

Oil for Development in South Sudan

**Program Document for an
Institutional Cooperation between**

**The Ministry of Petroleum and Mining,
Republic of South Sudan**

and

The Ministry of Petroleum and Energy, Norway

2012-2014

Updated 30 October 2012

1 Contents

1	BACKGROUND AND JUSTIFICATION OF PROGRAM	3
1.1	Capacity building and technical cooperation programs.....	3
1.2	Baseline	3
1.3	Program Elements.....	4
1.4	Status – previous program	5

1.5	The way forward.....	6
2	PROGRAM GOVERNANCE.....	6
2.1	Program Management.....	6
2.2	Steering Committee Meeting	6
2.3	Program Steering Committee	6
2.4	Capacity Building	7
2.5	Resident Program Coordinator	7
2.6	The Oil for Development Secretariat in NORAD	7
2.7	Procurement.....	7
2.8	Invoicing and Disbursements	7
3	DEFINITION AND REQUIREMENTS.....	7
4	OBJECTIVE AND PURPOSE	8
4.1	Goal hierarchy	8
4.2	Duration	9
5	WORK PLAN	10
5.1	Program activities 2012-2014.....	10
6	RISK ASSESSMENT	11

1 BACKGROUND AND JUSTIFICATION OF PROGRAM

A number of projects have been implemented under an MoU of October 2008 serving both the Government of National Unity (GoNU) and the Government of Southern Sudan (GoSS). A program agreement between the Norwegian Ministry of Foreign Affairs (MFA) and the Ministry of Finance and Economic Planning (MoFEP) of the Government of South Sudan (GoSS) was entered into 18. October 2012. Further, an Institutional Cooperation Agreement was entered into between the Norwegian Ministry of Petroleum and Energy (MPE) and the Ministry of Petroleum and Mining (MoPM) of the Government of South Sudan 31. October 2012. Administration of the program will be delegated to the Norwegian Petroleum Directorate (NPD). In this Programme MPE and NPD shall cooperate closely with the Norwegian Ministry of Environment (MoE) and ensure coordinated participation of all relevant Norwegian institutions.

1.1 Capacity building and technical cooperation programs

As a foundation for planning a long-term assistance to the GoSS, a Functional Analysis and a Training Needs Assessment of the petroleum sector administration were performed in 2009. The results were documented in the report of 30th November 2009, "Petroleum Sector Management – Government of Southern Sudan; Training Needs Assessment & Proposal for Capacity Building", and demonstrated a need for extensive capacity building and organisational restructuring.

1.2 Baseline

The program is designed on the basis of:

- experiences gained through field work in Juba in the period March - August 2009
- conclusions documented in the Petrad report of 30th of October 2009; "Training Needs Assessment & Proposal for Capacity building"
- various relevant reports as Arntzen de Besche of 2nd June 2008 "On the Establishment of a Government Oil Company in Southern Sudan"
- relationship developed through close interaction with MPM and Nilepet over a period of 2 years
- an adjustment to the political situation in Sudan as of 9 July 2011

Summarised main points with relevance for the capacity program at the time were:

1. Neither organisational structure, nor roles and responsibilities were defined in the ministry
2. Framework, strategy or directional activity plans are not in place
3. Lack of critical mass of competent and experienced personnel in MoPM and Nilepet
4. Lack of management skills in MoPM and Nilepet
5. Lack of data network for sharing and storage of data and documents in MoPM and Nilepet.
6. Lack of hydrocarbon related data available to the professional staff in MoPM or Nilepet.
7. Inadequate office facilities in MoPM

1.3 Program Elements

In accordance with the long term ambition of the program and the request from the then Ministry of Energy and Mining, today Ministry of Petroleum and Mining (MoPM), the main objective will be the development of a capable and transparent management of the petroleum sector to the benefit of the economy and the people in South Sudan.

The program as such will cover all aspects of the value chain, from licensing strategy, through exploration, development, production, monitoring and decommissioning.

Subjects with particular emphasis on efficient resource management (including resource assessment, licensing and IOR), HSE management, petroleum data management and fiscal metering are proposed as immediate term priorities.

A prerequisite for a capable and transparent management of the petroleum is adherence to good governance principles, including corruption prevention means as well as development of guidelines and procedures. A strategy for open dialogue with the civil society needs to be developed as a condition for transparency.

The program will also address petroleum sector responsibility for environment and revenue management and gender equality.

Primary target groups will be: The Ministry of Petroleum and Mining (MoPM), Nile Petroleum Corporation (Nilepet).

Secondary target groups will be other relevant governmental institutions and the civil society.

The program elements imply a holistic approach. The different elements are integrated, interdependent and require a coordinated implementation.

The following figure describes this approach:

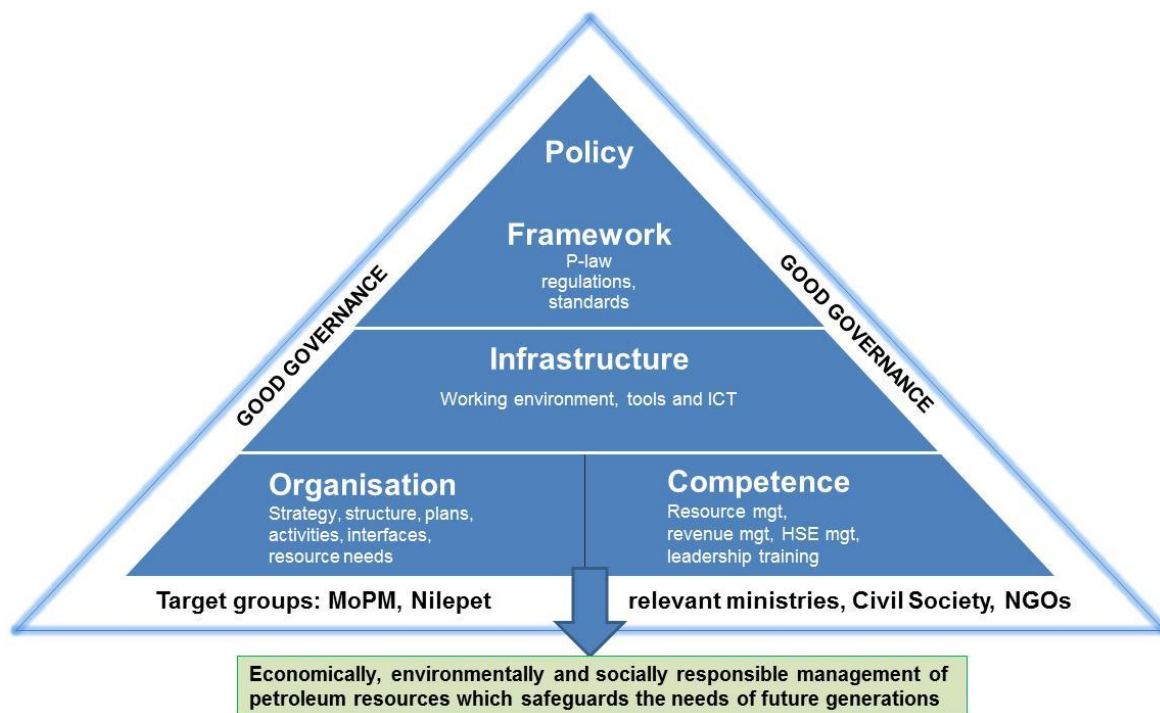


Figure 1: Capacity building – Program elements

1.4 Status – previous program

With reference to the assessment stated as baseline, the main objective of the initial phase of the program has been to establish a foundation for a rapid organizational build-up. To this end a number of training activities have been conducted through 2010 and up to October 2012. In addition pre-conditions as legal framework, office facilities and organization structure have been worked on.

The figure below summarizes the status as of October 2012:

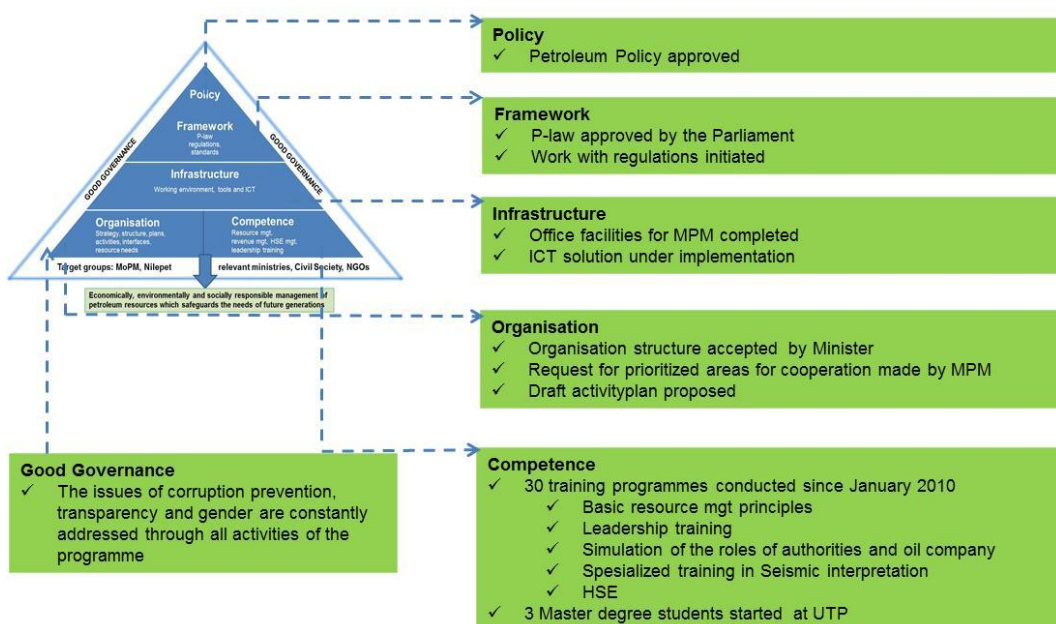


Figure 2: Deliverables and status

The main achievement has been to establish the building blocks of the organisation as condition for the further development of the program. The next step requires high involvement of appointed management and teams to ensure ownership, commitment and common understanding of goals, direction and detailed activity plans. This is considered crucial for successful and sustainable implementation of the program as capacity building.

1.5 The way forward

This program has been developed to carry forward important activities of the existing Government of South Sudan (GoSS) cooperation with Norway in the petroleum sector.

An Agreement between South Sudan, represented by the Ministry of Finance and Economic Planning (MoFEP) and the Norwegian Ministry of Foreign Affairs (MFA), represented by the Royal Norwegian Embassy in Juba is signed as the basis for this cooperation. An Institutional Cooperation Agreement will be entered into between MoPM and Norwegian Ministry of Petroleum and Energy (MPE). The MPE will delegate the administration of the program to The Norwegian Petroleum Directorate (NPD) which will implement the Norwegian part of the programme in close cooperation with the Norwegian Ministry of Environment (MoE) and together with other relevant institutions.

2 PROGRAM GOVERNANCE

2.1 Program Management

The structural model for the proposed program is that of an institutional cooperation and joint execution, as used by Norway's Oil for Development Programme (OfD) in a number of countries. The implementation of the program will be managed by the MoPM, supported by and working closely with the MPE, NPD, MoE, PSA, Klif, DN. A responsible program manager will be nominated by the MoPM, and he will have a resident counterpart on the Norwegian side nominated by the NPD.

MPE shall assist MPM in preparing the reports and documentation specified in the Programme Agreement, Article VII. All reports and relevant documentation pursuant to the Institutional Cooperation Agreement shall be written in English.

2.2 Steering Committee Meeting

A Steering Committee meeting with MoPM, MPE and MoE, shall meet once a year prior to the Annual meeting (which is held between the Embassy and MoFEP) to prepare annual progress reports, work plans and budgets, or at other times requested by a Steering Committee member (see 2.3). Aggregate summary reports of all planned programme activities and expenses related to both resource and environmental management shall also be provided to the Annual meetings. NPD, Petrad, Klif, DN, Ptil or other entities as found relevant may be invited by MoPM to participate in the Steering Committee Meeting as advisors. The meetings shall be called and chaired by MoPM, who shall also be responsible for drafting Agreed Minutes from the meetings, with support from the Norwegian resident co-ordinator, within two weeks after the meeting.

2.3 Program Steering Committee

The Parties of the Institutional cooperation will establish a Program Steering Committee (PSC) for the management of the program with members from MoPMMPE/NPD and MoE.

MoPM will chair the PSC. The Resident Program Coordinator will act as a secretary to the PSC. The OfD Coordinator (Norad) is member without vote. The Embassy may participate as an observer to the meetings. The PSC will prepare the reporting, accounts, plans and budgets which MPM will present to the Annual Meeting. The PSC will also recommend actions to mitigate problems encountered in the implementation of the Program. The PSC shall meet in November or December each year to agree on the annual report, the proposed work plan and budget for the following year, or at other times as requested by the parties. These shall be submitted to the Embassy at least 6 weeks before the Annual meeting.

2.4 Capacity Building

NPD will utilize Petrad for the capacity building and scholarship program which will be developed by the parties. Reference is made to Chapter 5.1.

2.5 Resident Program Coordinator

A Resident Program Coordinator (RPC) will be assigned to the program and report to the NPD Program Coordinator. The responsibility will include both coordination tasks and technical advice to MoPM and Nilepet and shall ensure close day-today monitoring of the Program.

In addition the RPC will ensure good dialogues with Ministry of Environment, Ministry of Finance and Economic Planning (MoFEP) and others as appropriate and agreed by the Program Steering Committee.

2.6 The Oil for Development Secretariat in NORAD

On the Norwegian side, acting on behalf of the Ministry of Foreign Affairs, NORAD /Oil for Development secretariat (OfD) acts as an adviser to the Embassy. OfD is responsible for the overall quality assurance (QA) of the Norwegian input to the program. An important element in the quality assurance is the South Sudan country coordination team in Norway, comprising representatives from the Ministry of Oil and Energy, the Ministry of Environment, the Ministry of Finance, the Ministry of Foreign Affairs and NPD, headed by OfD. The team will have regular meetings to ensure that the Norwegian input to the program is adequate and coordinated.

2.7 Procurement

NPD will be responsible for contracting of consultants, adaption of institutional cooperation between the governments of South Sudan and Norway.

2.8 Invoicing and Disbursements

The NPD will invoice the Embassy as stipulated in the Program and Institution Agreements. Program deliverables will be confirmed by MoPM through acceptance of the regular reporting, and subsequently disbursed by the Embassy to the NPD.

3 DEFINITION AND REQUIREMENTS

According the OECD/DAC Network on Governance, capacity development is “the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time”.

Consequently a program for capacity building shall be a long term, comprehensive, continuing process. The facilitation of an enabling management environment shall be a key element in the program. This approach implies that in addition to ensure relevant training activities, the learning process itself is crucial. To build lasting capability the moving target throughout the process should be to obtain and maintain individual and institutional capabilities to set and achieve own development objectives over time.

For this development to take place, however, three cardinal prerequisites must be met:

- The preparedness of the recipient(s) to work on **a long term basis**
- The preparedness of the recipient administration to provide **the necessary resources** (human resources and technical information and data) to perform all agreed activities in a professional and timely manner
- A clear recipient **ownership** of the program itself and of all project activities initiated under the program.

Within this program, MoPM will have access to the extensive governance and capacity building experience of the Norwegian Ministry of Petroleum and Energy (MPE), the Norwegian Ministry of Environment (MoE), NPD, Norwegian Petroleum Safety Authority (PSA), Norwegian Climate and Pollution Agency (Klif), Directorate of Nature Management (DN), Petrad and other Norwegian institutions, and will thus be in the position to adjust and strengthen its competence particularly within petroleum resource management and HSE management. The focus on the legal framework and work procedures will also enable MoPM to address any transparency issues.

4 OBJECTIVE AND PURPOSE

The ambition of the programme is to contribute to the further development and strengthening of a governance system for the petroleum sector in South Sudan that fosters efficiency, transparency, anticorruption and which is in compliance with the principles of Good Governance. A governance system based upon a national petroleum policy, improved petroleum legislation, regulations and model contracts will facilitate the work of the institutions in the sector to create a level and competitive playing field for the industry and protect the national interests with due considerations to health, safety and environmental issues.

4.1 Goal hierarchy

On these premises the following goal hierarchy has been developed for the program, together with corresponding indicators with reference values (baseline) and target values:

Overall programme objective:

Economically, environmentally and socially responsible management of petroleum resources which safeguards the needs of future generations in South Sudan.

Indicators for the overall objective:

1. Oil recovery rates in South Sudan's producing fields
2. Quantity of polluting produced water
3. Quantitative measure of serious incidents

To realise the overall objective, three outcomes have been defined for the programme:

Outcome 1:

South Sudanese policymakers set goals, and define and assign responsibilities in a manner which promotes the overall objective of the programme.

Indicators for Outcome 1:

1. An alignment between the national development goals and the national petroleum policy is achieved
2. The Petroleum Law is approved by the Parliament
3. Key regulations are approved by MoPM
4. A revised PSA model contract is endorsed by the Cabinet

Outcome 2:

South Sudanese petroleum sector regulatory authority Ministry of Petroleum and Mining with their operational organizational units carry out their assigned responsibilities

Indicators for Outcome 2:

1. Office building completed and in use by MoPM staff with the ICT office system developed and operational
2. Organizational structure approved by the Cabinet and all staff has job descriptions and understands their functional duties
3. IT system for geosciences and reservoir implemented
4. National data repository operational
5. Recruitment plan and budgets approved by Government
6. Resource assessment and production accounts are completed and updated regularly
7. Exploration promotion and licensing round completed by MPM staff
8. Number of FDPs reviewed by the petroleum authorities within deadline defined in the Petroleum Act
9. Number of established environmental monitoring programs
10. Number of conducted independent fiscal audits and safety audits
11. Number of inspected installations with regard to compliance of environmental provisions/safety standards

Outcome 3:

Sudanese policy makers and regulatory authorities are held accountable for their management of the petroleum sector.

Indicators for Outcome 3:

1. EPSAs made publically available
2. South Sudan is approved as a candidate country for the implementation of EITI
3. Website established with updated with the Approved Petroleum policy, production and revenue information
4. Gender policy approved in MoPM
5. Share of women in MoPM workforce to exceed 25%

4.2 Duration

The program is scheduled to go on for three consecutive years from 2012 to 2014. It is desirable that the program activities are implemented as a direct continuation and expansion of the previous phases of the Oil for Development Programme in South Sudan.

5 WORK PLAN

In accordance with the long term ambition of the programme and the request from the partnering state administration, the Ministry of Petroleum and Mining in RSS, the basic component will be the development of resource management competence that covers all aspects of the value chain, from licensing strategy, through exploration, development, production, monitoring and decommissioning. But to support the overall objective of NORAD's Oil for Development Initiative, the programme will also address petroleum sector responsibility for environment and revenue management, as well as a range of topics concerning good governance in terms like equal opportunity for genders, accountability and corruption prevention.

A proposal for cooperation with Norway on petroleum revenue management is being prepared by the Ministry of Finance and Economic Planning (MoPEF). Such a co-operation will be part of the overall OfD programme, either in the form of a separate institutional agreement or as a future joint agreement incorporating petroleum resource, environment and revenue management.

5.1 Program activities 2012-2014

The program elements illustrated in "Figure 1: Program elements in the Capacity Building Program" include these main priorities in the period 2012 - 2014:

1. Policy
a. Understand and implement the Petroleum policy
b. Resizing of blocks
2. Framework
a. Understand and implement the Petroleum law
b. Develop regulations and guidelines
c. Develop Management Steering Systems
d. Develop PSA model contract
3. Organisation
a. Design and implement the organisation
b. Train management as a part of the implementation
c. Implementation of substructure
d. Utilize the facilities to support efficient way of working
4. Competence
a. Resource management development program
i. IOR
ii. Data management including workstations, softwares and training.
iii. Resource Assessment
iv. Forecast, fiscal and/or flow metering and allocation including possible field training
v. Surface and downhole facilities
vi. Resizing blocks

b. HSE management development program
i. Conducting system audits and verifications
ii. Investigation of accidents and near misses
iii. Emergency preparedness
iv. Occupational health
v. Working environment and organisation
vi. Environment (pollution), produced water
vii. Strategic environmental and social impact assessment
iix. Effects and possible remediation of produced water and oil spills
ix. Other competence development programs as defined
c. Operations management development program
i. Field Development Plans
ii. Other competence development programs as defined
d. Master programs and "8 weeks Course"
i. Selection of candidates
ii. Follow-up candidates
iii. 8 weeks course
e. Other competence development programs as defined
i. Information management system
5. Infrastructure (facilities and IT systems)
a. Building of office for MoPM
b. National Data Repository
c. Implementation of IT system
6. Good Governance and Civil Society
a. Develop anti-corruption guidelines
b. Include anti-corruption topics in all relevant activities (workshops, meetings ..)
c. Good Governance - East Africa regional workshop
d. Develop communication strategy
e. Develop gender strategy

As the identification of priorities and requirements are defined as integrated parts of the capacity building itself, this plan should be considered preliminary.

In accordance with the capacity building concept, detailed activity plans in all areas listed above, will be developed when appointed management and teams are in place. This will be a vital element in the implementation of the organisation in order to ensure ownership, commitment and common understanding of goals and direction.

6 RISK ASSESSMENT

Risk factor	Assessment	Mitigation
-------------	------------	------------

<p><u>Loss of experienced employees:</u></p> <p>Staff who have been trained leave the Directorate of Petroleum to work for Nilepet or the IOCs</p>	<p>High.</p> <p>Wages for technical staff in MoPM is substantially lower than the level in the international oil industry. Further, IOCs can offer a structured career path.</p>	<ul style="list-style-type: none"> • Incorporate further education opportunities in the OfD program for staff who have worked for a minimum period of three years • Associate a future work obligation for MPM for higher level and long-term education financed through OfD • Advise the government the government to consider rising salaries in the public petroleum sector if politically possible • Establish positions as national advisors to recruit diaspora
<p><u>Inflow of inexperienced staff:</u></p> <p>Staff with lack of adequate education and work experience is introduced to the MoPM organization.</p>	<p>High.</p> <p>There is a large group of South Sudanese previously engaged in the petroleum sector in Khartoum who expect new positions in the south. Also the promotion of family and tribemembers is widespread.</p>	<ul style="list-style-type: none"> • Advise the Ministry on defining competence needs and recruitment from careful analyses of functional responsibilities and organizational development • Develop adequate training plans for all staff in the Directorate of Petroleum
<p><u>Change of political management:</u></p> <p>Appointment of new Minister and Undersecretary.</p>	<p>High.</p> <p>There is a limited knowledge with regards to the petroleum sector among the candidates for political management positions in MoPM. A replacement of the leaders may have negative impact on the ministry's policy and regulative capacity.</p>	<ul style="list-style-type: none"> • Conduct high level executive training as requested • Make advisors available to the political management
<p><u>Corruption:</u></p> <p>Improper use of financial resources in the program.</p>	<p>Low.</p> <p>It is a general view that corruption in South Sudan is abundant and serious challenges for the government.</p>	<ul style="list-style-type: none"> • No financial funds are transferred to South Sudan

<p><u><i>Lack of ownership:</i></u></p> <p>The management of the Directorate of Petroleum is not fully committed to the program and does not give the program the necessary priority.</p>	<p>Moderate to high.</p> <p>As a result of the limited capacity in the Ministry, the management is increasingly engaged in the daily operative tasks. The focus on and commitment to long-term capacity building is</p>	<ul style="list-style-type: none"> • Request firm commitments before capacity building activities are implemented • Implement the program governance structure with clear responsibilities assigned to MoPM • Arrange regular meetings with MPM management outside Juba
<p><u><i>Working culture:</i></u></p> <p>The working culture in South Sudan is challenging and does not always reflect the staff reliability normally expected.</p>	<p>Moderate.</p> <p>The lack of timely attendance and limited active participation are common challenges for the capacity building activities.</p>	<ul style="list-style-type: none"> • Support the organizational development and clear work descriptions for each employee • Implement activities with high relevance for functional responsibilities of the staff MoPM.