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**The politics of governing oil after ‘best-practice’ reforms:
Can ‘pockets of effectiveness’ survive within Uganda’s political settlement?**

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Abstract

Uganda is frequently lauded for its quality of oil governance, particularly through the political support and autonomy offered to a ‘pocket of bureaucratic effectiveness’ (PoE) within its oil assemblage. Since 2013, Uganda’s adoption of the ‘Norway model’ has involved breaking up the old PoE and establishing new regulatory and commercial entities. The interaction of these reforms with Uganda’s increasingly factionalised political settlement dynamics has reduced the quality of oil governance in certain respects: the process has hollowed-out the policy department and weakened the coherence of oil governance. However, Uganda’s earlier investment in PoE building has enabled it to manage the process better than expected, often through informal practices. We show that Uganda adopted the reforms willingly and has moved to build new regulatory and commercial PoEs that fit with its resource nationalist approach to oil governance. This challenges the notion that best-practice reforms inevitably involve the imposition of neoliberal modes of governmentality that go ‘against the grain’ of domestic political settlements. We reaffirm the critical importance of PoEs to oil sector governance in Africa, and tentatively support the claim that they are more likely to be sustained where power is concentrated and where paradigmatic ideas align with resource nationalism.

Keywords: oil governance, Norway model, Uganda, political settlements, resource nationalism.

Abbreviations

CNOOC	China’s National Offshore Oil Company
GoU	Government of Uganda
IOC	International oil company
MEMD	Ministry of Energy and Mineral Development
MOU	Memorandum of Understanding
NOGP	National Oil and Gas Policy
NRM	National Resistance Movement
PAU	Petroleum Authority of Uganda
PD	Petroleum Directorate
PEPD	Petroleum Exploration and Production Department
PSA	Production sharing agreement
PoE	Pocket of effectiveness
UEGCL	Uganda Electricity Generation Company Limited
UNOC	Uganda National Oil Company

1. Introduction

Uganda's approach to governing oil represents something of a paradox. On the one hand, it has failed to move to production after discovering commercial quantities of oil in 2006, and has been increasingly criticised for its declining standards of good governance and democratisation from the early 2000s onwards (Rubongoya, 2007; Tripp, 2010). On the other hand, Uganda has been lauded for adopting a rules-based approach to oil governance, particularly through its success in getting good deals from international oil companies during the 2012-2015 period. This capacity to negotiate effectively was directly shaped by the support and autonomy that President Museveni offered to oil technocrats located within a high-performing department in the Ministry of Energy. This in turn suggested that Uganda's 'dominant' political settlement had enabled a longer-term view of governing the sector in the national interest, as indicated by the relatively tough fiscal regime put in place via production sharing agreements (PSAs) and taxation policy, and a robust approach to negotiating with oil companies (Global Witness, 2014; Hickey and Izama, 2016; Hickey et al., 2015; Patey, 2017), that seemed to signal a project of 'resource nationalism' (Andreasson, 2015).

The oil sector in Uganda has, however, undergone significant institutional reform over the past three years. In line with international principles of best practice, the oil department has been broken up into three new entities to ensure that policy, regulatory and commercial functions are handled separately. These reforms were certainly promoted strongly by international actors, including by Norway, which provides the model for this form of oil governance. This occurred despite growing concerns that the Norway model may not be suitable in developing countries. Research by Thurber et al. (2011) examined the effect of adopting new institutional arrangements on oil sector outcomes in 10 large oil-producing countries. They found that the 'separation of functions' approach was successful only in contexts where bureaucratic capacity was high and political competition had been strongly institutionalised over time; that is, in countries that looked a lot like Norway at the time, the reforms were undertaken. Where these conditions did not hold, Thurber et al. argued that a consolidation of functions within one bureaucratic unit might offer a 'better-fit' approach. More recent research has argued that these reforms can have damaging effects in countries such as Uganda, forming part of an 'anticipatory' resource curse that reduces governance standards even before oil has started to flow (Frynas et al., 2017; Weszkalnys, 2014; 2016). However, we argue below that the reforms were warmly embraced by political and bureaucratic elites in Uganda, as the Norway model was perceived to largely go 'with the grain' (Levy, 2014) of prevailing ideas around oil governance and preferred institutional modalities within Uganda. The introduction of a new commercial entity alongside the strengthening of regulatory capacities offered a means through which Uganda could continue to pursue a largely resource nationalist approach to oil governance, rather than reflecting a process of 'isomorphic mimicry', whereby new modes of neoliberal

governmentality are adopted as a signal of compliance to international actors, but without any serious domestic political commitment to their implementation.¹

This paper explores whether best-practice reforms make sense within a country like Uganda, particularly given the changing nature of its political settlement dynamics in recent years. Whilst inspired by Thurber et al., our starting point is somewhat different. First, we hypothesise that formal governance institutions are less likely to shape the quality of oil governance in developing countries than (a) the underlying political settlement and (b) the presence of specific PoEs. A political settlement can be defined as a 'reproducible political order' that is sustained by the ways in which the configuration of power interacts with institutions (both formal and informal; Khan, 2010). Political settlements analysis, which emerged as a critique of the new institutionalist perspective that has informed a great deal of work on the 'resource curse', focuses on the underlying set of power relations that shapes how institutions emerge and actually function, rather than the form that they take. This approach has yielded important insights into oil governance (e.g. Bebbington et al., 2018; Lewis, 2007; Macuane et al., 2018; Mohan et al., 2018; Poteete, 2009), and we seek to test this approach further here. Pockets of effectiveness (PoEs), meanwhile, can be defined as

'public organizations that are relatively effective in providing public goods and services the organization is officially mandated to provide, despite operating in an environment in which effective public service delivery is not the norm.' (Roll, 2014: 24).

Recent work on oil governance has identified PoEs, rather than aggregate levels of state capacity, as being critical to whether oil is governed effectively within developing countries (Hertog, 2010; Hickey et al., 2015; Hout, 2013; Lewis, 2007; Soares de Oliveira, 2007). Both Roll and others suggest that PoEs are characterised by their: (a) organisational capacity (in terms of human and financial resources); (b) organisational culture and proactivity (e.g. being mission driven and efforts to enhance this; meritocratic recruitment practices and performance orientation); and (c) operational autonomy (an organisation's legal mandate, as well as its leadership and relations to political decision-makers) (Roll 2014: 200). We draw on this characterisation to help assess the extent to which the new reforms either enabled or constrained the protection and/or creation of PoEs in Uganda's oil sector.

To put our focus on political settlements and PoEs together, one hypothesis emerging from the lines of work referenced above would be that: as ruling coalitions become more vulnerable to elite fragmentation, their commitment to investing in 'growth-enhancing institutions' such as PoEs in critical sectors is likely to diminish.

¹ As such, our paper represents something of a critical challenge to the now flourishing literature on the downsides

The following sections briefly discuss Uganda's current political settlement and its oil assemblage. We then examine the process through which the new institutional arrangements for governing the sector were formulated, before offering an assessment of how these new arrangements have played out since being implemented. This includes an evaluation of how well the three main entities – namely the Petroleum Directorate (PD), the Petroleum Authority of Uganda (PAU), and the Uganda National Oil Company (UNOC) – have performed in delivering on their mandate since the unbundling, and on the overall coherence of governance in the sector. Our evidence draws mainly from around 50 key informant interviews undertaken between 2017 and 2019 with stakeholders directly involved in oil governance in Uganda, including government officials working within the Ministries of Energy and of Finance, the Office of the Auditor General and the new entities (PAU and UNOC), as well as international agency staff, actors working within IOCs and investigative journalists with expertise in the sector. We triangulate these accounts with an in-depth analysis of policy reports, internal documentation and other relevant literature.

2. Oil and Uganda's transnationalised political settlement²

After the National Resistance Movement (NRM) captured power in Uganda in 1986, it established a new political settlement that was sufficiently inclusive to impose stability after more than a decade of political and civil conflict, with the notable exception of the northern region (Lindemann, 2011). This first period resembled a 'dominant-developmental' type of political settlement (Khan, 2010), in that the NRM faced few pressures from elites beyond the ruling coalition or from powerful factions within it, and was thus able to implement wide-ranging and largely developmental reforms in line with its ideological platform (Golooba-Mutebi and Hickey, 2013; Kjaer, 2015; Whitfield et al., 2015). During this period, President Museveni established a *modus operandi* of governing the economy through hand-picked senior bureaucrats, who were both politically loyal and highly competent (Grindle, 2012). This proved to be a key feature of the country's developmental success and also of the transnationalised nature of its political settlement since the early 1990s, with international development agencies providing critical support to a few PoEs within the economic technocracy (Bukonya and Hickey, 2019; Golooba-Mutebi and Hickey, 2016).

The oil sector was arguably the first to benefit from this selective investment in bureaucratic capacity-building. During his first days in office in 1986, President Museveni received offers from international oil companies keen to exploit Uganda's oil reserves. On discovering that Uganda lacked the geoscientists capable of leading the exploration effort, he turned the oil companies away. According to a leading technocrat who met with Museveni at the time, 'When we had the historical meeting, when he was two days in office, we met for three hours, I said let us train (our people) not proceed with the IOCs. I was empowered to start training and recruiting' (parentheses added).³ The Petroleum Exploration and

² For more in-depth accounts of Uganda's political settlement, see Golooba-Mutebi and Hickey (2016) and Kjaer (2015).

³ Interview, 10 November 2017.

Production Department (PEPD) was formed in 1991, as part of the Ministry for Energy and Minerals Development. Political attention to PEPD waned during the lengthy exploration effort, leaving PEPD reliant on support from the World Bank, India and Norway. These years of relative hardship catalysed a strong organisational culture within PEPD, forged through the patriotic and professional commitment of its leadership, which shared the difficulties of this period with their staff, whilst generating training opportunities for them (Kashambuzi, 2010: 3). PEPD was largely protected from external political influence, and after 2001 its leadership persuaded government to fund increased salary levels, allowances and technical support for their activities. Even after commercial quantities of oil were discovered in 2006, the president continued to offer PEPD considerable autonomy. PEPD has become widely respected by international actors within the industry and has proved capable of gaining better deals for Uganda than in many other countries in Africa (Hickey et al., 2015) and securing its interests in battles with IOCs (Hickey and Izama, 2016).

This protection of a high-performing PoE in Uganda's oil sector has been largely against the grain of Uganda's shifting political settlement during the past decade (Hickey and Izama, 2016; Kjaer, 2015). Since the early/mid-2000s, Uganda's ruling coalition has become much more vulnerable, both to threats from excluded elites with regards its hold on power and from increasing levels of internal factionalism. These shifts were catalysed by processes of elite exit from the NRM before the 2001 elections, and growing pressures from its large client base. A key policy response here was one of 'districtisation', where new districts were rapidly created to meet these lower-level demands. The main response to elite-level factionalism within the NRM was to return to multi-party elections in 2005, which Museveni saw as a means of restoring discipline to the movement (Makara et al., 2009), a move that he coupled with the removal of presidential term limits. These developments did little to address the growing factionalism within the inner core of Uganda's ruling coalition, known as the 'first family', with reference to the president, his wife, brother and sons-in-law, and also the minister for foreign affairs, who is related to the president through marriage. This group has become renowned for its rapacious approach to the new flows of finance that have entered Uganda since the mid-2000s, including via Chinese investment for major infrastructure projects. In-fighting amongst these players has come to characterise elite-level politics in Uganda in ways that have weakened any long-term developmentalist vision that the NRM may have previously been pursuing and its capacity to implement such a project.

Importantly, the politics of regime survival catalysed by these pressures has directly undermined the use of PoEs, the most blatant example being the capture of the Ministry of Finance and Bank of Uganda, in order to finance the buying of the 2011 poll (Bukonya and Hickey, 2019; Golooba-Mutebi and Hickey, 2016; Perrot et al., 2014). In this context, the apparent commitment to governing oil through competent and autonomous bureaucrats in line with a longer-term vision seemed to represent an outlier, a throwback to the earlier dominant-developmental political settlement. As argued by Michael Watts (2004), the advent of oil can have profound effects on the political imaginaries of political actors, re-energising political and developmental projects. We may well have seen this in Uganda, with regards to the developmentalism that directly followed the discovery of commercial quantities of oil in 2006, and

the ambitious focus on ‘transformation’ within Uganda’s new National Development Plan (Hickey, 2013). This is also evident in Museveni’s resource nationalist insistence on a refinery that can help add value to Uganda’s oil resources, and willingness to withstand pressures from IOCs to make deals quickly and prioritise the export pipeline (Hickey and Izama, 2016). The question for this paper, then, is the extent to which this capacity and commitment to governing oil has been maintained during a period of shifting political settlement dynamics – including a closely fought presidential election in 2016 (Oloka-Onyango and Ahikire, 2016) – and the introduction of new institutional arrangements for governing oil that would involve breaking up PEPD, the sector’s high-performing PoE. The transnational character of Uganda’s political settlement was also undergoing important changes during this period, particularly in terms of the deepening involvement of China amidst worsening Sino-American relations. The next section briefly sets out the nature of Uganda’s oil assemblage and the process through which the new arrangements were introduced, before analysing how these reforms became entwined with these changing political dynamics.

3. The oil assemblage in Uganda: Heading towards Norway?

With up to 6.5 billion barrels of oil reserves in the western part of the country, of which between 1.4 and 1.7 billion barrels are probably recoverable, Uganda sits within the mid-range of Africa’s oil-owning countries (Patey, 2017). Uganda has entered a joint venture partnership with three oil companies: French Total E&P, Tullow Oil of Ireland/United Kingdom and China’s National Offshore Oil Company (CNOOC). The partners signed a memorandum of understanding (MoU) in 2014, which sets out a plan for the commercialisation of Uganda’s oil, a crude export pipeline and a mid-size refinery.⁴ This opened the way for first oil exports by around 2023, pending the completion of a regional pipeline. However, this process has been heavily delayed amidst falling oil prices, strong disagreements between GoU and IOCs, and also a limited degree of cooperation amongst IOCs themselves.⁵

The decision to separate out the commercial, policy and regulatory functions of oil governance in Uganda oil was formally inscribed within the 2008 National Oil and Gas Policy, which started life as a PEPD working document. The new rules were developed with support of the Norwegian government’s Oil for Development Programme, which also places a strong emphasis on building the capacity of Uganda’s oil technocracy. However, technocrats were keen to stress their ownership of the process. The Policy itself states that it is ‘... in line with Government’s institutional reform policy of Regulatory Best Practice’, with reference to Uganda’s experience of unbundling the energy sector in the early 2000s (op. cit.). Responsibilities for both energy and oil rest within the same Ministry of Energy and Mineral Development, and the same permanent secretary, Dr Kabagambe Kaliisa, oversaw both processes:

⁴ See Hickey and Izama (2016) for a detailed account of this process.

⁵ The ongoing negotiations between GoU and the IOCs are dealt with in a companion paper (Hickey and Izama, 2020, forthcoming).

‘I don’t think we needed external advice on this (laughs); we had some good advice from Norway, but they did not expect that we already had plans. It was our ideas back in 2008 with regards the separation of functions. I had been involved in the reforms of the electricity company re unbundling – I used this experience and that model.’⁶

The 2008 policy was reformulated into legislative bills for Midstream and Upstream activities, which were eventually passed in 2013, after a highly contested process. A coalition of parliamentarians and civil society actors were particularly critical of the executive’s efforts to retain extensive powers over the new institutions and to limit transparency (de Vibe, 2013). The president invited oil technocrats to help explain the case for greater executive control in parliament in December 2012, a task that they undertook willingly: having benchmarked their position against Norwegian best practice, they were convinced that they were acting in the best interests of the country, as well as the sector. Indeed, even before the laws had been passed, in 2012, PEPD had reorganised itself into units that mirrored the functions to be taken up by the policy, commercial and regulatory entities, in order to lay the groundwork for the new arrangements. Far from resisting the imposition of a new neoliberal form of governmentality, ruling politicians and senior bureaucrats alike welcomed the logic of the reforms, which fitted with their own ideas around oil governance. For President Museveni, they seemed to offer a way of Uganda avoiding becoming a new Nigeria, a fear he expressed in many speeches following the discovery of commercial quantities of oil in 2006, and which has been described elsewhere as a key driver of institutional reform amongst new producers (Weszkalnys, 2014, 2016). For senior oil technocrats and political elites alike, the prospect of further strengthening Uganda’s regulatory capacity to hold IOCs to account, whilst also developing commercial capabilities via a new state-owned oil company, fitted closely with their resource nationalist agenda. As Weszkalnys notes, in her work on the anticipatory effects of future oil in sub-Saharan Africa, ‘Embedded here are both developmentalist dreams built on the transformation of existing resources into prosperity and a moral self-critique’ of potential failure (2016: 32).

The Upstream and Midstream laws established the minister of energy as the political head of the oil and gas sector and created three entities where there used to be one, namely PEPD. These were the regulatory Petroleum Authority of Uganda (PAU), the Uganda National Oil Company (UNOC) and the Petroleum Directorate (within the Ministry of Energy). PAU is responsible for holding oil companies to account and for advising on the quality of all agreements that UNOC may enter into. UNOC holds all commercial aspects of Uganda’s interest in oil and is a private firm, rather than a statutory enterprise; MPs had campaigned for the latter, on the basis that this would offer greater public scrutiny, but technocrats insisted instead on the Norwegian model of an ordinary company, in which the state would hold a majority stake. The Petroleum Directorate is the policy arm, with additional responsibilities for new exploration and data management.

⁶ Interview, 10 November 2017.

In the following sections, we track how oil governance has played out in Uganda since the new entities have been established. This involves setting the promise of the reforms – which, according to one senior bureaucrat, would strengthen the capacity of Uganda to govern oil effectively: ‘It helps you to build capacity, more institutions, the base is wider’⁷ – against the warning that adopting best-practice reforms in developing countries may lead to capacity being spread too thinly and to lower levels of performance (Thurber et al., 2011), with political and governance processes becoming distorted even before oil has started to flow (Frynas et al., 2017; Weszkalnys, 2014, 2016).

4. Implementing the Norway model in Uganda 2015-2019: An interim assessment

It remains relatively early to be assessing the new institutional arrangements for governing oil in Uganda, which, although legislated for in 2013, only started to be implemented two or three years after this. However, and in addition to the evidence that these reforms can have important effects even before production has begun (Frynas et al., 2017; Weszkalnys 2014, 2016, there has been a high level of activity within the sector during this period. This has included establishing the groundwork for major midstream projects, issuing three new production licences, developing a new local content policy and implementing policies on cost recovery, and efforts to restart exploration activities. This offers an instructive basis on which to start assessing the new reforms. We focus here on the process through which the new entities were established, and overall levels of coordination in the sector, before examining the performance of each entity in turn.

4.1 Putting the laws into practice: Informal challenges

It took around two years to establish the terms for the boards of the new regulatory and commercial entities in Uganda and to make appointments to them; this meant that they did not become operational until around 2016. This delay was caused in part by jockeying amongst oil technocrats for the highly paid posts within the PAU and UNOC, which ex-PEPD staff saw both as a backdated reward for their poorly remunerated struggle during the lengthy exploration phase and as essential to being competitive within the industry. Many ex-PEPD officials left the ministry to take up posts in PAU and NOC, leaving behind a somewhat skeletal and less well-paid staff within the ministry’s policy unit, the Petroleum Directorate. However, the most controversial staffing move came in November 2016, when the president sacked the man who had been permanent secretary of MEMD since 1997 and head of PEPD (1984-1997) before then. Dr Fred Kabagambe Kalissa had been a trusted confidant of the president, and his leadership of the ‘unbundling’ reforms undertaken in the energy sector in the 1990s had closely shaped Uganda’s willingness, and also capacity, to adopt the Norway model. His sacking in November 2016 reflected a breakdown of trust with the president, in the context of increasingly fractious relationships within the inner core of the ruling coalition.

The decision to replace Dr Kabagambe with Dr Steven Isabaliija reportedly resulted from a clash between the Uganda Electricity Generation Company Limited (UEGCL) and the Ministry of Energy ,over

⁷ Interview, 10 November 2017.

which should supervise the country's two ongoing dam projects at the time (Wanambwa, 2016). As the then chair of the UEGCL board, Dr Isabaliija had also briefed the president that Kabagambe was being insufficiently supportive of their efforts to find a buyer for the other major dam at Bujugali. However, this followed earlier incidents in Uganda's energy domain that had set more powerful players within Uganda's ruling coalition against Kabagambe. One involved an altercation with General Salim Saleh, the president's brother, over the level of charges being made by the national energy distributor. Saleh chaired a presidential committee to investigate the issue, but the president sided with Kabagambe's advice to raise charges, rather than Saleh's proposal to reduce them. Our interviewees suggest that disagreements between Kabagambe and members of the first family over energy sector deals went deeper still, including the controversial process through which tenders were awarded for the Karuma and Isimba dams. According to one high-level insider,

'First family in-fighting over energy projects matters here. With Karuma, there were four brokers involved in this around/inside State House (each siding with specific Chinese companies).⁸ Kabagambe squashed that and then did the same with a Nigerian company that Janet Museveni and Salim Saleh were backing via a false letter to the president. Janet insisted that Kabagambe goes to Nigeria to do due diligence, as a PS (permanent secretary) would carry more weight, but then he (Kabagambe) squashed it. Janet and Saleh then mobilised against him to get their own person in Isabaliija.'⁹

This account is supported by an investigative journalist:

'Kabagambe was sacked for the dam deal. He and Museveni were falling out around a few scandals ... what happened with the procurement over Karuma was that Kalissa and other senior officials, including the minister, were reported to have taken bribes, also some members of the first family, from China Water the president ordered his team to do an investigation, and found out that they (China Water) had never built a dam, whilst Sino Hydro (the competitor bidder) had built many...' ¹⁰

It seems that the president was no longer willing to protect Kabagambe from other players within the first family, with the ruling coalition increasingly fractious and driven by efforts to corner rents amidst wider uncertainty around regime survival. The experiment was short-lived, with the president sacking Isabaliija after eight months in post, replacing him as permanent secretary with an ex-commissioner within PEPD and protégé of Kabagambe. In a further sign of regret over his initial decision, the president appointed Kabagambe as presidential advisor on oil. This incident reflects the highly personalised and informal nature of governance within Uganda's increasingly factionalised political settlement, a feature that has closely shaped how the sector has been governed in the post-reform period.

⁸ This involved one of the president's sons-in-law; see Hickey and Izama (2016).

⁹ Interview with senior ex-MEMD official, 23 November 2018.

¹⁰ Interview, 6 November 2017.

4.2 How are the new best-practice institutional arrangements working out for Uganda?

‘It has created a lot more transactions, has increased the cost of managing the sector considerably. When it was PEPD, they were in a small office in Entebbe ... a few cars. Now we have 4x4 vehicles and new offices for PAU and UNOC. You are paying people well, so we are happy, but it has increased the cost at a time when we are not doing much.’¹¹

‘The sector is falling apart, there is no-one who knows how to hold it together in terms of the three major issues: exploration and FID (final investment decision), pipeline and refinery. Have they got a plan for the whole sector? Out of their depth. There is PAU, UNOC, the ministry...’¹²

Key stakeholders differ in their assessment of how the new institutional arrangements are currently playing out in Uganda. All acknowledge that there have been challenges, but whereas some international players and government officials refer to the sector as being ‘in a mess’, those working within the new entities are generally sanguine, referring to these as teething problems that are steadily being addressed within the context of new rules providing clear guidance on the mandate, roles and responsibilities of each entity. The prior presence of PEPD as a high-performing PoE in the sector emerges as critical to the process being handled relatively well, with ex-PEPD staff going on to occupy influential positions within the new entities and ministry, and all three ‘new’ units emerging directly from PEPD through the carefully planned transition process. The distribution of leaders has been particularly important: both the Petroleum Directorate and PAU are headed by senior ex-PEPD officials, who have worked together for many years, which has helped smooth the transition and ensure a degree of continuity. As with other PoEs in developing countries (Evans, 1995; Johnson, 1982), this continuity is inscribed in informal relationships, rather than formal rules, and these have helped maintain greater coherence than would have otherwise been the case:

‘The direct communication may be reduced (but) in most cases the relationships (between leaders of PAU and ministry) are very good, they talk easily together, we have worked so closely together, it is communications that reduces the bureaucracy. It is like a family.’¹³

These relationships have in some cases enabled capacity problems in one entity to be offset through the (re)deployment of staff from another, as in the deployment of PAU staff to support the PD’s negotiation teams in 2017 (as discussed below). These cooperative relationships are notably absent between UNOC and the other entities, in part because the post of UNOC’s CEO was awarded to an ‘outsider’ with no experience of the country’s oil sector.

¹¹ Interview with UNOC Official, 19 October 2018.

¹² Interview with senior foreign diplomat in Kampala, 21 November 2018.

¹³ Interview with senior MEMD oil technocrat, 27 April 2018.

However, more critical observers note that the sector has become more incoherent and poorly governed as a result of both the new arrangements and the absence of an authoritative figure to play a convening role. According to one leading official: ‘They made a mistake by firing Kalissa. Before we moved in a phased manner. Regulator now is doing things with companies before they have a licence. We need someone to bring us altogether’; the same official went to describe how the processes of submitting budgetary requests had been slowed down by this problem.¹⁴ Although the formal arrangements for coordinating the sector remain in place, through the Inter-Ministerial Committee on Oil and Gas, no-one has the authority to make this work effectively in practice. For one investigative journalist,

‘... It has changed tremendously: there is no convenor, the new (current) PS is not able to convene the sector, they (the heads of PD and PAU) are his contemporaries and at NOC she might even be more powerful, given her links to State House’.¹⁵

This lack of oversight and coordination has directly informed the delays and problematic negotiations around both the pipeline and refinery projects, which we deal with briefly here (see Hickey and Izama [2020, forthcoming] for a detailed treatment). The most obvious failure to execute a deal with technocratic rigour and in the national interest during this period – with regards to the refinery project – occurred after the sacking of Kalissa, the government’s most experienced oil technocrat and negotiator. His successor lacked expertise in the oil sector and favoured a more neoliberal and market-driven approach to that of his cadre of oil technocrats. Following a poorly handled bidding process, the new PS and also UNOC favoured a bid for the refinery from a US-led consortium, whereas government officials from PAU and PD preferred the rival Chinese bid. The president, influenced by some strenuous American lobbying, ruled in April 2018 that tender be offered to the US-led consortium. The deal does not withstand much scrutiny: it includes insufficient financing from private sector investors, no commitment of technical support from a company experienced in building refineries and no sovereign guarantee from GoU (MEMD, 2017, 2018). Some technocrats and presidential aides argue that the same PS undermined negotiations over pipeline, through his decision to dismiss the transaction advisor who had been helping GoU’s negotiating team. Compared to the refinery project, however, oil technocrats have been able to perform their tasks in an effective and rules-based manner with regards to the pipeline, including persuading the president to reverse the initial agreement to route it through Kenya, rather than Tanzania.

The increasingly factionalised nature of the ruling coalition has meant that State House, which had previously acted as the ultimate arbiter in any final decisions within the oil sector, has become a more volatile influence in recent years. One senior oil ministry official noted that the close relationship that they had previously enjoyed with the president had become disrupted:

¹⁴ Interview with senior MEMD oil technocrat, 22 November 2018.

¹⁵ Interview, 20 March 2018.

‘There are some people, his State House advisors, they make it difficult to meet with the president – that is the challenge. People who feel they are losing because we have rejected them, they go through their network. It is friends and relatives ... some foreign advisors also.’¹⁶

Perhaps the most pressing issue is that the oil technocrats who were concentrated within PEPD have now been distributed across three entities: ‘This limited resource is now being spread around ... (we need) to train people again, get that capacity up again’,¹⁷ an issue we return to below.

Although the new rules demarcate the roles and responsibilities of each constituent entity, the process of implementing them has been a conflictual one, with each entity seeking to secure its own turf and, in some cases, encroach on that of others:

‘The rules are very clear among the three institutions ... but we are in the stormy phase. UNOC and PAU want to have authority. The minister is supposed to do promotion, yet UNOC is there also doing promotion. So the distinction between them is not clear and it is testing the institutional framework.’¹⁸

Several examples attest to this, including the development of the national content policy and the ongoing farmdown of assets by Tullow. According to the new rules, MEMD is responsible for establishing policy on national content policy, with other government units assigned specific roles, including a role for UNOC in building local expertise. However, PAU has used its oversight over compliance to take control of the agenda, establishing a fully operational National Content Directorate, with a dedicated staff that manages the National Supplier Data Base, and exercising its influence to reject contracts that do not comply with national content thresholds. Similarly, UNOC signed an MoU offering CNOOC rights to a particular oilfield, despite PD’s desire to preserve its right to license the field openly in the future.¹⁹

This overview suggests that the capacity of government to operate relatively effectively rests as much on the informal relationships established within PEPD through a system of mentoring, career development and interpersonal relationships as with the formal rules. Problems have emerged where these informal rules have been disrupted, both by the formal separation of powers, but also the premature removal of a key player involved in formulating and enforcing rules (formal and informal) within the sector over the past two decades, due to shifting political settlement dynamics. We turn now to assess whether each new entity has received the political and technical support required to deliver on

¹⁶ Interview with senior MEMD oil technocrat, 27 April 2018.

¹⁷ Interview with leading oil technocrat, 10 November 2017.

¹⁸ Interview with UNOC official, 19 October 2018.

¹⁹ Interview with UNOC Official, 19 October 2018.

their respective mandates, with a particular focus on efforts to maintain pockets of effectiveness within the sector.

4.3 The Petroleum Directorate

‘PEPD, as we speak today is almost non-existent.’²⁰

‘... we have seen our senior colleagues crossing to UNOC and to PA, all those commissioners, have worked here for 15-16 years, have left the ministry weaker ... you can amputate an arm, a leg; but if you amputate the head, then how can you bring in investors? What will they regulate?’²¹

The Petroleum Directorate (PD) is led by a longstanding PEPD commissioner, who, having headed the proto-Policy Unit within PEPD prior to the reforms being implemented, was well prepared for the role. Although this continuity meant that PD has operated more effectively than would otherwise have been the case, the ministry’s organisational capacity within the oil sector has been significantly weakened since the new institutional arrangements, most obviously through the haemorrhaging of staff to the two new entities. An official memo reveals that, between mid-2016 and late 2018, PD lost over 30 permanent members of staff and over 40 contracted employees, with 37 joining PAU and 14 going to UNOC.²² PD currently has 42 staff, less than half of those now employed by PAU. This is unsurprising, given that the salary differences between PD and the new entities are huge, in some cases by multiples of between 15 and 20; staff who were paid UGX700,000 per month at PD can earn UGX20m at PAU. Many employees at PAU earn more than officials of more senior standing at PD.

This shift of emphasis makes sense to some extent. The ministry had already discharged one of its most significant policy functions through the establishment of the new legal framework itself; and the move of Uganda’s oil sector towards production inevitably shifts the focus to regulatory and commercial functions. Nonetheless, new laws still need to be developed, including around downstream regulation, and PD remains responsible for other functions that are critical to the sector, including negotiating new licences with oil companies and developing further oilfields to attract new investment. There are clear signs that PD is struggling to deliver on this mandate, in ways that are likely to cause significant problems for the sector. In relation to further exploration, for example:

‘Where we had seven geophysicists now we have one, had seven geologists now only three, we had petroleum economists, they are not there, all gone. If we want to do resource

²⁰ Interview with ex-PEPD official, now employed at UNOC, 19 October 2018.

²¹ Interview with senior official within MEMD, 23 March 2018.

²² PD memo entitled ‘List of technical officers who have left the Directorate for other employment since mid-2016’ (March 2018).

evaluation of what is there, commercial and non-commercial, we don't have the people, the software, so we are getting more challenged.'²³

This lack of capacity to undertake exploration in new basins matters in terms of the sustainability of the sector and the economic logic of current infrastructure investments. Uganda cannot attract new investment, unless fresh rounds of exploration are undertaken, and it also needs greater flows of oil to ensure that the midstream pipeline and refinery projects constitute value-for-money investments.

PD has struggled to regenerate the level of human resource capacity it requires to perform effectively. Unlike PAU and UNOC, it has to use the cumbersome mainstream process of civil service recruitment. The Ministry of Finance's decision to grant votes to PAU and UNOC within the budgetary process has further exacerbated the growing inequalities, with PD officials forced to 'ask MoF for a supplementary of UGX2m just to pay for basic things, software etc.', whereas 'for PAU, UNOC they (Finance) give ... PD can't get money for basics, whilst PAU, UNOC get these huge per diems!'²⁴ In some cases, the new entities have simply disregarded PD's role, as with UNOC undertaking downstream activities (e.g. establishing a storage facility at Jinja), despite the fact that the ministry has not yet developed a regulatory policy for the downstream elements of the sector. The uneven capacities of the three new entities have made it very difficult to ensure a proper sequencing of functions between them; for example, former PEPD officials now working at the new entities complain that they are being held back by the failure of PD to discharge their responsibilities in a timely and effective manner.²⁵

PD has had to rely on ex-employees now working with PAU to discharge certain functions effectively, including negotiating new deals with IOCs. During the latest round of licensing in 2016-2017, the first to be undertaken by the new entities, two new oil exploration licences went to Oranto Petroleum International Ltd of Nigeria and one to Armour Energy Ltd of Australia.²⁶ The bidding round was characterised by a lack of interest from major players, apparently deterred by the tough terms that government had established in its 2013 production sharing agreement, as well as lower global oil prices from 2014 onwards. The government seems to have secured good deals. According to one party to the deals, there was hardly any difference between the model agreement and the one that was actually signed with Oranto.²⁷ This is unsurprising, given that the Ngassa block carried little risk, having already been explored by Tullow, and that Oranto's bargaining power was weak compared to larger IOCs. Instructively, the process was undertaken when the longstanding permanent secretary was still in place and with capacity developed within PEPD: Kabagambe ensured that PAU supported PD to form a strong negotiating team, made up of several ex-PEPD officials with extensive track records of negotiating with IOCs.

²³ Interview with senior MEMD oil technocrat, 23 March 2018.

²⁴ Interview with senior MEMD oil technocrat, 22 November 2018.

²⁵ Interview with ex-PEPD official, now employed at UNOC, 19 October 2018.

²⁶ The East African (2017), 'Nigerian, Australian firms get oil search licenses in Uganda', 14 September.

²⁷ Interview with authors, 23 November 2018.

The Petroleum Department has been the arm of oil governance in Uganda to benefit least from the reforms. In terms of the core characteristics of PoEs identified by Roll (2014), PD has been able to operate with relative autonomy, but it has not received the support to operate effectively in terms of either financial or human resource capacity. As such, and despite efforts to maintain a positive organisational culture, whereby the departmental director has sought to provide regular career enhancement training and support for travel for his staff, its performance has been heavily constrained.

4.4 The Petroleum Authority of Uganda (PAU): The new PoE within Uganda's oil assemblage?

The head of Uganda's new regulatory body was also the last director of PEPD, and he has moved swiftly to establish PAU as the premier entity in the sector. By June 2018, PAU was on track to meet its staffing targets, as phased in line with the projected requirements of the sector. The majority of staff were recruited from PEPD, including five of the seven-strong management team. All of PAU's budgetary requests to date have been met:

'The Ministry of Finance has been quite supportive. We now have a vote and we have the funds that we need to begin. We don't have to go through the PS (of MEMD) for this. So we set our own work plans and budgets. You can talk to Finance directly for your needs, for PAU, with ease.'²⁸

PAU seems to be executing its mandate effectively, particularly in terms of the challenge of cost recovery. This an area within which resource-dependent countries can lose significant sums to international oil companies, particularly in countries like Uganda that operate on the basis of production sharing agreements (PSAs), as failing to prevent oil companies from claiming ineligible or inflated expenses reduces the levels of 'profit oil' that governments can accrue (Hubert, 2017). Regulating CNOOC, Total and Tullow effectively in this regard is therefore critical, if Uganda is to reap the benefits of the favourable PSAs that it negotiated with them earlier this decade.²⁹ A recent report on cost recovery practices amongst IOCs in Uganda found 'substantial evidence' that all three IOCs had been 'seeking to claim costs that should be non-recoverable under the terms of the PSAs' (Hubert, 2017: 24). Alert to this, the Ugandan authorities ensured that the new 2016 model PSA included new provisions designed to tighten their grip on the cost recovery process, particularly in terms of highly detailed reporting requirements.

PAU's performance on cost recovery looks impressive so far, although staff acknowledge that more equipment is required for them to fully regulate IOCs and oversee their activities. According to the permanent secretary of MEMD, the government has so far been able to ensure that, in the context of an

²⁸ Interview with leading oil technocrat, PAU, 22 November 2018.

²⁹ Interview with head of PEPD's interim regulatory department, 14 May 2015.

overall investment of \$1.35bn to date, the return to IOCs has been less than \$1 per barrel.³⁰ The claim by the head of PAU that this rate of cost recovery ‘... is very good, compares well with anywhere’,³¹ is supported by independent expert analysis: ‘Uganda’s approach to cost recovery audits has been getting stronger over time and looks impressive when compared with its neighbours’, including Tanzania and Kenya (Hubert, 2017: 31). GoU has only approved those work programmes proposed by IOCs that it deemed necessary and has ensured that the costs for each project were benchmarked. It has also committed a significant staff presence in the field, to help ensure that only those activities that had been agreed were being done, and to the required standard. The Ministry of Energy has received strong support here from the Office of the Auditor General, itself supported by Norway, which has since 2009 taken responsibility for auditing IOC accounts. This success on cost recovery suggests a degree of continuity in the post-reform period, given that it flows from the same factors that underpinned Uganda’s earlier successes: the strong commitment of Uganda’s political leadership to take a tough stance with IOCs and the provisions set out in the new institutional arrangements, alongside the bureaucratic capability gained within PEPD before the new arrangements came into play:

‘We used to do cost recovery before, so we knew its importance. The Cost Recovery Department, they have five to six people. But the numbers are going to grow. If we need staff for something, we can go to board and get them according to the need.’³²

The Petroleum Authority of Uganda looks like becoming the ‘new’ PoE on the block in Uganda’s oil assemblage. It possesses all of the characteristics of such high-performing organisations (Roll, 2014), having received a high degree of political support, particularly in terms of human and financial resources, and having also undertaken extensive efforts to maintain the *strong esprit d’corps* that characterised PEPD (see below). The main problem is that this has come at the cost of reduced capacity and performance elsewhere in the sector, and also a sense in which the new regulator has yet to form a productive working relationship with the new commercial actor, UNOC, which also falls under its regulatory remit.

4.5 The Uganda National Oil Company (UNOC)

‘The UNOC team is accused of being friends of the IOCs. They say they are not part of PAU and the ministry. As a result, you have dysfunctionalities internally.’³³

The establishment of a new national oil company constituted the biggest institutional change within Uganda’s oil assemblage during the reform period. Keen to inject some commercial experience into the

³⁰ Conference on Oil Governance in Uganda, Sheraton Hotel, Kampala, 21 November 2018; both authors were in attendance.

³¹ Interview, 22 November 2018.

³² Interview with leading oil technocrat, PAU, 22 November 2018.

³³ Interview with ex-IOC official based in Uganda, 31 January 2019.

sector, the president appointed an electrical engineer and business executive as the first CEO of UNOC in June 2016. Josephine Kasalamwa Wapakabulo is the daughter of a previous speaker of parliament in Uganda, a politician who was close to the president. She had already been brought into State House in the run-up to the 2016 elections to work with the president on projects that extended beyond the oil sector.³⁴ Although some senior officials within UNOC were ex-PEPD staff, many have international commercial experience, particularly those leading on the delivery of large infrastructural projects like the refinery and pipeline.

UNOC has rapidly established its presence in all aspects of oil production and distribution in Uganda. In November 2017, it was reported that ‘the firm’s shareholders approved top oil and gas projects involving exploration, refinery, pipeline, storage and management of the industrial park in Hoima for investment’.³⁵ As a holder of government stakes in the oil sector, it has committed to taking up the percentage (minimum 15 percent) reserved for the state in the sector’s projects, as exemplified with its lead role on the refinery project, for which it has established the Uganda Refinery Holding Company. It has also commissioned the expansion of the national petroleum storage facility in Jinja and plans to build a new plant outside Kampala.

UNOC’s flurry of activity is not fully mandated by the new regulations. According to one report, ‘UNOC wants to go into exploration with interests far above what has been prescribed by the law’.³⁶ It moved beyond its mandate when signing an MoU with CNOOC in September 2018 involving joint exploration of a sizeable offshore area within Lake Albert. This controversial decision took place without the authority of the PD, which has responsibility for awarding contracts, and was seen as tipping the balance of power between IOCs within the sector. However, it seems to have had the support of a president arguably keen to smooth over relations with the Chinese, following what they saw as GoU favouritism for Total with regards to Tullow’s proposed farmdown of its assets.³⁷ Despite receiving high-level political and financial support, there has been little progress with the major midstream projects that UNOC is responsible for managing and helping international companies to deliver, not least as these have been held back by difficult relations between government and its joint venture partners (Hickey and Izama, 2020, forthcoming). UNOC officials also argue that they are being held back by the lack of commercial experience elsewhere within GoU’s oil assemblage.³⁸ With particular reference to the ‘bureaucratic mindset’ of PAU and PD, UNOC has requested external support for training GoU officials in the commercial aspects of oil production.³⁹

³⁴ UNOC’s CEO resigned from her post on 13 May 2019, apparently at the request of the president, who was dissatisfied with the advice she had given him on which companies to make a deal with over the refinery project.

³⁵ The East African (2017), ‘Uganda oil firm to increase its shares in the upstream oil and gas business’, 4 December.

³⁶ The East African (2017), ‘Uganda oil firm to increase its shares in the upstream oil and gas business’, 4 December.

³⁷ See Hickey and Izama, forthcoming.

³⁸ Others have also noted a lack of human resource capacity beyond the upstream realm (Patey, 2017: 5).

³⁹ Interview with senior MFPED advisor, 22 November 2018.

Overall, there is some evidence that UNOC may emerge as a PoE over time, at least in terms of the high level of resources and support it has received (Roll, 2014). However, its performance has been constrained by wider problems within Uganda's oil assemblage and, as discussed below, there has been little effort to catalyse the kind of positive organisational culture within UNOC that has helped to improve performance in Uganda's oil sector in the past.

5. Capacity and commitment within Uganda's reformed oil assemblage: Towards a new generation of PoEs?

This section revisits the broader questions established at the outset, both in terms of the specific role played by PoEs, and in terms of how 'best-practice' reforms intersect with political settlement dynamics and what this means for debates around oil governance in Africa's new producers. In the context of Uganda, but also elsewhere in Africa, the role of PoEs has been central to this unfolding story of how the adoption of best-practice reforms has played out over the 2000s.⁴⁰ Using the criteria for identifying PoEs established at the outset of this paper, Table 1 sets out the extent to which Uganda has continued to invest in high levels of organisational performance within the oil sector, following the adoption of the new institutional arrangements. The central problem that emerges is that the Petroleum Department lacks the capacity to effectively discharge some core functions: lacking the autonomy of the two new entities, it has become increasingly mired in the problems of most mainstream ministerial departments in Uganda's public sector. However, maintaining a positive organisational culture has proved much harder in a context of declining resources and blatant inequalities within the sector.

Table 1: Identifying PoEs in Uganda's post-reform oil sector*

PoE characteristics and performance	PD (policy)	PAU (regulator)	UNOC (commercial)
<i>Performance against mandate</i>	✓ Deal-making with IOCs (with PAU support) ✗ Exploration, policy	✓ Cost recovery	✗ Project delivery (pro-active but hamstrung by wider constraints)
<i>Political support and protection</i>	✗	✓	✓
<i>Organisational capacity</i>	✗	✓	✓
<i>Organisational autonomy</i>	✗	✓	✓

⁴⁰ For four further studies of how these reforms have played out in sub-Saharan Africa, in relation to Ghana, Kenya, Mozambique and Tanzania, see the website of the Effective States and Inclusive Development research centre: www.effective-states.org.

<i>Organisational culture</i>	✓	✓	✗

* As discussed in the introductory section, the criteria for identifying a PoE in the left hand column are drawn primarily from Roll (2014).

Both PAU and UNOC share many of the features associated with PoEs, particularly in terms of being highly rewarded and autonomous enclaves with clear mandates and politically connected leaders (Roll, 2014). However, and unlike PAU, UNOC has not sought to replicate the positive organisational culture institutionalised within PEPD. According to insiders, UNOC's leadership is far less hands-on and staff meetings are not used to empower more junior staff to have genuine inputs. For one ex-PEPD official, now working with UNOC,

'The PEPD culture has left PEPD and has gone to the Authority. The times he (the head of PAU) calls me ... to update me on stuff that we used to work on, my boss (of UNOC) doesn't, she doesn't. She always travels, she travels a lot. Little contact. The executive team wants to do everything, without us. This is top-down that was down-up. I told them I don't like this, I can't innovate.'⁴¹

Somewhat predictably, the new arrangements have meant that Uganda's oil assemblage is now experiencing a culture clash between the older civil service traditions that stood it in good stead during the exploration phase and the commercial realities of moving towards production, with regular battles between PAU and UNOC. This aligns with the wider tension between a resource nationalist and more neoliberal approach to oil governance that also characterises relations between GoU and IOCs, with oil companies blaming PAU for being overzealous in its pursuit of the national interest:

'You get a sense that people want to feel that they are tough, patriotic, but yet their actions are hurting the planned projects that are intended to benefit the country ... you also have a situation where they feel they need to micro-manage each and everything. As a result, you have lengthy and heavy processes that delay each and everything.'⁴²

From this perspective, the re-emergence of a PoE in Uganda's oil sector in the form of the regulator may have come at the cost of moving towards first oil.

Given that the relatively high levels of capacity and commitment that characterised Uganda's approach to oil governance prior to the new reforms being implemented have, to some extent, been retained, the case of Uganda does not fully support the claim that 'best-practice' oil governance reforms will tend to perform poorly in contexts where levels of state capacity and democratisation are relatively low (Thurber et al., 2011). Part of the divergence here might result from the presumption in Thurber et al.'s

⁴¹ Interview with UNOC official, 19 October 2018.

⁴² Interview with ex-IOC official based in Uganda, 31 January 2019.

account that ‘best-practice’ institutional arrangements have been largely promoted by external actors, which in turn undermines the incentive for domestic actors to ensure their implementation. This underlying assumption also informs the often highly apposite criticisms of the ways in which western-style institutional forms are transferred to developing countries without consideration of their ‘fit’ with domestic political and institutional conditions (Andrews et al., 2017).

However, Ugandan technocrats played a leading role in formulating and promoting the new arrangements; both they and politicians viewed the reforms as a route through which they could realise existing political ambitions around oil and offset concerns. President Museveni may have received regular reminders of the need to guard against the resource curse by the growing epistemic community that has become established around natural resource governance (as constituted by an increasingly wide range of international development agencies, policy entrepreneurs, thinktanks and academics), but he was already keenly aware of the dangers of becoming Africa’s next Nigeria. Following Weszkalnys (2014: 218), Uganda’s adoption of the Norway model was meant in part to guard against this danger, whereby: ‘oil’s potentially disastrous consequences are dispersed across an array of institutions, technical devices, regulations, and administrative, commercial, and political practices, where this potential gets stabilized, albeit momentarily, in specific ways’. However, the new arrangements were also imbued with the more optimistic politics of ambition and a resurgent political imaginary around national development (Watts, 2004). This resource nationalist tilt was clear in both the strong powers to be accorded to the regulator to hold IOCs to account and the investment in building the capacity of a NOC that had been awarded ambitious stakes in all major new ventures.

Contrary to Thurber et al.’s expectations, we find that the performance of the oil sector has been shaped primarily by the ways in which the new institutional arrangements have converged with changing dynamics within Uganda’s transnationalised political settlement, rather than as a result of the country’s aggregate levels of state capacity or democratisation. Where performance levels have remained high – as in the case of securing good deals in the last round of licensing, choosing an optimal route for the pipeline and holding IOCs to account in relation to their cost-recovery activities – it has been because the capacity and modes of governance established under PEPD have been maintained, albeit through different routes. This is most apparent in terms of the continuity of PEPD staff now working for the new regulatory authority and the close relationship that certain leading technocrats enjoy with the president, who has largely allowed them to operate autonomously, despite the stakes having been raised as Uganda moves closer to first oil. Informal institutions have played an important role here. The relationships and strong organisational culture that were built within PEPD in the decades prior to the reforms have helped the sector to navigate the bedding-in of new rules. The ex-PEPD staff who lead PD, PAU and also the ministry, have drawn on these personal and professional working relationships to help deal with the ruptures generated by the new arrangements and identify informal fixes to help resolve various issues, thus enabling some semblance of continuity and coordination. It seems highly unlikely that the process would have been handled nearly as well if it had not been for the prior investment in capacity building and development of an organisational culture within PEPD, a move

that bequeathed the newly configured sector a highly capable and committed, if small, workforce around which to build the new entities.

The main problems that have occurred – namely the declining capacity of the ministry to perform its policy function, the fragmentation of the sector and turf war between the new entities, the (geo)politicised decision-making around the refinery project and the continued failure to move to production – have been caused mainly by the interaction of the new institutional arrangements with specific changing dynamics within Uganda’s transnationalised political settlement. The inevitable fragmentation brought about by the establishment of new entities was badly exacerbated by the sacking of the country’s most senior oil technocrat, a move directly shaped by factionalism within the ruling coalition. Despite the presence of formal mechanisms for coordinating the sector, the lack of a senior figure with the authority to convene the new range of players within Uganda’s oil assemblage has undermined the coherence of oil governance. In the absence of strong oversight, a degree of turf warfare has emerged, involving the new regulatory and commercial entities, in ways that have sometimes led to the new rules being contravened.

Where the critical literature is closer to the mark is around the issue of capacity. As per Thurber et al. (2011), Uganda lacks the human resource capacity to fully staff all three entities in its oil sector; in this context, the PoE-building strategy of incentivising the most talented staff to join the new regulatory and commercial entities has hollowed out the Petroleum Directorate and undermined its ability to either generate the new rules required to govern the downstream sector or undertake new exploration activities. This resonates to some extent with the concern that new arrangements intended to offset the resource curse might inadvertently play a role in introducing lower standards of governance, even before oil has started to flow (Frynas et al., 2017; Weszkalnys, 2014, 2016). In Uganda, the introduction of very large salaries and per diems within the new entities has helped generate a ‘grasping culture’, which emphasises financial incentives above the more ideological forms of commitment that had previously been institutionalised within the sector.⁴³ A final concern here would be that the immense costs of maintaining this high-end state infrastructure have as yet not been compensated for by the actual flow of oil.

6. Conclusion

Although Uganda’s new institutional arrangements for governing oil in line with the Norway model remain a work in progress, there are already some identifiable trends. Uganda’s oil technocrats remain largely empowered to undertake their duties without political interference and to pursue technocratic modes of governance and decision-making in most respects, as the example of the pipeline project suggests. Indeed, the relative power of oil technocrats within Uganda’s oil sector helps in part to explain the continued delay in moving to first oil, with bureaucrats insisting on holding a strong line in relation

⁴³ Interview with senior official within MEMD, 22 November 2018.

to issues of taxation and the wider fiscal regime. The new rules are for the most part being operationalised and enforced: the new entities have been established and each has gone at least some way to performing the key tasks associated with their mandates. However, the process has led to capacity being spread too thinly across the new entities, in ways that have directly undermined the performance of certain critical functions. In some important respects, the changing dynamics of Uganda's increasingly vulnerable and fragmented political settlement have undermined the quality of oil governance. Intense in-fighting amongst senior members of the ruling coalition over rents in the energy sector have made it difficult to maintain a coordinated and long-term approach within the closely related oil sector. An important feature of this internal factionalism is that the president is frequently subjected to contradictory briefings, as a result of the competing interests of actors within his inner circle;⁴⁴ as one observer notes, 'Museveni does not have the time or capacity. He is also being fed disinformation'.⁴⁵ The transnational dimensions of both the oil assemblage and Uganda's politics of regime survival, informed by a strategic repositioning with regards to Uganda's relationship with China and the United States, also played a critical role here, undermining the quality of decision-making around the refinery. Serious challenges remain here and there is a pressing need to ensure a more balanced approach to building the capacity of the three key entities within Uganda's oil assemblage, to enable PD to deliver on its mandate, and a much stronger focus on strengthening coordination mechanisms across the sector.

Our findings carry three main implications for broader debates on oil governance amongst Africa's new producers. First, we show that the ways in which institutional reforms play out in oil-producing countries cannot be understood through a focus on formal levels of democracy and state capacity (e.g. Thurber et al., 2011); rather, specific pockets of bureaucratic effectiveness matter more than overall levels of state capacity in shaping the quality of oil governance, and informal institutions often matter more than the formal rules (cf. Thurber et al., 2011). The informal relationships and norms established by PEPD have been critical in enabling Uganda to adopt the new reforms whilst maintaining a reasonable level of performance. Second, and related to this, this paper lends further support to the hypothesis that PoEs are both critical to oil sector governance and more likely to be protected and sustained in political settlements within which power is concentrated (Hertog, 2010; Hout, 2013; Lewis, 2007) and where paradigmatic ideas support a resource nationalist approach (Hickey et al., 2015). That the quality of oil governance in Uganda has not declined further during this period of political and institutional change is largely due to the earlier investment made in building a highly capable cadre of oil technocrats within a high-performing organisational environment. Where things are working out well in Uganda, it is as a direct result of the symbiotic relationship between a strong and developmental leader and high-capacity bureaucrats, achieved with international support under the dominant developmental phase of Uganda's political settlement from the mid-1980s through to the early/mid-2000s. Finally, the political effort to support the emergence of new PoEs within Uganda's reconfigured oil assemblage offers evidence of a

⁴⁴ Interviews with key informants, November 2018.

⁴⁵ Interview with senior foreign diplomat in Kampala, 21 November 2018.

resource nationalist project geared towards protecting the national interest vis-à-vis international oil companies, whilst also building commercial capabilities in the sector. Whether this will ever have developmental outcomes is unclear: experience from elsewhere in Africa suggests that oil sector PoEs can sustain a politics of predatory patronage as readily as a politics of national development (Soares de Oliveira, 2007) and the changing dynamics of Uganda's political settlement do not augur well in this regard. However, the move to redeploy best-practice reforms in apparent pursuit of a resource nationalist project of oil governance offers a challenge to the flourishing literature on the downsides of adopting best-practice reforms (e.g. Andrews et al., 2017; Dasandi et al., 2019; Levy, 2014) and the neoliberal sensibilities of global policy transfer more broadly (e.g. Li, 2007; Stone, 2012). What the case of Uganda seems to reveal is that the current age of 'productive incoherence' continues to lend more policy space to developing countries to determine their own paths through wider global policy agendas (Grabel, 2019), and that such reforms can sometimes both 'go with the grain' of national political dynamics and potentially challenge neoliberal orthodoxies.

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