

Vote:311 Uganda National Oil Company (UNOC)

VI: Vote Overview

(i) Snapshot of Medium Term Budget Allocations

Table V1.1: Overview of Vote Expenditures

<i>Billion Uganda Shillings</i>	FY2018/19 Outturn	FY2019/20		FY2020/21 Proposed Budget	MTEF Budget Projections			
		Approved Budget	Spent by End Sep		2021/22	2022/23	2023/24	2024/25
Recurrent Wage	10.846	19.570	4.394	19.570	19.570	19.570	19.570	19.570
Non Wage	19.074	11.901	4.168	11.901	14.281	17.137	20.564	24.677
Dev. GoU	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ext. Fin.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
GoU Total	29.920	31.470	8.562	31.470	33.850	36.706	40.134	44.247
Total GoU+Ext Fin (MTEF)	29.920	31.470	8.562	31.470	33.850	36.706	40.134	44.247
<i>A.I.A Total</i>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Grand Total	29.920	31.470	8.562	31.470	33.850	36.706	40.134	44.247

(ii) Vote Strategic Objective

- To handle the state's commercial interests in the petroleum sub sector
- To manage state participation in petroleum activities
- To manage the marketing of the country's share of petroleum received in kind
- To manage the business aspects of state participation
- To develop in depth expertise in the oil and gas industry
- To optimize value to its shareholders

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V2: Past Vote Performance and Medium Term Plans

Performance for Previous Year FY 2018/19

- Participated in meetings with International Oil Companies and engaged in pre-FID activities for Tilenga and Kingfisher projects as an observer as we await completion of back in to the Joint Operating Agreements.
 - Technically approved the Residual Fluid Catalytic Cracker as the refinery configuration.
 - Procurement of Joint Venture Partners for Kampala Storage Terminal and Kabaale Industrial Park underway
 - Procurement of Transaction Advisory services for KST completed awaiting Board approval for market survey report.
 - Scoping report for the Environment Social Impact Assessment(ESIA)for KST completed.
 - Updated the project scope and timelines for the oil jetty and pipeline at Jinja Storage Terminal.
 - Commenced engagements to operationalize the Uganda Railways Corporation(URC) pier at Jinja to receive fuel by barge from Kisumu into JST.
 - Commenced process for identification of a consultant to undertake the ESIA for KIP.
 - Commenced validation and updating of the draft Corporate Strategy plan
 - Submitted a direct application for a petroleum exploration license in respect of the Pelican and Crane Areas.
 - Recruited 44 staff and trained 80% of the officers
 - Procured counselling services for staff to give support to HIV affected staff. The service is paid for by the organization and its available to all staff.
 - Enriched its recruitment panel composition by having equal slots for professional men and women in the ratio of 3:2 respectively. The ratio is interchangeably applied considering the position being interviewed.
 - Prioritized issues to deal with Sexual Harassment at the workplace and a section has been appended to check such unwanted practices internally and Externally.
 - Encouraged equal participation of men and women, old and young, disabled persons in the Tilenga and Kingfisher public hearings in districts of Hoima, Kikuube, Buliisa Mpigi among other others.
 - Four(4)Quarterly staff team building events were held. This brought together staff serving in different capacities(senior and Junior),all age groups, all tribes and clans, disabled and able men and women.
 - Staff promotions were done in the period.Two staff were promoted from Junior positions to a Senior position through a transparent recruitment system.
 - Trained 85% of its staff in the period in equal proportions of 50:50 as a way of giving everyone an opportunity to understand the Oil industry.
 - Competitive procurement methods have been undertaken for the benefit of all Ugandan suppliers and ensuring value for money in all procurements.This has been through advertising in national newspapers.
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Performance as of BFP FY 2019/20 (Performance as of BFP)

Upstream

- UNOC re-submitted the consolidated Exploration License application for Pelican-Crane Prospect in August 2019 and awaits feedback from the Minister of Energy and Mineral Development.
- Termination of the Sale Purchase Agreement for Tullow farm down to Total E&P and CNOOC led to a slowdown in the industry activities which has created anxiety. However, engagements with key stakeholders continued and there is commitment to resume activities to progress the Projects to Final Investment Decision.

Refinery

- FEED for the Refinery development continued in Milan, Italy and UNOC seconded three (3) staff to Saipem (FEED Contractor) for knowledge transfer and deeper understanding of the FEED.
- Local Contractor for the Environmental Social Impact Assessment study for the Refinery Project procured pending contract award.

Kabaale Industrial Park (KIP)

- Due diligence on the two potential strategic partners for the development and management of KIP undertaken.
- Verification exercise for the optimal positioning of the key facilities in the KIP completed.
- Reviewed and updated the draft Land Allocation Policy

East Africa Crude Oil Pipeline (EACOP)

- Engaged in negotiations for Host Government Agreement, the Transportation Tariff Agreement and Shareholder Agreement aimed at protecting the Country's commercial interests

Jinja Storage Terminal (JST)

- Stocking of JST continued and performance review conducted to improve operations
- Review of the designs for the planned oil jetty and pipeline continued for cost optimization
- Continued the process of securing the Land lease for the Jinja Storage Terminal
- Successfully conducted a wet test run of the barge using water as the test product aimed at checking buoyancy on the Lake, confirmation of the routing, travel time, loading and offloading timelines as well as HSE compliance aspects.

Kampala Storage Terminal (KST)

- Transaction Advisory services secured and negotiations concluded
- Continued evaluation of the Expression of Interest for development and management of KST, three consortia are proceeding to RFP stage.
- ESIA continued with discussion of study outcomes and key stakeholder consultations conducted
- Fencing of the KST land completed.

UNOC Operations

- UNOC's new Chief Executive Officer, Ms Proscovia Nabbanja appointed effective 1st October 2019.
- Engagements on financing options for UNOC projects continued with Ministry of Finance, Planning and Economic Development
- 5-Year Corporate Strategic Plan reviewed and approved by the Board of Directors
- The Board approved the following Policies namely; Bulk Trading Policy, Risk Management Policy and Credit Card Policy
- UNOC number of Staff increased by 14 in the quarter bringing the total staff number to 104 as at end of September 2019.
- Received 1st Budget Call Circular from MoFPED which communicated UGX 31.48 Billion as the budget ceiling for UNOC for FY2020/21
- UNOC's Financial Statements of FY 2018/19 finalized and audit by the Office of Auditor General commenced.
- UNOC's Website updated thus strengthening UNOC online presence
- Undertook various Stakeholder engagements with Members of Parliament, Media, Bunyoro Kitara, Nwoya Women group, Youth skilling with Makerere and Kyambogo Universities among others.

UNOC's approach to Gender and Equity aspects:

- UNOC's current board of directors' composition stands at 43% to 57% females to males respectively.
- UNOC currently has a total of 104 staff with the ratio of females to males of 39% to 61% respectively
- No regional discrimination i.e. staffing regional distribution is as follows Central (41%) Eastern (14%), Western (38%) and Northern (6%)
- Applications are received through post office/courier for applicants who are unable to deliver their applications physically to UNOC offices
- Provided equal training opportunities to males and female staff within and abroad including Internships, leadership and management skills.
- Formation of focus groups such as Women Focus Groups, Youth focus groups to participate in land acquisition
- UNOC engaged in activities with various stakeholders in the media for regional coverage such as Mbale, Gulu Hoima etc., political leadership, Bunyoro Kitara
- UNOC promotes the use of local contractors and conducts supplier development workshops on a quarterly basis.
- UNOC has participating interests all the awarded production licenses in the Albertine Graben covering districts of Hoima, Kikuube and Buliisa.
- Special provision for entrance into the office and areas of convenience for people with disabilities

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FY 2020/21 Planned Outputs

- Institutional capacity for the Company enhanced including staff training
- Commercial agreements required for the key oil and gas projects executed
- 40% Government equity participation in the oil refinery secured
- 15% Government equity participation in the EACOP secured
- Jinja Storage tanks (JST) re-stocked with National Strategic Reserves to enhance security of supply
- Oil jetty and pipeline connecting to Jinja Storage Terminal constructed
- Bulk trading operationalized
- Strategic partner for development and management of Kampala Storage Terminal (KST) identified
- 51% participating interest in KST secured
- Funding for common infrastructure development for Kabaale Industrial Park (KIP) secured
- Strategic Partner for the development and management of KIP identified
- New Exploration Ventures participated in by UNOC.
- Environmental Social Impact Assessment (ESIA) for KIP undertaken

Medium Term Plans

UNOC's Medium Term Plans are both operational and Capital as shown below;

a) Achieve operational efficiency through enhancement of the Institutional Capacity of the Company.

The Opex drivers for the 5-Year forecast include:

- Remuneration of existing staff
- Strengthening of the ICT infrastructure
- Recruitment in the ramp up to Final Investment Decision
- Advisory services and Consultancies in various areas across all the projects
- General Office running including office space renting
- Continue building the human resource capacity of the Company

b) Capital Investment

- Invest in the EACOP through securing 15% equity participation
- Invest in the Oil Refinery through securing 40% equity participation
- Secure funding for 51% participating interest in KST
- Secure funding for common infrastructure development for Kabaale Industrial Park (KIP)
- Re-stocking and facilities' upgrade of the Jinja Storage tanks (JST) to enhance security of supply
- Construct pipeline and oil jetty to enhance the performance at Jinja Storage Terminal

c) Gender and Equality

- Providing counselling services to all staff to seek assistance in any issues of concern especially around violence, HIV Stigmatizing
- Carrying out Oil and Gas sensitization engagements in all oil rich areas about social, health and environmental aspects.
- Encouraging equal participation of men and women in various Oil and Gas discussions i.e Public hearings and public debates on Oil and Gas.
- Promoting transparency initiatives (making vacant positions known to all internal and external stakeholders through the established advertising platforms as per the Human Resource Policy to promote competition and fairness.)
- Grievance Handling Mechanisms put in place to handle both Internal and External complaints especially (Project Affected Persons) PAP's and staff.i.e Whistle blowing Policy
- Finalizing the new Human Resource Policy.
- Competitive procurement methods embraced

Efficiency of Vote Budget Allocations

UNOC's ceiling was maintained at UGX 31.47 Billion same as Financial Year 2019/20. UNOC has a total budget requirement of UGX 104.5 Billion for FY 2020/21 of which the cost drivers include;

- Remuneration to staff with related man power expenses i.e. NSSF, Gratuity, Insurance which are all contractual obligations,
- Strengthening the ICT infrastructure
- Implementation of the Recruitment plan
- Advisory and Consultancies in various projects
- Enhancing the Fleet section for the Company to support all projects and operational activities
- General office expenses including rent of office space, furnishing and furniture, office consumable among others
- Continuous building of human resource capacity of the Company to keep up to date with Industry requirement

Vote Investment Plans

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- a) UNOC's Capital Investments for FY 2020/21 are in projects and these include;
- i) 15% Government Equity Investment in EACOP (USD 70.069 Million)
 - ii) 51% Participating Interest in the Kampala Storage Terminal (USD 30.6 Million)
 - iii) Investment to develop enabling infrastructure for Kabaale Industrial Park (USD 0.08 Million)
 - iv) Restocking of Strategic Reserves which will enable UNOC's bulk trading to grow the Reserves (USD 6 Million)
 - v) Construction of oil jetty and pipeline to enhance Jinja Storage Terminal Stocks performance (USD 5.384 Million)

In total therefore for FY 2020/21, UNOC seeks funding equivalent to USD 113.853 Million priority projects. However, all this is unfunded given the current UNOC budget ceiling of UGX 31.47 Billion for the FY 2020/21.

b) On the operational side: UNOC requires operational Capex that includes;

- ICT infrastructure (Includes Software and Hard ware)
- Office equipment
- Fleet equipment
- Furniture and fittings

For the operational capex, UNOC has designed a Retooling Project to seek support to obtain the above because it has become increasing difficult to acquire the required items within the available budget ceiling of UGX 31.47 Billion.

Major Expenditure Allocations in the Vote for FY 2020/21

UNOC was allocated UGX 31.47 Billion out of which priority has been given to man power expenses because of contractual obligations as indicated below;

- 80.3% Wage and related manpower expenses -NSSF, Gratuity, Employee Insurance which are all contractual obligations.
- 9.2% General office expenses including expenses on Workshops and Seminars
- 1.2% Transport
- 5.9% Staff Training
- 1.4% Joint Venture Activities (JVA) across the Petroleum Value Chain
- 0.7% Consultancy Services
- 0.7% Information Communication & Technology (ICT)
- 0.6% Legal & Corporate affairs (Includes: Stakeholder Management, Brand Management, Communication and Public Relations)

It is important to note that only 30% of our budget requirement of UGX 104.5 Billion is funded leaving a funding gap of UGX 73.1 Billion (Wage UGX 9.164 Billion and Non-Wage UGX 63.94 Billion).

V3: PROGRAMME OUTCOMES, OUTCOME INDICATORS AND PROPOSED BUDGET ALLOCATION

Table V3.1: Programme Outcome and Outcome Indicators

Programme :	06 Petroleum Commercial Management				
Programme Objective :	To handle and manage the State's commercial interests in the petroleum sub-sector and develop in depth expertise in the oil and gas industry.				
Responsible Officer:	Chief Executive Officer				
Programme Outcome:	Sustainable growth of State's commercial interests and driving national participation in the oil and gas sector				
<i>Sector Outcomes contributed to by the Programme Outcome</i>					
1. Increased amount of revenue from Oil and Gas production					
Programme Performance Indicators (Output)	Performance Targets				
	2019/20 Plan	2019/20 Q1 Actual	2020/21 Target	2021/22 Target	2022/23 Target
• Level of investment in the oil and gas infrastructure	14%	0%	14%	43%	29%

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• Amount of revenue generated	0.605	0.165	0.660	0.660	0.660
• Number of contracts signed with strategic investment partners	5	2	8	8	8
Programme :	49 Policy, Planning and Support Services				
Programme Objective :	To provide support services to Uganda National Oil Company and its Subsidiaries in functions of Policy and Strategy formulation, Planning, Budgeting and Monitoring, Human Resource Management, Audits, Legal and Corporate Affairs, Risk Management, Commercial services as well as Finance and Administration.				
Responsible Officer:	Chief Executive Officer				
Programme Outcome:	Operational Efficiency and Service delivery				
<i>Sector Outcomes contributed to by the Programme Outcome</i>	N / A				
Programme Performance Indicators (Output)	Performance Targets				
	2019/20 Plan	2019/20 Q1 Actual	2020/21 Target	2021/22 Target	2022/23 Target
• Percentage implementation of the Strategic plan	50%	20%	100%	100%	100%
• Percentage of UNOC's target Operating Model implemented	50%	20%	100%	100%	100%
• Number of Company Policies developed, approved and implemented	5	4	10	10	10

Table V3.2: Past Expenditure Outturns and Medium Term Projections by Programme

<i>Billion Uganda shillings</i>	2018/19	2019/20		2020/21	MTEF Budget Projections			
	Outturn	Approved Budget	Spent By End Q1	Proposed Budget	2021/22	2022/23	2023/24	2024/25
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06 Petroleum Commercial Management	7.049	8.462	2.236	8.261	8.351	8.495	8.668	2.229
49 Policy, Planning and Support Services	21.675	23.008	6.160	23.209	25.499	28.211	31.466	42.018
Total for the Vote	28.724	31.470	8.396	31.470	33.850	36.706	40.134	44.247

V4: SUBPROGRAMME PAST EXPENDITURE OUTTURNS AND PROPOSED BUDGET ALLOCATIONS

Table V4.1: Past Expenditure Outturns and Medium Term Projections by SubProgramme

<i>Billion Uganda shillings</i>	2018/19	2019/20		2020/21	Medium Term Projections			
	Outturn	Approved Budget	Spent By End Sep	Proposed Budget	2021/22	2022/23	2023/24	2024/25
Programme: 06 Petroleum Commercial Management								
06 Upstream Interventions	3.522	3.820	1.054	3.204	3.234	3.284	3.345	0.820
07 Refinery and Industrial Parks	2.155	2.233	0.562	2.352	2.385	2.436	2.496	0.711
08 Pipelines and Storage Terminals	2.322	2.409	0.620	2.706	2.732	2.775	2.827	0.698
Total For the Programme : 06	7.999	8.462	2.236	8.261	8.351	8.495	8.668	2.229
Programme: 49 Policy, Planning and Support Services								
01 Office of the CEO	2.038	0.003	0.002	0.002	0.002	0.002	0.003	0.003

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02 Finance and Administration	18.593	22.582	6.038	22.952	25.191	27.842	31.023	41.486
03 Audit	0.054	0.005	0.005	0.003	0.004	0.005	0.006	0.007
04 Legal and Corporate Affairs	0.823	0.236	0.070	0.142	0.170	0.204	0.245	0.294
05 Commercial Services	0.167	0.183	0.046	0.110	0.132	0.158	0.190	0.228
Total For the Programme : 49	21.675	23.008	6.160	23.209	25.499	28.211	31.466	42.018
Total for the Vote :311	29.674	31.470	8.396	31.470	33.850	36.706	40.134	44.247

N / A

Table V4.3: Major Capital Investment (Capital Purchases outputs over 0.5Billion)

N / A

V5: VOTE CHALLENGES FOR 2020/21 AND ADDITIONAL FUNDING REQUESTS

Vote Challenges for FY 2020/21

a) Funding of UNOC/ Government of Uganda's Share into the investment projects:

Cabinet approved UNOC's participation in Midstream and Downstream Oil and Gas Projects to a tune of USD \$ 845.88 million representing UNOC's (Government's) Equity Share in these investment projects. However, Cabinet guided that there should be no borrowing to finance these projects. This possess a challenge on securing the required finances since the resource envelope is already constrained and the Final Investment Decision for these projects is eminent.

b) Under-funding of UNOC operations:

The budget ceiling for UNOC for Financial Year 2019/20 is UGX 31.48 billion against the revised budget requirement of UGX 81.7 billion leaving a funding gap of UGX 50.2 billion. UNOC has requested for supplementary budget support for the shortfall.

c) Long term financing for UNOC.

The Upstream Act 2013 that established UNOC and the Public Finance Management Act, 2015 that governs management of Petroleum Revenues, did not provide for the long-term funding of the Company. The PFMA provides that all Petroleum Revenues should be remitted to the Petroleum Fund and utilization of these revenues is targeted towards infrastructure development.

UNOC is in Joint Venture arrangements with International Oil Companies that are fully funded. As a Company, UNOC needs to be capitalized instead of relying on the annual appropriations from Parliament which are inadequate and the process to access these funds is not aligned with the private sector project execution timelines. Without a long-term financing solution and access to a portion of the Petroleum Revenues, UNOC will not be in position to meet its financial obligations in the Joint Ventures. Inability to answer cash calls in time attracts compound interest costs and dilution of the rights when in default.

The delivery model of the upstream after first oil, requires UNOC to answer monthly cash calls from the Operators of the blocks in which UNOC has a participating interest of 15%. Unfortunately, all revenues from the sale of the crude oil go to the Petroleum Fund which is inaccessible by UNOC. The Joint Operating Agreement to which UNOC is a party requires parties to answer cash calls within a period of the 5 days failure to do so attracts heavy penalties.

d) Collaboration with other MDAs Delivery of Oil and Gas Projects requires support from other MDAs through the development of the support infrastructure e.g. roads, power, water supply inter alia.

e) UNOC Vote:

UNOC operating as a Vote has proven challenging and not sustainable for the long term hence a capitalization solution is required.

g) Gender and Equality aspects

The Oil and Gas sector seems to have few pointers to specific Gender and equity aspects as most of its interventions are all inclusive . A customized assessment tool for this sector should be developed to capture our uniqueness.

Table V5.1: Additional Funding Requests

Vote:311 Uganda National Oil Company (UNOC)

Additional requirements for funding and outputs in 2020/21	Justification of requirement for additional outputs and funding
Vote : 311 Uganda National Oil Company (UNOC)	
Programme : 06 Petroleum Commercial Management	
OutPut : 01 Project Agreements	
Funding requirement US\$ Bn : 10.970	<p>The Agreements negotiated are intended to provide Commercial Terms that benefit all Ugandans and these support the execution of the projects in which UNOC has participating interest.</p> <p>Negotiation and finalization of Key Commercial Agreements such as Shareholders Agreement for Pipelines and Refinery, Lifting, Unitization and Basinwide Commercial Framework Agreement, Transportation Agreement, Host Government Agreement, Metering Methodology and Control, Cost Allocation principles etc.</p>
OutPut : 02 Commercial Partnerships	
Funding requirement US\$ Bn : 5.265	This contribute to the objective 4 and 5 of the second NDP through supporting negotiations of Joint Ventures with Strategic Partners across the Petroleum Value Chain i.e.; Kampala storage Terminal, Exploration, Kabaale Industrial Park Development, FEED Completion for Refinery, FID Close out for EACOP and Upstream, Downstream Bulk Trading, Commodity Trading Initiatives and other Commercial Studies
OutPut : 03 Oil and Gas Infrastructure	
Funding requirement US\$ Bn : 443.356	<p>A total of US \$ 845.88 Million is required over the investment period: Specifically FY 2020/21 approx. USD 113.853 Million is required.</p> <p>a) Kampala Storage Terminal \$71.4M b) Bulk Down Stream Trading and Oil jetty & Pipeline Construction \$18.184M c) East African Crude Oil Pipeline Project \$257.293M Includes operational expenditure d) Refinery \$480M e) Kabaale Industrial Park USD \$ 19M Advisory Services shall be required for all the above projects.</p>
Programme : 49 Policy, Planning and Support Services	
OutPut : 01 Planning, Budgeting and Monitoring	
Funding requirement US\$ Bn : 0.369	The additional funding will cater for office premise expenses such as waste collection, fumigation, maintenance & minor renovation works, venue hire and related expenses.
OutPut : 02 Finance Management	
Funding requirement US\$ Bn : 0.337	The additional funding required will cater for expenses related to office communication, printing & stationery requirements, purchase of key required books in specialized disciplines.
OutPut : 03 Procurement and Maintenance of assets and stores	

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Funding requirement US\$ Bn : 20.470	The additional funding requirement will cater for building of ICT infrastructure i.e. software & hardware, office fit-out which includes re-modelling for space optimization and Transport equipment i.e. vehicle purchase, insurance, fuel and maintenance.
OutPut : 08 Legal and Advisory Services	
Funding requirement US\$ Bn : 1.291	The additional funding required will cater for Brand Management, Stakeholder Management as well as communication and Media relation to facilitate the delivery of the Projects.
OutPut : 19 Human Resource Management Services	
Funding requirement US\$ Bn : 9.700	The additional funding will cater for training of staff, workshops, conferences & seminars, staff welfare expenses, recruitment expenses and related costs such as insurance, NSSF among others.