Uganda preparing for the oil boom

There has been much talk about the huge amount of economic activity expected to be generated in Uganda as a result of the oil pipeline. We are now within a couple of months of finalisation of the detailed engineering, costing studies and the selection of the main contractors, which will in turn generate business for local companies and suppliers.

I have been following the developments from a distance, but this week, I went along to a workshop organised by AUGOS, the Association of Ugandan Oil and Gas Providers, in order to educate myself.

They had invited Ernest Nwapa, the former head of the Nigerian Content Development and Monitoring Board, to share Nigeria's experience of ensuring there was local content in the Nigerian oil industry. Uganda recently passed a law on local content to ensure that Ugandan companies get a share of the cake, thus Nigeria's experience is extremely pertinent.

Ernest spoke of how Nigeria had not initially insisted on local content, so everything in the oil sector was foreign for the first 50 years However, over the past 10 years they had brought in local content regulations, and during that time, there has been a great transformation, which had benefited Nigerians themselves. He



Dr Ian Clarke

cited the problems of the Niger Delta as being due to local communities seeing foreigners jet in and jet out again, with no benefit to themselves, but that they had learned from this experience and now prioritised benefit to local communities.

Neil Cameron represents one of the main contractors, FLUOR, who are carrying out the FEED study, and he emphasised that their policy on purchase and supply is that priority is given first to the local community, then nationally, and then internationally. Of course, many of the contracts from the oil sector are highly specialised, but there is also much that is rather mundane and can be supplied locally.

He visited the oil producing areas in the Talenga project, where Total is active, and talked to the local people about the amount of food that would be needed, but they could not get their head around the quantities. The amount of beef alone is way more than is currently being produced, not to speak of other items, such as potatoes, posho and vegetables.

Ernest pointed out that oil companies are always compliant to Government regulations, so, it is a matter of telling the oil companies what we want in terms of skills development, job creation and local production that will produce a permanent boost to the economy. When these issues are identified, then the operators who are contracted by the oil companies will generate the capacity, because it is on that basis that they get the contracts. He said: "The project brings capacity, capacity does not bring the project." Which was a new perspective to me.

There are two main oil companies in Uganda, Total and CNOOC. CNOOC were not present at this conference, and so, it is impossible to say what their policy is towards local content. However, it is known that other Chinese companies are quick to fill low level positions with Chinese nationals, and many materials are imported from China, with the justification that there is not sufficient local expertise or supply.

While this may or may not be the case with CNOOC, there is certainly a willingness in Total and their main contractors to do all in their power to ensure that the upsurge in economic activity benefits Ugandans.

The other side of the coin is that, several years ago, many Ugandan companies geared up for the expected oil bonanza which never materialised, and they lost their shirts. This means that many companies are now slow to act. This is a chicken and egg situation – if people don't act, they will not be ready for the opportunity, if they act and borrow money and there are further delays, they will again suffer financially.

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The other players at the workshop were the banks, particularly dfcu and Stanbic, who are now the biggest players in the market. Both banks were promising that finance for leasing equipment and capital could be advanced for greenfield ventures which had proof of orders (which is not normal bank policy).

All this could be a great boost for Uganda's economy, but there is also a downside: the possibility that we will not be able to meet the demand, and, therefore, the major outcome will be inflated prices for basic commodities. If these are being bought up by the oil companies, shortages could develop, as is now the case with cement, and prices will escalate.

The best outcome from this temporary economic boom would be the building of capacity in skills and production of basic commodities, producing increased capacity for supply to the region and other African countries.

Umeme, Government officials should account

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