

FINANCING LOCAL ENTERPRISES AND BUSINESSES

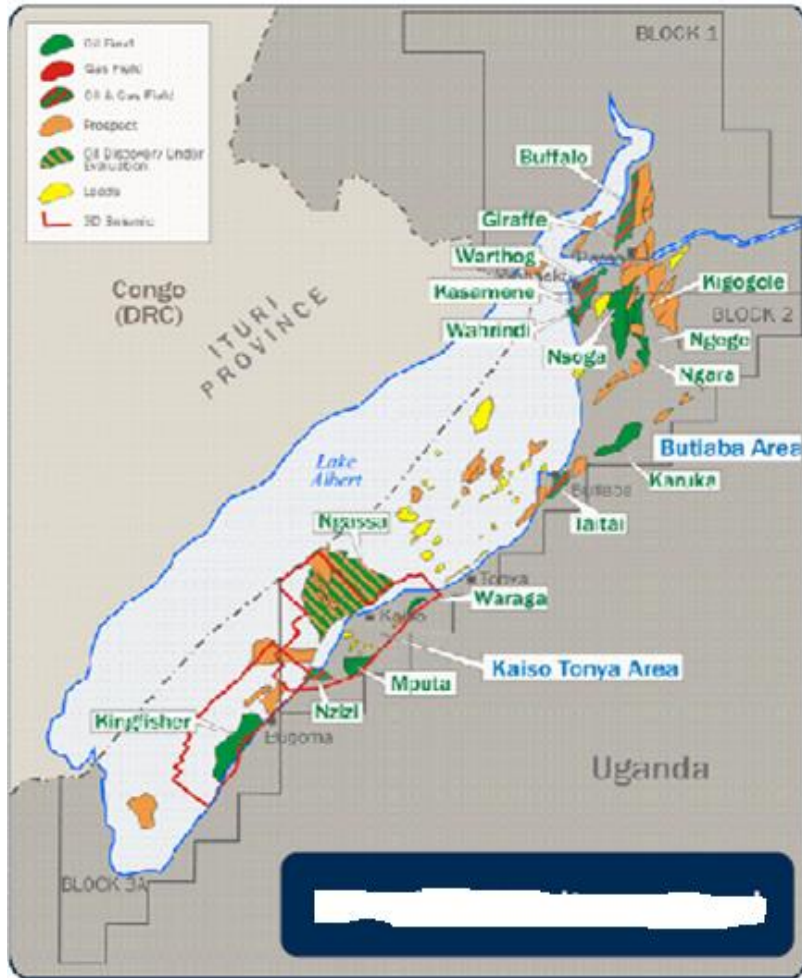


A PRESENTATION AT A WORKSHOP ON LOCAL PARTICIPATION IN THE OIL AND GAS SECTOR

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INTRODUCTION

AN ESTIMATE OF OVER 2.5 BILLION BARRELS OF OIL HAS BEEN DISCOVERED IN UGANDA OF WHICH 1 BILLION IS RECOVERABLE.



World-class basin discovered

Ugandan Resources



- *The Uganda oil and gas sector is nascent but massive industry of opportunity for both local and international*
- *Discoveries indicate that Uganda is an oil province.*
- *Oil will spur economic growth and activity, boost national income, GDP growth to double digits and employment*
- *The development and successes in the oil and gas industry in the country offers numerous opportunities for investment along the entire petroleum value chain.*
- *Investment opportunities also exist in the other sectors of the economy.*
- *Oil & Gas is set to be the Game Changer in Uganda's Investment & Business Environment*

CURRENT STATUS

- A number of Production Sharing Agreements(PSAs)signed
- Field Developments Plans(FDPs) have been submitted to MEMD/PEPD for approved
- Government to build refinery through PPP arrangement.
- The construction of the refinery would take between 3 to 5 years.
- Small scale refinery will be used to transform the crude into products such as diesel, petrol, and paraffin for Uganda and regional market.
- Full scale production is expected to start 2017/2018 after the necessary infrastructure is in place.
- National Policy on Oil & Gas in place
- Various Ongoing reviews & reforms on existing Laws
- 3 New Bills to operationalize the National Policy approved by Parliament.



CURRENT STATUS OF LICENSING

1. **LYEC DISCOVERY AREA** • Size 27 sq.km • One Discovery; Lyec. Licensed to TOTAL E&P Uganda B.V(*Operator*), *Tullow Uganda Ltd*, and CNOOC Uganda Ltd.
2. **PAARA DISCOVERY AREA** • Size 598 sq.km • Six Discoveries; Ngiri, Jobi, Rii, Jobi-East, Mpyo and Gunya in this area. • Discoveries under Appraisal by TOTAL
 - E&P Uganda B.V (*Operator*), *Tullow*
 - Uganda Ltd, and CNOOC Uganda Ltd



STATUS CONTD.

- 3. BULIISA DISCOVERY AREA • Size 427 sq.km •**
Six discoveries; Ngege, Kasamene, Kigogole, Wairindi, Ngara and Nsoga in this area. •
Discoveries under Appraisal by Tullow Uganda Operation Pty Ltd (*Operator*), CNOOC Uganda Ltd and TOTAL E&PUganda B.V
- 4. KAISO-TONYA DISCOVERY AREA • Size 122 sq.km • Three discoveries; Mputa, Nzizi, and**
- Waraga in this area. • Discoveries under Appraisal by Tullow
 - Uganda Operations Pty Ltd (*Operator*),
 - CNOOC Uganda Ltd and TOTAL E&P Uganda B.V.



CONTD.

5. KINGFISHER DEVELOPMENT AREA •

**Size 344 sq.km • Production License
granted to CNOOC**

- Uganda Ltd (*Operator*), *Tullow Uganda*
- Ltd, and TOTAL E&P Uganda B.V



IMPACT OF OIL INDUSTRY ON THE ECONOMY

- Total value to Uganda > US\$ 50 billion
- Secure access to petroleum products
 - Decreasing dependence on import routes
 - Confidence in planning
- Employment opportunities
 - Estimated 10,000 directly employed
 - Addition estimated 15,000 employed
- Opening up new economic centres in Uganda to decentralise economic activity
- Diversification of power generation
 - Reliability and flexibility
- Increased revenue for investment in key areas



VALUE CHAIN

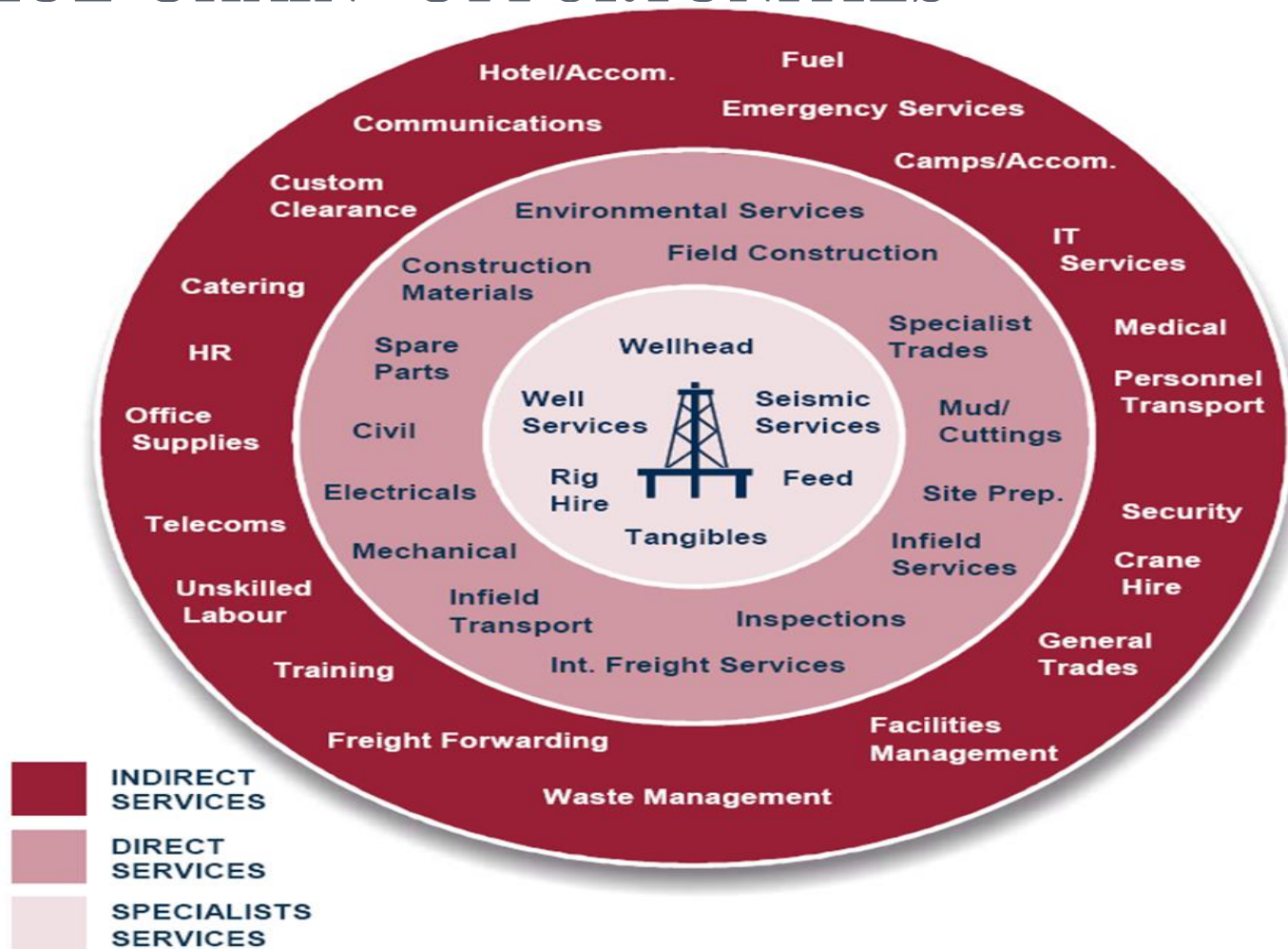


Stretches from Reservoirs to ultimate consumption of petroleum products and is categorized into:

- Upstream – licensing, exploration development, extraction, and transportation of petroleum before it is separated into different commodities such as crude oil, condensate and natural gas.
- Midstream – transportation of petroleum in bulk as commodities, products storage, refining of crude oil and conversion of natural gas.
- Downstream – marketing and distribution of petroleum products including natural gas processed for consumption.



VALUE CHAIN- OPPORTUNITIES



FINANCING LANDSCAPE FOR OIL & GAS SECTOR

- ❖ Currently 25 commercial Banks,
- ❖ The Uganda Oil & Gas sector is still in infancy stage and funding will be driven by the execution of the production phase.
- ❖ The O &G is being driven by the national Oil & Gas Policy for Uganda.
- ❖ Commercial banks Target to offer tailored financing solutions that would meet the specific requirements of the O&G businesses mainly in the down stream & service space.



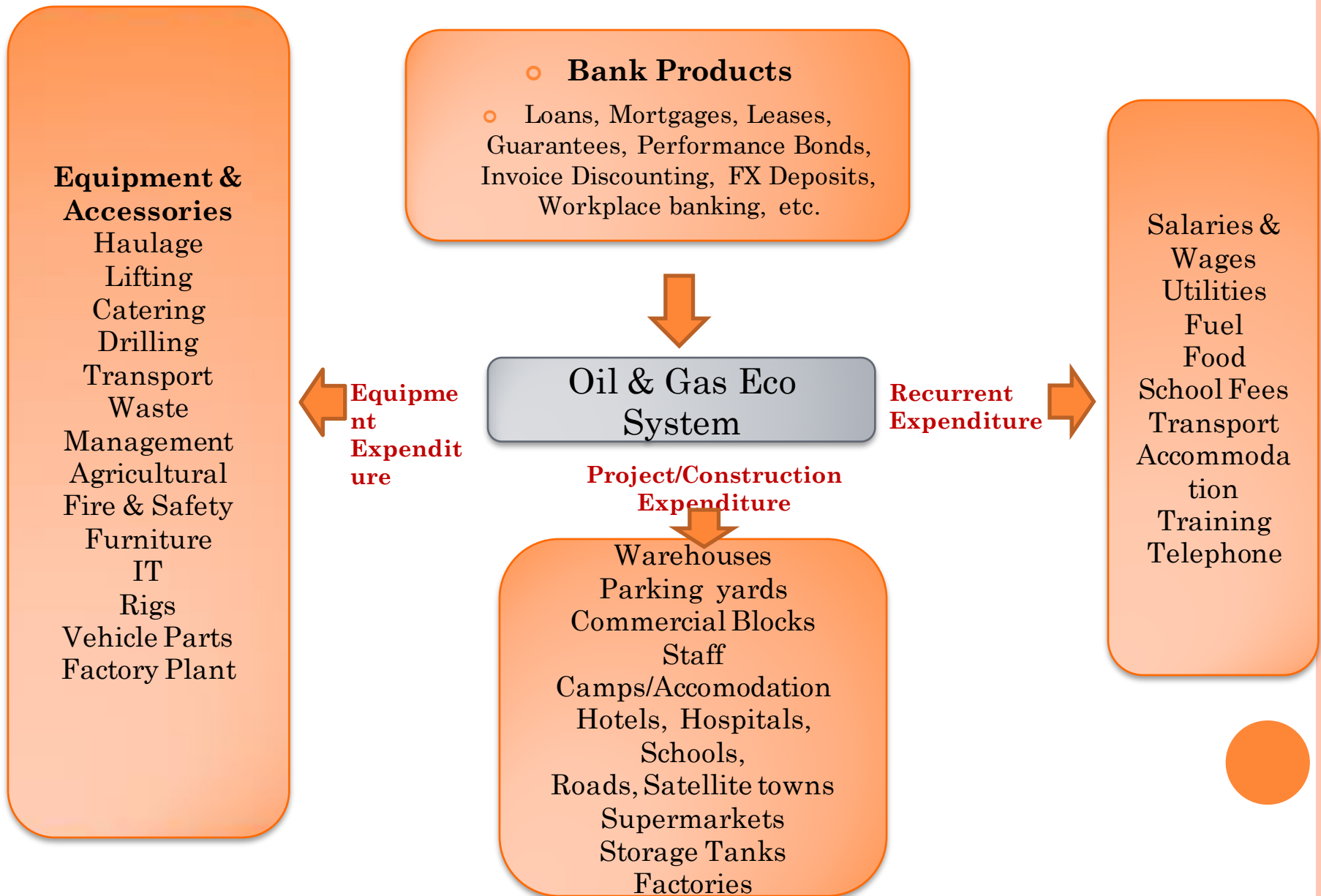
FINANCING OPTIONS



COMMERCIAL BANKS FOCUS AREAS IN THE OIL & GAS SECTOR



BUSINESS LINES AND CASH FLOW



PRODUCT

The following range of products have tailored to business the oil and gas sector.

Long-term capital expenditure financing, senior loans etc.

Short-term bridging financing, structured to cater for timing gaps in cash flows.

Letters of Credit,

Balance sheet restructuring

Forward Exchange Contracts

Invoice Discounting,

Structured trade or ring fenced financing, including import and export financing.

Revolving working capital facilities.

Cash management

Payment of third parties.

Collection of clean bills.

Payroll management

Transfer of Funds (TT & Swift)

Vehicle and Asset Financing (Leasing) heating trucks, machinery, equipment etc.

Syndicate loans (term loans, revolvers, bridging loans etc.).

Securitization

WHAT SHOULD LOCAL BUSINESS DO TO ACCESS FINANCING FROM BANKS?.

- Make an effort to Legalize businesses (Legal entity).
- Compliance to government reporting and tax requirements.
- Maintain records of their business progress.
- Maintain business Plans as guides of business tracking.

NB: Commercial banks do not finance start up business, they bridge the financing needs of the existing business.



INVESTMENT CLUBS/VSLA AS AN ALTERNATIVE SOURCE OF FINANCING LOCAL BUSINESSES

- Group of people join together to pool resources together.
- Appoint an investment advisor or make a choice of investment at group .
- Group should be registered either at local level of national level.
- Have governing rules/constitution/ bylaws.



WHY INVESTMENT CLUBS/VSLA?

- **It promotes a culture of saving for Investment among the population to be able to generate seed capital and growth capital.**
- **It makes it easier to access practical business skills development among the local entrepreneurs and investors (NED) model.**
- **Collective bargaining in procurement and marketing of their products.**

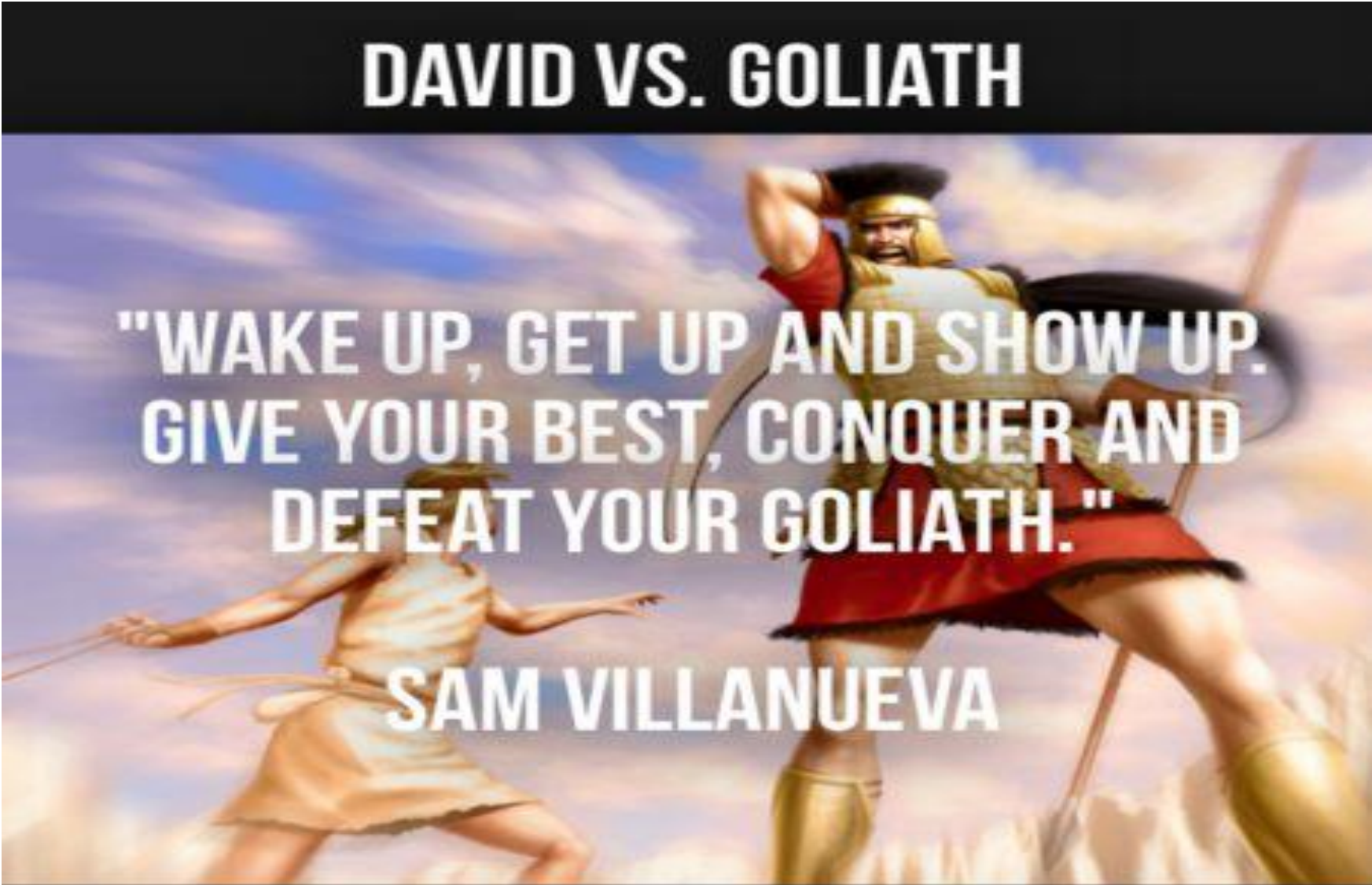


INVESTMENT CLUB SUCCESS STORIES

- Meat Processing Factory in Abim
- Kwagalana Group in Kampala.
- Watoto Church SACCO
- Mambya Esazire Investment club
- Bunyoro Business Investment Club
- Hoima Farmers Investment Club



DAVID VS. GOLIATH



"WAKE UP, GET UP AND SHOW UP.
GIVE YOUR BEST, CONQUER AND
DEFEAT YOUR GOLIATH."

SAM VILLANUEVA

THE VILLANUEVA LEADERSHIP CO.

Thank you

Q & A

