



The NUPRC being the Nigerian Upstream Petroleum industry regulator, pursuant to its powers derived from section 234 (2) and section 235 (6) of the PIA passed an additional regulation known as the Nigerian Upstream Host Communities Development Regulations 2022 as well as a robust implementation template for HCDTs known as the NUPRC- Host Community Development Template which jointly provide more detailed regulatory guidelines for the establishment and administration of Host Communities Development Trusts.

OBJECTIVES OF HCDTs

The PIA mandates the constitution of a HCDT to donate powers to the HCDT to manage and supervise the annual contribution by the Settlor and any other source of funding contemplated under the Act.

Furthermore, the objectives of a HCDT must be specified in the Constitution of the HCDT which shall among others include:

- To finance and execute projects for the benefit and sustainable development of host communities.
- To facilitate economic empowerment opportunities in host communities.
- To facilitate infrastructural development within the sociopolitical of the funds available to the Board within host communities.
- To support healthcare development for host communities.
- To support local initiatives which seek to enhance protection of the environment.
- To advance and propagate educational development for the benefit of members of the host communities.

To guarantee the achievement of the objectives of this initiative, Settlers are required by law to conduct two crucial exercises which are pre-conditions for the incorporation of a HCDT. These two exercises are:

⁵ See section 239 of the Petroleum Industry Act, 2021.

■ **Host Communities Needs Assessment**

This is done within 6 months from the grant of the license or lease to determine existing needs of the host community.

■ **Host Communities Development Plan**

This is a scheme of projects designed to be executed within host communities based on the needs assessment report. This plan is to be developed and submitted for approval by the Commission within 30 days of the completion of the needs assessment.

HCDT INCORPORATION PROCESSES

The incorporation process of HCDTs involve four main stages:

■ **Pre-approval / pre-incorporation:**

At this stage, the Settlor and representatives of the host communities are expected to organise a Communities Meeting, and upon the resolutions reached, the Settlor or its authorised agent shall check for the availability of the proposed incorporated trustee name on the Corporate Affairs Commission Portal and reserve the name agreed upon at the meeting.⁶

It is a mandatory requirement that the proposed name of a HCDT must commence with the words '**The Incorporated Trustees of** ' and end with the words '**Host Community Development Trust** '.⁷

Consequent upon a successful reservation of the proposed name, the Settlor shall then apply to the Commission for approval to establish the Trust.

The settlor is required to make an application for the approval of the registration of the Trust not later than 60 days before the expiration of the timeline stated in section 236 of the Act and Regulation 9 of the Regulations.

The application for approval which must be signed by the Settlor and two of the proposed trustees must be accompanied by the following:

- i. Duly completed application form.
- ii. Payment of the prescribed application fee.
- iii. Two printed copies of the draft constitution of the Trust.

⁶ See Paragraph 5 of the NUPRC -Host Communities Development Trust Implementation Template.

⁷ Ibid, also see section 235 (4) of the Petroleum Industry Act, 2021.

- 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 off the Settlor's host communities' development plan; and
- xii. The fund matrix for the Trust.

■ **Approval⁸**

The Commission is required to notify the Settlor of its approval or refusal of the application or require the Settlor to make any changes or provide additional information within 30 days of its receipt of the application and accompanying documents subject to the provisions of the Regulations. The application shall be deemed approved where the Commission does not provide a response within the timeframe stipulated and the Settlor shall be entitled to proceed with incorporation at the Corporate Affairs Commission.

■ **Incorporation at Corporate Affairs Commission**

Upon the approval or deemed approval of the Commission, the Settlor acting in conjunction with the Trustees shall register the Trust at the

⁸ See paragraph 6 of the NUPRC -Host Communities Development Trust Implementation Template and Regulation 7 of the Host Communities Development Regulations.

Corporate Affairs Commission in accordance with the Companies and Allied Matters Act.

Post-incorporation

Within 7 days of the incorporation, a Settlor is required to submit the following documents at the NUPRC:

- i. A copy of the certificate of incorporation.
- ii. A certified true copy of the constitution of the Trust in type form approved by the Commission.
- iii. A certified true copy of Form CAC/IT/01.2

ADMINISTRATION OF HCDTS

Generally, HCDTs must be administered in accordance with the Act, Regulations, Constitution of the Trust and any other applicable law.

Key players involved in the administration of Trusts include:

The Commission⁹

The NUPRC being the regulator has amongst its principal functions the responsibility of administering the smooth implementation of the Host Communities Development provisions contained in chapter three of the PIA.

The Settlor

The PIA defines 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.¹⁰ Some of the roles of the Settlor include delineation of the host communities, development of the fund matrix, conduct of the needs assessment, management of the administrative costs fund, amongst others.

⁹ Regulation 3 of the Host Communities Development Regulations.

¹⁰ See section 318 of the Petroleum Industry Act, 2021.

■ **The Board of Trustees**¹¹

Prior to the incorporation of the Trust, the Settlor in consultation with the host community is required to set up the Board of Trustees by selecting the first trustees whose appointment shall be subject to the approval of the Commission.

■ **The Management Committee**¹²

The Board of Trustees is required to set up and appoint members of the Management Committee which shall comprise of one representative from each host community who shall be a non-executive member and executive members who shall be individuals of high and professional standing within 30 days of setting up the Board. This committee is to be responsible for the general administration of the Trust on an ad-hoc basis and is required to carry out the functions spelt out in section 248 of the PIA.

■ **The Advisory Committee**¹³

The Management Committee is required to set up and appoint members of the Advisory Committee which shall comprise of one member from each host community. It is the responsibility of the Advisory Committee among other obligations contained in section 250 of the PIA to monitor and report progress of projects being executed in the community to the Management Committee.

HOST COMMUNITIES DEVELOPMENT TRUST FUND

The operations of the Host Communities Development Trusts are to be financed by the Host Community Development Trust Fund.

The PIA and the Regulations require a Settlor to establish a Trust Fund within a month of the Trust incorporation, which shall comprise of four accounts namely the Collection Fund, Capital Fund, Reserve Fund and the Administrative Costs Funds.

¹¹ See section 243 of the Petroleum Industry Act, see also Regulation 15 of the Host Communities Development Regulations, 2022.

¹² See section 247 of the Petroleum Industry Act, 2022 and Regulation 18 of the Host Communities Development Regulations, 2022.

¹³ See section 249 of the Petroleum Industry Act, 2022 and Regulation 19 of the Host Communities Development Regulations, 2022.