

**Economic Displacement:
A case study of oil exploration in Uganda**
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Introduction

An intensive exploration 3D seismic project was recently completed by Tullow Uganda Operations Pty (TUOP) across the Buliisa District, Uganda, covering an area of approximately 374 square kilometres. Despite the technical success of the seismic programme, it revealed a number of challenges both in terms of the company's ability to adequately assess and compensate for economic displacement and also the grassroots implications of this. This case study discusses the challenges encountered; including the difficulty of meeting international best practice guidelines vis-à-vis national legislative requirements, and the improvements in process which have been implemented since. The study examines the entire assessment process, from environmental & social impact assessment to valuation, final compensation, grievance management and monitoring. It is intended to provide social performance practitioners with insights into the challenges of managing large scale economic displacement.

The Project

Uganda's Albertine Graben is home to one of the largest and most successful oil exploration programmes in East Africa. The Ugandan part of the Graben is situated in Mid-Western Uganda, where Tullow Oil Uganda operates in Exploration Area Two (EA2). The area has been divided into discrete areas by the Government of Uganda for the purposes of petroleum exploration. EA2 is situated in the districts of Hoima and Buliisa in Uganda. An intensive exploration 3D seismic project was recently completed by Tullow Oil Uganda across the northern Buliisa District, Uganda, covering an area of approximately 374 square kilometres and leading to temporary economic displacement.

The *'Handbook for Preparing a Resettlement Action Plan'* (IFC 2002), authored by the International Finance Corporation (IFC), the lending arm of the World Bank defines economic displacement as loss of income streams or means of livelihood resulting from land acquisition or obstructed access to resources (land, water, or forest) resulting from the construction or operation of a project or its associated facilities. Economic displacement can be both permanent (e.g. when arable land is acquired for the permanent placement of project infrastructure) and temporary (e.g.: when crops are damaged during exploration activities). During the 3D seismic programme, impacted communities experienced a degree of temporary economic displacement.

Seismic surveys are a geophysical tool used to obtain a detailed picture of underground structures that may contain hydrocarbons. For onshore surveys, the shockwaves are generated by explosives or vibrations. Seismic works on the principle that the shock (sound) wave sent into the earth are reflected by different rock layers present. A 2D seismic programme is shot along individual lines at varying distances apart to produce pictures of a series of vertical sections of the subsurface. By contrast, 3D seismic is more complex and a more accurate method of seismic surveying because it utilises multiple points of observation (closely spaced grid pattern: Figure 1). Being complex, it involves greater investment and much more sophisticated equipment than 2D.

Figure 1: Aerial image of 3D seismic lines

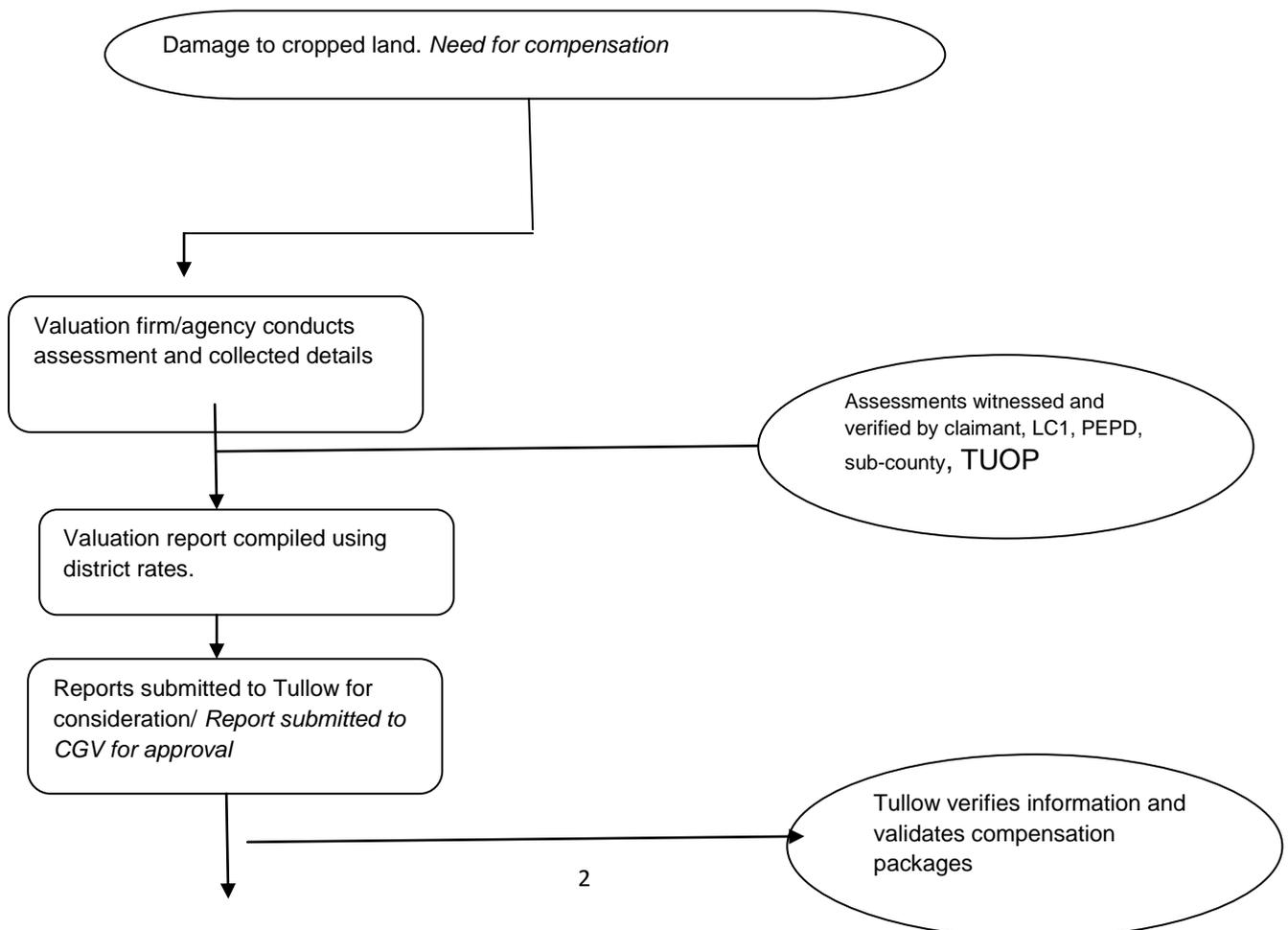
The figure shows the aerial image of the 3D seismic. The source and receiver lines cleared approximately every 100 metres horizontally and vertically. The total linear kilometres of line clearance was approximate 7,499 kilometres and of this, the total estimated line clearance over cropped land was 1,925 kilometres, approximately 25% of the project area. Operations began in December 2010 and concluded in August 2011. During this time over approximately 31,000 individual assessments for damage to cropped land were carried out.

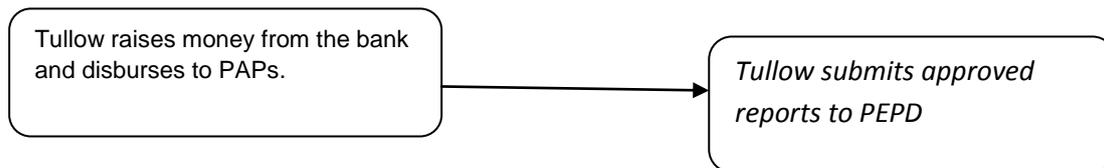


Figure 2: The assessment and compensation process.

The following flow chart summarises the steps Tullow Oil took to assess and compensate the project affected persons. In italics we have illustrated improvements in the process. PEPD (Petroleum Exploration and Production Department), the government Regulator. And LC (Local Council) leaders –political leaders at grassroots level.

3D Seismic – Assessment and compensation flow chart





Application of international and national standards.

IFC's Performance Standards on Environmental and Social Sustainability offer a yardstick to international best practices. Developed using experiences over a number of years and across a large number of projects by the World Bank social and environmental practitioners; they define clients' responsibilities for managing their environmental and social risks. There are eight performance standards (please refer www.ifc.org), but of particular importance is Performance Standard 5 (PS5). This standard reaffirms the concepts of physical displacement (loss of shelter) and of economic displaced (loss of means of livelihood); both physically displaced and economically displaced people are to be considered in resettlement planning.

The major objectives are to:

- avoid displacement and resettlement wherever possible by considering all viable alternative activities or design options;
- minimise, mitigate or compensate for adverse project impacts on those affected where such impacts cannot be avoided; and
- Enhance, or at least restore, the livelihoods of affected people relative to pre-project levels, and improve standards of living for displaced poor and other vulnerable groups.

The following key principles (Table 1) can be identified: avoid or minimise, livelihood and living standards, eligibility, consultation and engagement, compensation, resettlement planning and responsibility. The *Key Assessment Principles* guide the assessment process to determine the effectiveness of mitigation and compensation for those affected by temporary displacement. In the Ugandan situation the following table shows the assessment.

Table 1: Key Assessment Principles

Key principles of successful resettlement	Assessment of Practice
<p>Avoid or minimize</p> <p>-Avoid or minimise the displacement of people through the careful consideration of alternative project designs.</p> <p>-Avoid evicting people, even if there is a legal permit to do so.</p>	<ul style="list-style-type: none"> - Structures were avoided and other major infrastructure. - No person has been evicted forcefully.

<p>Livelihood and living standards</p> <ul style="list-style-type: none"> - Livelihood monitoring. 	<ul style="list-style-type: none"> - There was inadequate assessment of livelihood prior to the exercise, although a local third-party NGO (Trias) was contracted and undertook village to village sensitisation including financial counselling and guidance, prior to compensation being made. However, there were reports of financial mismanagement. There are reported incidences of marital breakages, drunkenness, and domestic violence. A number of PAPs may have misused the compensation resources and there has been inadequate monitoring on how the financial resources were utilised. However, informal reports and observation show increase in iron-sheet roofed houses and a move away from grass thatched houses, which indicate an increase in standard of living.
<p>Eligibility</p> <ul style="list-style-type: none"> - Make sure all displaced persons receive compensation regardless their land tenure status. - Categorise impacted people 	<ul style="list-style-type: none"> - All people who were affected received compensation (in accordance with the Government guidelines) in the case that crops and other structures (fences, graves, etc) were affected. - The gap was that if a person did not have crops and fences did not get compensation?
<p>Consultation and engagement</p> <ul style="list-style-type: none"> -Engage before, during and after resettlement. -Have an effective complaints, dispute and grievance process. 	<ul style="list-style-type: none"> - Consultations were made with all the 56 villages affected at village level, including the district and other local government leaders, the schools and cultural leaders to mention a few. - However, a more rigorous and effective complaint, disputes and grievance process should have been established early in the process. There was a coherent engagement plan, however the level and magnitude of the project impacts, including the related compensation projections, was underestimated. This resulted from inadequate Environment Social Impact Assessment (ESIA) - This resulted in misinformation in the community concerning project impacts, compensation rates applied, and roles/responsibilities of different project stakeholders.
<p>Compensation</p> <ul style="list-style-type: none"> a) Provide a just and fair compensation. b) Should receive all, or a significant proportion of compensation for their assets before work begins. c) Support should be provided for the 	<ul style="list-style-type: none"> - a) There was an attempt to give a fair compensation when district rates were used; however, no disturbance allowance was added as per Ugandan laws. - b) Unfortunately some of the disturbance occurred prior to assessment and compensation. This inevitably led to community frustration and suspicion regarding Tullow operations. - c) Limited support was given to re-establish livelihoods, although. Trias was supposed to assist with responsible financial management.

period of time it takes for the affected people to re-establish their livelihoods	
<p>Resettlement Planning and responsibility</p> <p>-Manage impacts and monitor them.</p>	<ul style="list-style-type: none"> - Due to the underestimation of the impacts and extent of the impacts, there were no rigorous procedures or action planning from the outset. - A number of secondary socio-economic impacts are occurring in the community as a result of the rapid injection of compensation (cash) into the local community. Primary and secondary evidence suggests an increase in inflation, alcoholism, prostitution, domestic violence, and petty theft. - Increased speculation about oil discoveries leading to speculative land purchases.
<p>Internal Processes</p> <ul style="list-style-type: none"> - Projects are advised to implement a database to record and track resettlement compensation process 	<ul style="list-style-type: none"> - Tullow Oil Uganda has developed a 3D compensation database (excel master sheet) which will eventually be transferred into a better IMS, Borealis. - There was no comprehensive Operating Procedure or Strategy for managing assessments or compensation payments before the project commenced and as a result efforts to manage these processes have been largely reactive. - Internal organisational structure – Initially Community Liaison Officers (CLO) were responsible for conducting crop damage assessments, distributing cash, and engaging local communities. This represents a significant conflict of interest, as well as overburdening responsibility. CLOs were not qualified valuers to carry out assessments and had no cash handling training or accountancy qualifications.

Management and monitoring of Grievances.

The *Good Practice Note: Addressing Grievances from Project Affected Communities* defines a grievance as a concern or complaint raised by an individual or a group within communities affected by company operations (www.ifc.org). IFC recommends that the system should be set up early in the project and should be transparent and accessible. The gap was that no systems were set up earlier and whatever received was done in an ad hoc manner. A grievance tracker was later established and it has the following information. A total 1,230 grievances were received; out of these 206 are still outstanding. The majority of the closed cases were found to be not genuine. Other Project Affected Persons cannot be traced for feedback, therefore closed out. The genuine payment related grievances have been given due attention and the outstanding cases are identified in Table 2.

Table 2: Payment related grievances as of May 2013

Category	Number
Unknown claimants/ no names (these were not around at the time of assessment).	32
Unresolved cases (claimants given feedback, but refused).	57
Un processed claims (yet to be investigated).	100
Re- run absentees (not yet traced)	6
Court Case	11
Total	206

Many of the un-resolved cases are incidents where a PAP denies receiving compensation yet compensation records show that payment was made. An indication that more reliable and accurate mechanisms of ensuring actual claimants was missing. For example the PAP having a copy of the assessment.

Lessons learnt

TUOP has learnt some lessons from this experience, which they would like to share with other people in the same practice area. They include:

- Involvement and working with Government.
- The need for proper planning and accounting for realistic timeframes. This would be possible through a proper Social Impact Assessment. . If there was a clear understanding of the impacts and the extent of the impacts from the outset, there would have been a realisation earlier in the process of the complexity.
- Proper disclosure and involvement of the PAPs. Currently they remain with copies of the assessment and disclosure is done before payment.
- Social performance issues at Tullow were previously not as great a consideration as the bulk of Tullow's portfolio to this point in time was offshore. As a result a dedicated Social Performance function has been created. This is a model which Tullow is now utilising across its business.

Moving on.../new procedures in place

- We have effectively engaged the Government through the Chief Government Valuer.
- We have since worked with certified valuers and are in process of procuring CONTRACTOR to work with at least for the next three years and in all this Government well informed.
- We have had an access road affecting 60 people, and the exercise went on smoothly.
- We are developing Information Management System (IMS), Borealis to manage and monitor impacts.
- A Socio-economic baseline study across the exploration area to prepare for effective SIA has been completed.

Conclusion

The paper has provided insights into the challenges of managing large scale economic displacement. It is our hope that it can guide practitioners to better practice.

References

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