



# **Building Knowledge on Oil and Natural Gas Contracts**

Seminars and Mentorship Activities Report

The Federal Government of Somalia (SFG), with the facilitation of the International Law Institute-African Centre for Legal Excellence (ILI-ACLE) and The World Bank, embarked in a program to provide training in the area of oil and gas contracts to key Somali stakeholders.

This program, implemented from August 2015 to December 2015, had the following objectives:

- ✓ To provide training to the SFG team on petroleum and gas contracts and to strengthen their technical and commercial capacity in this area;
- ✓ To assist the SFG in building a foundation for a federal approach to the development of natural resources.

To achieve the objectives, the ILI-ACLE carried out two six-week seminars in Kampala, Uganda and on-the-job training and mentorship activities.

Seminar I, the first six-week training that took place from September 14 to October 21, 2015, was designed to enhance the capacity of parliamentary and government officials from the SFG to effectively negotiate and manage petroleum agreements and participate in national and cross-border transactions in light of the legal, fiscal and social implications arising from the exploitation in the oil and gas sector.

Seminar II took place from November 12 to December 18, 2015 and it was designed to enhance practical skills and the application of negotiation and management of petroleum agreements, deeper attention to fiscal and economic issues

related to oil and gas, and strengthening training skills to enhance the participants' ability in sharing and disseminating this knowledge through training.

The participants attending both seminars were granted **Advanced Certificate in the Legal and Economic Considerations in the Oil and Gas Sector.**

The on-the-job training and mentorship was held during the two weeks the participants had in-between Seminars I and II. This component involved remote one-to-one mentoring with each participant over a period of two days to address challenges faced in their jobs or work on exercises developed by their mentors.

*This program is supported by the international community through the Multi-Partner Fund for Somalia (MPF)*

## Seminar I • September 14 to October 21, 2015 • Kampala, Uganda

### Participant's profile

The **14 participants** attending the programme included two members of parliament and a cross-section of government officials from the Ministry of Petroleum and Mineral Resources, the Attorney General's Chambers, the Ministry of Finance, the Office of the President and the Ministry of Posts and Telecommunications. One participant came from the South West Region, and the group had only one lawyer and one woman.

### Methodology

The six-week intensive programme featured lectures and PowerPoint presentations, group discussions and case studies. Moreover, the training methodology included hands-on drafting and negotiation exercises. In addition, international and regional case studies and practical exercises were used throughout the training. Participants highly rated them and the studies generated constructive feedback and highlighted lessons learned.

### Curriculum

The seminar began with an introduction to the oil and gas industry and its importance. A number of issues were introduced such as the extractive industries value chain; offshore/onshore dynamics; and production and licensing.

Because the vast majority of the participants had little to no knowledge of the oil and gas industry or its laws, the programme started with the basics. ([see program overview on page 4](#))

### Observations & recommendations

Participants were taken through the curriculum for:

- \* A comprehensive understanding of the oil and gas industry, and be familiar with key terminology;
- \* An appreciation of the form and key clauses of oil and gas contracts;
- \* Developed negotiation skills that they can use in actual negotiation of oil and gas contracts for the Federal Republic of Somalia;
- \* Insight into pedagogical methods and effective training techniques that they can apply; and
- \* An appreciation of best practices regionally and internationally, and some lessons learned for application in the Somalia case.

The opportunity to engage with specialists in the oil and gas sector from around the globe was of great benefit to the participants who were able to reflect on the various opinions and experiences in relation to Somalia's future.

The Uganda experience was also valuable – as a close neighbour in the region but also in demonstrating the long-term nature of the process of extraction and the need to carefully consider all steps particularly negotiations and policy and legal formulation.

Trainers commended the participants for their attention and interest in the programme and the frankness of discussions on the future for Somalia.

It is understood that this group may not comprise of all the members that are expected to form the future Somalia High Commission on Petroleum that will handle negotiations on behalf of SFG. In that case it is recommended that the eventual team is more representative in terms of gender and region. It will also be critical to have additional lawyers though the diversity of background in this team is also appreciated.

Key questions debated during the sessions included:

- \* Should Somalia develop their oil and gas resources when there is still instability in the country, or wait until the country is more stable to develop the resources?
- \* How should the country attract investment in the oil and gas sector?
- \* What fiscal regime is best for Somalia in the short term? Long term?
- \* What kinds of international partners should Somalia seek to invest in the oil and gas sector?

### Materials

The complete and updated compilation of reference material for the programme can be found on Google Drive using the link below to the folder "Materials: Negotiation Support to SFG on Oil and Gas Contracts":

<https://drive.google.com/drive/folders/0B3mKxIDpwJQGfkRVMTM2UzJreGNhRTFhM2VUuFBBDVUcWUGg4WVM4d3hsenZsVWY3VUIVWWM>

# Programme Overview

## Week 1

During the first week, participants were introduced to the legal and regulatory framework for the oil and gas sector. They reviewed types of natural resource contracts and then considered the provisions of the Petroleum Law of Somalia (2008) in light of regional and international best practices and appreciated their corresponding responsibilities.

## Week 2

During the second week, participants were taken through the following main topics: Contract Basics; Language and Drafting of Contracts; Types of Oil and Gas Contracts – Joint Ventures and Operating Agreements; Analysis of Oil and Gas Contracts; Multi-Party Contracting; Fiscal Regimes; Non-Fiscal Terms in Upstream Contracts; Basic Principles and Techniques of Negotiations; and Negotiation Exercises

## Week 3

During the third week, participants visited the Petroleum Exploration and Production Department (PEPD) of the Ministry of Energy and Mineral Development and learnt about the Ugandan experience in-depth. Following the visit, a senior legal officer from PEPD gave a day's presentation that emphasised key aspects of their experience and allowed for extensive engagement.

## Week 4

Week Four focused on the macroeconomic considerations in the development of the oil and gas sector, providing participants with insight the following areas: Macroeconomic Aspects of Oil Production; Interpreting Financial Information in the Oil and Gas Industry; Financial decision-making; Financing Options in the Oil and Gas Industry—Opportunities and Risks; Project Management; and Exploration and Production Accounting (Depreciation, Reserves, Decommissioning and Asset Impairment Tests)

## Week 5

Week Five was held in Hoima, Uganda—the epicentre of Uganda's oil-rich Albertine region. Participants experienced the economic and infrastructural developments in the district since the discovery of oil. With the guidance of one of the trainers, participants met and interacted with representatives from local government and civil society in the course of the week

## Week 6

Week Six focused on dispute resolution in the oil and gas industry and addressed different forms such as arbitration, including taking part in exercises to demonstrate various issues. The last week also provided an opportunity to consolidate the learning from the first five weeks, review some case studies and start reflecting on the application of the various skills and knowledge, and planning towards the next phase of the programme.

## Trainers

A diverse group of international and regional natural resource experts facilitated Seminar I throughout the six weeks. Summaries of their areas of expertise are below:

**Mr. Don Bwesigye** is an oil, gas and mining specialist and the executive director of the African Centre for Energy and Mining Policy.

**Mr. Eric Camp** is a U.S. energy lawyer with domestic and international training and experience in many different aspects of the oil and gas industry

**Mr. Rashid Kiwanuka** is an economist and holds a Master's degree in Economic Policy and Planning and Bachelors in Economics from Makerere University.

**Mr. Otsile Matlou** is a director at the mining department of ENSafrica in Johannesburg

**Mr. Jasper Mpiriirwe Tumuhimbise** is a training specialist and also has extensive experience as an anti-corruption/procurement specialist and an evaluator/policy analyst.

**Mr. Robert Muwanga** is a public financial management/IT management expert.

**Ms. Doris Mwirigi** is an experienced lawyer and managing director of Energy Solutions Africa Limited, a focused solutions provider for key players in the energy, oil and gas sectors.

**Dr. Roberto Rios Herran** is a partner at the Warsaw office of the international boutique law firm, Appleton Luff.

## Seminar II • November 12 to December 18, 2015 • Kampala, Uganda

### Participant's profile

The **14 participants** attending the programme included two members of parliament and a cross-section of government officials from the Ministry of Petroleum and Mineral Resources, the Attorney General's Chambers, the Ministry of Finance, the Office of the President and the Ministry of Posts and Telecommunications. One participant came from the South West Region, and the group had only one lawyer and one woman. All participants from Seminar I attended Seminar II.

### Methodology

To ensure the programme delivered comprehensive, yet practical, instruction on legal, contractual and negotiation aspects of the oil and gas sector, as well as the economic and fiscal aspects, various techniques were used to make it as experiential and interactive as possible. This second six-week intensive programme, following a recap and emphasis of principles and issues, focused on case studies, exercises, group discussions and presentations by the participants.

### Curriculum

Seminar II was designed to build upon and hone the skills and knowledge the participants had gained from Seminar I. It therefore focused more on practical skills and the application of negotiation and management of petroleum agreements, deeper attention to fiscal and economic issues related to oil and gas, and enhancing training skills to strengthen the participants' ability in sharing and disseminating this knowledge through training. (see program overview on page 8)

### Observations & Recommendations

By virtue of the diverse nationalities and locations of the trainers, the programme was enriched with experiences from Kenya, Mexico, Poland, South Africa, Uganda, the U.S. – and due to the interactive nature of the programme, Somalia. This in addition to the global case studies (highlighting best practices and lessons learned), professional knowledge and experiences that formed the basis of the programme.

Trainers commended the participants for their attention and interest in the programme and the frankness of discussions right to the last day of the programme. The participants are encouraged to work together and use their differences of experience and opinion as a strength rather than a barrier to apply and share the lessons learned from this programme to influence the setting up of processes and systems that benefit Somalia's future in oil and gas.

There was only one woman in the group. Though her interaction was limited for a variety of reasons, when she did participate, her contributions were valuable and highly rated by various faculty especially during this second seminar. The inclusion of more women in future training is essential and may also encourage their increased participation and contribution, not only in training situations but in an industry that needs to be more representative.

### To consider for training initiatives that may be organized in the future

Participants' attendance was generally very good, but punctuality was an issue for some. After identifying a timekeeper from among the participants, the situation improved.

Language was a problem for some of the participants who were unable to engage fully and the extent to which they have benefitted from the training may be limited. However, within the group, some members took it upon themselves to explain concepts and terms to others in the evenings.

Training of this nature will also be essential for a group of lawyers. Shorter five to ten day sessions can be organized where drafting and negotiating skills with special reference to the oil and gas sector are honed.

While some participants had some understanding of micro and macroeconomic and finance concepts in managing oil and gas resources, it was not possible during this programme to proceed beyond the simplified contexts in which the concepts had been presented.

The participants would benefit from additional training on:

- \* Key government financial statistics and planning, and budgeting processes;
- \* How to use and analyse data in Excel and report back on the analysis to inform government decisions/policy;

- \* Project management to reduce the risks in managing oil projects – particularly for those officials who will have a direct role in the supervision of oil contracts;
- \* Key economic issues related to the management of natural resource for those who will be working directly in managing petroleum resources;
- \* Internal and external auditing (including contract auditing) units in key institutions that have an audit function with specific focus on oil and gas contracts; and
- \* English language classes

### Materials

The reference material for the programme is available electronically on Google Drive using the link below to the folder "Seminar II" under the main "Materials: Negotiation Support to SFG on Oil and Gas Contracts" folder:

<https://drive.google.com/drive/folders/0B3mKxIDpwJQGVVM2bWRNdWFmeGc>

# Programme Overview

## Week 1

Week One of the programme provided for: An overview of the key concepts covered during Seminar I and an opportunity for participants to underscore any areas they needed further focus on; Negotiation exercises with the opportunity to emphasise principles and skills; Contract drafting practices and practice exercises; and Dispute Resolution/arbitration exercises.

## Week 2

Week Two of the programme focused on transparency, accountability and anti-corruption - one of the areas of concern noted by the participants for more attention towards the end of Seminar I. The week included a comprehensive and engaging corruption case study that illustrates some of the complex issues affecting oil and gas through the experiences of different players including the government, oil companies, local communities and civil society.

## Week 3

Week Three of the programme focused on pedagogical methods in delivering training, building on the one-day introduction during Seminar I. Participants were taken through tips and recommendations for adult training as well as given the opportunity to test a variety of techniques. As part of their practical exercises, they were each required to make presentations to the group on various areas under the programme curriculum or a related topic.

## Week 4

Week Four of the programme revisited negotiation, drafting and dispute resolution building on the activities and exercises from Week One. Participants took a closer look at production sharing agreements – as the participants' preferred type of contract – from negotiating and drafting clauses to arbitration.

## Week 5

## Week 6

The fifth and sixth weeks focused on economics, building on Seminar I as well as guiding participants towards the development of an in-house economics model. The objective of this part of the training was to deepen appreciation of the concepts introduced during Seminar I and in particular to equip the participants with understanding of some of the key economic challenges associated with the management of oil and gas resources and introduce them to concepts of project appraisal, asset valuation, auditing and financial reporting in the industry.

## Trainers

A diverse group of international and regional natural resource experts facilitated Seminar II throughout the six weeks. Summaries of their areas of expertise are below:

**Shem Byakagaba** is an accountability, anti-corruption, procurement and law specialist who is currently an access to justice trainer with ILI-ACLE – and is one of the lead facilitators in the programme focusing on the training of local council court members across the country.

**Mr. Otsile Matlou** is a director at the mining department of ENSAfrica in Johannesburg

**Mr. Robert Muwanga** is a public financial management/IT management expert.

**Ms. Doris Mwirigi** is an experienced lawyer and managing director of Energy Solutions Africa Limited, a focused solutions provider for key players in the energy, oil and gas sectors.

## On-the-job training and mentorship

The **on-the-job component** involved remote one-to-one mentoring with each participant over a period of two days to address challenges faced in their jobs or work on exercises developed by their mentors. Communication was carried out through email, telephone and other electronic means.

A week prior to the end of Seminar I, ILI-ACLE developed a questionnaire for the participants to establish their interests, priorities and challenges related to petroleum issues in their various positions at work so they could be suitably assigned to the various trainers who would be their mentors, and to guide their focus. From their responses, participants were allocated to the various trainers.

On their return to Somalia, an email was then sent by ILI-ACLE to each of the participants introducing them to their assigned mentors and providing a reminder of the exercise and exchanging contact details.

Participants were guided on how to proceed on their chosen areas of focus, in collaboration with their assigned mentors. They were asked to reflect and work on the following areas:

1. The basic aspects of where Somalia currently is with regard to petroleum;
2. The strengths, weaknesses, opportunities and threats of any related developments and initiatives taking place;
3. The role one's institutions, department, or oneself in one's position can play (and this may require discussions with colleagues for an institutional approach);

4. What aspects of one's acquired knowledge one will need to apply and identify what additional support one will need; and
5. A draft action plan of what needs to be done.

A draft action template was provided for ease of use, with columns including 'Objective/Activity', 'Strategy', 'Inputs', 'Indicators', 'Responsible Person', and 'Timeframe'.

### Observations & Conclusions

The period in-between the two seminars was only two weeks. The period after Seminar II fell into the festive period with the project contract ending January 5, 2016. It is therefore understandable that most participants would find it a challenge giving the requisite attention to the on-the-job/mentorship component following an intensive six weeks with little time on their return to rest and see to numerous competing interests and responsibilities before having to return to Kampala or just prior to the close of the project.

Despite the various efforts by ILI-ACLE and the mentors to initiate communication and get feedback, only a few participants responded and made any progress while away. It was therefore decided to incorporate this important component into Seminar II where the face-to-face interaction would facilitate engagement and discussions.

Given the highly specialized nature of oil and gas negotiations and contracting, and the fragile history in Somalia affecting capacity building in the country, sensitising and training colleagues was a key area the participants constantly highlighted as important for support in the on-the-job/mentorship focus. Including presentations on their individual action plans, as part of the training-of-trainers sessions, was a valuable overlap in strengthening training skills and fine-tuning action plans.

Though a valuable component of the programme, and an overall beneficial reflection exercise in how to apply skills and knowledge from the programme, the on-the-job/mentorship programme was more valuable to some participants than others. A few participants did not directly work in the field of oil and gas and guidance had to be provided on how they could make effective linkages with their work.

As part of the component, ILI-ACLE shared templates and a guide on developing action plans that would help participants articulate and put a structure to their ideas and reflect on where they could get support. Most participants did not complete this table while away for numerous reasons and some continue to work on them. **It is recommended that the group meet and review the progress with their plans in March 2016 and provide support to one another to ensure continued momentum.**



**Disclaimer:** The findings, interpretations, and conclusions expressed in this paper do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. They are entirely those of the author(s) and should not be attributed in any manner to the World Bank, or its affiliated organizations, or to members of its board of executive directors for the countries they represent.