

Contractors assess Uganda's readiness to supply oil industry

By John Odyek

A Chinese company official has said that even though provision of furniture to oil firms has been ring-fenced for local companies, many stand to lose out on the opportunity.

"In Kampala, 90% of the furniture companies are small in size and the quality of furniture is not up to standards to comply with the oil and gas standard.

"The furniture industry in Uganda is fragmented," Liu Chang, the strategy resource supervisor at the Offshore Oil Engineering Co. Ltd (OOEC) said. He made the remarks during an oil and gas supplier's conference held at Hotel Africana in Kampala recently.

OOEC is leading the bid to undertake the Front-End Engineering Design for the Kingfisher oil well at Lake Albert.

However, Chang noted that there was a good opportunity to support the growth of these industries to meet international standards.

Recently President Yoweri Museveni promised to help Kampala youth making furniture along the road sides to improve their businesses. But it is not clear whether this road-side furniture can be accepted by oil companies.

Eng. Irene Muloni, the Minister for Energy and Mineral Development recently advised Ugandan companies to seek partnerships with their experienced counterparts to gain knowledge, technology and skills to meet the supply standards.

Muloni said this in an interview at her office while encouraging the Ugandan business community to participate in the oil and gas industry.

She also cautioned that without Ugandans making some efforts, they might miss out on the opportunities. She noted that the Government did not have resources to support the growth of industries and it was seeking partnerships with the private sector in various areas of exploration and production of oil.

Chang said other products the Chinese have studied include local building materials such as gravel, clay, bricks, aggregates, waste management and cement, where he said 100% of these can come from Uganda. He said for steel, 50% is expected from Uganda.

He noted that some products not manufactured in Uganda, such as bitumen, power cables, Unplasticised polyvinyl chloride (UPVC), polypropylene random copolymer (PPR) and plastic pipes have to be imported.

He said for the construction equipment, earth moving machinery, rollers, compressors, welding machines, mobile power generators and water bowsers, at least 90% of these can be obtained from Uganda.

On civil works, subcontractors, security fencing, site preparation, drainage and plumbing Chang said the expected national content is 95%. He noted that Uganda may lack experienced technicians, engineers and builders and awareness about the industry standards. He called on the Uganda National Association of Building & Civil Engineering Contractors (UNABCEC) to pull up their socks.

Chang said for human resources, the majority may come from Uganda, but some experienced expatriates with 10+ years experience and over will be required. For long distance transport, logistics, catering and site security they expect 100% from Uganda.



Men carrying cement from a truck. Other products the contractors have studied include local building materials such as gravel, clay, bricks, aggregates, waste management and cement



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A man working on roadside furniture sold along Nsambya-Kabalaqala Road. Photo by Godfrey Kimono

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He added that additional modern devices for security, morals on security behavioural practice following the British Industry Security Association have to be adopted.

Chang said in this month, procurement processes with expression of interests are expected to begin, where standards and specifications will be released.

Perrine Toledano, head extractive industries Columbia Center on Sustainable Investment, said oil and gas industries can help build the domestic private sector industry, increase value-

addition if there is a clear strategy and the right laws encouraging public-private partnerships and trust.

Toledano explained that beyond the policy and law on local content, there is need for an implementation plan, bearing in mind targets and realism to the capacity of the country, SMEs support programmes put in place, addressing key constraints and improving coordination between and within stakeholders.

"Local content is not an answer for domestic constraints, because it takes time. Only continued support to innovation, research and development of capabilities will ensure true local content.

"Local content should be counter cyclical and generate horizontal linkages for diversification of the economy," Toledano said. He noted that if local content was not well defined: "It is always easier to procure from the national level generating local frustrations".

He advised that local companies should be defined in terms of the control of decision-making where over 50% local ownership and decision-making is seen.

On the question of competitiveness in supply, he said foreign firms can give an excuse that local goods and companies are not competitive in terms of prices and

quality.

"Better to have a clause saying source local goods, except in those cases where the company can demonstrate it is not reasonable and economically practicable to do so," Toledano recommended.

Jimmy Mugerwa, the managing director Tullow Oil Uganda, said conflicts can arise between the oil companies and suppliers. He advised Ugandan suppliers to know how conflicts in supply are resolved.

"Have a clause in your agreement which caters for conflicts," Mugerwa advised.

Abdul Kibuuka, the director of True North Ltd, said there are many areas needed for skilling Ugandans to work in the oil and gas industry.

"Training has not moved fast enough. There is will to train but the traction is hard," Kibuuka said.

In the next three years over \$11.3b (\$11 trillion) will be invested in oil fields development, while 500 oil wells are expected to be drilled in the production phase compared to 20 wells drilled during the 10 exploration phase.

Various suppliers are expected to position themselves this year to supply the materials and manpower for the industry that is new in Uganda.