



UCMP MEETS UGANDA BANKERS ASSOCIATION ON THE READINESS OF THE BANKING SECTOR FOR OIL DEVELOPMENT

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With investors and the private sector waiting for the Final Investment Decision (FID) expected early 2021, the Uganda Chamber of Mines & Petroleum (UCMP) alongside the Uganda Bankers Association (UBA) organized a meeting to see how prepared the banks are to provide finances to both the government and the private sector.

Uganda's oil and gas sector presents an enormous opportunity for both local and international companies to participate through winning tenders to provide different services to the sector so that they benefit from the over \$ 15 billion worth of projects.

According to Mariam Nampeera the Director, Special Projects at Total E & P Uganda, the government is working with stakeholders to finalize supportive legislation to operationalize the Host Government Agreements (HGA) signed last year by the governments of Uganda and Tanzania. This is expected to unlock so many opportunities for both local and international companies.

This according to the Petroleum Authority of Uganda will be achieved via a regulatory framework set by the government through the local content legislation in place to promote National participation. Additionally, local companies and individuals will be guaranteed at least 10 percent in bid evaluation for all issued contracts and tenders.

While presenting at the breakfast meeting held between bankers and UCMP, Betty Namubiru the Manager, National Content at the Petroleum Authority of Uganda (PAU) said the government has already buttressed 16 goods and services for Ugandans and Ugandan entities. These will need funds to boost their capital.

But to achieve this Betty Namubiru added banks must provide tailor-made financial solutions to the participating companies.

Whereas private companies present enormous opportunities to the banking sector, Gilbert Kamuntu the chief commercial officer at the Uganda National Oil Company said government projects need huge financing, and the banking sector will play a crucial role to provide long-term finance.

Kamuntu added there are 8 to 10 projects to fund, using different financing options including equity funding, commodity funding, the sovereign bond among others. These projects are worth at least \$1 billion.

He added that financing these projects requires a sound banking sector to provide the funds, urging banks to get prepared for the work ahead, as the country waits for the final investment decision to be made

He warned however that even with such a huge opportunity government, will take a conservative approach before committing to various financing options.

The question remains are local banks ready for the booming and diverse oil and gas sector?

During the discussion, Godfrey Mundua representing Uganda Bankers' Association said with 38 trillion shillings assets coupled with 5.5 trillion shillings as capital the banking sector can provide finance in the oil and gas sector to a tune of 1.8 trillion shillings.

Godfrey dispelled fears, revealing that although local banks may lack the required capital, the Central Bank allows commercial banks to syndicate loans from the region which means that the sector is well prepared to gain from the proceeds of oil and gas

Godfrey said local private companies are still grappling with various challenges which limit banks to provide them funds. These include poor bookkeeping and weak management structures among others.

He noted such challenges can be solved through collaboration, joint ventures, and tailor-made financing options as well as changing the mindset of the private sector.

Patrick Mweheire the Vice Chair at UCMP is optimistic of the future, noting the banking sector has been ready for ages.

While giving the closing remarks during the virtual meeting, Elly Karuhanga the UCMP Council Chair urged Total E&P and CNOOC together with their respective contractor to give out long term secure contracts to the private sector so that the banks can provide them with long term financing.

In this he hopes the oil and gas sector will grow the private sector, thus leading to economic development of the country especially given the linkages with the other sectors of the economy.

Over 100 people from the oil and gas as well as the banking sector attended the virtual breakfast meeting held under the theme; Enhancing the banking sector's readiness for the oil and gas development in Uganda.