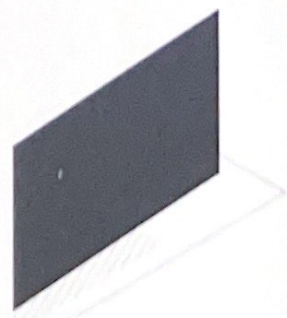


**HOST COMMUNITIES' DEVELOPMENT  
TRUST IMPLEMENTATION TEMPLATE**







## PREFACE

Being the Nigerian Upstream Petroleum Industry Regulator, the NUPRC has, as one of its statutory functions, the responsibility of administering smooth implementation of the Host Communities Development Trust (HCDT) provisions of Section 235 of the Petroleum Industry Act (PIA 2021).

The Act sets out the operational framework for the registration of a Host Communities Development Trust to include timelines for application approval; preliminary matters for incorporation of a Trust, Requirements for approvals; submission of applications; review of applications, incorporation at the Corporate Affairs Commission (CAC) and post-incorporation obligations.

In line with this statutory obligation and industry best practices globally, the NUPRC in collaboration with the relevant stakeholders, developed a robust implementation template for the Trust, to positively impact against restiveness in the host communities and in the process, guarantee seamless operations, boost investors' confidence and provide enabling environment for sustainable development of the country's hydrocarbon resources.

The essence of the Host Communities Trust Fund is to address the development needs of impacted communities in the oil-producing areas. This document is therefore to provide the necessary parameters and navigational aid for the realization of that objective, with the hope that it will address this critical issue in the industry's operations.

A handwritten signature in red ink, appearing to read 'Gbenga Komolafe', is written over a faint, illegible stamp.

Engr. Gbenga Komolafe FNSE  
**Commission Chief Executive**

# HOST COMMUNITIES' DEVELOPMENT TRUST IMPLEMENTATION TEMPLATE

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## 1. Preamble

The Nigerian Upstream Petroleum Regulatory Commission (the Commission) is the regulatory authority responsible for, among other things, the administration and enforcement of the Petroleum Industry Act 2021 (the Act) as it relates to the upstream petroleum industry. This document prescribes the template and procedures for the registration and administration of a Host Communities Development Trust (Trust) in accordance with Chapter 3 of the Act and the Nigerian Upstream Petroleum Host Communities Development Regulations, 2022 (the Regulations).

## 2. Host Communities

These are:

- 2.1. Communities situated in or appurtenant to the area of operations (territory which host the operational or integrated facilities) of a licensee or lessee of an upstream oil and gas asset (settlor),
- 2.2. Any other community as the settlor may determine under Chapter 3 of the Act.
- 2.3. Littoral communities to a deep-water area of operations along the Gulf of Guinea of the Nigerian shoreline up to 500m inland provided such community is gazetted by the National Boundary Commission.
- 2.4. Littoral communities to shallow water area of operations within Nigeria's shallow waters identified as a host community prior to enactment of the Act, and any other community identified and determined by the settlor.
- 2.5. Littoral communities to shallow water and deep-water areas of operations, which include any other community selected by the settlor pursuant to Section 235(3) of the Act.

## 3. Settlor

A Settlor is any holder of an interest in an Oil Prospecting Licence, an Oil Mining Lease, a Petroleum Prospecting Licence, or a Petroleum Mining Lease whose area of operations is in or appurtenant to any community or communities falling within the definition of host communities.

#### 4. Responsibilities of the settlor

##### 4.1. Delineation of the Host Communities

The settlor shall be responsible for delineation of host communities. In delineating the host communities, the settlor shall recognize:

- (a). Communities under the GMOU/MOU of the settlor prior to enactment of the Act;
- (b). Communities situated in or appurtenant to the area of operations of the settlor;
- (c). Communities along the deep-water area of operations along the Gulf of Guinea of the Nigerian shoreline up to about 500m inland;
- (d). Communities along shallow water of the area of operations;
- (e). Communities within the retained area after relinquishment; and
- (f). Communities recognized by a court of competent jurisdiction or by final un-appealed judgement.

##### 4.2. Community Mapping for Host Communities Development Trust

Prior to setting up the Trust, the settlor shall

- (a). Determine host communities, structure, and number of Trust clusters;
- (b). Call a meeting with the host communities (Communities Meeting) to deliberate on, and approve the establishment of the Trust, including agreeing the name of the Trust and the persons nominated by the community as trustees of the Trust. The Minutes of the meeting shall be drawn up by the settlor and shall be signed by two representatives of the host community and a representative of the settlor;
- (c). Contact nominees as trustee to inform them of their nomination as trustees of the Trust;
- (d). Obtain resume and profiles from the nominees;
- (e). Conduct a participatory needs assessment;
- (f). In conjunction with the proposed trustees:
  - (i). Develop the host community development plan; and
  - (ii). Develop the fund matrix for the Trust.

#### 5. Preliminary matters for incorporation of a Trust

- 5.1. Following the Communities Meeting, and based on the matters approved thereat, the settlor or its authorised agent shall check for availability of the proposed Incorporated

Trustee name on the portal of the Corporate Affairs Commission (CAC) and reserve the name agreed at the Communities Meeting.

- 5.2. The proposed name must begin with the words "The Incorporated Trustees of" and end with the words "Host Community Development Trust".
- 5.3. Upon reservation of the name, the settlor may apply to the Commission for approval to establish the Trust.

## 6. Application of approval of the Trust by the Commission

### 6.1. Timelines for approval

An application for approval of the registration of a Trust shall be made to the Commission no later than 60 days before the deadline for registration contained in section 236 (a) (d) and (e) of the Petroleum Industry Act and regulation 9 of the Regulations.

### 6.2. Requirements for Approval

- (a). The requirements for approval of the Commission of the incorporation of a Trust shall include the following:
  - (i). Duly completed Application Form;
  - (ii). Payment of prescribed application fee;
  - (iii). Two printed copies of the draft constitution of the Trust;
  - (iv). Duly signed copies of the minutes of the Communities Meeting appointing the trustees and authorising the application, showing the people present and the votes scored;
  - (v). A copy of a valid means of identification for the proposed trustees e.g. international passport, National ID card, Driver's Licence, Permanent Voter's Card;
  - (vi). The profile of each proposed trustee which shall include their respective qualifications and professional background;
  - (vii). In respect of proposed trustees nominated by the respective host communities, evidence that the proposed trustee comes from the relevant host community;
  - (viii). Full details of the criteria for the selection of the proposed trustees;
  - (ix). Copy of the applicant settlor's license or lease with a map identifying the settlor's area of operations annexed to it;
  - (x). List and location of all proposed host communities to be covered by the trust delineated on the map;
  - (xi). A copy of the Settlor's host communities' development plan; and
  - (xii). The fund matrix for the Trust.

- (b). The application shall be signed by the settlor and two of the proposed trustees of the Trust.
- (c). The Commission may require such other evidence or information in verification of the statements and particulars in the application, and such other, information, if any, as it may think fit.

### 6.3. **Submission of Application**

The application shall be submitted at the office of the Commission at 7, Sylvester Ugoh Street, Jabi, Abuja FCT or any of the zonal offices of the Commission and shall be addressed to:

The Commission Chief Executive

The Nigerian Upstream Petroleum Regulatory Commission

7, Sylvester Ugoh Street, Jabi, Abuja FCT

Attention: The Executive Commissioner, Health Safety, Environment & Community

### 6.4. **Review of Application**

- (a). Within 30 days of receipt of the application together with all accompanying documents and requirements, the Commission shall by notice to the settlor either:

- (i). approve the application; or
- (ii). require the trustee to make any changes or provide any additional information; or
- (iii). refuse the application,

in each case subject to the provisions of the Regulations.

- (b). The application shall be deemed approved where the Commission does not provide a response to the application within the prescribed timeline in 6.4 above.

### 6.5. **Incorporation at Corporate Affairs Commission**

- (a). Upon the approval or deemed approval of the Commission, the settlor acting in conjunction with the trustees shall register the Trust at the Corporate Affairs Commission in accordance with the Companies and Allied Matters Act.
- (b). The settlor shall be responsible for paying the registration fees for the Trust.

### 6.6. **Post-Incorporation Obligations**

The Settlor shall within seven days of the incorporation of the Trust, submit the following documents to the Commission:

- (a). a copy of the certificate of incorporation of the Trust;
- (b). a certified true copy of the constitution of the Trust which shall be in the form approved by the Commission; and
- (c). a certified true copy of the Form CAC/IT 01.2

## 7. **Trust Administration**

### 7.1. **Needs Assessment**

The settlor shall conduct needs assessment to:

- (a). Determine the specific needs affected host communities;
- (b). Ascertain the effect that the proposed petroleum operations might have on the host communities; and
- (c). Provide a strategy for addressing the needs and effects identified.

### 7.2. **Development Plan**

The settlor shall, in consultation with the proposed trustees come up with a development plan for the Trust by:

- (a). specifying the community development initiatives required to respond to the findings and strategy identified in the host communities needs assessment;
- (b). determining and specifying the projects to implement the specified initiatives ;
- (c). providing a detailed timeline for projects. Host Communities Development Plans should always be for a span of five (5) years and evaluated on a rolling basis (i.e., every year for the next five (5) years) to ensure impact and continuity of community development.
- (d). setting out plans that allow for flexibility due to changing macro-economic conditions;
- (e). breaking down the Host Communities Development Plan into annual implementation plans;
- (f). determining and preparing the budget to be included in the Host Communities Development Plan;
- (g). setting out the reasons and objectives of each project as supported by the host communities needs assessment;
- (h). ensuring compliance with the Nigerian content requirements provided in the Nigerian Oil and Gas Industry Content Development Act;
- (i). providing for ongoing review and reporting to the Commission;
- (j). ensuring that adequate representation of all beneficiaries within the community has been made; and
- (k). encouraging development of cross-cutting projects across multiple communities.



8.

## Fund Administration

### 8.1. Host Community Development Trust Fund Contributions

- (a). The primary source of funding for upstream petroleum Host Communities Development Trust shall be 3% of upstream operating expenditure of the preceding financial year.
- (b). Other funding sources for the Trust shall include:
  - (i). Interest gained from reserved funds (this is exclusive of the 3% obligation on settlors and shall not count toward their contribution for the following year);
  - (ii). Donations, gifts, grants, or honoraria; and
  - (iii). Unused administrative funds from the preceding year which will be paid into the capital fund, from which the Trust may be funded.

### 8.2. Setting up of Trust Accounts

- (a). The Board of Trustees (BOT) will be responsible for setting up a trust account, (collection account, capital fund account, administrative fund account and reserve fund account) and appointing a fund manager.
- (b). The Settlor shall be responsible for funding the collection account.
- (c). The BOT shall allocate funds from the collection account to the capital fund account, administrative fund account and the reserve fund account.

### 8.3. Matrix for distribution of HCDT Fund

Settlor shall have a transparent matrix for allocation of fund of the Trust projects. Factors that may be considered in allocation of funds could include level of production, footprint, land acquisition, etc.

### 8.4. Project Management/Execution

The projects eligible for implementation are:

- (a). Projects outlined in approved Development Plans;
- (b). Project articulated by Advisory Committee (AC), transmitted to the Management Committee (MC) and approved by the BOT;
- (c). The BOT through the Management Committee must ensure the following are clearly defined for every project and forwarded to the Commission:
  - (i). Project Goals & Objectives;
  - (ii). Success Criteria;
  - (iii). Scope Statement;
  - (iv). Resource Plan;
  - (v). Risk Analysis;
  - (vi). Implementation Timeline;

- (vii). Implementation Plan Milestones;
- (viii). Team Roles & Responsibilities; and
- (ix). Implementation Plan Matrices.

## 9. **Fund Manager**

Only a fund manager who has met all the conditions in regulation 31(3) of the Regulations may be engaged to manage the reserve fund.

## 10. **Board of Trustees**

In selecting trustees for the Trust:

- 10.1. The settlor must consult with the community in respect of the selection of the first trustees, who shall be nominated for appointment by the host communities at the Communities Meeting organized for that purpose.
- 10.2. The BOT must consult with the advisory committee when selecting additional or replacement trustees, who shall be duly appointed in line with the constitution of the Trust.
- 10.3. All trustees must meet the minimum eligibility criteria specified in the Act and the Regulations.
- 10.4. The settler or the BOT (as applicable) shall ensure that the number of trustees is an odd number and shall not exceed nine in number, with adequate representation of all stakeholders within the communities.

## 11. **Management Committee**

### 11.1. Selection of members of the management committee

In selecting the members of the management committee of a Trust, the BOT shall:

- (a). Select Nigerians of high integrity and professional standing as executive members; and
- (b). Consult with the host communities to get a representative from each committee as non-executive member.

### 11.2. Role of the management committee

- (a). The Management Committee shall be responsible for safeguarding the fundamental values, ethical principles, and strategic direction in which the HCDDT operates.
- (b). The Executive members of the management committee shall be responsible for day-to-day operations of the Trust and for setting up of the Advisory Committee.

## 12. **Advisory Committee**

### 12.1. Selection of members of the advisory committee

In selection of the members of the Advisory Committee, the management committee shall consult with the host communities to get a representative from each community, subject to the approval of the BOT.

#### 12.2. **Role of the Advisory Committee**

The advisory committee shall be responsible for:

- (a). the general monitoring of developmental projects;
- (b). Articulating community development projects to be transmitted to the management committee;
- (c). monitoring and reporting the progress of projects being executed in the community to the management committee;
- (d). advising the management committee on activities that may lead to improvement of security of infrastructure and enhancement of peace-building within the community and the entire area of operations of the settlor;
- (e). use all peaceful actions and proper influence vested in the advisory committee to ensure that no other person, entity or community interferes or restricts the settlor, its contractors, subcontractors, agents, and personnel from carrying out their operations;
- (f). ensure accountability and transparency in all dealings and give full, complete and timely information to the full assembly of all the host communities on all issues of common interest regarding the various benefits coming to the host communities through the Trust from the settlor;
- (g). through dialogue and in consultation with the management committee, create standards of fairness in all issues concerning the distribution of community benefits;
- (h). take all reasonable action(s) to eliminate antagonism and foster mutual understanding of the needs and problems of the host communities and the settlor;
- (i). use its authority and influence to ensure that its decisions on any issue discussed shall be understood by the community and its members and be accepted and regarded by members of the community as binding;
- (j). ensure that Trust is inclusive and represents the interests of women, youths, the aged and all segments of its member communities and provides a fair and equal opportunity for all to serve; and
- (k). ensure that it considers the interests of all the segments of the host communities including women, children, the physically challenged and the aged in project conception and design.

#### 13. **Penalties**

The penalties for breach of the provisions of the Act and the Regulations shall be as prescribed in the Act and the Regulations.



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