquarters of these MNCs especially regarding senior positions.

Nwapi (2016) notes that the use of local labor is an important aspect of local content policies, as it can contribute to the development of local economies and provide employment opportunities for local residents. However, the author also highlights the challenges associated with using local labor in the oil and gas industry, including a lack of skilled labor, limited education and training opportunities, and a lack of investment

in local infrastructure. Overall, Nwapi (2016) emphasizes the importance of using local labor in the oil and gas industry in East Africa and highlights the need for effective policies and strategies to ensure that local labor is able to fully participate and benefit from the oil and gas production operations.

Magelah (2014) studied the capacity needs for Uganda's oil and gas sector and noted that the oil and gas sector in Uganda possesses the potential to hire 13,000 people, primarily for construction for 3-5 years during exploration and production. Also, for the next three decades, estimates are that 3,000 people will be needed in this operational period with 15% as engineers and managers, 60% as technicians and craftsmen, and 25% making up the unskilled labor. He further noted that Uganda's oil and gas sector can employ up to 100,000 people indirectly in affiliate-industries like information technology, finance, legal and construction services. In conclusion, thousands of jobs in Uganda will be created by the oil and gas in Uganda. From responses from respondents, it was apparent that oil and gas operations in the area have reduced the rate of unemployment in Buliisa through various direct and indirect mechanisms. It should be noted that the oil and gas industry typically require a diverse range of skilled and unskilled labor, from engineers, drivers and geologists to technicians and support staff

From the empirical studies it is clear that LCP legislation and multinational corporations' entry into the oil and gas industry have an effect on employment levels in the host communities, positive and negative in nature. They enhance creation of new jobs (James, Ilvento & Hastings, 2001; Agerton, Hartley, Medlock, and Temzelides, 2015; UNRISD, 2010; Nwapi, 2016). In developed economies like the United States, oil

and gas production boosts jobs and increase revenue (ILO, 2012). Onodugo (2012) noted that multinational enterprises continue to employ foreigners in senior roles. Other aspects of LCP like local labor thresholds are not examined in these studies necessitating the need to.

2.3.2 Local labor training and Sustainable community growth

Managerial expertise, organizational knowledge, and human resource aptitude are some of the advantages International Oil and Gas companies have over local companies (Franco & Sasidhna, 2009). Local people can reap rewards of this expertise when IOCs conduct skill assessments, train and equip them with technical skills required to work in the oil and gas industry. IOCs increasingly endeavor to provide training to local people in various ways like on-job training and academic scholarships. Improved production levels are attained when local people are employed after training as further noted by Worasincahi and Bechina (2010).

According to Lyons and Hamlin (2001), training and further education for the workforce are crucial elements of sustainable community growth. The study stresses the necessity of cooperation between the public and private sectors in order to develop labor development initiatives that are tailored to the unique requirements of the local economy. The skills and training requirements of the Ghanaian petroleum sector were examined by Panford (2014). According to the study's results, a structured approach to training in the industry is required, and vocational training is crucial for the growth of Ghana's petroleum industry.

ILO (2012) noted the oil and gas sector suffers from a severe lack of skills, a factor that has detrimental effects on managerial leadership, project management and the technical expertise required in the industry. To close this skills disparity, there is a dire need for trainings to create a pool of human resource talent in the engineering, electrical, production, geology, financial, business and marketing sectors. According to Muduli (2010), proactive planning for ongoing access to skilled labor can help address workforce issues and human resource development is the key to addressing labor supply and skills gaps. The Government of Uganda and the oil and gas operators need to support the educational system in Uganda since most institutions are too far from international oil and gas standards in terms of skills required (Mwakali, 2018).

2.3.3 Domestic Sourcing and Sustainable community growth

In Uganda, usage of locally available goods and services is one of the key objectives of adopting LCP (National Local Content Policy, 2017). IOCs operating across oil and gas industry value chains should give preference to local companies, as noted by Esteves and Barclay (2011). LCPs target increments in procurement from local companies that significantly boost the finances of local companies through increased financial inflows. Notably, MNCs have differing policies for procurement in nations where they operate, however, those in oil and gas have a predetermined framework they follow as policies and agreements with host governments may dictate (Martemyanova, 2018).

According to Martemyanova (2018), in some cases supply chain and procurement policies and agreements in the oil and gas sector dictate to MNCs the specific number of local companies to work with and compliance to this is a necessity for keeping their

business licenses. Consequentially, local companies gain from these interactions and partnerships (Abebe and Begum, 2016). The study ignored the fact that compliance to the regulations by IOCs should be closely monitored when LCP is implemented.

Acheampong et al. (2016) evaluated the effect LCPs had after implementation in Nigeria, Ghana, Brazil, and Norway. The study revealed there were positive results regarding backward linkages and that local companies provide more than half of the goods used in the oil and gas industry sectors. The growth and usage of goods from local companies are some of the tremendous sustainable community growth benefits that adoption of LCPs produced. Backward linkages provide a channel through which the intangible assets like knowledge and tangible ones like technology and financial resources can be passed to affiliate local companies. It should be noted however the countries in the study are advanced oil and gas producers which is not the case for Uganda.

In developing nations, the relationship between local companies and MNCs was evaluated, and revelations indicated that backward linkages are a key channel for distributing the foreign direct investment into the economy of the host country (Rugraff and Hansen, 2011). When MNCs procure goods and source services from local companies, the finances received by the local companies are used to expand operations, acquire latest technology, increase production, human resource development hence effecting sustainable community growth of the host community.

Ekiugbo and Papanagnou (2017) studied how procurement practices can help developing oil and gas producing countries achieve their development goals. The research found

that because some oil and gas activities like geological studies are not long-term operations, it is imperative to use sustainable procurement practices. With these adopted, improvements in the overall performance of local businesses can be attained. Sustainable procurement practices can enhance the efficiency of IOCs, and consequently, the host countries in which they operate. Inadequate skilled labor and high costs of operation affect how local companies work with IOCs inhibit the local companies from fully exploiting this market opportunity (Jogede et al., 2013).

LCP in Ghana has increased the involvement of local companies according to Acheampong et al., (2016). Capacity issues have however hindered maximizing backward linkages. Multinational companies in Ghana have a quota-based requirement for the goods used in exploration and production operations that must be purchased from local companies with which they sign contractual agreements.

Clearly, despite reviewed literature indicating that IOCs have embraced sourcing of goods and services from local companies, local companies have benefited from partnerships with MNCs but have not fully leveraged on this interaction due to various factors. It is also important to note that most of Oil and gas producing nations where studies were conducted are at an advanced stage of oil and gas production, unlike Uganda which is a new entrant.

2.4 Conclusion

In the literature reviewed, adoption of LCPs had varying outcomes for each host country bringing in into play country-specific factors as results from other oil and gas producing countries cannot be generalized for all producing country. Many of the studies were

conducted in already oil rich countries with substantial experience in the extractives industry. The effect of LCP on sustainable community growth was not covered in any of the studies reviewed necessitating a need to conduct a study in Uganda, a new entrant in the oil gas sector with particular emphasis on the effect of hiring local labor; the effect training of local people; and the effect of sourcing of domestic goods and services in the oil and gas sector on sustainable community growth in Buliisa district, are required.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter contains the research design, area of the study, sources of information, population and sampling techniques, procedure for data collection, measurement of variables, data collection instruments, ethical considerations.

3.1 Research Design

This study used a case study research design. According to Yin (2014), this research design can be used to capture the complexity of a case, including temporal changes, as well as explore the contextual conditions of a case. Case study research designs are useful for outlining, contrasting, assessing, and understanding different aspects of the topic under study. The researcher was able to learn more in-depth, concrete information on the effect local content policy in the oil and gas sector has on sustainable community growth in Buliisa. Therefore, the main sections of LCP; hiring of local labor, training of local labor, and sourcing of domestic goods, their significances and effects of were analyzed as they are currently being implemented in Buliisa. The preparation of a research design facilitates research to be as efficient as possible yielding maximal information (Patel, 2019). The design was based on qualitative approaches (gather non-numeric data) with the purpose of providing a better understanding of the research problem and questions.

3.2 Area of Study

The study was conducted in Buliisa District, located in western Uganda. Oil and gas deposits in the area have made it a priority for the Ugandan government to advance the Tilenga project, which is being managed by TEPU.

3.3 Sources of Information

Information was gathered from primary and secondary sources. Primary data was collected through key informant interviews while secondary data was collected through document reviews. The key informant interviews included structured interviews and focus group discussions.

3.4 Population and sampling techniques

The target population for the study was 60 respondents who included PAU, LC1 chairpersons and Buliisa residents. The basis of this selection is primarily because they are key actors and participants in the research study of the effect of local content policies in the oil and gas sector on the sustainable community growth in Buliisa.

The structured interview participants who included LC1 chairpersons and PAU officers were selected through purposive sampling. In total, 22 interviews were conducted, 19 structured and 3 focus group interviews. This comprised of 15 structured interviews, 14 with Buliisa LC1 chairpersons and 5 structured interviews with PAU officials. Simple random sampling was used to select residents to participate in the 3 focus group interviews with each contacting 10 respondents; each respondent in the study population has equal chance of being selected (Taherdoost, 2016).

Table 2: Population and Sample Size for the study

Category	Population	Sample size	Sampling techniques
PAU	8	5	Purposive sampling
Buliisa residents	32	30	Simple random sampling
LC 1	20	14	Purposive sampling
Total	60	49	

Source: *Primary Data, 2023*

3.5 Variable definitions and measurements

Interview questions were designed in a way that all the aspects of LCPs are covered. LCPs are schemes used in the oil and gas sector to ensure local people, local companies and the nation at large benefit from the oil and gas production in Uganda. Interview questions related to the sustainable community growth were also designed in a way that responses explained how the local community in Buliisa district has improved in terms of the number of new businesses and new jobs created, the average income levels, local revenue from taxes and fees and the percentage of locally owned businesses in Buliisa district.

3.6 Procedure for data collection

Written permission from the university was sought before heading to the field. The letter introduced the researcher to the PAU liaison officers at the district, the TotalEnergies liaison office, the LC1s, and the residents of Buliisa. This enabled the researcher to be granted permission to conduct interviews about oil and gas operations ongoing in Buliisa. Two trained enumerators were appointed after vetting by the

researcher to assist in data collection under the supervision of the researcher. The researcher together with the enumerators introduced themselves and then went ahead to conduct interviews especially with focus groups with the residents. The enumerators were briefed, and they facilitated the focus group interviews with residents because of the language barrier.

3.7 Data collection instruments

Data sources used in this study were primary data and secondary data. Primary data was collected from the respondents through structured interviews (Saunders, Lewis & Thornhill, 2007). Primary data according to Church and Collyer (2002) is information collected through personal interviews, questionnaires with a specific intention and on a specific objective. Data from primary sources are more reliable since they come from the original sources and are collected specifically for the purpose of the study (Axinn, William & Pearce, 2006). Focus group interviews were conducted with Buliisa residents and key informant interviews with Buliisa LC1 chairpersons and PAU officials in Buliisa. Interview guide for qualitative data (Appendix 1): this instrument was designed using open ended questions and the researcher engaged more in a face-to-face interaction with the interviewees. The exercise entailed verbally reading the questions to the interviewee and answers provided were recorded for later analysis.

Secondary data is data that have already been collected for some other purpose, processed and subsequently stored (Thornhill et al., 2007). Secondary data was collected from text books, dissertations, annual reports, journals, newspaper articles, bulletins, documentary and archival information. Secondary data were

used because it provides a comparative and contextual data. It is unremarkable and requires fewer resources to work on them (Thornhill et al., 2007). The disadvantage is that any secondary data that is used would have been collected for a particular purpose and that this purpose may not be the same as that of the person using it.

3.8 Data Processing and Analysis

Qualitative data analysis is the process of identifying, examining and interpreting contextual and subjective data, and determining how the findings can answer research questions.

All interviews were open-ended questions, tape-recorded with the permission of the respondents and transcribed for analysis using NVivo package. The help of a statistician trained in the application of NVivo package was sought in the entire analysis. NVivo package helped to analyze and group results based on the emotions expresses in the texts. Ethically it was agreed with the respondents that their identities were to remain confidential. In addition, secondary data from the documents were reviewed and used to reinforce quantitative data.

3.9 Ethical considerations

The study was guided by ethical principles to ensure protection of the rights of respondents and preserve academic integrity. Conducting research whilst preserving academic integrity ensures that all stakeholders can have faith and confidence in the techniques employed and the conclusions drawn as a result. For this research, public

policy can be greatly influenced by its findings, and thus the public, legislators and other researchers must be able to trust all the research procedures that were employed. With all this in mind, the researcher adhered to ethical standards and sought permission from the university. The research enumerators were briefed on ethical standards to abide by and instructed to treat respondents with utmost respect. The researcher ensured that participants were safe and protected them against unnecessary stress.

3.11 Methodological constraints

The researcher could not influence variables like truthfulness in responses of the interviewees. With assurance of confidentiality to the respondents, this was reduced to the bare minimum.

The study assistants had considerable trouble elucidating and easily interpreting some of the structured questions to be asked. To remedy this, the phrases were restated in simpler but different words with the same meaning so as to acquire the required responses from the interviewees.

3.12 Conclusion

The chapter provides in-depth discussion of the data collection procedure, sampling techniques, study participants, data collection methods, data analysis. This chapter also and outlined the specifics of how the study was conducted and who participated in the study. The methodology chapter also provided the qualitative data analysis technique, which is thematic analysis. The study took a qualitative approach for analysis of field data.

CHAPTER FOUR: PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

The findings of the research study on the effect of local content policy in the oil and gas sector on sustainable community growth in Uganda using the case study of Buliisa district located in Uganda's oil-rich Albertine graben. The findings of this study were based on views on how using local labor in the oil and gas sector effect the sustainable community growth of Buliisa district, how labor training programs in the oil and gas sector effect the sustainable community growth of Buliisa district and how domestic sourcing of local goods and services in the oil and gas sector effect the sustainable community growth of Buliisa district

Table 2: Response rate of respondents

Category	Population	Sample size	Response Rate (%)
PAU	8	5	62.5
Buliisa residents	32	30	93.8
LC 1	20	14	70
Total	60	49	79

Source: *Primary Data, 2023*

The study managed to collected data from various achieves that contain all information on the oil and gas sector including the companies that are controlling the exploration and purification.

4.2 The effect of local labor employment on sustainable community growth of Buliisa district.

Total sub-contractors like MotalEngil have done a big job in recruiting people from Buliisa, they are the first pioneers of the Tilenga project and the biggest sub-contractor and still the biggest employer with over 700 employees, a big percentage is from Buliisa. This has subsequently led to growth of the district as residents have enough disposable income to support their families and livelihoods. The ministry of local government report (2019) revealed that a drastic increment in the level of growth was realized in Buliisa, it further noted that Buliisa district has seen tremendous growth and this has been attributed to positive effect the oil and gas operations ongoing in the district. The district was among the top ten performing districts with a score of 27% in 2018 and a score of 62% in 2019 (MLG, 2019), the high trajectory Buliisa is having can be attributed to the oil operations in the district (UBOS, 2017).

The LCP has benefited the people of Buliisa in offering jobs to the local people and to some from other neighboring districts. This benefit has extended to all regions of the district in that there are many local residents employed in the oil and gas activities or self-employed in Buliisa as a result. For TEPU sub-contractors in Buliisa like Karmod Beta that has over 300 employees, it was estimated by some respondents that 90% of the workers in the companies are people they know or are from neighboring villages, it was acknowledged that this might be planned by the GoU because foreigners are only brought for electricity and plumbing, this conforms with The 2018 National Content Policy for the Petroleum Subsector in Uganda which requires at least 70% of employees working in IOCs to be Ugandans. The provision of local employment is one of the central

objectives of local content policies. The study sought to establish the influence of various dimensions of local employment on sustainable community growth in Bullisa. The focus was on existence of an employment plan for local workforce, forecasting of employment needs, and preference for local workforce, employment policies and compensation terms.

According to TEPU (2023), more than half, 54.2%, of employees were field workers, while 16.9% were in middle level managerial positions. Up to 27.2% were junior staff, mostly in the head offices and field administrations, and an additional 1.7%, were senior managers. TEPU sub-contractors like Sinopec, according to interview respondents, are required to train all employees and priority must be given to the residents of Buliisa. In essence, all the PAU officers interviewed noted that most oil and gas companies in Buliisa had implemented, to a moderate extent, the local employment provisions of the local content policy framework. According to responses from interviewees, first consideration was always given to the locals when hiring.

Many interview participants clearly expressed a desire for more people from their village to attain high-ranking positions in the oil and gas companies. This sentiment is rooted in the belief that if more villagers hold influential roles, the resulting increase in income levels would benefit the entire community. This implies that to ensure that income levels are more widely felt, it is essential for oil and gas companies in Buliisa district to focus on community empowerment and job creation to provide opportunities for a broader segment of the population in the area.

A document reviewed on National Content supported the statement made by K.I31, it noted that Total exploration and Production Uganda BV (TEPU) had contributed to the welder's training through The Assessment and Training Centre (TASC) in Hoima district and during the year, 35 technicians were trained while ongoing training for twenty-five (25) technicians was ongoing by the end of the year (PAU, 2019). The study found out that approximately 50,000 indirect jobs have been created by the sector with a sizeable portion in Buliisa district (MEMD, 2023). These involved in a wide range of activities that have direct or indirect support to the sector ranging from agriculture, textiles, road construction, and information technology among others. Many interview respondents noted that TEPU hired Sun-makers to identify skill gaps and train employees, they further revealed that scholarships are provided by TEPU to the best performing students in Buliisa at St.Andrea Kaahwa in Hoima district.

According to MEMD (2023), trainees were selected from the districts of Hoima/Masindi, Buliisa, Nwoya, Nebbi and the informal sector in Kampala (e.g. Katwe). A first tracer study 31st May 2018 indicated first employment effects: Of 20 certified 3G coded Welders 19 were in jobs after training (thereof 11 new/additional jobs), 13 had increased incomes. Of 30 certified Basic Electrical Engineering technicians 19 were already in jobs (thereof 12 new/additional jobs), 18 had increased incomes. Final impact is to be assessed with next tracer. 50 Welding Fabrication and Pipework Craftsmen/women certified: Impact to be assessed with next tracer study. 120 Scaffolder erectors and 50 scaffolding inspectors trained and certified. Out of 91 surveyed, 69 were in employment (25 in new jobs), 60 had increases incomes (MEMD,

2023). Because of LCP, results indicate that Youth Employment Enhancement Project trained, certified and placed a total of 220 craftsmen and women in internships.

In addition to the above, results indicate that the local content policy that promote the development of higher technical and managerial skills for national employees for instance Uganda Petroleum Institute, Kigumba (UPIK) was created as a response to the various capacity need for the oil and gas sector operations in districts like Buliisa. UPIK is expected to train Ugandans in the different skills to be able to provide labor for the oil and gas sector (MEMD, 2023). According to UPIK's strategic plan 2014-19, a Sector Skills Council (SCC) consisting of sector players for the oil and gas sector will be created, the SCC will be mandated in assisting UPIK in reviewing different courses and curricula to modify and fit them to the sector needs and demands. At present government has not reviewed the capacity of technical institutions which will provide training for oil and gas sector jobs. Whereas instructors at UPIK and Nakawa Vocational Training Institute (NVTI) have had some basic training for the oil and gas sector of about 50%, the same cannot be said of other technical colleges. This greatly undermines the nature of skills imparted by these institutions.

UPIK focuses on providing skills for direct employment in the oil and gas sector and may not necessarily focus on other support sectors. BTVET training needs to focus on other sectors like textiles industry, road construction, mining and agriculture among others (MEMD, 2023). Many of the enrolled graduates of UPIK in Buliisa were active workers in the oil and gas sector in the district.

According to the Auditor General Report (2022), it was observed that although the proportion of Ugandans employed in the oil and gas sector by the oil companies overall rose from 69% in 2012 to 80% in 2021, absolute numbers of employees decreased from 546 to 432 between 2013 and 2023; in particular, the nationals dropped from 370 to 347 over the same period.

In other areas of employment out of the 261 approved posts for the company, only 114 (44%) were filled leaving 145 (56%) posts vacant. Some of the vacant positions included; head of trading and marketing, Head of Business Development & Project Integration, Manager National Content, Manager Upstream and Joint Ventures, Manager Midstream and Contract Management, Head of Pipelines Development & Operations, Head of Technical & Business Services, Head of Downstream Trading & Operations, Head QHSE and Head Refinery Development (MEMD, 2023). Results clearly indicate that the local content policy has been impactful to job creation and sustainable community growth of Buliisa district.

4.3 The effect of local labor trainings on the sustainable community growth of Buliisa district.

Government's approach to National content has been clearly and precisely articulated in the existing Policy, Legal and Regulatory frameworks, including the Local Content Policy, 2018, which was passed by Cabinet in June 2018. Through the Local Content policy, Government has made commitments to support participation of Ugandans in the oil and Gas Sector. These include efforts to: Build the capabilities of Uganda's human resources, promote employment of Ugandan citizens and enterprises, Develop the

competitiveness of Ugandan enterprises as suppliers and Joint Venture Partners. Increase the use of locally produced or available goods and services by the Oil and Gas Industry, and Promote in-country Research and Development (R&D) and technology transfer to Ugandans. The policy expectations were to generate up to 160,000 jobs of which over 140,000 jobs are to be generated by the contractors and sub- contractors.

With LCP policy information availed to them in from of structured questions, interview respondents were requested to evaluate how far the Local Content Policy has been achieved in regard to training of local labor by oil companies in Buliisa. In other words, they were asked if the government commitment through PAU to support participation of Ugandans in the oil and gas sector been successful. The responses were as follows: The general perception of participants was that it is yet to be successful. However, some effort has been done in some sectors where Ugandans are employed and or have established businesses for supply purposes in Buliisa district.

To further skill Ugandans in oil and gas operations, the government of the Republic of Uganda has already taken an initiative to establish the Uganda petroleum institute whose aim is to impart knowledge and skill which is required in the oil and gas operations and maintenance. This is a great achievement although the government has to put up more institutions in place to increase on the number of Ugandans with enough knowledge and skills to actively compete in the market (MEMD, 2023).

The study found out that PEDPD monitors the compliance of oil companies with National content provisions through collection and review of the annual procurement, training and employment reports; stationing monitoring officers in the field; and periodic field

inspections/monitoring visits conducted by officers from the National Content Unit (MEMD, 2023). It is also imperative that the metrics for measuring local content compliance are revised constantly and tailored to long term macroeconomic objectives of the country. Furthermore, international experience identifies value addition within the domestic economy, as the core goal, for national content. Achieving this requires initial push by way of foreign investment, in order to gain transfer of technology technical and process, to expand national adaptive capacity (MEMD, 2023).

It is vividly pointed out, in the OAG national content audit report (2015): The National Content Unit in PEDPD carries out periodic monitoring visits to the oil companies and field sites and is required to produce reports on IOC compliance with national content provisions. The National content unit also reviews persons on board (POB) reports, as well as plans and reports from oil companies relating to training of Ugandans so that they acquire the skills necessary to work in the oil and gas sector in Buliisa. They then advise the Director PEDPD (formerly Commissioner), on performance regarding national content obligations. The Director then gives the oil companies written feedback, and points out areas of improvement. (Office of the Auditor General, 2015, p. 44)

4.4 The effect of sourcing from locally owned businesses on Sustainable Community Growth of Buliisa district.

The study found out that 30% of the Ugandan suppliers mean Ugandan citizens (or residents) as well as business entities (Auditor General Report, 2022). Many times, local content limits itself to employment of citizens, transfer of technology and service provision leavening out the most important aspect of citizen participation which is

‘participation in decision making. There was concern raised by some respondents on if the partnerships by TEPU were with the local companies owned by Buliisa people and acknowledgement that there were a few that are owned by those from Buliisa.

Prior to the adoption of the National Content Regulations in 2016, the 48% stake requirement in the joint ventures was interpreted to mean local shareholding in IOCs. This caused disgruntlement among international private actors. The 48% participation by the locals in the sector became a bit of a problem especially from the perspective of the non-resident actors, because, the Act was expecting that Ugandans are also going to get 48% shareholding for whichever non-resident investor comes in to invest. So, the regulations helped in the sense that they demystified that story of 48% and so there was more focus on using Ugandan goods and services as opposed to having a stake in ownership (National Content Bill, 2016).

However, it was interpreted differently by some of the local actors precisely to mean having a 48% stake in the contract as opposed to the company, as was interpreted by the international private actors. This is affirmed by a senior official from an IOC who pointed out in an interview that “for any company to supply goods and services to the industry it is required to be a Ugandan company or a foreign company with at least 48% ownership of a Ugandan (MEMD, 2023).

There is very minimal skill and technology transfer between upstream oil and gas companies and local businesses and personnel, this limits sourcing of technical services from local businesses. One interviewee noted that a contract offered to Western Sands hotel had been revoked as a result of poor-quality foodstuffs delivered by the company;

this was attributed to poor skill in the catering sector by local companies in Buliisa. It was further noted by another respondent that in such an instance where the local companies in Buliisa may are not well prepared to be able to supply items, well established companies like Mineral Service Logistics, which is from Kampala was given the tender for supplying food to the Total camp in Mvule, Ngwedu Sub- County, in this case the local companies do not benefit.

According to (WBCSD, 2012), relatively high contracts awarded by IOCs can result in local people being drawn away from other businesses in the area. As a result of these losses, local communities can find their already limited services sector shrinking even further. The loss to communities is compounded because they may also suffer a major loss in human capital, as experienced retailers, administrators, nurses and teachers leave their professions to work in the oil sector (WBCSD, 2012).

One interview respondent revealed that clearly much of the fish consumed by the Total employees is supplied by Ken Limited a local company firm in Buliisa though the company did not have that much experience, the CCA camp under the CPF and Buliisa camp get all their meat by Farm fresh which is also a local company. Community dissatisfaction can result from seeing only basic goods like foodstuffs being given to the local people in the area. IOCs like TotalEnergies and the government of Uganda through the petroleum Authority of Uganda had put in place several programs aimed at further increasing local supplier capacity and development according to PAU (2019). This was mainly because a large proportion of the local suppliers could not meet the requisite standards to operate in the Oil and gas sector.

The OAG report (2019) revealed that many SMEs in Buliisa that have the IOC like TEPU as their sole or major client can be left vulnerable to the business cycles of the larger company and there may be little in the way of opportunities for diversification. This issue is compounded when the oil resource project is at a remote location and the only “game” in town underlying demand is set by a single source (OAG report, 2019). Another concern was the operational capacity of local businesses in Buliisa. One interviewee revealed that local companies lacked operational capacity and noted that they could not supply highly technical inputs like spare parts for machines or mechanical parts and in that case of need, they just import.

CHAPTER FIVE: DISCUSSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary and discussion of findings from the field on the effect of local content policy in the oil and gas sector on sustainable community growth, in Buliisa. Local content policy involved the use of local labor, training of local labor and sourcing of domestic goods in the oil and gas sector in Uganda.

5.2 Summary of findings

5.2.1 The effect of using local labor in the oil and gas sector on the sustainable community growth of Buliisa district

Employment of local labor in the oil and gas sector has an effect on the sustainable community growth in oil and gas sector in Buliisa as residents get jobs and other employment opportunities improving their livelihoods.

5.2.2 The effect of labor training programs in the oil and gas sector on the sustainable community growth of Buliisa district

Training of local labor by oil and gas companies in Buliisa is essential in imparting of skills necessary to work in the sector, this leads to a greater pool of technical workforce in the area.

5.2.3 The effect of domestic sourcing of local goods and services in the oil and gas sector on sustainable community growth of Buliisa district

Sourcing of Goods and Service as revealed by the findings affects the sustainable community growth in oil and gas sector in Buliisa. The need to procure and source of

goods and services from local companies in Buliisa induces to emergence of local businesses and growth of the district.

5.3 Discussion of findings

5.3.1 The effect of using local labor in the oil and gas sector on the sustainable community growth of Buliisa district

Local Employment affects sustainable Community Growth in oil and gas sector in Buliisa. The study revealed that because of oil and gas activities in Buliisa, numerous jobs and other employment opportunities have been created, the locals mainly in the unskilled and semi-skilled labor. This concurs with the findings in USA by Agerton (2015) on oil and gas activities. The study revealed that the technology boom increased investment in upstream oil and gas operations increasing supply and created a multitude of jobs and development in the areas where the oil and gas projects were ongoing. Also, the study revealed the jobs were spread across several stages of the oil and gas exploration from the seismic surveys to the final oil drilling. Similarly, from the study many of the jobs created are spread across several stages of oil mining with the drilling phase about to start.

The study findings also revealed that preference is clearly given to the locals in Buliisa district when hiring, with exception to the fields and jobs where they lack the qualifications and expertise. The findings resonate with Jack (2018) who conducted a study on job localization; it was noted that IOCs firms typically face stringent local content requirements as well as community pressure to support local job creation. This provides a unique issue for IOCs operating especially in developing oil-producing

countries, where there is typically a shortage of qualified local workforce. In Buliisa, a holistic approach by oil and gas companies with efforts towards creating a pool of skilled personnel is on.

From the study findings, it was revealed that majority of the employees of oil and gas companies operating in Buliisa were locals from the area, though majority were in the unskilled category. Onwuka (2013), in line with the findings, analyzed strategies for improving LCP in Nigeria, he noted that project contractors are required to provide quarterly reports for monitoring. Since it focuses on Nigerians who are involved in value creation, local employment opportunities created may be a more accurate indicator for improvement in local content and that was evident in the number of Nigerians employed in the country's oil and gas sector. However, compared to other inputs like capital equipment, spare parts, and specialized services that are not locally accessible, the number of jobs produced locally may be minimal and maybe insignificant in terms of the total value of inputs required in generating a unit of oil. The unskilled must be 100% Nigerians and at least 60% at all other levels. In Buliisa, 70% of all employees in oil and gas companies must be Ugandans according to Uganda's LCP and PAU, in charge of monitoring compliance to this, acknowledges that this threshold is well attained.

The study also revealed that the companies in the oil and gas companies offer fair remuneration in form of good wages and salaries to the community residents hired in the operations. This aligns with ILO (2010) report which revealed that employment in the oil and gas industry typically pays rather well. This study noted that oil operations are high skill-requirement industries, at least for the core jobs. In terms of human lives, lost revenue, damaged expensive equipment, and environmental cleanup, mistakes can

prove to be quite expensive, so workers are supposed to be rewarded rightly. This might be a less important factor when it comes to supplementary services (like catering or transportation). According to the study, oil and gas industry recruitment experts also observed greater pay inequalities in refining than in exploration and production, where many job categories are already primarily filled by contract workers. Differences in wages between locally hired labor and expatriates are a common source of dispute in developing nations. Notably, the inclusion of labor employment expenses in the cost of the product will have an immediate effect on wage setting in any business. This however does not seem to be a significant worry for the majority of oil and gas companies. This explains the reason for the relatively good wages and salaries in the oil industry.

The study findings revealed that oil and gas companies in Buliisa had plans to create more jobs aimed at matching the growing oil and gas sector in the district. In line with this finding, Omar (2017) revealed that locals were satisfied when oil and gas companies created more jobs in host communities as more developments were made in the oil and gas projects. Furthermore, it was discovered that by giving locals job opportunities, multinational oil companies partially remedied the issue of high unemployment rates in the host community. The efforts of oil firms, such as providing work opportunities for community members, can play a crucial part in upholding their harmonious coexistence. However, the host community requires the multinational oil and gas companies to hire locals in the areas where they operate.

5.3.2 The effect local labor training programs in the oil and gas sector on the sustainable community growth of Buliisa district

The study revealed that sourcing of domestic goods and Services affect sustainable Community Growth in oil and gas sector in Buliisa. It was revealed that the oil and gas companies have capacity building strategies and have implemented them to further add to the pool of talent available for hire. The findings resonated with Bhasin et al., (2014) who investigated the positive role capacity development had for the oil and gas sector in Mozambique. It was noted that the emerging gas and coal industries could be the main drivers of Mozambique to reach the status of middle-income country. For the oil and gas industry in Mozambique to advance, it was noted that sufficient human capacity will be necessary to be able to address all the technical, economic, social, and institutional aspects in the sector. Effective capacity building programs for the gas and energy sector are based on the country's current and future gas/energy policy issues and priorities, address the entire gas/energy policy chain, and should be integrated into the nation's organizations and institutions to become a self-sustaining structure that serves to continue the development of human capacity after the program has ended. It is crucial that the capacity development program addresses the entire energy policy chain and that there are synergies between the training activities for four target groups namely the private sector, vocational schools, policy makers and the universities. For instance, training materials should be in line, facilities should be shared, and policymakers should support, universities and vocational schools, the private sector, and other stakeholders especially the oil and gas companies should regularly communicate. It is also crucial that the capacity building programs in the oil

and gas sector are integrated into already-existing frameworks that are a part of yearly budgeting and planning cycles and will stand the test of time.

The study findings also revealed that workers in oil and gas companies require technical expertise and skills to be efficient. From the study oil and gas companies have skill development plans aimed at increasing the labor available for hire. The findings are in line with Robert et al., (2017) who noted that in order to determine the procedures or campaigns that may be implemented in order to boost potential employees' employability and job-readiness, it is crucial to identify the kinds of occupations and skills that are in the highest demand for oil and gas companies in the region. Analysis of the traits of high-priority occupations that employers in the oil and natural gas sector reported that oil and gas companies have included: educational requirements, degrees earned, on-the-job training, or prior work experience needed for an employee to be competent in work positions. In their survey, respondents, mainly employers, were asked to list the top jobs in their organizations. According to the survey results, high-priority occupations were those that are in high demand, are essential to the oil and gas company's core operations, and therefore call for more-advanced skills and offer family-sustaining wages, though they may not always be the most in demand. For instance, the majority of businesses probably employ numerous engineers and scientists, but significantly fewer top executives. Vocational trainings in skills like welding are periodically conducted in Buliisa by oil and gas companies to sharpen worker's technical expertise especially in their respective engineering departments.

Furthermore, the research study findings confirmed that as part of labor training, several oil and gas companies offered on-job trainings to their new employees with an

aim of sharpening their skills. These are very effective in training of labor as the oil and gas workers are trained in specialties for which they are going to be hired. Rumin (2019) was in support of these findings and investigated the effect of on-job trainings on performance of employees working in oil and gas companies in Uganda. Employees were subjected to three types of on-job trainings including coaching entailed consistent sequence of training sessions in which an experienced employee with extensive knowledge offers mentorship to trainees, induction which entails educating and settling in new hires to their new roles and job rotation where the employees served in several positions to reduce monotony. The research conducted proposes that in order to increase employee performance during on-the-job training in oil and gas companies, job rotation, mentoring, and induction should be employed as part of on-job training. This means that to enhance performance of employees in oil and gas companies, on-job training is necessary. From the study, on job trainings offered by oil and gas companies, most notably induction, were lauded for offering quick acquisition of skills by employees in addition to smooth transitions into the company staff.

Additionally, the research study revealed that academic scholarships were offered to local people in the area with an intention of increasing their technical expertise in the oil and gas field. This was revealed by Abdul hakim et al., (2012) who studied employees in Libyan Oil and gas companies, the research concluded that it is widely accepted as a crucial component of optimal human resource management practices to offer employees opportunities for career advancement through training and development. These included academic scholarships given to company employees to advance and sharpen their expertise, this expertise would later be utilized in the companies. In

Buliisa, several residents especially the best female academic performers had their academic studies funded by oil and gas companies and they had agreements in place to work with them on finishing their studies. This particular strategy guarantees that oil and gas companies hire people with skills necessary in the field.

Furthermore, the research findings revealed that specialized trainings in the oil and gas operations were conducted by mainly sub-contractor human resource recruitment companies specifically targeting the fields where local labor lacked expertise. This is in agreement with Allaoui et al., (2017) who noted that one of the most crucial ways to help staff members acquire the new information and skills necessary to conform to competitive standards in the oil and gas sector is through training and development procedures. According to the study, human resource policies like in-depth training would foster a feeling of corporate support.

5.3.3 The effect of domestic sourcing of local goods and services in the oil and gas sector on sustainable community growth of Buliisa district.

Sourcing of Goods and Services affects Sustainable Community Growth in oil and gas sector in Buliisa. In particular, the study findings in particular revealed that oil and gas companies harness transparent and fair bidding processes when awarding bids and tenders to suppliers. The findings are in line with Esteves et al., (2013) case study analysis of 23 oil and gas companies with their local procurement practices revealed that over the previous five to eight years, these companies had become more and more driven by the desire to forge lasting relationships with local suppliers that would benefit both parties. It was discovered that these extractive companies engaged in a variety of local procurement measures intended to increase local businesses' access to contract

opportunities, including sole-sourcing agreements with local suppliers, price matching, allowing local suppliers to match the prices of other suppliers, and breaking large contracts. Other local procurement interventions included giving local businesses higher preference weightings in competitive bidding processes to enable local companies' participation and involvement in the oil and gas industry.

From the study findings, it was revealed that when oil and gas companies are making purchases, first consideration is given to oil and gas companies in Buliisa district. This resonates with Banet (2019), who noted that the requirement that IOCs use local suppliers, provided that the local suppliers retained are qualified and price-competitive, is a typical element of LC policies in Norway. The governments in oil companies continually asserts that the purpose of this approach on the use of local goods and services was to establish a local supply of competitive goods and services required by the petroleum industry, not to compel a discriminating usage of local suppliers. An office was set up particularly to monitor and oversee compliance with the aforementioned buying rules. The Office's primary responsibility was to oversee and manage the contractual and procurement processes used by the IOCs. It kept a careful eye on the IOCs' purchasing procedures. This way the local companies can be boosted.

The study findings revealed that the local companies in Buliisa were not in position to avail and supply all the goods and services required in the oil and gas operations. In support of this, Balouga (2012) who studied operational competence of indigenous companies in Nigeria noted that few of the local companies are able to complete turnkey projects without utilizing some sort of collaboration agreement for resources, knowledge, or technical assistance. Managerial competence and critical mass with

technical and financial capabilities are other issues that these companies face. Also, the majority of tiny, dispersed local companies are typically unable to package themselves or obtain funding. This apparently excludes them out of the lucrative oil and gas supply value chain.

The study revealed that oil and gas companies particularly those operating in Buliisa partnered with other smaller companies in the district to form joint ventures, though these partnerships were not for supply of extremely technical equipment. This has similar results to Bellema (2019) whose study looked at how Nigeria's oil and gas industry's local content policy has affected the sector and what that meant for encouraging more domestic small and medium-sized company engagement in the oil and gas sector. The study concluded that LCP has not yet had that much an effect in encouraging joint ventures between indigenous and International oil and gas companies, and more in the awarding of contracts to indigenous firms. Lack of enough capacity was cited as reason for the inability of local companies to be awarded big contracts, many of the respondents argued that much of the oil and gas operations were capital intensive and this hindered their participation.

Lastly, the study findings revealed that procurement procedures and policies of the oil and gas companies align with the local content policy of Uganda. Esteves (2011) supported this claim, noting that in indigenous communities, where there are currently a number of agreements between firms and Indigenous organizations that are intended to enable increased utilization of local goods and services, the advantages of supply chain participation have become particularly evident. According to the study, the participation of locally owned companies includes pledges to aid in the growth of

indigenous-owned businesses by purchasing from them. In order to boost local company's access to contract possibilities, IOCs are now taking part in a variety of local procurement programs.

5.4 Conclusion

The chapter provides in-depth discussion of the field data findings. The chapter furthermore discusses and explains how findings from previous research relate to this study's empirical findings; the specifics of the findings from previous findings are also discussed.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The recommendations and conclusions from the study are presented in this chapter. The limitations of the study and suggestions for areas of further research are on the effect of local content policy also presented in this chapter.

6.2 Conclusions

6.2.1 The effect of using local labor in the oil and gas sector on the sustainable community growth of Buliisa district

For objective number one, it was learnt that numerous jobs and other employment opportunities have been created, the locals mainly are in the unskilled and semi-skilled labor, that preference is clearly given to the locals in Buliisa district when hiring, with exception to the fields and jobs where they lack the qualifications and expertise, that majority of the employees of oil and gas companies operating in Buliisa were locals from the area, though majority were in the unskilled category, that the companies in the oil and gas companies offer fair remuneration in form of good wages and salaries to the community residents hired in the operations and finally that oil and gas companies in Buliisa had plans to create more jobs aimed at matching the growing oil and gas sector in the district.

6.2.2 The effect of labor training programs in the oil and gas sector on the sustainable community growth of Buliisa district

For the second objective, it was learnt that revealed that the oil and gas companies have capacity building strategies and have implemented them to further add to the

pool of talent available for hire, that local workers in oil and gas companies require technical expertise and skills to be efficient, that oil and gas companies have skill development plans aimed at increasing the labor available for hire, that as part of labor training, several oil and gas companies offered on-job trainings to their new employees, that academic scholarships were offered to local people in the area with an intention of increasing their technical expertise in the oil and gas field and finally that specialized trainings in the oil and gas operations were conducted by mainly sub-contractor human resource recruitment companies specifically targeting the fields where local labor lacked expertise.

6.2.3 The effect of domestic sourcing of local goods and services in the oil and gas sector on sustainable community growth of Buliisa district.

For the third objective, it was learnt that oil and gas companies harness transparent and fair bidding processes when awarding bids and tenders to suppliers, that when oil and gas companies are making purchases, that first consideration is given to oil and gas companies in Buliisa district, that the local companies in Buliisa were not in position to avail and supply all the goods and services required in the oil and gas operations, that oil and gas companies particularly operating in Buliisa partnered with other smaller companies in the district to form joint ventures, and that procurement procedures and policies of the oil and gas companies align with the local content policy of Uganda.

6.3 Recommendations

6.3.1 The effect of using local labor in the oil and gas sector on the sustainable community growth of Buliisa district

In the case of new jobs creation, because most of the locals are employed in the unskilled labor, most of the jobs have been at the CPF, and with construction ending and the more technical phase incoming, TEPU can take some of the field workers and some qualified unskilled personnel for refresher courses so that they can be hired in fields like drivers, crane operators. Also, the issue of giving preference to local labor should still be upheld especially in case of a vacancy, a letter of residence should be mandatory and only the permanent residents should be given priority. The local labor threshold should be made 100% for the unskilled laborers, and at least 50% for the top-level management. The ballot system when hiring should be eliminated and a more formal approach adopted. To combat this, the oil companies can call for applications for vacancies with all qualification for the desired candidates specified. In some cases, aptitude tests and assessment centers can be utilized in scenarios where the numbers are many.

In the case of local labor compliance thresholds, it must be made mandatory to all oil and gas companies in Buliisa to make monthly recruitment returns with enough details to know where the recruited person comes from. The monitoring team should be put in place and should be of Buliisa residents. Some members of the monitoring team should be invited to attend interviews. Vacant places should be widely published in the district of Buliisa. Non-compliance should be punished and compliance rewarded in the form of recognition.

6.3.2 The effect of labor training programs in the oil and gas sector on the sustainable community growth of Buliisa district

Vocational training in petroleum studies should be made available by oil and gas companies so that employees can receive further training and stay updated with industry trends and advancements. By doing this, IOCs also have the advantage of being able to bridge the skills gap between what skills their current employees have and what is demanded industry-wide. Additionally, government and IOCs must make sure that research and development is done locally and that staff receive in-depth training in order to boost the number of local talents involved in the development of oil and gas resources. In order to save residents from having to go to neighboring districts for their oil and gas vocational training, the government of Uganda may establish vocational schools in the regions where oil and gas operations are now taking place. The oil and gas industry should train educators in petroleum studies so that there is a pool of people available to work as teachers in the newly established vocational schools. Petroleum studies may be made available at a reduced cost on a national scale, producing more people who could work in the oil and gas sector's technical sectors and upper management.

6.3.3 The effect of domestic sourcing of local goods and services in the oil and gas sector on sustainable community growth of Buliisa district.

As long as they were affordable and competitive in terms of quality, service, delivery time, and pricing, the licensees (IOCs) should only use products and services from Uganda. This should only be the case, though, if the business is listed on the PAU website's national supplier directory. In the event that local businesses produced the

essential items and provided the necessary services, they would be invited to participate in a call for tenders. Real chances must be provided for them to compete and supply. However, to avoid ambiguities and misalignments, the objectives' scope must be specific, measurable, and achievable. The IOCs can examine the market before asking for tenders so that even if called, local enterprises can compete. In the event that local oil supplier companies need unsecured loans to enable them to register and maintain their competitiveness, the government of Uganda, through PAU, can enter into agreements with financial institutions like banks to provide these loans to the company. For local businesses, the local content policy should stress awareness among the local population. Capital is normally a deterrent for local people to establish businesses; therefore, the policy should encourage the locals to form SACCOs which can offer loans to members. Micro-Finance Banks can be given incentives by the Bank of Uganda to establish branches in Buliisa with some incentives embedded in the policy by MFPED and MEMD.

PAU can periodically review the tender schedules and the list of companies to be invited to bid for tenders and also ensure that IOCs operating in Uganda are required to submit them in order to carefully monitor their conformity to procurement practices and procedures from local suppliers. On this basis, it can be guaranteed that most of the suppliers are local companies. Additionally, from the start of contract discussions, the government and IOCs must jointly define and scope success in terms of local content and value creation.

6.4 Limitations for the study

Though successful, there were clearly a few limitations that the researcher faced during the study.

- i. Some of the respondents were a bit skeptical about the real intention of the research study, thus did not reveal some sensitive information. The researcher, however, assured them that the research study was conducted purely for academic purposes.
- ii. It became apparent that the time period of the study was a busy one in the selected area of the study. The oil and gas operations ongoing there were at an advanced stage and getting some of the key informants became a challenge.

6.5 Areas for further research

- i. The study primarily focused on the effect of local content policy on sustainable community growth in Buliisa, more research studies can be conducted on broader variables like economic growth in the entire Albertine region, or even the entire country.
- ii. The study was conducted at a time when oil and gas operations are at infant stage in the Buliisa. More comprehensive research studies can be conducted when Uganda is at an advanced stage, the EACOP is fully operational and the CPF is functional.
- iii. There are also other factors that affect sustainable community growth in oil and gas regions like attitudes of the people towards oil and gas operations and local leadership. Research on such can be conducted in oil and gas producing regions like Buliisa.

6.6 Conclusion

The notion of oil and gas benefiting the oil resource area, Buliisa was evaluated in the study. The GoU, through PAU, has had the LCP implemented to achieve this goal. Recommendations and conclusions from the study are presented in this chapter in addition to the limitations that hindered a smooth conduction of the study and how they were overcome by the researcher. Suggestions for areas of further research in areas the researcher feels were not sufficiently covered by the study on the effect of local content policy has on sustainable community growth were also included in this chapter.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE FOR BULIISA LC1 CHAIRPERSONS, BULIISA RESIDENTS AND PAU OFFICIALS

Structured interview questions for Buliisa LC1 Chairpersons

- i. How can ongoing oil and gas operations help with the unemployment rate in your community?
- ii. How is the number of new businesses in Buliisa a reflection of overall community growth in the area?
- iii. To what extent do income levels of oil company employees boost existing business in your community?
- iv. With taxable oil operations ongoing in your area, what can be done so that the community benefits the most from the revenues collected?

Structured interview questions for PAU officials

- i. How can the government of Uganda through PAU ensure that Total E&P Uganda effectively adopts LCP in Buliisa?
- ii. How can compliance with the LCP local labor thresholds be feasibly attained without disrupting operations?
- iii. What should be done to ensure local businesses in Buliisa are given favorable terms while working with Total E&P Uganda?

Focus group questions for Buliisa residents

- i. How might oil and gas businesses best assist in lowering the unemployment rate in your area?
- ii. How have income levels improved as a result of the new jobs oil operations in your neighborhood have brought about?
- iii. How might the neighborhood's locally owned companies benefit from the oil operations that are now taking place there?
- iv. As locals, how can your participation and engagement in oil and gas operations be improved?

APPENDIX II: DOCUMENT REVIEW CHECKLIST

Table 3: Documents Reviewed Checklist

Document	Variable to be studied
<p>Auditor General Report, Implementation of national content in the oil and gas sector, 2015</p> <p>Auditor General Report on Uganda National Oil Company, 2022</p> <p>MLG National synthesis report, 2019</p> <p>MEMD, Progress on Implementation of National Oil and Gas Policy for Uganda, 2023</p> <p>Auditor General Annual Performance 2019-Developing Capacity in Oil and Gas sector</p>	<p>Local labor hired</p> <p>Performance per district</p> <p>Status of Implementation of LCP by TEPU</p> <p>District Performance</p> <p>Local labor employment</p>
<p>Petroleum Authority of Uganda National Content Annual Report 2019</p>	<p>Local labor training</p>
<p>UBOS employment report, 2017</p>	<p>Employment per sector</p>



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SCHOOL OF RESEARCH & POSTGRADUATE STUDIES

DISSERTATION CORRECTION COMPLIANCE REPORT BY THE CANDIDATE (POST VIVA FORM)

Date: 22nd FEBRUARY 2024

Name of Candidate: NABISWAZI HAWAH

Reg. No: S22M47/010

S N	COMMENTS BY EXTERNAL EXAMINER	ACTION TAKEN	INDICATOR
1	Harmonize the study objectives with the study purpose	Study objective harmonized after consulting Bloom's taxonomy	Page 6
2	Include theoretical aspects of the background	All aspects included in the background	Page 2, 3
3	Provide evidence for key statements made in the background	Citations were included in the background	Page 1, 2, 3
4	Provide evidence for key statements made in the problem statement	Citations were included in the problem statement	Page 5

5	Ensure that the second objective is aligned to the topic	The objective was rephrased to align with the topic	Page 6
6	Justify the study scope	Justification for the study scope was done	Page 8
7	Indicate the literature based on to draw the conceptual framework	The literature based on to draw the conceptual framework was added	Page 10
8	Indicate the literature based on to draw the conceptual framework	literature based on to draw the conceptual framework was added	Page 10
9	Enrich the explanation of the conceptual framework	An in-depth explanation of the conceptual framework was done	Page 9
10	Include recent publications in the literature review	Recent publications were added	Page 16, 17, 20
11	Explain the gap in the literature explained	The gap in the literature reviewed was thoroughly explained	Page 22
12	Explain the data collection methods used	Explanations for the data collection methods were explained	Page 26. 27
13	Write an appropriate research design	The research design was modified	Page 23
14	Enrich the ethical issues in the methodology	Ethical issues in the methodology were enriched with explanation	Page 27
15	Include findings from document reviews	Findings form document reviews were included	Page 30-39

16	Enrich the discussion of study findings	More explanations were added to the discussion of findings	Page 40-50
17	Draw conclusions based on your study findings	The conclusions of the research were drawn from the field findings	Page 51, 52
18	Include all citations in the final reference list	All citations were added in the final reference list	Page 58
19	Introduce and conclude every chapter	Introductions and conclusion were added	Page 1, 12, 13, 21, 23, 28, 29, 40, 50, 51, 57
20	Edit all the English mistakes in the dissertation	All grammatical errors were corrected	Entire dissertation

Title of Dissertation: THE EFFECT OF LOCAL CONTENT POLICY IN THE OIL AND GAS SECTOR ON SUSTAINABLE COMMUNITY GROWTH: A CASE STUDY OF BULIISA DISTRICT

SN	COMMENTS BY INTERNAL EXAMINER	ACTION TAKEN	INDICATOR
1	The font and font sizes match	No action taken	-
2	The line spacing and margins are consistent	No action taken	-
3	The title should have used “effect” instead of “impact” as impact studies are normally longitudinal	The title was changed and used “effect” to replace “impact” that was initially used	Cover page
4	The cover page is well done	No action taken	-
5	The abstract contains the purpose, objective, methods and findings but has to be re-written because there is overreliance	The abstract was rewritten but still contains the purpose, objective, methods and findings	Page v

S/N	COMMENTS RAISED BY THE VIVA	ACTION TAKEN	INDICATOR
1	Remove quantitative analysis from your work	This was done	Pg 29 - 36
2	Focus on one aspect of the local content policy in your conceptual framework and look at the actual content policy.	Analysis was done	Pg 30 - 34
3	Comparisons and analysis should be done according to the local content policy.	This was critically done	Pg 33, 34
4	Justify the findings of your objectives.	This was done	Pg 36 - 43
5	The presentation of the findings was poor, show more information instead of just listing the findings.	This was done	Pg 39- 36
6	Policies cannot be measured in quantity.	Critically done	The whole document
7	The magnitude of change in the policy	This is done	The whole document
8	Compute percentage growth in your data analysis	This is done	Pg 30, 31, 34, 36, 37

Candidate's name: NABISWAZI HAWAH

Signature.....

Supervisor's name: PROF. BRUNO YAWE

Signature



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