

# Local Content in the Ugandan Petroleum Industry

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**Abstract:** Uganda is one of the latest African countries to explore their petroleum deposits. The country's relatively late entry into the industry affords it the advantage of learning from the experiences of other developing countries, perennially dogged by the notorious resource curse. For these countries, high revenues derived from the export of mineral resources have not translated into meaningful development. In 2016, Uganda adopted the National Content Regulations to regulate investments, provide employment for locals, and shore up domestic capacity building in the petroleum industry. This article focuses on the nature of the local content requirements and their implications for the petroleum industry. The article also explores the interplay between the local content requirements, governance and global trade and investments rules.

**Keywords:** Uganda, Petroleum, Albertine Graben, Local content, Technology transfer, Employment, Bilateral Investment Treaties, Transparency, World Trade Organization

## 1. INTRODUCTION

Consequent upon the resolve of the Ugandan government to begin the exploration and exploitation of its petroleum resources located in the western part of the country, Uganda faces the challenge of harnessing these finite resources for development in the face of a myriad of governance, political and institutional challenges (Patey, 2015). Uganda has also launched itself on the global oil scene in a period of vibrant advocacy for clean and sustainable energy sources. Uganda is a landlocked country located in East Africa bordered by Kenya in the East, Tanzania to the South; Rwanda to the South West; Democratic Republic of Congo in the West, and Republic of South Sudan in the North (Kasimbazi, 2019). As the dominant economic activity, agriculture employs 70 per cent of the population (The World Bank, 2018). It is estimated that 21.4 per cent of Ugandans live below the poverty line (CIA: The World Factbook, 2021).

National ownership of mineral resources is considered to be a major stimulus for local content (Klueh et al, 2007). International legal regimes for natural resource sovereignty: OPEC Resolution XXIV. 131 1971 and the 1962 UNGA Resolution 1803/XVII, were established decades before Uganda's entry into the global oil scene. Expectedly, all petroleum and mineral resources are owned by the government which has the constitutional responsibility of exploiting them for the benefit of the people (Constitution of the Republic of Uganda, 1995). One of the ways resource-rich countries in Africa have attempted to achieve this aim is by introducing performance requirements for investors in their extractive industries. The extractive industries of such countries have a large scale enclave tendency.

For decades, researchers have interrogated the resource curse thesis: or the failure of such countries to transform investments in their oil, gas and mining sectors into sustained economic growth. Despite earning significant revenues from the exploitation of natural resources, African economies have failed to translate their earnings into meaningful economic development, although the exceptions are few. There has been no commensurate economic development and linkage to other sectors of the economy through value addition and employment creation (Oyewole, 2018). Escaping the resource curse or enabling linkages with local businesses and other non-extractive industries has generated a lot of scholarly interest (Neff, 2005).

Obadan (1987) identified a fourfold taxonomy of linkage effects of the oil sector: viz, (i) backward linkage effect; the domestic development of inputs needed by the sector, such as raw materials, intermediate and capital goods, special skills of labour, (ii) forward linkage effect, which is the use of the product of the sector as inputs by other sectors; (iii) final demand linkage; the enhanced purchasing power that arises from the local payment of wages and salaries from direct purchases from oil companies, and (iv) fiscal linkages: which arise from the use of increasing oil revenues to develop other sectors of the economy such as agriculture, education, transportation. Companies in the extractive industry often generate high revenues. In 2018, five out of the ten largest companies in terms of revenue were in the extractive industries (2018 Fortune Global 500: The Top Ten).

Auty (2006) has reiterated the fact that multinational corporations in the extractive industries of Third World states continue to face fierce criticism over their operations; it is believed that their investments confer dubious gain on the host country; limit sovereign policy space, compromise the environment, local communities and the macroeconomic performance of the host state. Consequently, capturing more value in the local economy is a priority for resource-rich developing countries in their quest for leveraging natural resources for development purposes (Sigam, 2012). Uganda has experimented with various policies and laws emphasizing a preference for the use of indigenous resources and technologies in order to promote economic growth. These include: the National Industrial Policy 2008; National Trade Policy 2007; the Buy Uganda Build Uganda (BUBU) policy 2014; and the Public Procurement and Disposal of Asset Act (PPDA) 2013.

Nevertheless, behind the allure of local content policies lie serious consequences for the political economy, and particularly, for the country's mineral sector. In 2010, it was estimated that local content requirements affected 5 per cent of global trade in goods and services; and also that they lead to a decrease of nearly \$100 billion per year in world trade (Ezell et al, 2013). Scholars have

also shown that local content policies have achieved only mixed results. Kaplan (2013) said that international experiences are inconclusive on the effects of using local content policies and regulations in building and expanding local product supply and associated jobs. Furthermore, except carefully implemented and subjected to public scrutiny, local content policies are susceptible to corruption (Transparency International, 2014). On the other hand, evidence from Norway and Venezuela suggest that sound regulatory policies and good resource management can help to stimulate domestic economic development (Havranek and Irsova (2011) Nevertheless, African economies have continued to introduce local content laws into their extractive industries. In 2016, the Ugandan parliament enacted the Local Content Act.

This article is organized into 8 sections. In the second section, we discuss the evolution of the Ugandan petroleum industry. The 3 section examines the concept of local content. Section 4 undertakes an analysis of some key aspects of the Ugandan local content regulations. In section 5, we discuss the mechanisms adopted by Uganda to monitor and ensure that the provisions of the regulations are enforced. Section 6 discusses how transparency can help to ensure the realization of local content goals. In section 7, we discuss the effect of international trade rules on local content requirements, while section 8 provides the conclusion for the work.

## **2. THE EMERGENCE OF THE UGANDAN PETROLEUM INDUSTRY**

Although Uganda has only recently made its foray into the global petroleum industry, oil seepages have always been found in the Albertine Graben (Manyak, 2015). Presently, the exploration and exploitation of oil is centered on this region which lies on the western border of Uganda and the eastern border of the Democratic Republic of the Congo (Kiraye et al, 2016). In the early 1920s, a British geologist, E. J. Wayland carried out surveys which revealed the presence of petroleum deposits in the Lake Albert basin, also known as the Albertine Graben region. Despite the fact that wildcat wells drilled in 1937 revealed layers of shale, further development of the fields were halted following the outbreak of World War II; the Ugandan independence in 1962, and the political turmoil that ensued in the country afterwards.

More aeromagnetic surveys taken between 1982 and 1993 across the entire country yielded promising results. Yet, extensive ground surveys conducted by the Ugandan Petroleum Exploration and Production Department identified the Albertine Rift as the most commercially viable region. In consequence, Uganda promulgated the Petroleum (Exploration and Production) Act of 1985 to regulate oil exploration activities.

The search for oil continued in 2008, and by 2009, Oil reserves, sufficient for commercial production were discovered in the Lake Albert basin (Gelb and Majerowicz, 2011). In 2012, oil deposits were estimated to be at least 3.5 billion barrels (BBC, 2012). It is also believed by some pundits that the Albertine Rift may hold more than 6 billion barrels of oil, placing Uganda among the foremost African oil producers (International Alert, 2011). The Albertine Graben region has been split into nine exploration blocks, and licenses have been issued to oil companies for some of the blocks. In 2013, an exploration license was issued to the Chinese National Offshore Oil Company (CNOOC) Ltd.; Tullow Uganda Operations Pty Limited and Total were issued with 5 and 3 licenses in August 2016 (Magona and Marion, 2017). Production of oil is projected to begin in 2022 from the Kingfisher and Tilenga blocks (Nidhi Verma and Promit Mukherjee, 2019).

## **3. UNDERSTANDING LOCAL CONTENT**

Research on local content has been documented since the early 1980s (Grossman, 1981). In recent times, there has been an upsurge in the use of local content requirements to achieve policy objectives (OECD, 2016). Most local content initiatives have focused on value added activities taking place in the host economy. To this end, Ayine (2010) has argued that local content policies require corporations operating within an economy to ensure that their business transactions incorporate a set amount or value of local materials or services. Such local or domestic content requirements are widely used to ensure local value addition, especially by foreign investors, and to link specified investment activities to other sectors of the local economy. Oil price volatility and the emergence of alternative sources of energy reemphasize the need to diversify the economy, and create new jobs in manufacturing and the emerging technology and innovation sectors in order to sustain economic growth (Ulrichsen, 2011).

Local content requirements may assume different forms and nomenclatures. Nevertheless, the consequences of this host of measures are the same. They may be described as local content, national content or performance requirements. Ugandan law uses the term ‘national content’ rather than local content. Local content can also be viewed in terms of the ownership composition or location of the firms involved in production; or the value added in the production process (Kazzazi and Nouri, 2012). This view is consistent with Ugandan law. Regulation 4 of the Petroleum (Exploration, Development and Production) (National Content) Regulations, 2016 (hereinafter called the National Content Regulations), defines “national content” as: (a) the level of use of Ugandan local expertise, goods and services, Ugandan companies, Ugandan citizens, registered entities, businesses and financing in petroleum activities; and (b) the substantial combined value added or created in the Ugandan economy through the utilization of Ugandan human and material resources for the provision of goods and services to the petroleum industry in Uganda.

Ownership restrictions and domestic equity requirements have been used to reduce the level of foreign ownership and secure economic rents from activities in selected industries. The local content regulations of Uganda mandate investors in the oil industry to give preference to ‘Ugandan company’ which is defined as a company incorporated under the Companies Act, 2012 and: (a) has at least 50 per cent of Ugandan citizens at managerial level; (b) provides value addition to Uganda; (c) uses available local raw materials; (d) employs at least 70 per cent Ugandans; and (e) is approved by the Petroleum Authority of Uganda. However, for

local content to add value to the economy, a domestic industrial capacity which is sufficiently developed and open to interaction with the multinational oil companies must exist, because value addition does not develop by legislation (INSTOK, 2003).

Local content requirements have at times, been mistaken for political risks by multinational corporations, which have dominated the oil and gas industries of developing countries. State intervention in the extractive sectors in order to support broad-based economic development is not a novel trend. Neither is its use as a form of economic nationalism peculiar to any country (Aigbodua and Oisamoja, 2003). Klueh et al (2007) have traced the use of performance requirements back to the exploration of the North Sea and the establishment of national oil companies in resource-rich countries. Local content appeared on the policy agenda for the exploitation of the North Sea oil in the early 1970s (Dorrie, 2013). For instance, in the 1970s, the UK Offshore Supplies Office already had a system for monitoring local content, reporting and auditing on purchases made by oil companies. Across Africa, several countries, including Nigeria, South Africa, Angola, São Tomé and Príncipe, Kenya, Ghana, Botswana, and Uganda, have introduced performance requirements into their regulatory frameworks.

Angola is the second biggest oil producer in Sub-Saharan Africa. Angola has several laws incorporating local content or the “Angolanization” policy. They are spread over nine disparate legislations (Kaplan, 2013). Under Equatorial Guinea’s National Content Regulation of 2014, all agreements must have local content clauses and provisions for local capacity building. The Nigerian Oil and Gas Industry Content Development Act was adopted in 2010. Dorrie (2013) considers local content as the ‘holy grail’ for African governments seeking to turn their abundant resources into equitable growth.

#### 4. THE NATIONAL CONTENT REGULATIONS

Local content laws impose obligations on investors to ensure the involvement of nationals of the host state in the exploration, production and supply processes of oil and gas. The ambit of these laws spans upstream, midstream and downstream activities. Upstream and downstream typologies have traditionally been used to describe activities in the petroleum industry. While the former sector is made up of the exploration and production of oil and gas, the downstream sub-industry is responsible for refining, storage, marketing, sale and distribution of oil, kerosene, asphalt, lubricating oils, and petrochemicals such as plastics, carbon black and solvents (Omogbe, 2004).

In 2016, Uganda adopted the National Content Regulations with the aim of promoting the training and employment of Ugandans, transferring knowledge and technology and providing goods and services by Ugandan companies, Ugandan citizens and registered entities, involved in petroleum activities. Specifically, the local content regulations seek to maximize the use of (i) local expertise; (ii) goods and services; (iii) job creation for the people, businesses and; (iv) financing in all aspects of the oil and gas industry value chain and the retention of the benefit within Uganda. The Regulations lists goods and services under 16 sectors exclusively reserved for Ugandan entities. The sectors range from (a) Transportation; (b) security; (c) foods and beverages; (d) hotel accommodation and catering; (e) human resource management; (f) office supplies; (g) fuel supply; (h) land surveying; (i) clearing and forwarding; (j) crane hire; (k) locally available construction materials; (l) civil works; (m) supply of locally available drilling and production materials; (n) environment studies and impact assessment; (o) communications and information technology services; and (p) waste management (Regulation 10 (1) and (2), and the Schedule to the Regulations). Notwithstanding this provision, Ugandan companies still possess the right to participate in other activities, not included in list.

**4.1 Employment and training:** The local content regulations do not impose a percentage requirement for the employment of Ugandans. This is a departure from the practice in, for example, Angola and Ghana where legislations have set a specific percentage of nationals to be employed from the effective date of the license or agreement (Regulations 1 (c), 10 and 18, Ghana Petroleum (Local Content and Local Participation) Regulations, 2013 (L.1 2204)), thus giving the investor greater operational freedom. Regulations 16-23 of the National Content Regulations specifically focus on schemes designed to promote the employment and training of Ugandan nationals. A licensee is required to submit to the Petroleum Authority of Uganda (PAU), a policy for the employment and training of Ugandans. The employment policy must accord priority to nationals; include the participation of women, persons with disabilities, and reflect the ethnic demography of the country (Regulation 16 (2)). Within twelve months of the grant of a license, the licensee is obliged to submit to the Minister of Energy and Mineral Development, a plan including: its hiring and training needs; a list of major contractors and skills required; and its projected expenditure in implementing the employment and training plan. The provision of training for Ugandan nationals, which may be under scholarship, may be conducted within or outside the country (Section 127 (1), Petroleum (Exploration, Development and Production) Act 2013).

Similar provisions on employment and training are found in several other Ugandan statutes. With regard to the upstream sector of the industry, section 126 of the Exploration, Development and Production) Act of 2013 mandates the licensee to provide employment, and training programs for nationals. Section 54 of the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013 contains an equivalent provision for midstream and downstream operations. The oil industry is a specialized sector that requires internationally certified skills for engineers and technicians which may not be readily available locally

The Petroleum Authority of Uganda has developed a database of engineers and technicians qualified to work in the industry, to enable investors meet their recruitment obligations (Oil and Gas Talent Registry for Uganda, 2019). However, the government can enhance compliance with local content law by facilitating education and training. It has been observed that simple regulation and blanket policies without parallel efforts to ensure adequate skills are available are not a recipe for success (IGF, 2018).

**4. 2 Technology transfer:** The requirement of technology transfer demonstrates an awareness of knowledge deficit in the host country, the need to acquire such skills and transfer them to nationals for meaningful participation in the industry. Bozeman and Crow (Bozeman and Crow, 1991) have noted that technology transfer refers to a range of organizational and institutional interaction involving some form of technology-related exchange. Akpanika (2012) has pointed out that developing countries regard technology transfer as a fast way of achieving industrialization. The transfer of technology may occur through joint ventures, partnerships and technology licensing agreements. Locals may lack the skills and certification required to work in the industry. It has been submitted that the low participation of local firms in the petroleum industry is often attributed to the lack of capacity to compete and the inability to meet industry requirements in services, such as fabrication and construction (UNECA, 2013). Local capacity building will accomplish long term goals of replacing foreign staff with nationals of the host state. The National Content Regulations clearly mandate the development of a succession plan for all positions occupied by foreigners (Regulation 20 (1) Petroleum, Development and Production) (National Content) Regulations 2016).

Even where local companies are unable to compete with their international counterparts, through collaboration, there can be improvements in local competence (Oyewole, 2018). Thus, every licensee must submit to the Petroleum Authority of Uganda, an annual plan setting out details and initiatives aimed at promoting the effective transfer of technology, technical know-how and skills relating to petroleum activities from the licensee to the Government of Uganda, Ugandan companies, Ugandan citizens and registered entities (Regulation 23, Petroleum, Development and Production) (National Content) Regulations 2016). Furthermore, foreign investors may initiate or support the local establishment or upgrading of technical, vocational, or commercial work facilities so as to stimulate technology transfer (Regulation 23 (8), Petroleum, Development and Production) (National Content) Regulations 2016).

**4.3 State participation:** The execution of a local content program will not only enhance the participation of locals in the industry, but also foster state participation and control of petroleum activities in the long term. This would lead to an increase in the capacity of state-owned enterprises, as operators in the industry. State participation and control of the industry began to manifest assertively in the 1970s following a wave of nationalizations of oil companies by members of the Organization of Petroleum Exporting Countries. A principal objective of the local content regulations is to secure the involvement of the Uganda National Oil Company in all sectors of the oil industry. The National Oil Company established by the Petroleum (Exploration, Development and Production) Act of 2013, oversees state participation in the industry (Sections 42 and 43). State participation may be done through diverse ways, including joint ventures and production sharing contracts (Section 124, Petroleum (Exploration, Development and Production) Act 2013). Article 11 of the 2012 production sharing agreement between the Ugandan government and Tullow Uganda Limited, a company incorporated in the Isle of Man, allowed the government to enter into a joint venture agreement with the licensee.

## 5. MONITORING AND ENFORCEMENT

It is not merely sufficient to pass local content laws; efforts must be made to enforce and measure them against realizable benchmarks. Thus, investors are encouraged to work towards a long-term program with local content implementation objectives. Effective monitoring and enforcement strategies are necessary for the realization of local content goals. Reporting requirements enable the host state to ascertain the level of compliance with its laws. For this purpose, a licensee is required by Regulation 25 of the Petroleum, Development and Production) (National Content) Regulations 2016, to submit to the Petroleum Authority of Uganda, a quarterly national content report setting out: (i) the employment achievement in terms of hours or days worked by Ugandan citizens and foreign workers and their status; (ii) the Ugandan citizens trained and employed indicating particulars by name, job and level of training and employment; (iii) the procurement achievement in terms of quantity of locally manufactured materials and materials of foreign origin; (iv) the names of Ugandan companies, Ugandan citizens and registered entities contracted, the contracts awarded, the value of each contract awarded and duration of the contract; and (v) technology transfer initiatives, research and development programs and any training programs provided by the licensee. Compliance with local content policies is capable of determining the turn of an investor's contractual relationship with a host state.

## 6. TRANSPARENCY AND GOVERNANCE

As Uganda's transition to an oil producing state becomes more realistic, increasing attention has been placed on governance and the proper utilization of oil revenues for development (Manyak, 2015). It is worthy to note that even without performance requirements, policies targeted towards the creation of good business and regulatory environments, innovation policy and infrastructural developments can still create sustainable outcomes for the macro economy (OECD, 2016). There is a trust deficit in the perception of the public about the relations between host developing countries and multinational oil investors. Oil exploration is defined by secrecy, environmental harm, alienation of host communities, and inequities in the allocation of oil revenues. Kolstard, Wiig and Williams (Kolstard et al, 2008) have identified corruption as a major element in explaining why developing countries rich in natural resources continue to perform woefully. Developing countries with mineral endowments need to develop anti-corruption policies because local content regulations are prone to corruption and rent-seeking. Uganda ranked as 142 out of 180 least corrupt countries, according to the Corruption Perceptions Index for 2020, published by Transparency International (CPI 2020: Sub-Saharan Africa). Fraud and compliance risks associated with local content can erode anticipated gains. Local content requirements are susceptible to

use and abuse by unscrupulous public officials. Transparency International (2014) succinctly expressed this view when it stated that: 'Politicians and public officials may abuse their power and influence to use local content requirements to benefit their allies and or family members, and international companies may pay bribes and kickbacks to local companies to serve as the 'front' in the bidding processes in order to gain access to oil agreements'.

There are two major initiatives in Uganda that can help to tackle these challenges. Uganda is one of the first African countries to promulgate a law on freedom of information. Literature on the extractive sector regards transparency as the route to improved resource governance, and demands for accountability for use of oil revenues (Lujala and Edjekumhene, 2018). The Access to Information Act of 2005 was passed to promote accountability and transparency in government. Through public revenue reporting, citizens learn about government income and expenditure. Section 5 of the Access to Information Act, 2005 grants every citizen a right of access to information and records in the possession of the state or any public body.

In the first quarter of 2019, Uganda became a member of the Extractive Industries Transparency Initiative (EITI) in order to subject its oil industry to scrutiny and promote efficient use of oil revenues (Muchira, 2019). The EITI is an international, multi-stakeholder initiative that promotes transparency and accountability in the oil, gas and mining sectors through the disclosure of government and company data in resource-rich countries. Muchira (2019) further noted that "participating in the EITI will help to dispel concerns of secrecy in the management of anticipated petrodollars. Secrecy about contracts in the extractive sector has been found to fuel public suspicion and promote corruption and have denied countries the benefits of fair deals as well as attracting high-quality investments". However, Uganda can take a step further by codifying its EITI obligations into domestic law. For illustration, Nigeria promulgated the Nigeria Extractive Industries Transparency (NEITI) Act in 2007 to provide a framework for transparency and accountability in the reporting and disclosure by all extractive industry companies, of revenues owed or paid to the government.

## **7. COMPLIANCE WITH INTERNATIONAL TRADE AND INVESTMENT REGULATION**

International trade and investment rules restrict the policy space of developing countries to use local content requirements to foster economic linkages. Local content requirements distort the market in favour of domestic competitors and may breach obligations under the frameworks of the World Trade Organization (WTO) or bilateral investment treaties (BITs). Uganda has been a member of the WTO since 1995. The obligations of the Agreement on TRIMs bind every member state of the WTO, and consequently curtail the discretion of states to impose local content requirements on foreign investors as far as trade in goods is concerned. Uganda has also concluded several BITs. As at April 2019, Uganda had concluded 17 BITs with only 6 in force (UNCTAD, undated). Uganda's BIT with France, signed on 3<sup>rd</sup> January 2003, entered into force on 20<sup>th</sup> December 2004. Total Exploration and Production, Uganda, is indeed a French company. Local content requirements violate Article 4 of the BIT which reflects the national treatment and most favoured nation treatment obligations. The 'fair and equitable treatment' obligation in Article 3 of the BIT can be used to challenge local content measures which have a negative impact on the investor's business.

The Agreement on Trade-Related Investment Measures (TRIMs), concluded in 1994, was negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT), and entered into force on 1<sup>st</sup> January 1995. Trade-related investment measures are requirements or incentives for a firm to use domestically produced inputs thereby discriminating against similar products from other WTO states, or measures which impose quantitative limitations on the import or export of goods (IMF, 2010). Funke (1994) described them as regulations and incentives adopted by governments to influence the operation of foreign firms in their territories. TRIMs may be adopted for several policy objectives, including (a) promoting exports from the host country (export performance requirements and trade balancing requirements); (b) reducing imports by the foreign investor (local content requirements); (c) advancing economic and social policy goals, including job creation; and (d) technology transfer (UNCTAD, 2007).

The TRIMs agreement reinforces the application of some WTO rules on trade in goods related to the inflow of foreign direct investment, and eliminates some national investment policies affecting cross border investment in goods-producing industries (Vocke, 1997). TRIMs are prohibited because they affect trade in goods and violate Articles III (national treatment obligations) and XI (general elimination of quantitative restrictions) of GATT 1994 (Article II Agreement on TRIMs). The TRIMs Agreement is therefore not concerned with the entry and treatment of foreign legal or natural persons. Trade-related investment measures are only a subset of performance requirements that a government imposes on foreign companies seeking to invest in its territory (Cutler, 1997). The use of other performance requirements in the form of joint venture or local equity stipulations, requirements for technology transfer and the employment of indigenes in developing economies is well known. It is worthy of mention that the violation of the Agreement on TRIMs attracts punitive measures. Nevertheless, a Least Developed Country like Uganda may temporarily deviate from its terms to the extent consistent with its individual development, financial and trade needs subject to notification, and approval by the General Council for Trade in Goods (Articles 4 and 5, Agreement on TRIMs).

Another WTO agreement; the General Agreement on Trade in Services (GATS) subjected investments in 'services' to multilateral disciplines for the first time. Article XVI of the GATS provides a list of investment measures which are relevant to local content: limitations on the number of service suppliers; limitations on the total value of service transactions or assets; limitations on the total number of service operations or on the total quantity of service output; limitations on the total number of natural persons that may be employed in a particular service sector or that a service supplier may employ; measures which restrict a specific type of legal entity or joint ventures through which a service supplier may operate; and equity restrictions for foreign investors. The GATS applies only to those service sectors that the country chooses to include in its Schedule of Commitments. Uganda's commitments

relate only to tourism and travel related sectors and GATS is therefore unlikely to affect the implementation of Uganda's local content framework.

## 8. Conclusion

Achieving development through the transformation of mineral endowment has remained a formidable challenge for resource-rich developing countries. Understandably, Uganda has very good reasons to be apprehensive - the performances of other countries over the decades clearly reveal the absence of a linkage effect between the oil sector and other sectors of the economy. However, developing countries have sought to break the jinx by introducing performance requirements into their natural resources sector. Similarly, Uganda has set laudable objectives for the introduction of its local content regulations in 2016. It is however necessary to bear in mind that broad-based development cannot be achieved by legislation alone. Effective monitoring and implementation strategies are required for the policy to work. Furthermore, a host of transparent governance and anti-corruption measures can be deployed to ensure compliance with the local content law. It is trite to state that a synergy between the state and the investor is required in order to promote the realization of the aims of local content – inter-alia, the provision of employment and training for locals, and acquisition of technology. Therefore, the government must provide the infrastructure and environment necessary for the emergence of a vibrant petroleum industry for broad-based development.

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