The Uganda Chamber of

MINES & PETROLEUM

Issue: 17

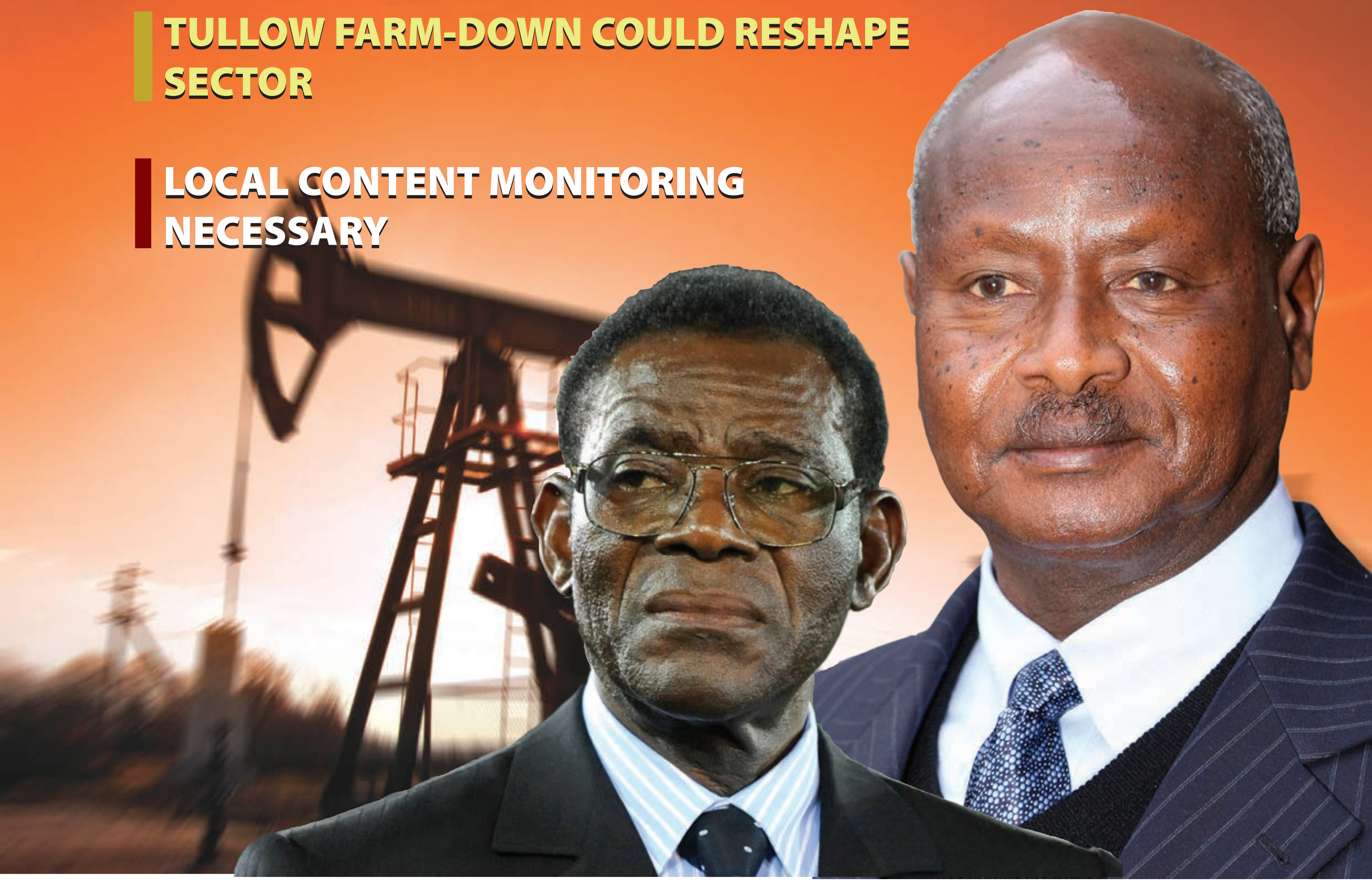
May, 2017

THE STAGE IS NOW SET

UGANDA'S OIL FOR PRODUCTION PHASE

TULLOW FARM-DOWN COULD RESHAPE SECTOR

LOCAL CONTENT MONITORING NECESSARY



EQUATORIAL GUINEA'S OBIANG COMES BEARING GIFTS

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Chairman's Note

"The stage is now set"

After years of planning, negotiations and counter-negotiations, the stage in now set for Uganda's oil and gas industry to realize its full potential.

The launch of the Front End Engineering Design studies for the East African Crude Oil Pipeline (EACOP) at the start of 2017 set the ball rolling. The studies that are currently ongoing will determine the exact project specifications for the 1,445km pipeline that will run from Hoima in Uganda to the port of Tanga in Tanzania.

In addition, the joint venture partners, Total, CNOOC and Tullow launched the Front End Engineering Design (FEED) studies for the EA-1 and Northern EA-2 Upstream project in February this year.

The significance of these developments cannot be overemphasized. For they, set off the development and production phases of Uganda's oil industry, especially because the JV Partners will base their Final Investment Decisions on the study results.

With the government of Uganda setting a First Oil target for 2020, it means we all have urgent work to do. $20bn to $22bn worth of investments is what the experts estimate will be needed to fulfill the 2020 First Oil dream. Neither Uganda nor any country in this region has had such a colossal investment before in such a short time.

As such, it is very difficult for us to even fathom. That is why we are hosting this mammoth conference this April to deliberate on what needs to be done.

This time around, the Uganda Chamber of Mines and Petroleum (UCMP) is partnering with our counterparts from the Uganda Freight Forwarders Association (UFFA) because logistics and transport are pertinent to the oil and gas industry.

50% or more of the expected investment towards First Oil will be spent on logistics and the entire supply chain since equipment will need to be moved to build the entire infrastructure, including the pipeline to Tanga, and others in the Albertine Graben. We are talking of transporting about 800,000 tonnes of equipment. This is unimaginable.

This is why this conference is huge for the many suppliers that we expect to participate. Those Ugandans, who wonder what the oil industry means for them, can get this question answered at this summit.

Our visitors from abroad who have experienced these kinds of developments before are welcome to partner with us to make Uganda a proud nation.

It is in the same spirit that H.E President Yoweri Museveni of Uganda has invited his Equatorial Guinea counterpart, H.E. President Teodoro Obiang Nguema Mbasogo to share with us how his country has become one of the largest oil producers in Africa, within just two decades of oil production.

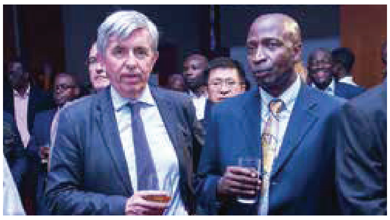
We welcome you all.

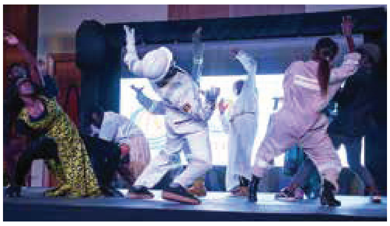
A MAJOR MILESTONE IN UGANDA'S OIL AND GAS PROJECT

Uganda's Minister of Energy Hon. Eng. Irene Muloni (C) JV Partners Total, CNOOC & Tullow (R) FEED Contractors (L) Technip, Fluor & CB&I after the signing of the FEED contracts.

Hon. Eng. Irene Muloni (L) looks on as the GM Total E&P Uganda Mr. Adewale Fayemi addresses members of the press.

FEED Contractors (L-R) Maxim Miloyan VP - Technip, Ashley Rees MD - Fluor, Mike Cleaver VP - CB&I and Martin Tiffen, Total's Director Integrated Group Projects





TOTAL, CNOOC and TULLOW launch:

The Front End Engineering Design (FEED) Studies

for the EA-1 and Northern EA-2 Upstream Project

During FEED, all necessary technical definition and cost and schedule estimates will be developed to allow the Joint Venture Partners to make a recommendation for a Final Investment Decision (FID), and lead to the project execution and construction phase for the upstream facilities required to produce Uganda's Oil targeted for end 2020.

This is indeed a major milestone in the development of the project.

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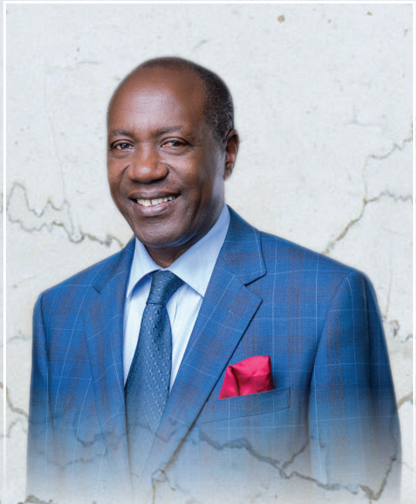

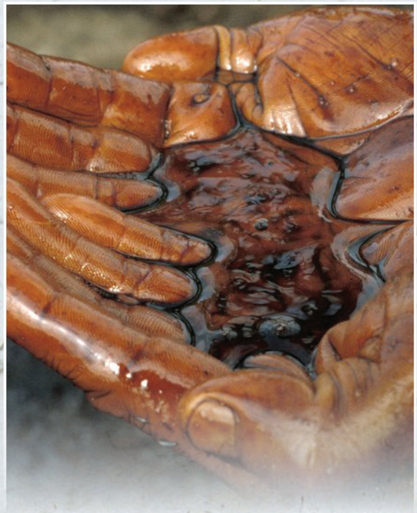

Acknowledgements
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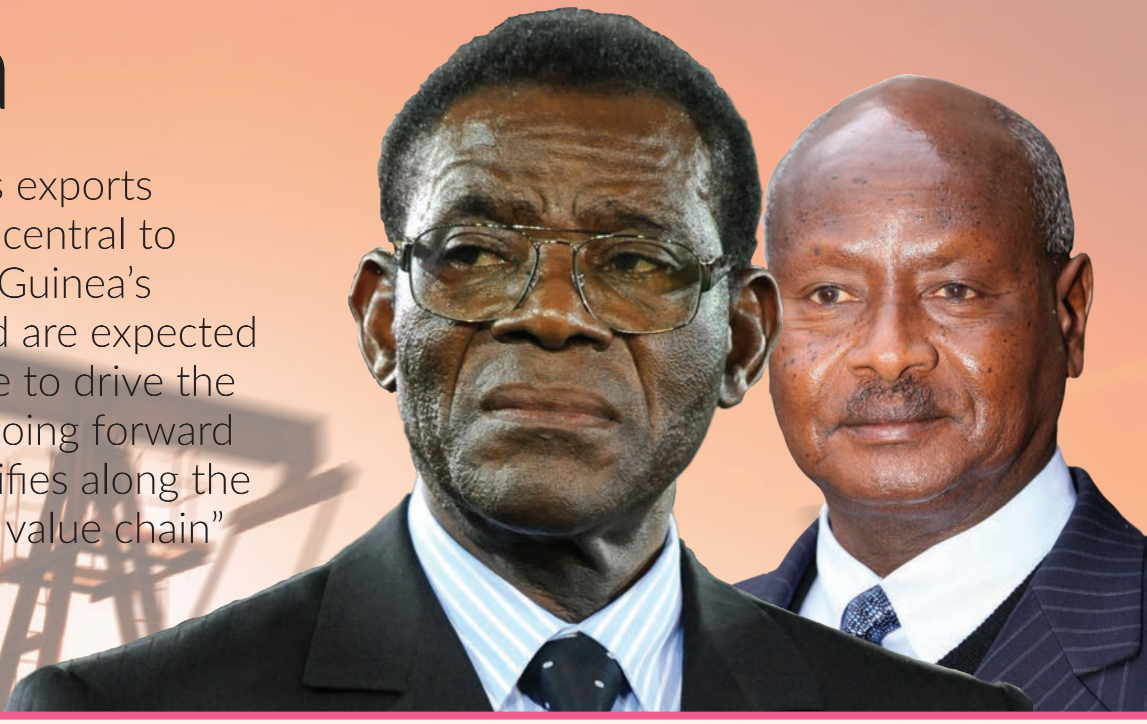
Lessons from Equatorial Guinea

"Oil and gas exports have been central to Equatorial Guinea's growth and are expected to continue to drive the economy going forward as it diversifies along the oil and gas value chain"



H.E President Yoweri Museveni of Uganda (R) and his guest, H.E President Teodoro Obiang of Equatorial Guinea. President Obiang will share insights on how his country has become an African oil major in less than two decades

Equatorial Guinea is among the largest oil producers in Africa, with an oil production of 289,000 bopd in 2015. Oil and gas exports have been central to Equatorial Guinea's growth and are expected to continue to drive the economy going forward as it diversifies along the oil and gas value chain. As of 2015, the country has estimated reserves of 1.1 billion barrels of oil.

The oil and gas industry in Equatorial Guinea is relatively young. Large oil reserves were first discovered in 1996. Within a decade Equatorial Guinea's oil production rose from 17,000 bopd in 1996 to a record 375,000 bopd in 2005. Additional development of existing oil and gas deposits continues along with new exploration and development in other offshore concessions.

The low oil prices have affected the local industry, slowing or halting several operations. Still, Equatorial Guinea is moving forward. Several discoveries have bolstered the government's bid to reverse seven years of declining production. SacOil announced in November 2015 that it would join the consortium building the Bioko Oil Terminal, and Ophir Energy and its partners are expected to announce the final investment decision for the Fortuna FLNG development. The Fortuna field is estimated to hold around 36.8 bcm (1.3 tcf) in gas reserves, and the Fortuna FLNG will be Africa's first deepwater independent FLNG project. The final investment decision is expected in 2017, with first gas planned for 2020.In June 2016, Equatorial Guinea's government launched a licensing round, dubbed the EGRonda 2016. The bidding round closed in November, and the results are supposed to be announced in 2017.

Besides investing in the further development of its upstream sector, Equatorial Guinea looks to benefit from its geographical location and facilities. "We are moving ahead with projects that will make Equatorial Guinea a regional hub for petrochemicals, through the REPEGE project operated by Riaba Fertilizers, and for crude oil and petroleum products storage, through the Bioko Oil Terminal," Gabriel Mbaga Obiang Lima, Minister of Mines, Industry and Energy, said in 2016.

His Ministry had a long-term vision of transforming Equatorial Guinea into an energy centre, hence, the construction of both the Bioko Oil Terminal (BOT) and the Integrated Petrochemical Complex in Riaba serve this vision.

"Equatorial Guinea has a keen interest in developing its oil and gas industry, establishing itself firmly as a power in West and Central Africa and gaining access to global oil trading flows by investing in assets," Obiang Lima told The Oil & Gas Year (TOGY) publication.

Adding, "The infrastructure in West Africa is not developed enough to address the growing demand for oil and petrochemicals. Through these two new investments, we will be well positioned to accommodate the required logistics efficiently."

The assets would serve global trade flows and act as regional demand centres.

Equatorial Guinea can attain its goal of becoming an influential emerging economic market before 2020.

More than 47 years after independence, Equatorial Guinea is an emerging driver State learning from its complex history, its experiences in wealth creation, management of natural resources and infrastructure development.

Significant investments were made in basic services, transportation infrastructure and education.

The focus is now on creating a diverse productive capacity, supporting entrepreneurship and consolidating Equatorial Guinea's leadership on the African continent and at international levels.

Fact-file

- Equatorial Guinea formally attained its independence from Spain on October 12, 1968
- In 1970 all political parties were merged into the United National Party (PUN), headed by President Macías Nguema
- In 1972, President Macías Nguema was appointed President for life
- In 1979 the military staged a coup, executing then President Macías Nguema after a trial
- His nephew, Lt. Col. Teodoro Obiang Nguema Mbasogo, was installed as head of the military and Head of State
- President Teodoro Obiang Nguema Mbasogo lifted restrictions on the Roman Catholic Church, freed political prisoners, encouraged refugees and exiled professionals to return and restored diplomatic ties
- Professionals returning from exile used their networks to encourage foreign investment and help design new governance models
- On August 15th 1982 a new Constitution was proclaimed as the Basic Law also known as la Carta Magna de Akonibe
- In 1989 President Obiang Nguema won the first presidential elections since independence
- In 1994, Equatorial Guinea's government brought substantial reserves of offshore oil into production.
- The startup of a new Zafiro oil field in 1996 allowed for faster economic growth
- A National Economic Conference informed the nation on the use of the oil resources
- In November 2009 President Teodoro Obiang Nguema Mbasogo was reelected
- In 2009 Government began to implement an ambitious plan called Horizon 2020
- Horizon 2020's goal is to transform Equatorial Guinea into an emerging nation within 8 years
- In November 2008 Equatorial Guinea co-hosted the Twelfth African Oil, Gas & Minerals Trade and Finance Conference and Exhibition with the UN Conference on Trade and Development.
- In 2007, the construction of the first liquefied natural gas train was finalized
- Still in 2007, construction of the second plant began in the Punta Europa complex, near Malabo
- In 2012 the Constitution was revised to include a two-term presidential term limit
- President Obiang believes that every nation must define its own approach to development and democracy
- President Obiang is a firm believer in African solidarity as a foundation for international relations
- In 2010, following the earthquake that ravaged Haiti, Equatorial Guinea donated $USD2m as part of its transformation from recipient of aid to donor country
- In 2011 President Obiang became the new rotating Chairman of the African Union during the 16th Summit of Heads of State of the African Union
- Following the catastrophic tsunami in Japan, President Obiang authorizes a solidarity grant of $USD 500,000
- In October, the island of Corisco gets a modern international airport connecting it to the rest of the country
- Government reveals plans to industrialize the country in November
- In the last week of November, the 4th Africa-South America Forum is held in Equatorial Guinea.
- In December the Sullivan Foundation gives President Obiang an award in Washington D.C.

About

Like Uganda's central geographical location in the East African region, the Republic of Equatorial Guinea is in the " heart " or central region of Africa. Latitude and longitude are 1.9248° N, 10.1116° E. The total land surface area is 28,052.46 km and the country has 7 provinces: Annobon (San Antonio de Palea), Bioko Norte (Malabo), Bioko Sur (Luba), Centro Sur (Evinayong), Kie-Ntem (Ebebiyin), Litoral (Bata) and Wele-Nzas (Mongomo). It has an estimated one million inhabitants. Neighboring countries include Cameroun, Gabon, Nigeria and São Tomé and Príncipe.

“THE STAGE IS now SET”

After enjoying an 85% success rate in its first exploration venture and in the process confirming commercial discoveries amounting to 6.5 billion barrels of oil, Uganda's petroleum industry is now readying itself for the production phase.

However, a lot is going to be required to maneuver this phase. Whereas, many involve human resource skilling and infrastructure developments, stakeholder deliberations are also a key part of the process, as they are very important in shaping its course.

In this interview, ***Dr Elly Karuhanga, the UCMP Chairman,*** shares his views on what direction the oil industry will need to take to meet the country's aspirations:

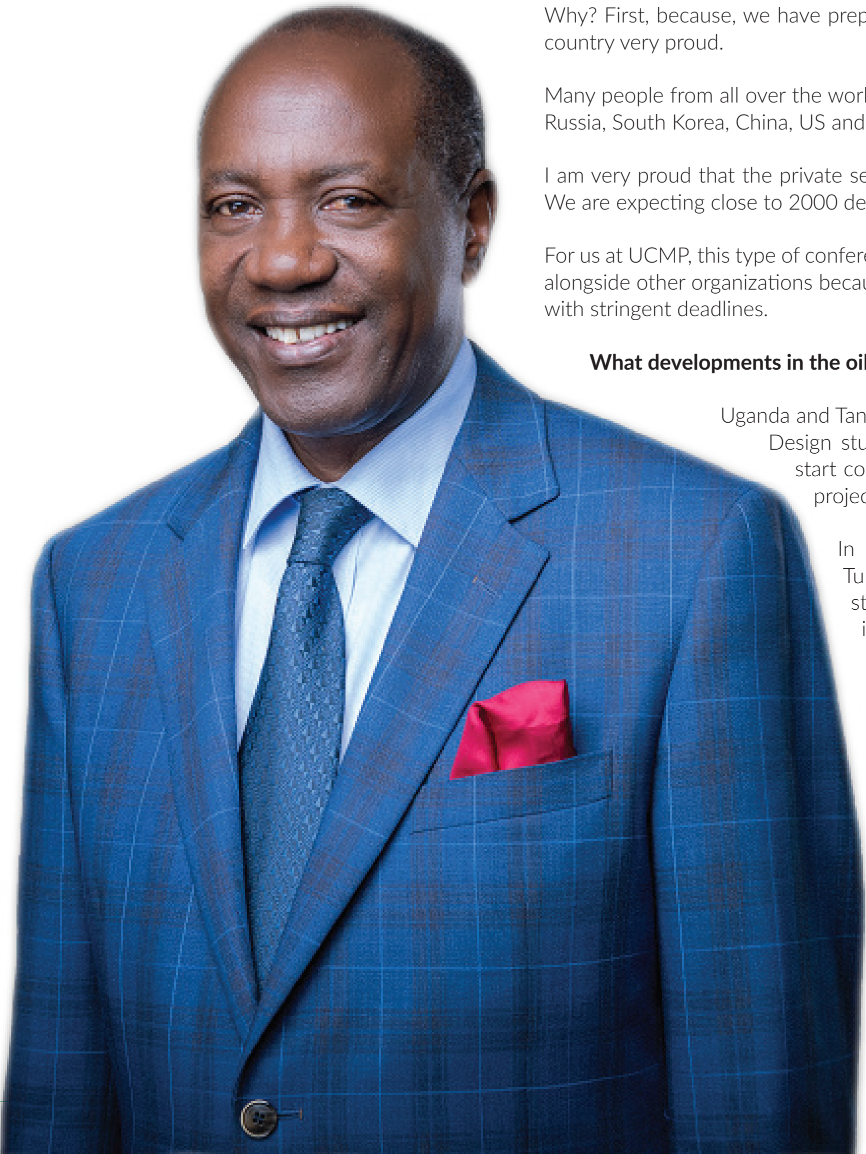
What should be expected at the first joint conference between the UCMP and the Uganda Freight Forwarders Association?

This is a mammoth conference, whose kind we have not hosted before in the past. It will be one of the biggest in the region on oil and gas, and it will be of great interest to the world. Why? First, because, we have prepared for it for quite some time and we want to make our country very proud.

Many people from all over the world have shown interest in attending, including people from Russia, South Korea, China, US and Canada, the Middle East and various European nations.

I am very proud that the private sector can do this for our country and not just themselves. We are expecting close to 2000 delegates from Uganda, the East African region and beyond.

For us at UCMP, this type of conference is a first of its kind since we have never organized one alongside other organizations because there was no need. There is an urgent need for it now, with stringent deadlines.



What developments in the oil and gas industry make the UCMP excited?

Uganda and Tanzania are currently carrying out the Front End Engineering Design studies for the Hoima-Tanga oil pipeline targeting 2018 to start construction. This study is expected to determine the exact project specifications for the 1445kms pipeline.

In addition, the joint venture partners Total, CNOOC and Tullow launched the Front End Engineering Design (FEED) studies for the EA-1 and Northern EA-2 Upstream project in February this year. Soon another FEED for Kingfisher (EA-3) will be launched.

Furthermore, we are expecting an announcement of new licenses after the new licensing rounds for areas like Ngasa. Hence more companies will be joining the JV partners.

We are very grateful that the government has decided that come 2020, we shall see First Oil coming out of a pipeline in Tanga, Tanzania. Just three years from now. To make that day happen, it will be short of a miracle because there is a lot that needs to be done before.

Our country has never produced oil. When the First Oil comes out of the pipeline in Tanga, it will be a day for celebration not only for Uganda, but the entire region.

For that event to happen three years from now we will need about $20bn to $22bn. Neither Uganda nor any country in the region has had such a colossal investment before, in such a short time.

As such it is very difficult for us to even fathom.

Why is it important for the Chamber to partner with the freight and logistics organization at such a time?

We are certain that about 50 percent or more of the expected investment towards First Oil will be spent on logistics and the entire supply chain, since equipment will need to be moved to build the entire infrastructure including the pipeline to Tanga, and others in the Albertine Graben. We are talking of transporting about 800,000 tonnes of equipment to Buliisa, Nwoya and Kingfisher; this is unimaginable.

We are expecting, lots of truck moving in opposite directions daily once the developments in the Albertine start.

We are going to sink 400 wells that will be pumping oil in the next three years. So every year, we will be sinking 130 wells. It means every month we have to sink 10 wells; or a well every 3 days.

Such an amount of work requires highly specialized human resources and equipment, including drivers and trucks to be able to beat the deadlines, with minimal mishaps if any.

Because hefty penalties and fines come with failure to meet certain deadlines, agreed upon at the issuance of Production Licences last year, the international oil companies are not sleeping.

They are seeking able partners to assist them meet these targets. This is why this conference is huge for the many suppliers that we expect to participate.

Those Ugandans, who wonder what the oil industry means for them, can get this question answered at this summit.

To all tour operators, hoteliers, transporters, clearing agents, freight forwarders, airlines, taxi drivers, food suppliers and farmers this is your conference.

How can these opportunities be realized for the average Ugandan individual and company?

Our political leaders will bless us with their presence at our conference, and in fact Government ministries like that of Works, Energy and Finance are our close partners. So this will help us get everything that is required in place and in time – be it policies and financing.

We hope to see the international freight and logistics companies that will be here for the summit partnering with Ugandan firms since the job at hand is too big for our local firms to handle on their own.

Our local banks, which are also our partners, will have to offer syndicated loans because no a single bank can handle the amount of money required even for logistics only, let alone other matters.

We have to make sure that a significant amount of work is done locally in Uganda. At least 26 areas have been earmarked for Ugandans under local content.

It is important however, that the Ugandan companies observe the high industry standards and get certified as suppliers of goods and services to compete favourably in the sector. For instance, there may be need of up to 4000 certified drivers, hundreds of highly specialized welders among others.

Ugandans need to equip themselves with these skills, to ensure they participate because currently we are lagging behind.

Oil and gas attracts humongous investments and is highly risky, so standards can never be lowered to accommodate anyone. The supplier of eggs to 16000 people will make sure that the eggs are supplied on a daily basis and must not fail to do so because he or she had to attend a funeral.

Hopefully, we will leave the conference with answers of what the industry expects of us.

Won't the usual government bureaucracy slow down the private sector's ambitious plans?

The Government of Uganda, like any government across the world, cannot do away with this long red tape. And this because all governments hold a social contract with the people they serve and therefore they cannot make quick decisions like businesspeople. They have so many accountability centers to contend with.

The great thing today is that government has issued production licences and launched the FEED for the pipelines. The ball is now in the private sector's court to pursue the opportunities availed. The private sector is now more in charge of oil and gas, and will only need supervision from the relevant state agencies.

Upstream FEED studies bring Uganda's First Oil reality closer

FEED Contractors pose with Hon Irene Muloni and Total E&P GM, Adewale Fayemi

"All parties to the project, the Government of Uganda and the Joint Venture Partners (CNOOC, Total and Tullow) are fully committed and focused to meet the target of first oil by end 2020 and are working very closely together to achieve it,"

On February 14, 2017, the joint venture partners TOTAL, CNOOC and TULLOW launched the Front End Engineering Design (FEED) studies for the EA-1 and Northern EA-2 Upstream project.

The three companies which were selected to conduct the $2.5m FEED contract are Fluor (partnering with China Petroleum Engineering and Construction Corporation - CPECC), Technip and Chicago Bridge & Iron Company (CB&I).

"Each of the three companies has experience in the design and construction of similar remote onshore projects elsewhere in the world, and will bring different engineering design philosophies and expertise for the benefit of the project," said Adewale Fayemi, General Manager, Total E&P Uganda, at a press conference to announce the launch.

During the ongoing FEED, all necessary technical definition and cost and schedule estimates are being developed to allow the Joint Venture Partners to make a recommendation for a Final Investment Decision (FID), and lead to the project execution and construction phase for the upstream facilities required to produce Uganda's First Oil targeted for 2020.

Irene Muloni, the Minister of Energy and Mineral Development, called this a major milestone in the development of the country's oil and gas industry.

"The Joint Venture Partners (CNOOC, Total and Tullow) are expected to work towards reaching a Final Investment Decision (FID) by December 31 2017, and First Oil in the year 2020," said Muloni.

In August 2016, her Ministry issued eight production licences to Total E&P Uganda and Tullow Oil Uganda, adding to the one given to CNOOC, years back.

The FEED will detail technical requirements, among others, layout of the 36 well pads, technology required for drilling the 400 wells, and estimated costs of the infrastructure required to start production on Exploration Area 1 (EA1) and Exploration Area 2 (EA2).

It will also suggest engineering designs for the proposed 200,000 barrels Central Processing Facility (CPF) in Hoima district.

This will also include design studies for feeder pipelines that will carry crude oil from the oil wells to the CPF. A CPF is where oil will be stored first for stabilisation and treatment before being fed into either the proposed refinery or crude oil export pipeline to Tanga Port, Tanzania.

The three selected FEED contractors have the potential to progress to the next phase of the project, which is Engineering, Procurement and Construction (EPC). As the contractual strategy chosen is a competitive FEED, the two best performing companies on the FEED contract shall be invited to compete for EPC after 6 months of initial design. Results from the FEED studies shall provide the necessary information to fine tune the cost estimate of the project; identify the specific technical expertise, skills and equipment needed for construction.

As the FEED requires a large number of engineers from many different disciplines with firsthand experience of similar projects elsewhere in the world, the first phase of the FEED study will be carried out primarily in the respective offices of Fluor, Technip and CB&I.

However, national content being a priority both for the Government of Uganda (GoU) and the upstream partners, a key deliverable from each Contractor will be to propose a National Content strategy for the delivery phase. This will be one of the performance criteria for selection of the contractor for phase 2 of the FEED and eventual selection of the EPC contractor.

In addition, a call for tender is currently being prepared for Enabling Infrastructure design, expected to be awarded in May 2017. Enabling Infrastructure are the works required ahead of any major engineering and construction work, including local access, bush clearing, site preparation, fencing and other tasks of a similar nature, for which Ugandan companies are expected to be involved.

Concurrent with the FEED studies, other activities whose contracts have also already been awarded and are in progress within the upstream project include Environmental & Social Impact Assessment (ESIA) and Land Acquisition & Resettlement Planning (LARP).

Work is also progressing on the contract strategy for the Drilling and Wells Services. Similarly, contracting plans and implementation activities for the Kingfisher Upstream Development and the East African Crude Oil Pipeline (EACOP) are progressing.

"All parties to the project, the Government of Uganda and the Joint Venture Partners (CNOOC, Total and Tullow) are fully committed and focused to meet the target of first oil by end 2020 and are working very closely together to achieve it," noted Fayemi.

Leasing is simpler with dfcu

dfcu Leasing offers a smart and affordable financing option for acquiring equipment, commercial and business vehicles, plant and machinery for business expansion.
We spoke to **Steven Lukwago Ssentongo, Leasing Manager at dfcu Bank,** for more insights.

Ssentongo Steven - Manager, Leasing - dfcu Bank

1. **How does a dfcu lease work?**
Leasing is a medium-term finance option for acquiring equipment, business vehicles, plant and machinery. A contract is drawn between **dfcu** Bank and the prospective customer, whereby **dfcu** (lessor) provides an asset for usage to the customer for a specified period of time, in return for specified rental payments at an agreed interest rate. **dfcu** purchases the equipment of the customer's choice. At the end of the lease period, after complying with the lease terms, the ownership of the equipment is transferred into your business name or depreciated and sold to a third party. Leasing is based on the proposition that business profits are made from equipment use and not ownership.

2. **What can be leased?**
Any good quality, brand new or used assets including cars, trucks, buses, computers, manufacturing equipment, printing press, medical equipment, communication equipment, energy, power supply equipment and many more. The client identifies the equipment that meets their requirements. We will however verify that it is of good quality, is from a reputable supplier, and is priced competitively, before paying for it. If the equipment has several accessories, we will provide financing for the entire equipment and all its vital accessories. The proforma invoice should include all the added accessories. In addition, you can lease more than one product provided you have adequate cash flows to maintain the repayments.

3. **What are the benefits of a dfcu lease?**
Leasing is an attractive financing option because of the following:

   - **Collateral** – Where bank loans are not available for various reasons, the leased assets are used as the primary security.
   - **Accessibility** - Leasing allows businesses with limited capital and credit history to boost their operations as long as their cash flow is sufficient to cover the lease service payments.
   - **Tenor** - Most SMEs do not have access to financing exceeding one year, however, lease financing can provide longer term financing of up to 5 years, depending on the leased asset.
   - **Repayment structure** - Lease repayments are structured to match the client's business cashflow pattern as compared to loans which have standardized repayments.
   - **Facility Processing** - Less analysis is required of the business' asset & capital base and simpler documentation is utilised resulting to a shorter facility processing time.
   - **Leasing conserves cash and working capital**. Cash is not tied up in equipment and is available to finance sales and marketing initiatives and other day-to-day operational activities.
   - **Leasing preserves credit lines**:- The existing lines of credit and borrowing are left for operational and short-term financial needs.
   - The client can claim back VAT on rental payments from URA if they are VAT registered.
   - Under the operating lease option, the client can upgrade his equipment, eliminating inefficiencies of owning outdated equipment.

4. **Who qualifies for a dfcu lease?**
Properly established businesses, companies, partnerships, sole proprietors and individuals, with a steady cash flow to meet rental payments. One does not have to be a **dfcu** Bank customer to qualify for a lease facility. However, you will be required to open an account with dfcu on approval of the lease.

5. **How are rental amounts determined?**
The rental amounts are determined by the cost of the equipment, interest rate charged and Value Added Tax (VAT). The VAT component is spread over the period of the lease as compared to loan facilities where it is paid as a lump sum at the beginning. This makes lease finance cheaper than a loan. However, there are cases involving VAT exempt suppliers or sectors, and in this case the VAT component is excluded.

6. **When does the client start making rental payments?**
The client starts making rental payments a month after receiving the leased equipment in their business operations. However, over the period that the equipment is being delivered the customer is charged pre-delivery interest which may either be paid on receipt of the equipment or capitalized as part of the lease rental payments. Rental prepayment is acceptable in lease finance and this allows the customer the flexibility of making early rental repayments.

7. **What repayment options are available?**
Repayments are structured to match the cash flow of your business. For instance, repayments for a school will be structured to fall at the beginning of school terms. A normal lease period is 2 to 5 years depending on the type of equipment financed and the client's own anticipated cash flow.

8. **What happens if one fails to meet rental payments for a leased asset?**
At **dfcu**, we are partners in development with our clients. If for one reason or the other the customer cannot meet the agreed rental payments, we advise that they get in touch with their Relationship Manager to work out a mutual solution. For example, facilities can be restructured to cater for the changes in the market conditions.

9. **Any final remarks to your customers?**
dfcu Bank provides compelling and tailored value propositions that meet our customers' financial needs. Leasing is an alternative and viable financing option for SMEs which traditionally have a challenge with securitized borrowing. We have a very good understanding of our market and have developed specific leasing options for the different segments. I would like to encourage you to contact us on **0800 203 019** to find out more on how **dfcu** leasing can help you expand your business.

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...with pleasure

L-R: ACEMP's Executive Director, Don Binyina, National Planning Authority Board Members Prof. Sam Ginyira and Geoffrey Okot together with ActionAid Director, Ms. Harriet Gimbo at the launch of the Scorecard in November 2016

Uganda's Petroleum Sector off to a Good Start

A scorecard developed by the National Planning Authority (NPA) and the Africa Centre for Energy and Mineral Policy (ACEMP), an extractives sector policy and research think tank, has revealed that Uganda's oil and gas sub-sector is performing reasonably well; way above average, as a matter of fact.

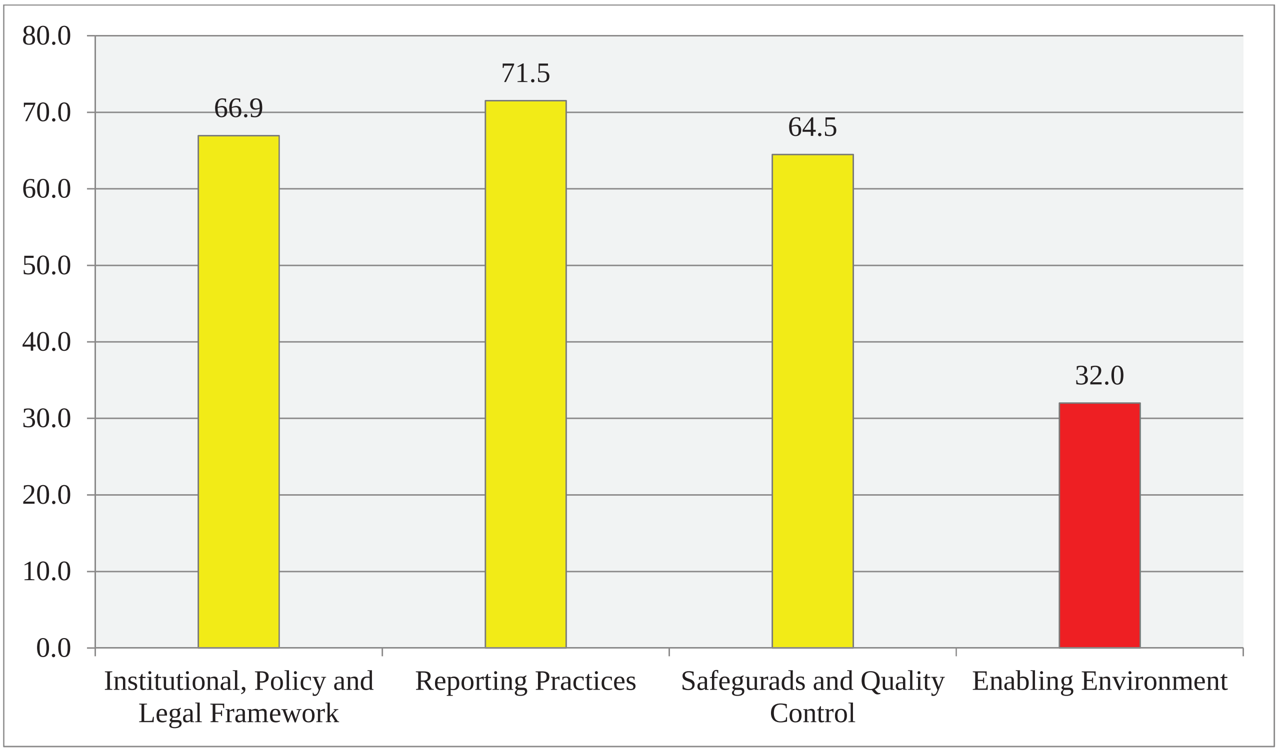
The Annual Petroleum Sub-sector Scorecard for Uganda was released in November 2016 and assesses the performance of the sub-sector along key selected components namely Institutional, Policy and Legal Framework; Reporting Practices; Safeguards and Quality Control; and Enabling Environment.

It gives the petroleum sub-sector an average score of 65.5%, with the Reporting Mechanism component scoring the highest at 71.5% and Enabling Environment coming last at 32%. Institutional, Policy and Legal Framework scored 66.9% and Safe Guards and Quality Control garnered 64.5%.

At the Institutional, Policy and Legal Framework level, the availability of the National Oil and Gas Policy (NOGP) for Uganda, 2008, the Oil and Gas Revenue Management Policy, 2012 and the various laws and regulations to guide the development of the sector contributed to the high score of that component.

The NOGP guided the various developments in the oil and gas sector including the development of the Petroleum (Exploration, Development and Production) Act 2013 and the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013. The Public Finance Act was enacted in 2015 and provides for the management of revenues accruing from petroleum activities. These pieces of legislation together with other relevant laws and statutes like those on Environment, Wildlife, Water, Land and Income Tax are being used in regulating the country's petroleum sector.

There is a new institutional framework for the sector which separates the three aspects of policy setting, regulation of the industry and



execution of the commercial interests of the state respectively. The establishment of the Petroleum Authority (PAU), to regulate the sectoral activities and the National Oil Company (UNOC) to manage the country's commercial interests (including managing the State participation provided for in the respective Production Sharing Agreements) has helped to streamline roles of institutions in the management of the country's petroleum sub-sector.

The Board of Directors of PAU and UNOC have been nominated and the positions of CEO and Director of UNOC and PAU have been filled. Senior and junior staff recruitment for the PAU and UNOC is currently ongoing.

However, the sector is not performing well regarding the creation of an Enabling Environment particularly on the two indicators that were considered: Citizen's Engagement and Participation; and Value Addition and Sectoral Linkages.

Indeed there is limited national and community participation in oil and gas activities because there is no effective means to encourage community engagement and support. The participation of the communities should be in form of inclusion in the development and implementation of the strategic programs in the sector and local content. This is not embedded in any law, neither is it prescribed in the oil companies' contracts, which are also inaccessible to the general public.

There's need to expedite the development of the National Content Law such that companies are compelled by law to develop and implement community participation and national content programs. Disclosure of pertinent provisions of the Production Sharing Agreements relating to promoting local participation should also be made available to the public.

The linkage between the petroleum sub-sector and other sectors of the economy is still very weak. This is partly because activities are not yet fully operationalized and therefore this could change during the development and production phases of the subsector as demand for inputs from other sectors increases.

NPA is mandated to issue a Certificate of Compliance to sectors whose investment plans and strategies are aligned to the National Development Plan (NDP) and Vision 2040. Accordingly, all Ministries, Government Departments and Agencies are required to prepare their respective sector policies and master plans, which are consistent with the long term national development goals and objectives. Linkages to other sectors can be identified in these plans and policies.

The Public Finance Management Act empowers the NPA to compel sectors to prepare plans that are well aligned to the NDP so as to award the Certificate of Compliance. The NPA Act in section 7 (4), gives the Authority discretion to enforce this. The section is however silent on the need for strengthening sectoral linkages in the alignment of strategic plans to the NDP. The NPA has not fully consolidated and asserted its role as an 'Authority' to enforce sufficient oversight over Ministries, Government Departments and Agencies in the alignment of strategies, policies and plans.

Despite the above challenges, the subsector presents a wide range of investment opportunities ranging from joint ventures and farm-in arrangements in existing and new licenses; geophysical surveys, particularly multi-client seismic surveys in the unlicensed areas; oil and gas field services including operation and maintenance of rigs and other drilling related services; capital for the emerging infrastructure such as refining and transportation of petroleum commodities and products; service provision and contracts in the fields of engineering and infrastructure development to support petroleum resource development; procurement & development of a petrochemical industry; logistical services; construction and fabrication; waste management and treatment; and power generation using gas and crude oil by independent power producers.

"We'll ensure a robust regulatory environment"

Rubondo

For almost three decades Ernest Rubondo was in the inner-circle charged with formulating and implementing policy for Uganda's nascent oil and gas industry, a role that also included negotiating with various oil companies that were eying the sector. Rising through the ranks to become commissioner of Petroleum Exploration and Production Department (now the Petroleum Directorate) in 2008, the graduate of Imperial College London beat several candidates in 2016, to become the first Executive Director of the newly created Petroleum Authority of Uganda (PAU), the body now charged with regulating the industry. We caught up with him about his new role and an overview of the Uganda oil and gas industry; it's present and future:

To start with, what is your overview of the sector?

As one of the ten fastest growing economies in Africa, the discovery of oil in Uganda strategically places the country as the potential regional hub for trade and investment. The successful and efficient exploration efforts have resulted in the confirmation of 6.5billion barrels of oil in place with estimated recoverable reserves between 1.4 billion and 1.7 billion at an investment of less than $4b. This is an extremely low finding cost for oil, which is an achievement for the country.

The issuance of nine production licences, and the soon to be concluded licensing round, the oil and gas sector in Uganda is just broadening from exploration to new exploration, development of discovered fields and construction of a refinery and pipelines together with other attendant infrastructure. In the medium term, investment in the country's oil and gas sector are estimated at US$ 20 billion; ($10 billion - field development & new exploration; $10billion - petroleum infrastructure development). This is important, given that Uganda's GDP is US$ 27 billion, and therefore we must work hard to ensure that a significant portion of this investment is retained in the country.

Efforts to support this level of investment have included putting in place new regulatory, fiscal and institutional framework together with developing the required physical and security support infrastructure. This requires a well regulated, stable and predictable investment climate in the country, and specifically for the oil and gas sector.

That is where PAU comes in: what part do you see the institution playing?

The mandate of the PAU is to monitor and regulate the exploration, development and production, together with the refining, gas conversion, transportation and storage of petroleum in Uganda. This includes ensuring that petroleum operations are carried out in accordance with the relevant laws, regulations, and guidelines and in line with international best practice for the petroleum industry. The role of the Authority therefore, is to maintain a regulatory environment that is conducive for investment and attaining sustainable development of the oil and gas resources discovered in the country.

Where does PAU derive its mandate?

The specific functions of the Petroleum Authority of Uganda are prescribed in Part III of the Petroleum Exploration, Development and Production Act 2013 and Part II of the Petroleum Refining, Conversion, Transmission and Midstream Storage) Act, 2013 together with Section 7.2.4 of the National Oil and Gas Policy.

What will be some of the key priorities for the Authority during 2017/2018?

There is definitely an urgent need to recruit the initial staff under the different Directorates in the Authority and this is being done. This is important so as to enable training and orientation of these staff before the anticipated intensive activities during the peak of the development phase which is expected commence in the next one year or so.

We will also continue to take forward the monitoring and regulatory roles for the Upstream and Midstream petroleum sectors in the country. This will include;

- Monitoring petroleum exploration activities undertaken by the companies expected to be newly licensed in the country by the Ministry of Energy and Mineral Development in the next few months.

- Review and make recommendations on Field Development Plans (FDP's) and Petroleum Reservoir Reports (PRR's) for petroleum discoveries like Jobi-East, Mpyo and Lyec which are still under appraisal.

- Monitoring implementation of the development activities being undertaken by the licensed companies which received production licenses. These activities include Environment and Social Impact Assessments, Resettlement Action Planning, Front End Engineering Design, Enhanced Oil Recovery, Geotechnical and Engineering studies among others.

- Participate in meetings, negotiations and activities related to the Refinery project and Crude Oil Export Pipeline project.

- Prepare and publish the annual Petroleum Resources Report for 2017.

The Authority will also take forward the regulation of National content development in the country's oil and gas sector including developing the National Suppliers' Database and the National Talent/Skills Register and monitoring the implementation of national content in the respective activities and operations.

Given the plateful of work, how adequate are the monitoring and regulatory tools for PAU to work with?

The primary monitoring and regulatory tools for the oil and gas sector include the 2013 Upstream and Midstream Acts, together with among other laws on Environment, Land, and Income tax. To guide the implementation of the Petroleum Acts, seven sets of regulations were put in place during 2016 covering Health, Safety and Environment (HSE), National Content for the Upstream and Midstream Acts together with Upstream Metering regulations. This is in addition to the Productions Sharing Agreements (PSAs) signed between Government and the licensed oil companies.

In addition to the above legal instruments, the practical tools include consultations and review of technical documents such as Field Development Plans; Petroleum Reservoir Reports, well proposals, drilling programs, seismic survey plans, and geoscientific studies.

Another import tool is the costs management framework as provided for in the PSAs. Annual work programmes and budgets are presented to the Advisory Committee comprised of representatives of Government and the Oil Companies for consideration and approval. Activities undertaken by the oil companies must be in line with these approvals and these activities are monitored by the Government.

Other tools include Petroleum Resources Reporting to document and categorize the country's petroleum resources, management of all acquired petroleum data which is submitted to Government by the licensees and regulation of National Participation through specific tools such as the National Suppliers' database and the National Talent Register, among others.

How will the National Suppliers' Database (NSD) for the industry be developed and why is it important?

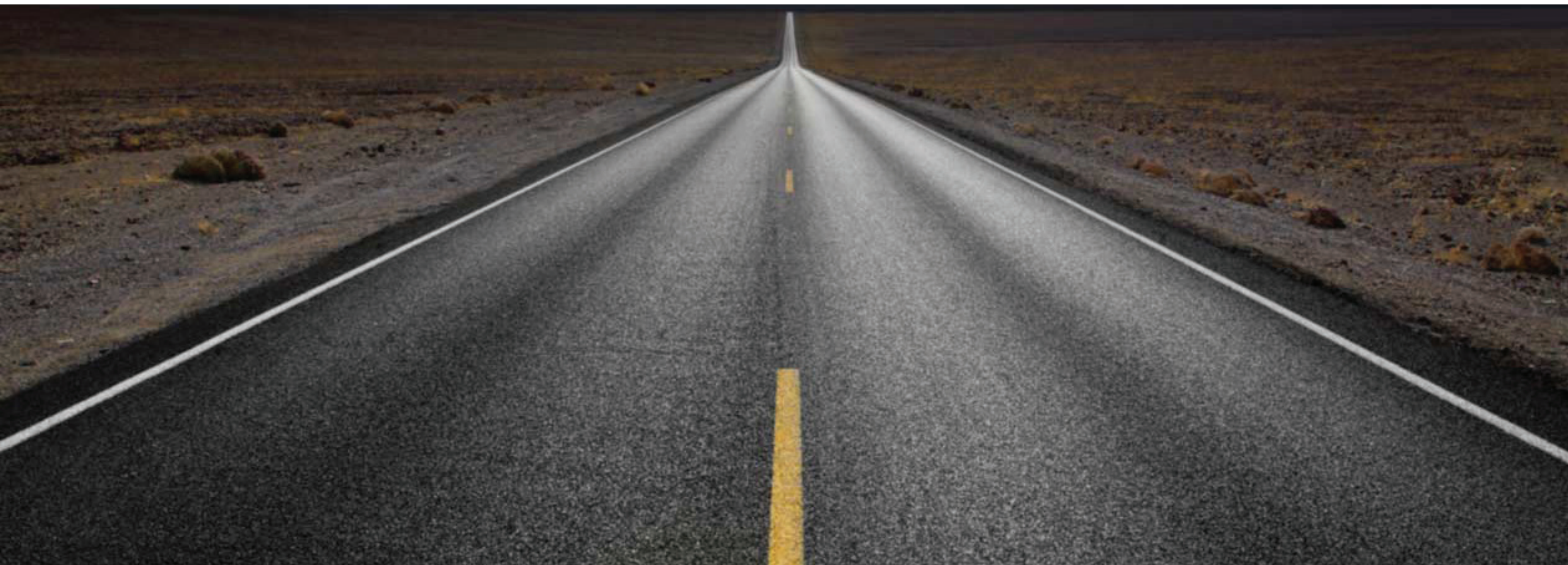
The National Suppliers' Database is one of the tools for regulating the procurement of goods and services in the petroleum subsector. The Upstream and Midstream National Content regulations, 2016 require the Authority to develop the NSD, which will enable communication and exchange of information between suppliers of goods and services, the licensed oil companies and the PAU.

The Authority has completed design of the NSD and its implementation has commenced with registration of the potential suppliers for Uganda's oil and gas sector. PAU has invited, through media and the different platforms potential suppliers to apply for qualification. Applications from suppliers from within and outside Uganda are currently being received and evaluated. The successful applicants will be shortlisted and published on the register.

That sounds a good start for a body yet to fully evolve, but what is your outlook for the future?

The government will continue working with the private sector and other stakeholders to fast track the development the critical infrastructure including pipelines, central processing facilities, the refinery, storage hubs, an international airport, roads, among others to enable the country achieve first oil. It is also important to appreciate the potential of the petroleum sector to contribute the growth of other productive sectors of the economy such as agriculture, tourism, industry and manufacturing, among others.

These, and other developments also point to the fact that Uganda has an opportunity to become the regional hub for petroleum related services such as logistics. We will therefore continue to ensure that the regulatory environment supports investment, and achievement of sustainable development of Uganda's oil and gas resources.



Create a Local Content Monitoring Board

By Emmanuel Mugarura

As the production and development of oil in Uganda reaches the transverse stage, many players in the industry are opening up shop in Kampala; International Oil Companies, international service providers and all sorts of individuals and companies that have an interest in the industry.

However, as activities augment and more money is available in the industry, the Ugandan actor in the oil sector continues to be sidelined and shriveled out of the chain. This is especially because the legal framework at the moment does little to protect the local entrepreneur from the powers of domination of the larger players in the industry. As a result, the expected mass wealth expected from the resource will benefit foreign companies as more profits are repatriated by the non-Ugandan actor in the industry.

Government enacted a law (the Petroleum Exploration, Development and Production Act 2013 "The Upstream Act"), but just limited its scope, especially on local content save for the contentious section 252 (b) that talks about composition of a company doing business in the oil industry (some people know it as the 48% requirement).

At this stage, the government has completed the regulations to operationalize the law. However, for Ugandans to benefit and be protected from the strong, experienced and financially stable but foreign players in the industry there is need for a law that will create a National Content Monitoring Board (NCMB) that is independent of the state and has powers to take action to both complying and defaulting companies.

Nigeria and Angola are good examples where this set up has registered success. The Board sets targets that must be met by players in the industry to promote and use local content at all levels; human resource, materials, services, goods, et al. In Nigeria, they have gone a step higher by ring fencing some activities and services that must have 100% Nigerian local content. Food provision, internal transport, warehousing, security are among those services that must be provided by Nigerians. The regulations seem to address the same issues in Uganda as twenty five different services were ring-fenced for Ugandans and Ugandan companies. The net impact of this is that more Ugandans will participate in the industry.

Welders will need to get certified to work in the industry

> "If two companies are competing for a tender in the oil industry, the company that exhibits or proves more local content in employment, services, goods utilization and ownership, should be given an advantage of say 20% so that the other companies are encouraged to work more on local content and national involvement"

However, the Petroleum regulations 2016 have a number of loopholes that need to be addressed if Ugandans are to benefit from the industry. Whereas National Content is defined to mean "the substantial combined value added or created in the Ugandan economy through the utilisation of Ugandan human and material resources for the provision of goods and services to the petroleum industry in Uganda", the definition of a local company remains wanting.

According to the regulations, a Ugandan company does not necessarily have to be owned by Ugandan citizens, there's no threshold on shareholding and the 70% employment requirement is very shallow as it fails to impose foreign employment quarters and limits.

According to the Nigerian National Petroleum Corporation (NNPC), the local content monitoring board has helped the industry to create over 30,000 jobs since 2010 when the law was enacted as compared to 55,000 in the sixty years before the law. This means that with deliberate effort, there can be put measures that will encourage more people to participate in the industry without necessarily compromising on the high standards and quality that are required to participate in the industry.

The board should have a mandate to do audits on the participating companies to measure their compliance to employ Ugandans and also give them more skills so that they can be promoted to more responsible offices as well as a systematic and seamless succession plan that allows Ugandans to take over jobs occupied by foreign employees. This can be done through creating employment quotas with a limited ability to renew work permits for non-specialized jobs and a maximum one renewal for specialized jobs. The Board would make sure that there is a Ugandan being trained to take over the job without destabilizing the continuity of the employer.

The law, in its current form, requires companies participating in the industry to have a 48% local content in some areas. But it's not explicit on the penalties for defaulters and rewards for compliancy. If two companies are competing for a tender in the oil industry, the company that exhibits or proves more local content in employment, services, goods utilization and ownership, should be given an advantage of say 20% so that the other companies are encouraged to work more on local content and national involvement. The companies that continue to violate the law on local content can be penalized financially with their future participation in bidding evaluated by the board.

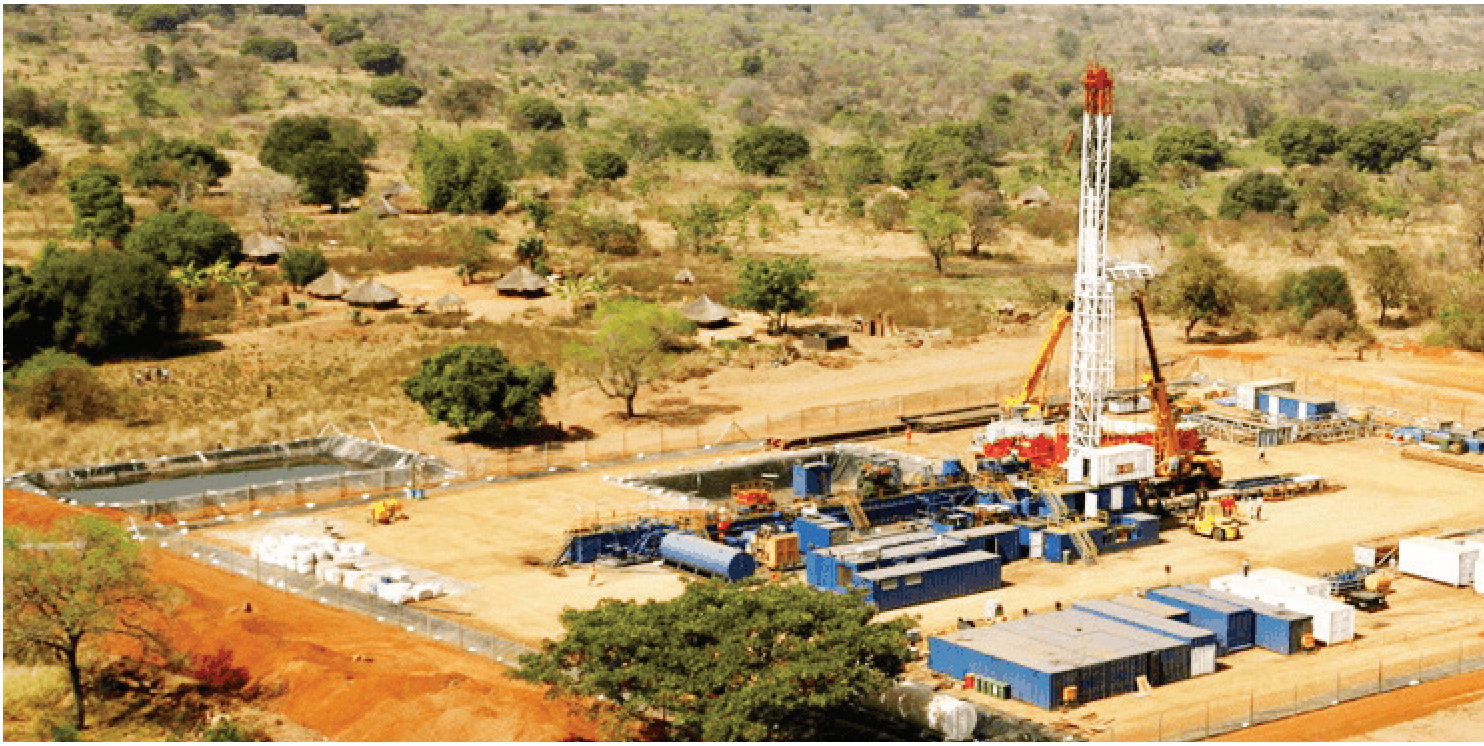
The same method can apply by adding or deducting points to the bidding companies especially in highly specialized areas. A company should be able to commit to promoting local content with measurable indicators. The board would be able to evaluate the performance of a particular company and if there is no satisfactory improvement, then the defaulting companies are fined or penalized.

The purpose of this is to regulate the activities of the players in the industry with a deliberate aim of involving as many Ugandans as possible, in the Oil and Gas sector. The National Policy on Oil and Gas objective seven supports these kinds of initiatives. When this method has worked in Oil and Gas, then we can extend it to mining, construction, ICT, telecom, banking, et al.

The writer is the Chief Executive Officer of the Association of Uganda Oil and Gas Service Providers (AUGOS). Email:

Ugandans gain exclusivity on several oil tenders

How will local firms build their capacity to tap into this opportunity?



The debate is finally over. Following years of protracted consultations, government has 'ring-fenced' several categories of goods and services in the petroleum industry to be provided by only Ugandan citizens, companies and entities.

The Petroleum (Exploration, Development and Production) (National Content) Regulations 2016 and the Petroleum (Refining, Conversion, Transmission and Midstream Storage) (National Content) Regulations 2016, ring-fences over 15 categories of goods and services in the oil sector that have to be exclusively provided by Ugandan citizens.

The regulations issued by the Minister of Energy and Mineral Development, Irene Muloni came into force last year and operationalizes the Petroleum (Exploration, Development and Production) Act, 2013.

The goods and services 'ring-fenced' are; transportation, clearing and forwarding, crane hire, security, foods and beverages, hotel accommodation and catering services, human resource management, office supply, fuel supply, land surveying, locally available construction materials, civil works, Environmental studies and Environmental Impact Assessments (EIAs), Communications and Information Technology (ICT) services and waste management.

Regulation 11(1) of the regulations states that, "Every licensee, contractor or sub-contractors shall reserve contracts for goods and services specified in the schedule to these regulations to be provided by Ugandan companies, registered entities and Ugandan citizens."

Logistics

Of interest, part of the goods and services ring-fenced is transportation and clearing and forwarding. This means that only Ugandan companies and citizens can provide clearing and forwarding services to oil companies as well as transportation.

Analysts argue that by ring fencing the goods and services, government, is creating more opportunities for local companies, entities and individuals and ensuring that the country maximizes benefits from the sector.

Dr Elly Karuhanga, the Chairman of the Uganda Chamber of Mines and Petroleum (UCMP) describes 'ring-fencing' logistics and other goods and services as a golden opportunity that Ugandans should take advantage of.

He explains that more than 800,000 tons of equipment is expected to be transported from the coastal port of Mombasa to the Albertine Graben during the development phase of the petroleum industry as the country prepares for First Oil by 2020. The equipment shall be needed for the planned construction of the oil refinery, East African Crude Oil Pipeline (EACOP), feeder pipelines, Central Processing Facilities (CPFs) and drilling of production wells among others.

"The stage is now set for Uganda's oil and gas industry to take off. This presents a huge opportunity for our freight and logistics companies," Karuhanga said

However, despite the opportunity, do the local players in the logistics business have the capacity to meet the demands of the oil

sector and its stringent standard requirements? In 2014, the joint venture partners – Tullow, Total E&P and CNOOC – released the Industrial Baseline Survey (IBS) report, which indicates the missing gaps in terms of capacity to provide quality goods and services to the oil sector. The report noted that the country had less than 200 trucks fit for the rigours of the oil sector.

Jennifer K. Mwijukye, the CEO of Unifreight Logistics and outgoing Chairperson of Uganda Freight Forwarders Association (UFFA), an umbrella association of logistics companies in the country, admits that the capacity is still lacking.

"I cannot lie. The logistics sector is not yet ready. Capacity in terms of trucks, crane services and others remains a big issue, but we need to come together and find out how we can be able to plug these gaps," she says.

UFFA membership includes local and foreign companies involved with freight logistics, including customs clearance, transport, shipping, ICDs and warehouse operations among others. The association has 114 members handling over 90% of Uganda import and exports.

Without capacity from the local players, oil companies will have no option but to seek the services from non-citizens.

"For the oil opportunity to be realized, the logistics industry has to attain very high capacity and become extremely efficient. At least, 50 percent of oil production expenses are on logistics. So, this is an opportunity we have to seize as Ugandans. We have no alternative, but to seize it, but we need to have capacity," Karuhanga said.

Solutions

According to Karuhanga, in order to plug the capacity gap, logistics companies need to examine entering into joint ventures.

With support from Trademark East Africa, Private Sector Foundation Uganda (PSFU) established the National Logistics Platform in 2014, to address the capacity inefficiencies in the logistics sector. The National Logistics Platform (NPL) brings together all the logistics players and policy makers, to jointly discuss logistics priorities, identify specific interventions and support in the implementation.

Dr Mary Ssebunya, the Chairperson National Logistics Platform, says the solution is for logistics companies to come up with a private sector logistics strategy that will progressively address the capacity gaps. She explains that already, the NLP is conducting research that will inform the strategy.

"We are conducting research on the basis of which, we shall have a logistics strategy on how we are going to seize the opportunity presented by the oil and gas industry. Yes, there are some logistics companies that are 100 percent ready to handle the tasks ahead in the oil and gas sector, but there those that are not ready. So, we need a strategy going forward, to help fix the gaps," she explained.

Fabrication, Welding

The regulations restrict the importation of fabricated or welded materials. It provides that the authority, where possible shall determine, fabrication and welding activities that can be undertaken in Uganda, and what can be done out of the country.

The regulations, confers powers on the Petroleum Authority of Uganda (PAU), in consultation with industry stakeholders, to develop a National Suppliers' Database (NSD). The data base should contain a list of prequalified Ugandan companies citing; their qualifications, experience, skills for the provision of specific goods, services and/or works and this data base shall be published by the Authority by December, 31, each year and make it available to oil companies and the public in a digital format.

"A company shall not provide goods, works or services in petroleum operations in Uganda, unless it is in the National Suppliers' Database (NSD). It is only where, goods, services or works are not available in Uganda that they may be provided by a company not listed in the national supplier data base," states the regulations.

The regulations also provides for sanctions for non-compliance. For instance, according to the regulations, any contractor or sub-contractor, who fails to comply with the regulations commits an offence and is liable on conviction to a fine not exceeding UGX2m and an additional fine not exceeding UGX1m for each day the offence continues. Repeated non- compliance attracts a fine of UGX10m. *(USD1 = UGX3600*)*

These regulations and others, conclude the petroleum industry's legal and regulatory framework, and what remains to be seen, is whether they will be strictly enforced or will remain on paper.

By Edward Ssekika

Q&A

Wiser Bakawa ready to hold his own in petroleum industry

Integrated solutions across the oil & gas value chain

When oil was discovered in Uganda in 2006, Bakawa & Sons Holdings Ltd, was making a decade in existence, and saw the new sector as yet another opportunity to grow and expand its health and safety business. However, nothing would have prepared the Ugandan company for the highly demanding industry that is oil and gas. Not only were the standards extremely high, but some client orders demanded much wider funding options to meet them, than Bakawa & Sons had at its disposal.

As if that was not enough, the infamous lull happened after the initial exploration phase ended – catching many local firms off guard; with many having invested heavily in capacity building with largely borrowed money. Bakawa & Sons was, such company, that found itself stuck with assorted safety and health equipment worth over $100,000 – a hefty amount for a small family business that the company is.

Having learnt never to bite more that he can chew, *Engineer William Bakawa*, the founder and CEO of the firm believes he is now so informed about the oil industry that he will not be wrong-footed again as the sector readies itself for the development and production phase. In this interview, Bakawa shares more about these lessons learned and what his company is about:

What is your company eying in the oil and gas sector?

Bakawa & Sons was established in 1996 to specifically deal in health and safety products, solutions and services that enhance the productivity of a broad range of industries and organisations. We have a wide range of clientele across various industries, but like is widely recognized, the petroleum industry is like no other, when it comes to the high standards we have to adhere to and the timelines involved.

Today our broad portfolio covers, the manufacture and supply of Personal Protective Equipment (PPE), dealing in renown international brands like UVEX, BOVA, SCOTT, CAPITAL SAFETY and PORTWEST.

We are also leading in fall protection solutions, where our focus is more on scaffoldings, fall protection equipment, and rescue solutions. We deal in "Capital Safety" brand which is the world leader.

Bakawa & Sons also provides the most comprehensive range of respiratory protection and gas detectors from SCOTT (TYCO) on the market. We are positioned to fully integrate a gas and flame detection system to suit one's requirements all from a single coordinated point if required.

Other services include integrated lifting and material handling solutions plus specialized safety training and certifications for skilled and semi-skilled technicians.

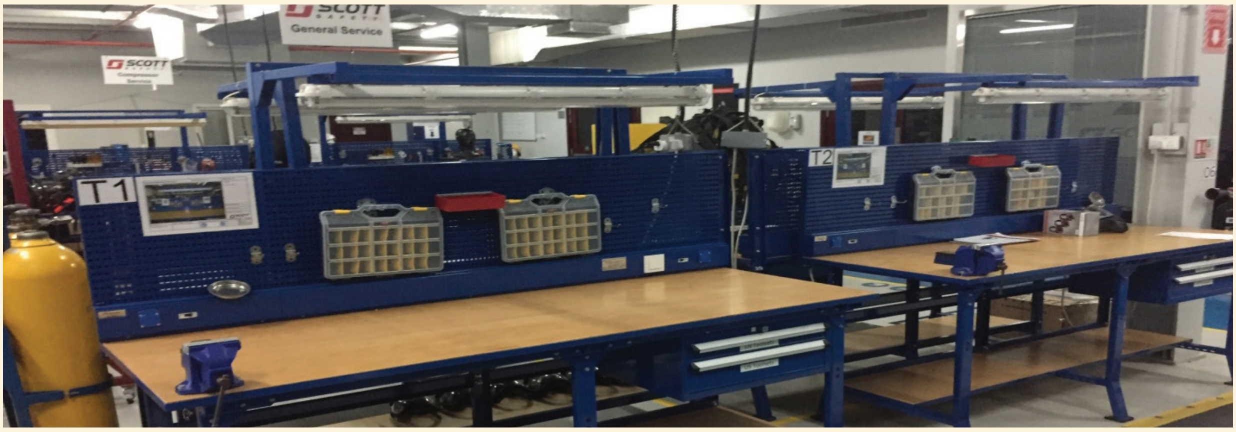
What plans do you have to grow your oil and gas business in the near future?

In the coming three or so years, Bakawa & Sons will focus more on innovation, integration and standardization. We believe that focusing on these areas will drive success for our company.

To continue competing in the high-stakes game that is the petroleum sector, expanding our portfolio is important.

.The on- going projects and services we are executing include: Respiratory and Gas detection equipment service centre, gas detectors servicing and calibration, SCBA testing, gas cylinder refilling and testing. The service centre will be launched in June 2017.

> "The International Oil Companies themselves do not own rigs for instance, and only hire them for a while, when they need them. Why shouldn't we copy such shrewd and tested methods of operating?



The service centre offers two forms of service capabilities – return to workshop and on-site service

We provide a complete **return-to-workshop** solution for all the equipment that needs service or calibration. We offer competitive rates and two levels of response times. All instrumentation is issued with the necessary calibration certificates so that the client complies to their quantity standards.

The other option is **on–site-service;** where we come to you and service and calibration is carried out on-site to reduce downtime.

The other is **instrumentation and calibration** services for supply, testing, calibration and certification of all types of field and control panel instruments which are used for monitoring, measuring and controlling pressure, temperature level, flow and electrical status.

This option is available for industries across the sphere including oil, petrochemical, manufacturing, telecommunications, utilities, medical and pharmaceutical industries. This project will also be launched in July 2017.

The above two innovations and integrated services will enable our clients have reliable, safe and efficient plants and equipment.

These are all ambitious plans; how much capacity–building have you done to achieve them?

Bakawa & Sons is teaming up with WIKA, a well-known international market leader in the world of process measurement and control to create a state-of-the-art testing and calibration center to serve the Ugandan industrial market needs for instrumentation equipment calibration and inspection services. This will be the cornerstone of the company's efforts to support the oil and gas industry boom which Uganda will see in the near future.

WIKA, a German family owned company has pledged to support Bakawa in ensuring our team is well equipped and trained to handle such calibration tasks for pressure, temperature and electrical signal measuring instruments in accordance with international standards and norms.

We believe that getting the relevant portfolio and improving our service position will drive our growth in this important sector.

Instrumentation and calibration services

What is the importance of instrumentation and calibration services in the oil and gas?

An important part of the industrial process management of our world today is being able to vouch for the quality and integrity of the process, through closely monitoring the instruments we use to conduct these measurements to ensure they are "accurate" and performing within their design parameters.

The chemical and petrochemical industries make extremely high demands on all instruments used within the process. They are subject to strict international guidelines like the PED and ATEX.

Electronic, mechatronic and mechanical measuring instruments for pressure, temperature and level are used for general applications as well as in potentially explosive areas, and must operate as satisfactorily in aggressive environments as in non-aggressive environments.

Bespoke advice and suggestions to match solutions to one's needs, also supplement our extensive offering of products and services.

What do you offer under integrated lifting and material handling solutions?

We offer world class innovative solutions in: rope and lifting equipment, third party inspection services and provide high quality training courses with a particular emphasis on wire rope and lifting operations.

Beyond the technicalities, what measures has your company adopted to avoid the financing challenges that beset the local suppliers in the first phase of the oil industry?

Uganda companies have no option but to play catch-up and to do so in the fastest time possible if they are to compete for reasonable contracts in this oil industry.

Local firms cannot afford to ignore the finer-print in contracts for instance. We need not get overly excited when awarded a tender and resort to borrowing hastily to meet the client's demands, without appreciating the finer detail in this paperwork. We initially had overly high expectations as a people and this may have clouded our judgment generally.

Going forward Bakawa & Sons intends to engage our banker and suppliers to operate using Letters of Credit in meeting the client demands. We also need to lease equipment and any other sort of machinery that we may not necessarily need to purchase outright. The International Oil Companies themselves do not own rigs for instance, and only hire them for a while, when they need them. Why shouldn't we copy such shrewd and tested methods of operating?

Contact Us

We have strategic support centres in the Middle East and Africa. For enquiries, please contact us at one of the following locations or by email at ***info@ska-arabia.com.*** We look forward to discussing how we can become a trusted member of your team

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ISO 9001:2008
FS 596574

SKA UGANDA

DOING DIFFICULT JOBS IN DIFFICULT PLACES

"SKA has a proven record of developing fuel, aviation, fixed base operations and expeditionary logistics opportunities in challenging environments. ***Doing Difficult Jobs in Difficult Places*** *is not just a marketing slogan, it is a matter of proven historical record."*

~**Mike Douglas**
President & CEO

COMMITTED TO EXCELLENCE

SKA Uganda is a company synonymous with the highest standards in oil and gas services, fuel provision, aviation support and logistics services across a number of industries. We specialize in project construction and management and associated support functions. We are adept at moving people, equipment and cargo smoothly and safely in hostile and challenging environments. Our operations are available throughout East Africa.

UGANDA CAPABILITIES

- Oil & Gas PMO Service Provider
- Freight Forwarding from Kenya & Tanzania to Uganda Oilfields
- Port Services in Mombasa & Tanga
- Laydown Yards in Mombasa, Tanga, Kampala & Hoima
- Fuel & Bitumen Supply
- Fuel Storage & Management
- Uganda AOC holder operating a Boeing 727 Freighter & other aircraft from Entebbe International Airport
- Movement of Cargo & Passenger from Entebbe to all Airports & Oilfields in East Africa
- Helicopter Movement of Oilfield Workers & Cargo
- Manpower Provision
- Life Support & Accommodation Construction
- Food Procurement & Catering
- Supply Chain Management
- Customs Clearance & Freight Forwarding
- Robust procedures and systems for managing shipments and deliveries
- Frontier logistics services

LOGISTICS AND SUPPLY CHAIN MANAGEMENT

- Customs clearance, documentation & coordination
- Secure warehousing/laydown, order fulfilment, cross docking & intermodal switching
- Stock management, order preparation & distribution
- Delivery/collection of consolidated and full loads
- Trucking distribution throughout East Africa
- Heavy lift cargo services
- Asset tracking

CAMP CONSTRUCTION AND LIFE SUPPORT OPERATIONS

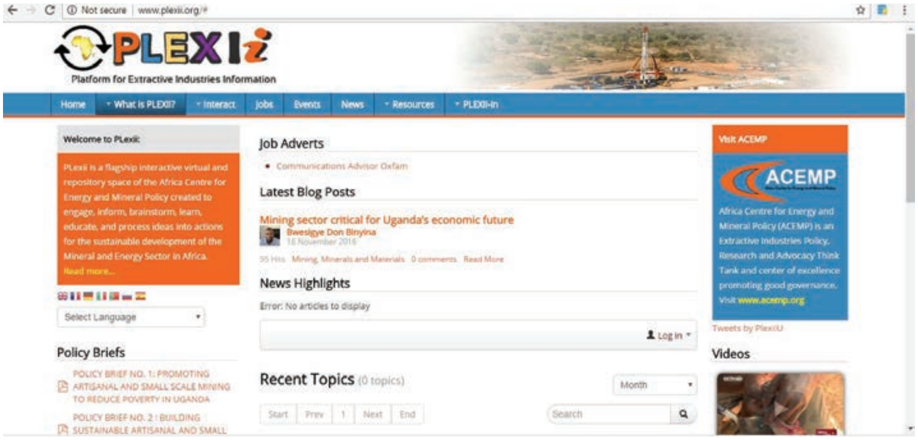
- Construction of camps and life support facilities
- Follow-on facility management & operations
- Food and consumable provision & supply
- Facility equipment and utility & telecoms provision
- Meal preparation and dining facility support
- Cleaning and laundry services
- Ground and aviation transport from camp to work sites
- Vehicle servicing and maintenance workshops
- 24-hour security provided by our own security professionals
- Retail fuel supply & servicest

GROUND FUEL STORAGE, SUPPLY AND DISTRIBUTION

- Ground fuel import, storage & distribution services
- Provide temporary fuel storage and fuel distribution solutions
- Expeditionary fuel solutions
- Customs clearance and delivery via air, sea and land
- A comprehensive trucking network for customer delivery requirements
- Security teams to monitor all logistical movements through our delivery tracking system

Brief

PLEXII eases oil, mining, info sharing



The Platform for Extractive Industries Information (PLEXII) is an interactive space where people can share ideas, dialogue, contribute to topical discussions and be a part of a growing dynamic movement that is working towards better governance and management of extractive resources across the African continent.

An initiative by the Africa Centre for Energy and Mineral Policy (ACEMP), PLEXII offers an opportunity for members to share thoughts and information, including new research relating to extractives, promote their work or events, solicit feedback and peer reviews on their work and contribute to monthly themed discussions on topical issues in the governance of extractive resources.

Members have access to a wealth of resources both from uploaded material as well as the diverse expertise and knowledge of other members of the Platform.

"PLEXII seeks to promote positive dialogue about the extractives sector in order to fully unlock its potential and enhance its contribution to eliminating poverty on the African continent," said Chris B. Musiime, Deputy Executive Director & Head of Programs, ACEMP.

Adding, "Members collectively discuss the challenges of managing resource wealth in Africa, and share experiences, ideas and workable alternatives to make natural resource wealth work for the African people."

To be a part of the conversation, one need to simply log onto www.plexii.org, complete a short registration form and they will immediately become part of the PLEXII community.

UNOC takes over test oil

The Ministry of Energy and Mineral Development has officially transferred the test crude oil that was generated during the exploration and appraisal stage to Uganda National Oil Company Limited (UNOC).

"The test crude has been officially handed to UNOC for commercial management. We are yet to market the crude and put value to it. Maybe to sell it," Proscovia Nabbanja, Chief Operations Officer, in-charge of upstream operations at UNOC, said.

In July, 2015 government issued a bid notice inviting interested firms to purchase the accumulated test crude oil produced during well testing in the Albertine graben. There is an estimated 40,000 barrels of test crude stored in specialized containers (bitutainers) at four sites namely; Kasemene 1, Ngara-1, Ngiri-2 in Buliisa district and Tanga camp in Nwoya district.

As the licensed operator of the Kingfisher Development Area, CNOOC Uganda Limited is committed to developing the oilfield in a more efficient, environmentally friendly, sustainable manner.

The Rt. Hon. Prime Minister,
Dr Ruhakana Rugunda,
commissioning the escarpment road

About CNOOC Uganda Limited: It is a wholly owned subsidiary of China National Offshore Oil Corporation (CNOOC) Limited. CNOOC Limited is China's largest producer of offshore crude oil and natural gas, and one of the largest independent oil and gas exploration and production companies in the world. It mainly engages in exploration, development, production and sales of oil and natural gas.

CNOOC Limited's core operation areas are Bohai, Western South China Sea, Eastern South China Sea and East China Sea in offshore China. In overseas, it has oil and gas assets in Asia, Africa, North America, South America and Oceania.

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Tel: +256 204 500 205

Tullows's proposed farm-down may reshape sector

CNOOC exercises preemption rights to purchase 50 percent of the interests Tullow intends to transfer to Total in a partial farm-down

Tullow Oil Plc's farm-down to Total E&P Uganda BV, will have to wait since another joint venture partner, CNOOC Uganda Limited, has decided to exercise its preemption rights under the Joint Operating Agreement (JOA). CNOOC now seeks to acquire 50 percent of the interests Tullow intends to transfer to Total.

On January 9, 2017, Tullow announced that it had agreed to farm-down 21.57% of its 33.33% interests in Exploration Areas 1, 1A, 2 and 3A in Uganda to Total for a total consideration of $900 million.

However, in a statement released on March 17, 2017, Tullow announced that CNOOC resolved to exercise its preemption rights and thus acquire half of the 21.57 percent interest the latter had agreed to transfer to Total.

"CNOOC Uganda Limited has notified Tullow that it has exercised its preemption rights under the joint operating agreements between Tullow, Total and CNOOC to acquire 50% of the interests being transferred to Total on the same terms and conditions that were agreed between Tullow and Total," the statement reads in part.

This includes the amount, structure and timing of the consideration payable to Tullow.

Preemption rights here means that in case any of the joint venture partners decided to sell its assets or interests in the petroleum sector in Uganda, its partners would be the first considered choice to acquire the assets before any third party offer was considered. However, in some cases, a joint venture partner can decide to waive its rights.

As such, of the 21.57 percent of assets its farming down, Tullow will transfer 10.78 percent to CNOOC and the same percentage to Total. Both Total and CNOOC will jointly pay the $900 million dollars consideration for the farm-dawn.

"Tullow will now work with Total and CNOOC to conclude definitive sale documentation in relation to the farm-down. Completion of the farm-down is subject to certain conditions, including the approval of the Government of Uganda. Once the farm-down has been completed, Tullow will cease to be an operator in Uganda but will retain a presence in-country to manage its non-operated position," the statement reads.

The conclusion of the farm-down will see CNOOC and Total holding 44.11 percent stake each in Uganda's discovered oil reserves. Tullow, on the other hand, will be left with only an 11.76 percentage stake, which will reduce further to 10 percent when the Government of Uganda formally exercises its right to receive some shares.

Before, CNOOC had exercised its preemption rights, Total was positioned to become the sole majority stakeholder with a 54.9 percent share in Uganda's oil resources.

This is a position that the Government of Uganda was not comfortable with, however, hence CNOOC's expression of interest will make it easier for the state to make its decision based on other factors altogether.

The Energy and Mineral Development will have to consult with other relevant government ministries and agencies before approving the transaction. The Uganda Revenue Authority may want to determine what amount, if any, it will expect in Capital Gains Tax, if the transaction was to happen. The operatorship of the EA2 which is currently licenced to and operated by Tullow will also need to be determined – whether CNOOC and Total will jointly operate it or one just leaves it to the other. As such there is a likelihood of a complete reconfiguration of the operator model currently in place, if this farm-down is finally concluded.

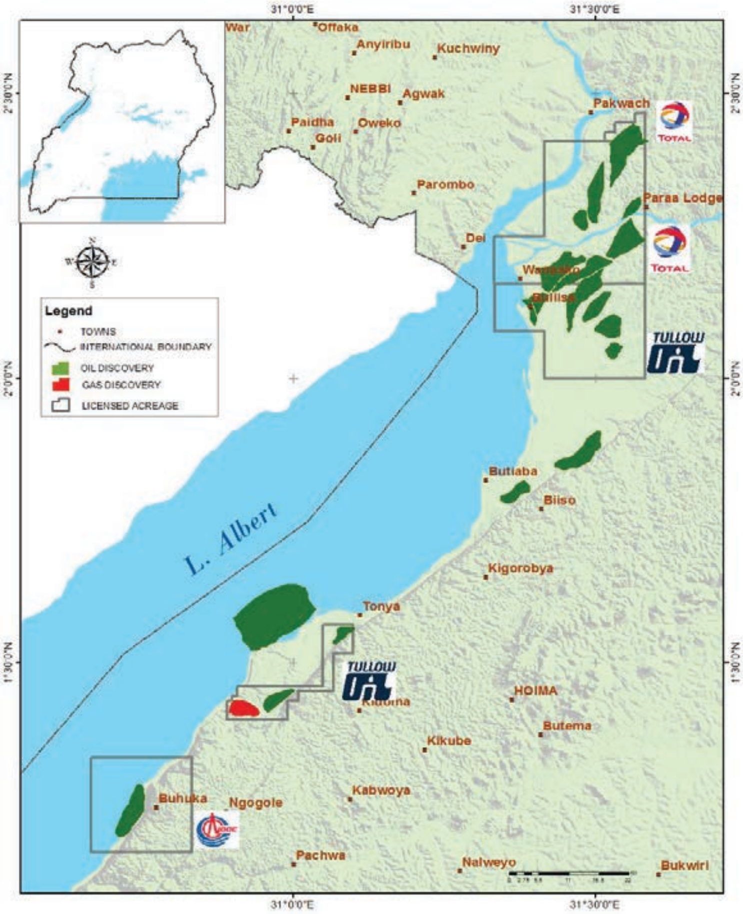
The Sale and Purchase Agreement is based on the transfer of license interests from Tullow to Total and CNOOC in exchange for cash and deferred consideration to be paid as and when the Lake Albert Development Project reaches a series of key milestones and represents a reimbursement of a portion of the Tullow's past exploration and development costs.

Tullow will get $200 million in cash while $700 million will be deferred as part of its contribution to fund the company's share of costs in Uganda's oil development project, which will include the construction of a crude export pipeline. However, of the $200 million that Tullow Oil will get in cash, $100 million will be paid on the completion of the transaction, $50 million will paid at the completion of the Final Investment Decision, and another $50 million when Uganda strikes First Oil. This in effect could mean Tullow doesn't expect to pay a capital gains tax and may seek a private ruling on tax treatment on the transaction.

According to Elly Karuhanga, the Uganda Chamber of Mines and Petroleum chairman, and former Tullow Uganda president, the company has done a fantastic job for the country.

"They discovered our oil and brought in new, stronger partners in Total and CNOOC to move the industry forward; especially now that we are moving into the highly capitalized production phase. By allowing the industry to prosper therefore, Tullow deserves a big hand clap," he said.

Tullow, which has been involved in Uganda's oil activities since 2004 is one of the leading independent oil and gas, exploration and production groups and is listed on the London, Irish and Ghanaian stock exchanges.



Status of Licensing in the Albertine Graben (Source: DoP)

At the annual Conference of International Association of Impact Assessment (IAIA 17) held on **7th April 2017** in **Montreal, Canada,** Tullow Oil was awarded the Corporate Initiative Award in recognition of its support for the development of a national red list of endangered species of Uganda and undertaking basin wide environmental studies beyond the immediate project footprint.

At Tullow, we believe that Oil & Gas activities can be harnessed to promote environmental conservation if we work in concert with other stakeholders.

Uganda targets creating 10,000 jobs after pipeline FEED

Hon. Irene Muloni the Minister of Energy and Mineral Development and her Tanzania counterpart Prof. Sospeter Muhongo, and other officials at the launch of the FEED for EACOP in January

Uganda and Tanzania are currently carrying out the Front End Engineering Design studies for the Hoima-Tanga oil pipeline with construction expected to start in 2018.

The $11.5m contract that was awarded to the Houston-based, Gulf Interstate Engineering (GIE) in January 2017, is expected to determine the exact project specifications for the crude oil export pipeline.

The 1445kms pipeline is expected to cost about $4bn and the GIE has only about six months to complete the FEED study.

After the Standard Gauge Railway, the crude export pipeline will be the second cross-border project Uganda has embarked on and it comes with its own risks that the study is expected to identify.

The route selected alone may encounter some technical hazards, environmental challenges and also human settlements. On the Ugandan side, there will be an attempt to avoid areas that require compensation for land, considering the history of acquisitions in the country.

"One of the main objectives of the studies is to identify a route that minimizes impacts on the environment, on local communities, on project development costs while offering the highest system availability to ensure continuity and safety," reads a January 2017 statement issued by the Ministry of Energy.

More importantly, the FEED will help the Joint Venture partners (Total, CNOOC &Tullow) reach a Final Investment Decision by end of 2017. The FID would then inform the process of procurement and eventual construction work to start.

This is where the government expects participation of Ugandans through the creation of about 10,000 jobs.

"It is estimated that during the three years construction phase, between 6 000 to 10 000 jobs will be required and during the operation phase up to 1000 jobs will be required by the project. These estimates are direct hire and do not include indirect or induced jobs which will be as the result of the project," said Irene Muloni, the Minister of Energy and Mineral Development.

It is these jobs that the government is looking to front as the benefits accruing to Ugandan citizens prior to the oil production phase. The optimistic view on the numbers, according to the ministry of energy, is from estimates, projections, and simulations on the project. The government is yet to carry-out a study on the potential jobs to be created when the actual refinery construction starts.

The same projections come from the Tanzanian government, where the estimate is that 5,000 jobs will be created. The indirect jobs are considered to have the potential of employing more Ugandans since the skill set required for more specialized pipeline construction jobs is still lacking.

Notably, the pipeline opportunities come in droves for logistics companies that have to transport the heavy equipment to Hoima, while following the pipeline route through to Tanzania.

This is what Hon Elly Karuhanga, the chairman of the Uganda Chamber of Mines and Petroleum, emphasized recently.

"After the launch of the Front End Engineering Design (FEED) for the crude export pipeline from Hoima to the Port of Tanga in Tanzania and the same for Nwoya and Buliisa exploration areas, the stage is now set for Uganda's oil and gas industry to take off. This presents a huge opportunity for our freight and logistics counterparts," said Karuhanga.

All these jobs are premised on the pipeline getting financing, which both governments will not be able to raise. Speaking during the FEED launch, Mr. Sospeter Muhungo the Tanzanian Energy Minister, told reporters that they did not have the money to finance the entire project and that is why they were going out to seek a transactional advisor that would lead the search for a lead investor.

Already, Total SA has in the past expressed some commitment towards the financing of the project but the other players await a decision on whether it will be the lead investor or sole investor or a partial investor in the project.

Uganda has sent a 2020 target to have started oil production and the crude oil pipeline remains one of two most important infrastructure projects that must be complete by then.

With the government planning to restructure the entire refinery project, the option of the crude export pipeline may come on board earlier, giving an opportunity to oil companies to do what they have always wanted to do – export crude.

Uganda has oil reserves of 6.5 billion barrels but with recoverable amounts of about 2.2 billion barrels. The route through Tanzania to the Port of Tanga for the oil pipeline was picked by Uganda after considering it to be the least cost route.

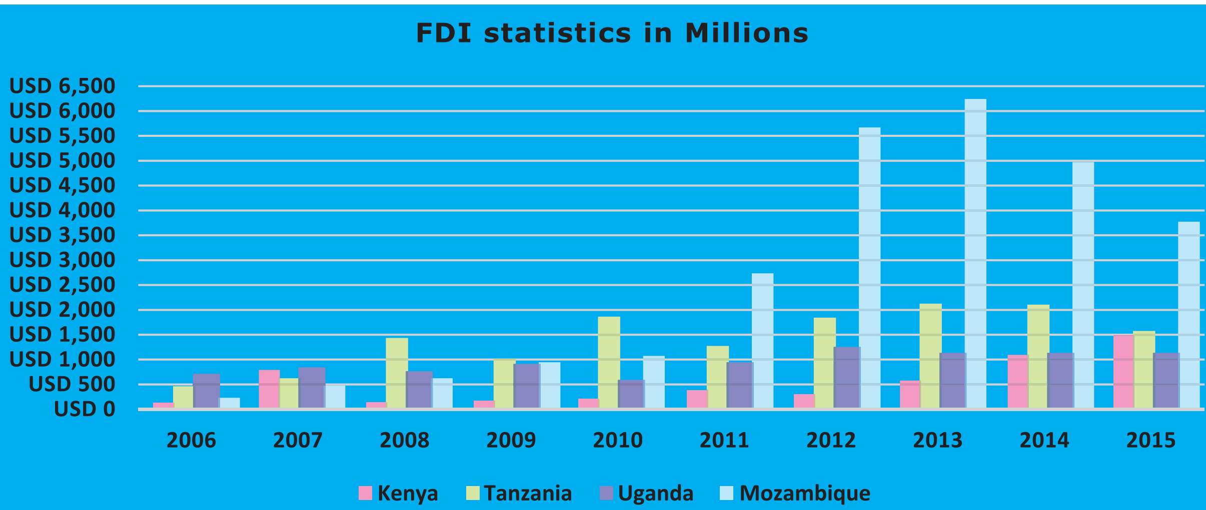
How competitive is Uganda's upstream petroleum fiscal and taxation regime?

Denis Kakembo

The successive oil and gas finds in Uganda, Kenya, Tanzania and Mozambique have heightened East Africa's profile as the next oil and gas frontier and placed the region at a critical growth stage. As the region gears up for further investment in the sector, this article examines whether relative to its regional peers, Uganda's petroleum fiscal and taxation regime is competitive.

The race for foreign direct investment ('FDI')

Significant ongoing investment is still required in development and exploration expenditure to commercialise the discoveries made and also find additional basins to achieve the region's full potential. The persistent low petroleum prices have however reduced the global pool of capital available to the international oil companies ('IOCs') for investment in the sector. Uganda is therefore not only in competition with its regional peers but other countries such as Australia, Brazil and the United States, interalia that are vying for this limited capital.



Source: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx last accessed 18 April 2017

Poorly designed taxation regimes can kill capital projects

Petroleum project viability is a function of many factors but at final investment decision stage, where Uganda is, a poorly designed taxation regime can be the reason a project fails to meet the investment criteria.

Petroleum fiscal regimes blend legal and contractual instruments encompassing levies, taxes and connected financial measures of allocating the wealth from petroleum operations between host states and the IOCs. The delicate technical, legal, financial and political challenges presented by petroleum exploration and development activities require a competitive fiscal regime that balances the respective interests of both the government and the IOCs in comparison to the opportunities in other countries. How this is achieved is usually a subject of enduring controversy!

Certainty and stability of taxation regimes is key

Investment in the petroleum sector is long-term, large scale and upfront which is the reason investors explore ways of guarding against unforeseen changes to project economics via variations in the fiscal and taxation framework.

Monetising Uganda's crude oil discoveries is for instance estimated to cost in excess of US Dollars 10 Billion which is nearly a third the size of Uganda's economy. A key safeguard therefore often sought by IOCs is the inclusion of stabilisation clauses in project agreements. It is understood that many of Uganda's Production Sharing Contracts ('PSCs') have stabilisation clauses.

Stabilisation clauses aim at ensuring that the fiscal and taxation terms in PSCs and other investment agreements between host states and IOCs are not changed to the disadvantage of either party during the duration of the project. Revisions in the law that have a financial impact on the benefits to either party can trigger a renegotiation to restore the pre-legislation change economic balance.

Kenya, Tanzania and Mozambique have incorporated stabilisation clauses in their petroleum fiscal mix.

In the pursuit of the most favourable investment destination, investors are likely to look beyond these stabilisation clauses and examine whether these countries respect to the letter the terms of their investment agreements.

There is no recent precedent of the government of Uganda unilaterally abrogating any of its investment agreements. The disputes recorded to arise regarding some of the subsisting agreements have always been amicably resolved. Respecting the terms of investment agreements greatly enhances investor confidence.

Clear taxation policy on merger and acquisition (M&A) is key

There is no issue in East Africa that has been as contentious as the tax policy underlying the transfer or disposal of oil and gas license (PSC) interests. The main driver of this policy has been the perception that profit motive is the main motive and that windfall profits are always made on PSC interest disposals. This assumption is clearly questionable.

Taxing true profits generated, retained or moved offshore on PSC interest disposals may be justified, but not the proceeds received for reinvestment in the sector. Many PSC interest disposals are aimed at mitigating risks as well as raising finances to fund sector activities. Imposing excessive and prohibitive taxes on these transactions without exception may result in the taxing of funds for investment, as opposed to the true profits.

Uganda and Tanzania presently provide for some incentive in the form of a rollover relief on reinvested disposal proceeds but this does not presently extend to non-affiliated transfers.

It is therefore critical for the government of Uganda to consider further tax policy refinements on PSC interest disposals. Taxing all proceeds including funds earmarked for reinvestment in the sector would only serve to reduce the capital available for investment and is also inconsistent with the aspiration of attracting foreign direct investment in the sector.

Minimising project costs and accelerating project payback period key

Monetizing crude oil discoveries, which Uganda will likely shortly embark upon, has long lead times from construction to completion and production. Taxes on materials and services procured during the construction phase of the connected capital projects namely production facilities, pipeline and refinery can escalate costs to unsustainable levels the reason such ventures may fail.

Uganda reviewed some aspects of its Value Added Tax regime in 2015 to eliminate the VAT suffered on services and inputs procured during the investment and construction phase of capital projects related to the extractive sector. This measure is lauded as being pro investment in the petroleum sector and some of Uganda's regional peers are studying the same to examine its adoption.

Until 2015, the annual expenses deductible for income tax purposes by oil and gas companies were limited to their cost oil a position that was revised in 2015. While government's timing on collecting income taxes from petroleum projects was not affected by the former position, the revision in the law in 2015 will enhance oil and gas project viability as it will shorten the pay back for oil and gas projects through limiting the income taxes payable in the early years of the project. Payback period is a key project evaluation measure.

The Income Tax Act was revised in 2016 to reintroduce the limitations on deductible expenses for income tax purposes but only in respect of new PSCs which needs to be rethought by the government.

Conclusion

IOCs are keen to do business in a country where there are reasonable prospects of finding, developing and producing hydrocarbons. Uganda's geological potential is promising but further exploration activities need to be undertaken and promoted to optimize the country's oil and gas potential.

Good progress, as highlighted in this article, has been made by Uganda in the past few years in creating a more enabling environment for prospecting, exploration and production activities. The recent revisions in the country's VAT regime applicable to the exploration and commercialization of hydrocarbon discoveries are especially lauded.

Uganda's peers are however constantly reviewing their taxation terms in the fierce competition for oil and gas capital. Uganda should continually take stock of such changes so it's no priced out of this competition.

The writer is a Senior Tax Manager and energy sector specialist with Deloitte East Africa

HSE Compliance Will Make Uganda Companies Competitive

Recently, E360 Group Limited, a leading oil and gas training and consultancy company, partnered with *Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) Gmbh* and the Association of Uganda Oil and Gas Service Providers (AUGOS), to upgrade health, safety and environment (HSE) standards and practices among Ugandan companies.

At least 30 companies took part in the project with two delegates from each company, including managers, supervisors and operational staff.

E360, together with Astutis, its international partners, were selected as consultants to implement the project. The venture was undertaken under the E4D/SOGA – Employment and Skills for Eastern Africa; jointly funded by BMZ, DfID, NORAD and Shell.

The main objective of the project was to enable companies become oil and gas compliant from the HSE perspective and thus be able to fulfill HSE tender requirements of the international oil companies (IOCs) and Engineering Procurement & Construction (EPCs) companies.

HSE is one of the most important aspects in a bidding process, and is a major requirement during pre- qualification. Companies bidding for tenders or contracts in the oil and gas industry have to demonstrate an excellent track record in HSE performance, a robust HSE management system and quality control and assurance systems in line with global industry standards.

Without HSE standards, a company not only risks disqualification during bidding processes but also reputational damage among clients, while exposing its workers to work-related injuries.

The 30 companies that participated in the E4D/SOGA-sponsored HSE Upgrade project were mostly SMEs drawn from the transport and logistics (50 per cent), waste and environment management (23 per cent), construction (10 per cent), manufacturing (10 per cent) and aviation (3 per cent) sectors.

They included Bollore, EnviroServ, Eagle Air, Bemuga Forwarders, Graben 4PL, Dag & Bragan, GlobeTrotters Ltd, Atlas Cargo, White Nile, Civicon and Babcon.

The initial stages of the project involved spot HSE assessment of the 30 companies through site visits, interviews with staff and online assessment in order to obtain a baseline of the standards, practices and effectiveness of their HSE management systems against national regulations, Uganda National Bureau of Standards and international industry standards.

The employees undertook rigorous training in IOSH Managing Safely and NEBOSH International General Certificate (IGC), which were tailored to address the specific HSE challenges faced by their companies. Thus, they had the opportunity to gain two internationally accredited HSE qualifications.

With intensive coaching and mentoring

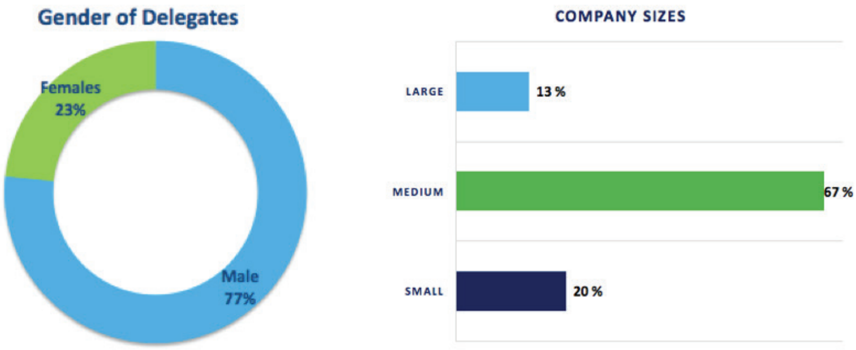
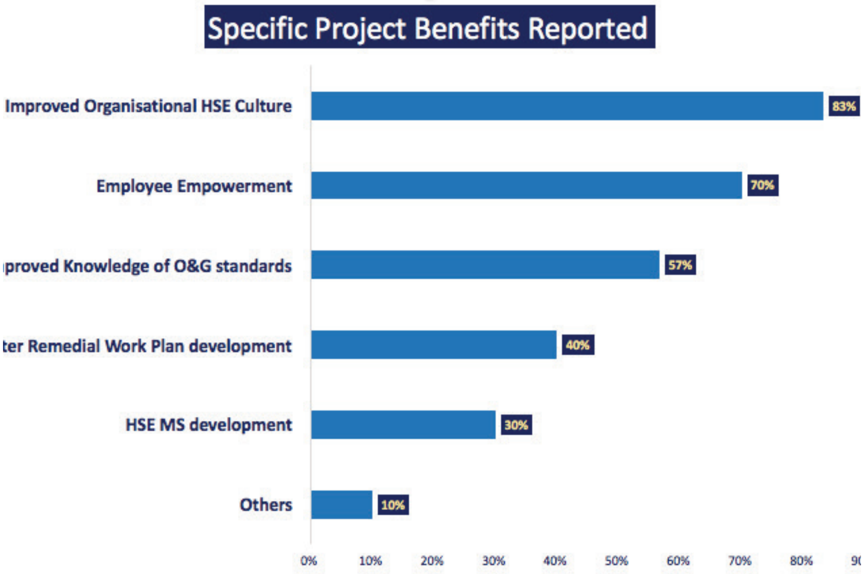


Figure 1: Demographic of 60 delegates and 30 companies.

from E360, the trained employees put into practice the newly acquired knowledge and implemented the most critical HSE improvement actions within their companies.

E360 HSE experts undertook almost 150 company visits to support the change agents. These involved organising and supporting companies that were holding HSE meetings for the first time as well as holding HSE awareness presentations to the management of several companies in order to facilitate positive HSE organisational change.

Recognizing the critical role that owners and senior managers play in sustained HSE performance, a half-day workshop was organized to equip them with the knowledge, motivation, leadership and commitment required to shape HSE organisational safety culture.




Delegates attending NEBOSH IGC Training

In addition to E360 experts, other stakeholders who facilitated the workshop were Nathan Lenzin (Project Manager, E4D/SOGA), Herbert Ntare (HSE Team Lead, Tullow Oil), Allan Rogers Kibaya (QHSE Country Manager, Vivo Energy), Emmanuel Mugarura (CEO, AUGOS), and Eva Katusabe (Principal Specialised Safety Inspector, Ministry of Gender, Labour and Social Development).

The impact of all these project activities was felt immediately across all the companies with the project rated as "Very Good" or "Excellent" by senior managers.

Companies implemented several changes including development and implementation of HSE Management Systems, HSE policies, procedures, risk assessment processes, emergency response plans and improved facilities layout. They also implemented adequate safety signage and were further encouraged in the usage of Personal Protective Equipment (PPE) as well as development and application of risk assessment processes.

Hussein Kiddedde, MD Graben 4PL, one of the participating companies, stated that as a result of this HSE project, they "...are poised to compete at the highest level as front line providers to the IOCs."

Engineer William Bakawa, the managing director of Bakawa and Sons, also hailed the schooling.

"Before this training, we were nervous about the subject and did not know how to properly implement an HSE Management System. Meanwhile, our international partners had always requested us to improve our HSE and comply with international standards," Bakawa said. He added: "We now appreciate that there is no other way to become a serious player in the oil and gas industry in Uganda without improving our standards. We must have an HSE management system for Bakawa and Sons."

Today, there is a lot of excitement and expectation within the Uganda oil and gas industry given the recently made progress in the $4b crude oil export pipeline route agreement, commencement of the Front End Engineering Design (FEED), progress within state institutions (the Petroleum Authority and the National Oil Company), and other activities leading to the Final Investment Decision (FID) at the end of 2017, and First Oil in 2020.

However, in order for Ugandan companies to fully participate in this development phase, and retain a significant chunk of the expected $20bn cash inflow over the next four years, an investment in HSE is a must as it will mean they can meet contract bid requirements of HSE, which are indeed a qualifier.

With the E4D/SOGA sponsored HSE Upgrade project being the first of its kind in Uganda, there is still need to expand it to include many more local companies. E360's vision is that all local companies go through this project and become HSE compliant.

E360 presents a certificate to Eagle Air's MD, Capt Tony Rubombora

E360 is committed to supporting local companies as they build their HSE readiness. A date for the second phase of the project has been set for June 5, 2017. Companies are invited to sign up and donor agencies, oil companies and other stakeholders are also called upon to facilitate as many local participants as possible in this vital scheme. The development of HSE capabilities in local companies will require the concerted efforts of every stakeholder, knowing that improvement in HSE is an investment and not a cost.

The writer is Felix Okot, Managing Director E360. Email: fokot@egroup360.com

GIZ in Driver Skilling Project

GIZ E4D/SOGA has partnered with SafeWay Right Way, a not-for-profit organization promoting road safety, and Transaid, an international development organization working towards sustainable transport solutions, to set up the Driving Uganda Forward (DUF) Project.

The project seeks to build capacities of up to 800 new and existing drivers of Heavy Goods and Passenger Service Vehicles (HGV and PSV) in line with industry needs. It is implemented in cooperation with private sector partners, the Ministry of Energy and Mineral Development and the Ministry of Works and Transport.

The drivers, undertaking refresher training or licence acquisition, will be trained, according to the East African Community (EAC) Curriculum for Large Commercial Vehicles. This is with a view to ready them to find employment within the wider transport and logistics industry.

Currently, 18 instructors from Ugandan driving schools are undergoing theoretical and practical training. The training involves refreshing their driving and teaching skills, and topics such as defensive driving and managing crashes and breakdowns. These instructors will in the future conduct licence acquisition and refresher trainings for medium-sized and heavy trucks and buses. As of early 2017, activities are taking place in Mukono town due to its proximity to the Namanve industrial area, which has a well-built and traffic–free road network that is used for practicals.

This project was developed in anticipation of an increased demand for HGV and PSV drivers, brought on by current infrastructure development projects in the oil and gas sector, and the wider economy. This anticipated demand offers a unique opportunity for qualified Ugandans to gain employment. Improving of professional driving skills amongst HGV and PSV drivers will also help in reducing accidents on Uganda's roads.

E4D/SOGA is "Employment and Skills for Eastern Africa", a development programme active in four Eastern African countries which aims to skill the national labour force and promote local enterprise development in Uganda and the Eastern African region. The project is jointly funded by the UK government, the Norwegian Government and the German Government and is implemented by the German Development Agency GIZ.

Safe Way Right Way, on the other hand, is supported by the joint venture partners in Uganda's oil and gas industry, Total, Tullow and CNOOC plus Bolloré Logistics, Hima Cement, GP Advocates, Toyota, and Schlumberger. It was established after Total Group and the World Bank entered a partnership to improve road safety on Africa's economically critical corridors.

IUEA petroleum courses comes of age

The Department of Petroleum Engineering at the International University of East Africa (IUEA) is the only department offering a petroleum engineering program in the whole country. The BSc in petroleum engineering is accredited by the National Council for Higher Education (NCHE) with membership from Society of Petroleum Engineers (SPE).

"Our students have access to enhanced opportunities in employment, mobility, and making a positive impact on society," says Charles Mwaura, IUEA official

In 5 years of existence, the program graduated over 12 students with skills to serve in the petroleum industry.

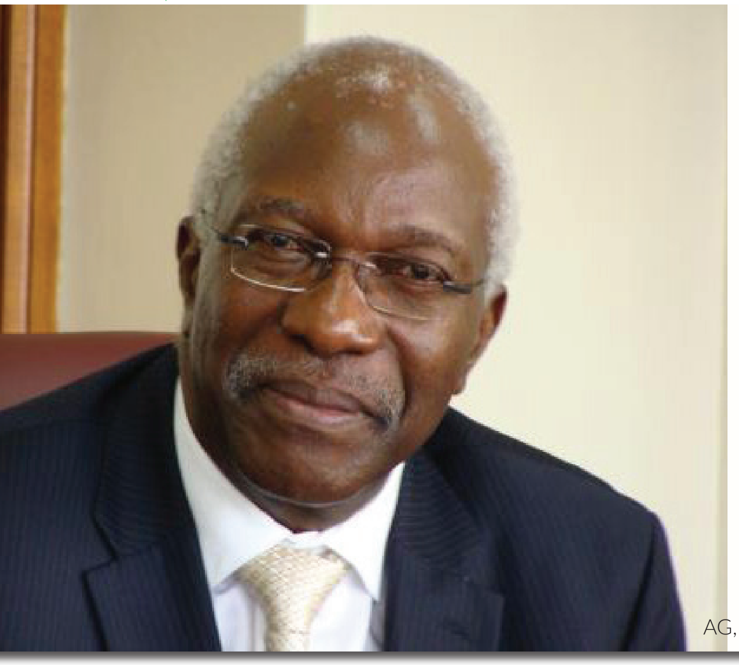
Mwaura, says, going forward, IUEA plans to develop tailor made courses and continue partnering with industry stakeholders to improve and grow this dynamic field.

"We have over 90 students currently enrolled in the department. We have full-time faculty members as well as part time staff who are active in the industry and an increasing number of students. Our faculty and staff work to facilitate relevant research and development activities for economic and professional development,"

Apart from BSc in Petroleum Engineering, the university offers certificate courses for, Petroleum, Production and Drilling Technician and Gealth & Safety Certification.

The Master Degree is designed to have three specializations: Reservoir Engineering and Petro physics, Drilling Engineering and Petroleum Production.

The university seeks to certify all its courses in the near future with international agencies such as OPITO, NEBOSH and IADC RigPass.



AG, John Muwanga

Auditor General wants better petroleum data management

"...information on petroleum data is key to building the Government's geological understanding which serves to strengthen its negotiating position with investors"

One of the Ministry of Energy and Mineral Development's strategic objectives is the management of petroleum data to establish and effectively manage the country's oil and gas resource.

This, according to official information, can be achieved through continuously updating the country's oil and gas resource database through establishing and maintaining a National Oil and Gas Resource databank.

In the value-for-money audit report for the year ended December 2016, the Auditor General assesses how Uganda is fairing in the petroleum data.

The Ministry through its Directorate of Petroleum acquires, stores, processes and disseminates petroleum data. The audit focused on geological data, gravity and magnetic data, seismic data and well data because Uganda's industry has only experienced the exploration phase so far.

All data considered relates to the Albertine Graben (Exploration Areas (EAs) 1, 1A and 2), where all the country's commercially viable oil and gas resources have been discovered, so far.

For audit purposes, 10 out of 30 seismic surveys were selected in the period 2006 to 2014.

For the period 2013 to 2016, all 32 exploration and appraisal wells in the sample were selected.

Samples selected were under Exploration Areas EA-1, & 1A, operated by Total Exploration & Production (E&P) and Exploration Areas- EA2 then operated by Tullow Uganda Operations Pty Ltd.

According to the Petroleum Exploration, Development and Production (PEDP) Act 2013, the Petroleum Authority of Uganda (PAU) is mandated to monitor and regulate exploration, development and production of petroleum in the country. But during the transition period of setting up the PAU, the role of data management was undertaken by the Petroleum Exploration, Development and Production Department (PEDPD). The PAU was constituted and took up its roles/ functions in September 2016.

Findings on Well Data

The PEDP Act 2013 requires International Oil Companies (IOCs) to submit semi-annual reports indicating geological, geochemical and geophysical work carried out, including a summary of drilling activity, results obtained and annual reports indicating operations by the licensee in the year to which the license relates.

However, the Auditor General noted that IOCs did not regularly submit reports over the years.

For instance, in 2013, none of the four (4) required geological and geophysical (G&G) reports for exploration Area EA1 & 1A was submitted. However, all semi-annual operations reports were submitted. In 2014, out of four (4) reports expected from each of the drilling and geological and geophysical (G & G) activities, only two (2) of each was submitted.

Since there were no exploration and drilling activities undertaken in 2015 and 2016, IOCs were only required to submit annual and semi-annual operations reports but none of these reports were submitted.

Similarly, in 2016, none of the required semi-annual operations reports were submitted.

"Audit further noted that in the exploration area EA 2, the IOCs did not fully comply with requirements regarding submission of reports in accordance with the PEDP Act 2013," the audit said.

The Auditor General also found that annual operations reports were not submitted in 2014 and 2015. Meanwhile, for each of the years 2013, 2014 and 2015 one (1) semi-annual operations report was submitted instead of the expected two (2) and no semi-annual operations reports were submitted in 2016.

"This was attributed to the inadequate monitoring mechanism put in place by PEDPD to ensure compliance by IOCs," said the report.

Adding, "Through document reviews, audits noted that compliance reports used as a monitoring tool by PEDPD, only related to

EA-1 & 1A, for the years 2014 & 2015. Compliance reports for the year 2013 and 2016 for EA1, 1A, & EA 2 were not submitted."

Also, there was a delay in the formulation of regulations governing upstream operations. For instance, while the PEDP Act was enacted in 2013, the upstream general regulations were formulated in June 2016 and therefore PEDPD did not have a basis for enforcing compliance.

According to the auditor general, the delay or non-submission of reports relating to acquisition of petroleum data, results in an incomplete database.

"This may reduce the effective use of the database in petroleum resource management, implying that PEDPD may not possess all the required information and data necessary to evaluate the potential of the country's oil and gas resources," the report said.

"We concur with the auditor general's observations that there were irregularities with the licensees to comply with the requirement, especially with the operator of EA-2," the Ministry of Energy noted in its response to the audit.

The Ministry further noted that this was evident in the compliance reports which are internal tools to track how licensees comply with the statutory instruments/legislations.

"For cases where the licensees did not comply with the legislations, a reminder letter was always written. Elaborate measures will be put in place for PAU to enforce so as to ensure compliance by IOCs or NOC," the Ministry said.

Seismic Reports

Sections 15, 16 and 19 of the Petroleum (Exploration and Production) (Conduct of Exploration Operations) Regulations, 1993 require submission of three types of reports relating to seismic activities: the seismic survey report, seismic acquisition/completion report and seismic interpretation report.

Through document review of files for the period 2006 to 2014 relating to exploration Area- EA1, 1A and EA2, the Auditor General found that out of the ten (10) seismic surveys projects seven projects had all reports submitted.

The audit, however, noted that out of the ten seismic survey projects, one project had one report submitted instead of the three expected, while two projects submitted two reports instead of the three expected.

"This was attributed to the inadequate measures to ensure compliance, coupled with lack of guidelines for submission of geophysical data & reports (seismic surveys). The interpretation report for the East Nile 3D, could not be submitted due to on-going procedure of processing of raw data," the report noted.

The delay or non-submission of reports relating to acquisition of petroleum data, results in an incomplete database, including information on the possible hydrocarbon locations. It should be noted that information on petroleum data is key to building the Government's geological understanding which serves to strengthen its negotiating position with investors.

Recommendations

According to the Auditor General, the Ministry through PAU should put in place an adequate monitoring mechanism to ensure compliance by IOCs.

The Ministry should also formulate guidelines for submission of well and geological data, as well as geophysical data and reports (upstream activities).

It should also develop chart of account (CoA) to enable the licensees submit work-programs in a standard manner to aid categorization of costs and thus facilitate monitoring and tracking of costs.

NOC Forms Subsidiaries To Run Refinery, Pipeline

In order to effectively execute its mandate, Uganda National Oil Company Limited (UNOC) has incorporated two subsidiary companies to handle different aspects of the petroleum industry. Proscovia Nabbanja, (**Pictured)** the Chief Operations Officer in-charge of upstream operations at UNOC explains that the two holdings are meant to help the national oil company to effectively handle the government's commercial interests in the petroleum industry.

The two subsidiaries are; the Uganda Refinery Holding Company Ltd, which has already been fully incorporated, and the National Pipeline Company Ltd which is still in the process of incorporation.

The Uganda Refinery Holding Company (URHC) is expected to manage government interests in the oil refinery. "The company [URHC] will be a shareholder in the oil refinery and will also invest in Buloba terminal," Nabbanja told participants at an oil conference organized by the Auditor General's office in February, 2017.

Uganda plans to construct an oil refinery with the capacity to produce 30,000 barrels per day which will later be upgraded to 60,000 bpd. The refinery will be constructed under a Public Private Partnership (PPP) framework and URHC is expected to own the public equity. The Board of Directors of Uganda Refinery Holding Company Ltd has consequently appointed Dr Micheal Nkambo

Mugerwa, a chemical engineer as its first General Manager of Uganda Refinery Holding Company. Irene Batebe, a board member of UNOC, is the board chairperson of URHC.

Government plans to construct a terminal in Buloba, Wakiso district, where finished petroleum products will be transported and stored, from where it will be taken to the market. Rev Frank Tukwasibwe, Commissioner Petroleum Supply Department (PSD) says the Buloba terminal will have the capacity to store 100 million liters of finished petroleum products.

Pipeline Company

Nabbanja said UNOC plans to incorporate the National Pipeline Company Ltd (NPCL) to take care of government interests in the crude oil pipelines and storage and distribution. National Pipeline Company Ltd is not yet incorporated but plans are underway to incorporate it.

"The pipeline company [NPCL] will participate in the crude oil pipelines, storage facilities and product pipeline. It will be a shareholder in the East African Crude Oil Pipeline [EACOP]," she explained.

The EACOP is expected to run from the oil fields in Kabaale, Hoima district through Tanzania to the coastal port of Tanga to transport Uganda's crude to the international market.

The Uganda National Oil Company (UNOC) is established by the Petroleum (Exploration, Production and Development) Act, 2013. The company was officially incorporated on June, 12, 2015 under the Companies Act, 2012 and runs as a private company but is wholly owned by government. The company is expected to take up its position on the business side of the petroleum industry.

The Company has two shareholders namely the Minister of Energy and Mineral Development who owns 51 percent shares in the firm on behalf of the Ministry and the Minister of Finance, Planning and Economic Development who owns 49 percent shares on behalf of the Finance Ministry. Therefore, the current shareholders are Irene Muloni and Matia Kasaija in their capacities as Minister of Energy and Finance, respectively.

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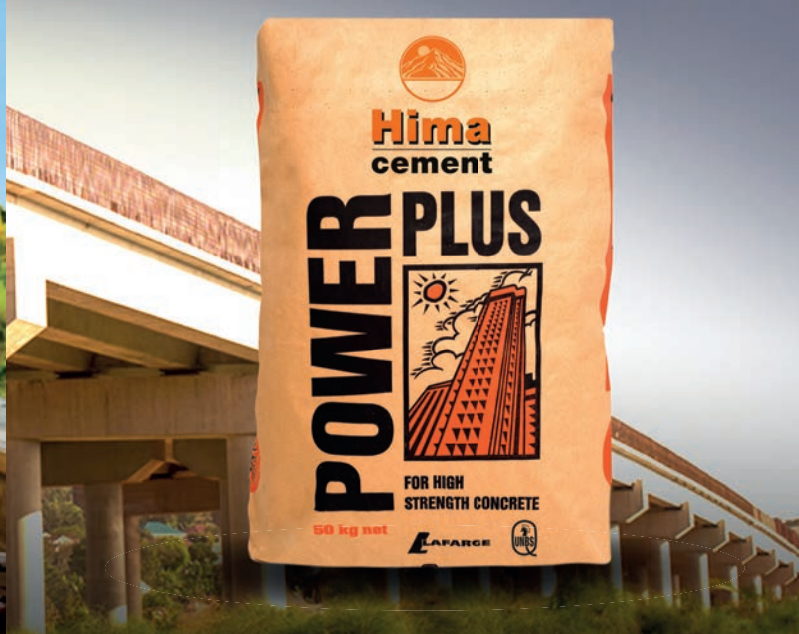

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The Uganda Chamber of

MINES & PETROLEUM

Issue: 17

May, 2017

A REGIONAL LOGISTICS HUB
Is What Uganda Should Be

Can Uganda Be EA's Memphis?

A case for the National Logistics Platform

Examining the country's major logistics constraints

UFFA SPECIAL EDITION

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Chairperson's Note

A regional logistics hub is what Uganda should aspire for

The logistics industry, and especially the Uganda Freight Forwarders Association (UFFA), is passionate about turning Uganda into the main logistics hub for the region.

For investors, conducting business is quickly shifting into a regional spectacle. Uganda and Tanzania plan to build a crude oil export pipeline; the SGR construction continues, from Kenya to Uganda, with further plans to extend the same to South Sudan and DR Congo and together, DR Congo and Rwanda are exploiting the gas reserves from Lake Kivu,

On the other hand export promotion strategies in Uganda including post-harvest support facilities such as warehouses, packing services and container terminals that are easily accessed by manufacturers and farmers present other logistics-inspired investment opportunities. The availability and quality of such facilities enhances competitiveness of export products.

All these projects, and others in-country, need the transportation of equipment, and therefore the support of a strong logistics industry.

Uganda needs to take advantage of its strategic location to become a hub that serves its neighboring countries.

Pulling this feat off does not require rocket science.

The planning of infrastructure should consider the strategic locations that will enhance the hub status for Uganda.

Uganda, for a start, needs to put up the needed infrastructure in towns such as Kasese, Gulu, Hoima and Tororo, or Mbarara to support the logistics industry.

The ripple effects of investing in new infrastructure such as warehouses, storage facilities, and industrial parks spread far and wide.

The new hubs in these cities will help spread development through the creation of employment; boost exports from the neighbouring districts; reduce rural urban migration to an already crowded capital, Kampala; and place less strain on an over-stretched road network, just to mention, but a few.

This regional hub dream though requires both the public and private sector players to work together and sign up to the same plan.

As we pursue the hub however, we cannot ignore Uganda's progress towards producing its first barrel of oil by 2020.

For the logistics industry, our attention is quickly drawn to the amount of equipment – about 800,000 tonnes – needed before the production stage.

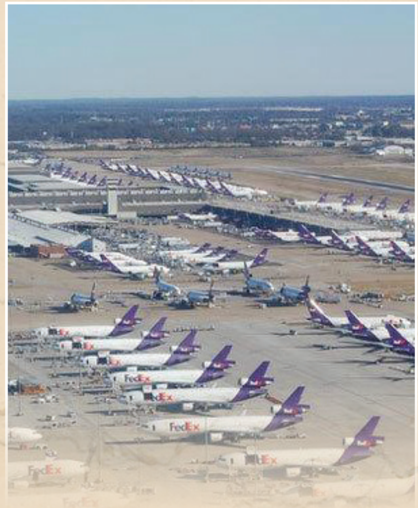
Moving this equipment falls squarely on our shoulders at the Uganda Freight Forwarders Association.

However, we need to build our capacity ASAP to be ready to handle this humongous task. Resourcing the logistics industry is a need we can no longer ignore and it calls for maximum efforts from both the government and the private sector.

Jennifer K. Mwijukye

Chairperson for Steering Committee, Regional Logistics Expo 2017, UFFA

Content



Acknowledgements
to the editorial team assisted by Richard Kaijuka.

Layout and Design:
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UGANDA FREE ZONES AUTHORITY

With outgoing chairperson, Uganda Freight Forwarders Association's Chair **Jennifer Mwijukye**

"UFFA's big dreams will come to fruition"

The Uganda Freight Forwarders Association (UFFA) at the helm, has made large strides in promoting Uganda's Logistics industry; the latest being the launch of the inaugural Logistics Expo. JENNIFER K. MWIJUKYE, CEO Unifreight Logistics, and the outgoing chairperson of the association, explains why the sector is important to Uganda's economy.

What is the Uganda Freight Forwarders Association (UFFA) story?

Uganda Freight Forwarders Association started in 2000 as a business association to address the specific problems we suffered at the time including unethical conduct, lack of professionalism and the fact that we did not have a voice to air our problems. What is so unique and key to UFFA is that by the time we came in, there were other associations who were only bringing clearing and forwarding together. UFFA though went beyond this and is an association composed of shipping line agents, warehouse operators, ICD operators, transporters.

What are some of the successes you have registered as the lead industry association?

Today UFFA is the mouth piece for the whole industry evidenced by our representation on the Private Sector Foundation (PSFU), the Presidential Investor's Round Table (PIRT), and the Uganda Road Fund (URF) among others. We have been training young people since 2008. In training, we partner with the Uganda Revenue Authority (URA). Today the five EAC partner states use the same curriculum that UFFA developed. We also have a code of conduct to deal with the issue of ethics. We have to think bigger and make our sector relevant to the country's Vision 2040.

How are you connecting the services your industry provides to the bigger picture of the country's Vision 2040?

Within the Vision 2040, there are five key sectors that have been identified and one of the sectors is infrastructure. We think that the logistics sector is the promoter of all other sectors and we want to see Uganda transformed into a regional logistics hub. With our strategic location, we can be able to serve the neighbouring markets of South Sudan, DR Congo, Rwanda and Burundi because today of the commodities imported into Uganda, more than 50 percent is for redistribution to Southern Sudan and DR Congo.

What else can the creation of a vibrant logistics hub do for Uganda?

We can develop logistics hubs to enhance export promotion. If we avail these hubs in places where farmers grow crops or at the borders, the people around there should take advantage of them by growing crops for export or for value adding factories and industries that will be established therein. Logistics hubs create new towns or cities where they are located because, remember, roads, rails, airports are built to connect to the distribution centres.

How then can we realise that vision?

This Expo is meant to communicate this vision and seek a buy-in from the rest of Uganda as well as encourage partnerships and synergies with visiting delegates. We will also have an exhibition to showcase what we have now compared to what we want to achieve in the near future. If the capacity is lacking, those are business opportunities. I feel it is going to be an exciting event with us all engaging at such a level.

Where do you see this partnership with the Uganda Chamber of Mines and Petroleum (UCMP) going? And how does it relate to UFFA's bigger plans?

Oil and gas is the biggest customer for transport and logistics for obvious reasons. They have already made definitions of what they want. They need 1,100 trucks in the first year. Those are good needs because they are investment needs for us; they need high quality human resources, physical infrastructure, and equipment.

Do you see government keeping up with your pace as the private sector?

The speed of government is not entirely its fault. Many times it is about how poorly organised we are as the private sector. I actually think that 70 percent of why we don't achieve our demands from government down to our own weaknesses and lack of organisational capacity as the private sector.

It works both ways at the end of the day. When the private sector speaks, the state needs to sit up and listen; and the other way round.

We have to keep knocking at the doors of the state organs until our demands are met. We cannot afford to sit in air conditioned offices and hotel lobbies all day thinking everything will work out well in the end.

Transport and logistics is often referred to as the backbone of an economy; directly impacting many aspects of the economy. Why is this so?

Look at it this way, from what is available to be purchased to the prices charged for goods, logistics plays a significant role.

Logistics can be defined as the process of planning, implementing and controlling the flow and storage of raw materials, in-process inventory, finished goods and related information from point of origin to point of consumption for the purpose of meeting customer requirements. Logistics extends across the domestic Ugandan market, involving cross-border integration and inter-connectivity with international trade.

> "I am happy to be leaving UFFA with a bigger vision, a challenging vision – the transformation of Uganda into a regional logistics hub

When the hubs are near places of production and producers know that they can access these services from the hubs, exports will grow and capacity will be built. The farmer in Hoima will then transport his maize to the right warehouse that he needs to store his maize and so on and so forth.

Explain to us how the hub operates?

A hub is a designated area for logistics activities or a centre where logistics activities happen. A hub must have warehouses, cold rooms and different transport modes that are integrated and that are converging in one place. There should be an airport, roads, railways and sometimes or indeed most times there should even be water transport. This means you can choose the mode of transport you want to use at what time; and therefore spreading the costs adequatly. It is a place where you will do all your distribution instead of each one of you having your own warehouse.

Can you paint for us a picture without the hub, the opportunities missed, the jobs that are not created and the challenges of operating in an environment without the hub?

A Ugandan manufacturer importing raw materials for his factory incurs an extra 40 percent or more on transport; too high, even by global standards. Compare that to a manufacturer in Lusaka, Zambia whose costs are 17 – 20 percent even when they are 2,450 kilometres away from the Durban port. The advantage for the Zambian manufacturer here is that the other modes of transport like rail are operational as well. For Uganda though, we are predominantly dependent on road haulage and Mombasa Port. For exports, facilities are not available in the production centres to handle maize, fruits and vegetables and so that makes our exports uncompetitive in terms of quality and in terms of transportation.

What are your comments on the Tanzania route or lack of?

Having only the Mombasa route exposes us to high transport costs because we have no alternative. However, if we had competing routes, rates would drop right from the port charges to transport because Mombasa and Dar es Salaam would be competing. However, Mombasa would still be the major route because even when the Tanzania route was active, Mombasa held a 70 percent share.

What has your experience as UFFA chairperson been and in what state are you leaving the association?

When I joined the association, the logistics industry was not a highly revered business because unprofessional and unethical practices were prevalent then, with clients complaining of lost goods and the like. I considered quitting the business but I was challenged to remain and clean the image of the sector as well as help train our members. Today, as I leave, we have trained and graduated 1,600 people who have gone on to start their own firms and are employers as well. The other one is the partnerships with like-minded associations, trust from government and respect from state agencies like the Uganda Revenue Authority.

I am leaving UFFA with a team of people we share a common vision. UFFA is also deliberating on formulating a Council of Advisors who can be called upon whenever there is a challenge and also help provide institutional memory. I am happy to be leaving UFFA with a bigger vision, a challenging vision – the transformation of Uganda into a regional logistics hub.

UFFA to push for Uganda logistics hubs

The Uganda Freight Forwarders Association (UFFA) is set to lead efforts to transform Uganda into a regional logistics hub to serve the neighbouring markets of Rwanda, Burundi, South Sudan and DR Congo.

"It was God's design to locate our Uganda in the heart of Africa and we believe His design has never been a mistake," Jennifer Mwijukye, CEO Unifreight Logistics and the outgoing chairperson of UFFA, said.

"This location exposes us to a lot of opportunities that we have not seen in the past because our eyes have for long been trained to only notice the disadvantages of being landlocked."

According to Mwijukye, the vision of creating a logistics hub can only be realised when all stakeholders play their roles properly.

The key stakeholders include the Ministry of Works and Transport and other government agencies involved in infrastructure development of all modes of transport, the Ministry of Finance and Planning and the Ministries of Trade and that of Lands. Other stakeholders are indeed the private sector players of different sectors that would benefit from the hub and the general public.

A logistics hub is a designated area or a platform for efficient flow of business activity. A hub must have different transport modes that are integrated and are converging in one place. There should be an airport, roads, rail and sometimes or indeed most times there should be water transport.

This means you can choose the mode of transport you want to use at any given time. Sometimes there are bulky goods that may not be needed urgently, so these can be hauled via a slower and cheaper mode of transport like water and rail while you may need to fly in yet another item that is needed urgently.

"Hence these varieties allow one to distribute transportation costs appropriately, hence saving lots of money. As such, an efficient inter-modal transport system is a must if our ambitions as a country are to be realised," notes Mwijukye.

Other important features of a hub are strategic storage facilities, warehouses and sorting points. Also, the reason we have integrated modes of transport is that goods come and are stored or they come and are sorted, stored and then they are distributed appropriately.

So, it's like a transport converging place where all modes of transport converge. Then there are also storage and sorting facilities to enable people who are exporting or importing goods to hold them before release.

Even those warehouses and facilities are going to be specialised. We will have warehouses for agricultural produce, cold rooms, etc.

"It is a place where you will do all your distribution instead of each one of you having their own warehouse – it becomes one common place where all those activities are done," she said.

Today, the absence of these logistics hubs, which can be located in towns such as Jinja, Arua, Kasese, Gulu, Hoima, Fort Portal means we are uncompetitive be it imports or the much desired exports.

"Like I said the transport costs have shot through the roof but remember post-harvest handling for our agricultural produce is a bigger problem," she said.

Facilities are not available in the production centres to handle our agricultural produce, which form the larger part of Uganda's other potential exports including grain, fruits and vegetables.

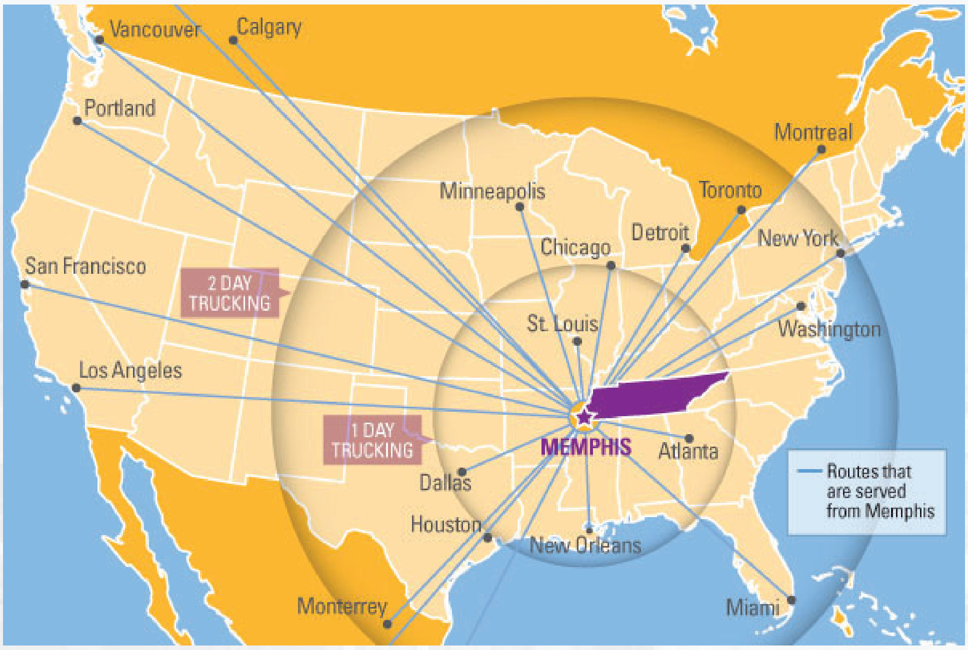
This makes the country's exports uncompetitive in terms of quality because logistical challenges like storage, cold rooms and transport mean we do not meet the required quality standards from the market.

Also, all the little logistics facilities we have are in Kampala but they are also not sufficient.

Recently, the World Bank carried out a study on logistics in Uganda that looked at modern warehouses, cold rooms and other such facilities but one of the shocking findings was that there was no single cold room in Kampala.

So, when we are talking about agriculture and maybe looking at horticulture as a sub-sector, we cannot support them because they need a cold room. Now all these are some of the things we are looking at when we talk about turning Uganda into a logistics hub.

Why Is Memphis The Logistics Hub of America?



Memphis is the distribution hub of America

By Cliff Lynch

Founded in 1819 by Andrew Jackson because of its strategic location on the Mississippi river, for almost 200 years Memphis has been an important transportation hub. Over the years, as logistics assets have been added, Memphis has become a major logistics center. Because of its world class airport and ancillary logistics assets, it is considered to be America's Aerotropolis, "Where Runway, Road, Rail and River Merge".

Memphis boasts the country's top cargo airport and the world's second busiest in terms of cargo, largely due to the fact that Memphis is home to the major FedEx hub. In 2011, the airport handled 3.9 metric tons of cargo, 90% of which was distributed through FedEx's over 300 domestic and international flights.

Memphis is only one of three U.S. cities that is served by five Class I railroads. These include the Norfolk Southern, Burlington Northern Santa Fe, Canadian National, Union Pacific, and CSX. All of the railroads have identified Memphis as a high-growth market for intermodal traffic, and four of them have invested significantly to expand the capacity of their terminals.

Additionally, Memphis is currently served by two national interstate highways: I-40 and I-55.

Together these two interstates provide access north-south and east-west across the entire country, connecting to ports, gateways, and other major distribution centers. These two interstates are being supplemented with two additional interstates, I-69 and I-22, as well as a regional interstate by-pass to provide increased highway capacity for the coming decades. I-69 is the so called "NAFTA Highway", which will extend from Canada to Mexico, passing through Memphis. It has been identified as a "Highway of National Significance". When completed, I-22 will be an important route connecting Memphis to Birmingham and Atlanta.

As for trucking, more than 400 companies operate from Memphis providing easy access to local, long distance, truckload, less than truckload, as well as specialized freight options. Located less than 500 miles from the mean center of US population, Memphis is well-positioned to serve a major portion of the country. In fact, 36% of the country can be reached overnight and almost 70% by the second day.

Furthering Memphis' trucking advantages, an Environmental Impact Study is being prepared for a new intermodal bridge across the Mississippi River that will accommodate both vehicles and railroads. It has been identified as a bridge of national significance in a 2006 feasibility study prepared by Wilbur Smith & Associates for the Tennessee Department of Transportation. This bridge will contribute to enhanced travel through the metropolitan area and expedite freight movements to and from the area.

Memphis also stands out with its options for shipping via water. The Port of Memphis is the fourth largest port on the inland waterway system, located strategically between the Port of New Orleans and St. Louis. The Mississippi River serves as another alternative for shipping goods in barge loads and container-on-barge operations.

Memphis' FedEx runway


Sorting at the FedEx Hub in Memphis

It's no surprise that Memphis has become a hub for logistics, with an extensive network of companies focused on logistics support operations including freight forwarders and logistics service providers. There are over 300 companies that offer freight forwarder services on a wide range of commodities.

Memphis logistics operations are supported by over 100 warehouse logistics service providers in the area, ranging from the small, boutique businesses to larger generalists, some with over 3 million square feet of distribution space. Products handled include almost anything, from agricultural chemicals to zippers. In addition to their core warehouse services, most offer value added services such as trucking, pick and pack, light assembly and kitting.

Another plus for Memphis is that since much of the manufacturing and agriculture in the United States is located in the middle part of the country, it is strategically situated to serve as a focal point for supporting this activity. Over 40% of the manufacturing in the United States takes place along the I-69 corridor which will pass through Memphis. For exporting, Memphis ranks 23rd out of 365 Metropolitan Statistical Areas in the U. S. and exports more than the total of 19 states. The export value has increased by $1.0 billion each year since 2005, and currently amounts to approximately $8.4 billion. The majority of water exports are bulk commodities. Synthetic fibers or plastics, industrial, organic chemicals and automotive industry goods are some of the top export commodities. New Orleans is the most important exit port for Memphis, followed by Los Angeles, Long Beach, and East Coast ports. China, Mexico, South Korea, Japan, and Australia are the top export destinations.

Many manufacturers and distributors have chosen Memphis as a site for their distribution operations; Nike, Medtronic, Williams Sonoma, and Pfizer, to name a few. Memphis has become popular with the logistics service providers, as well. One recent addition is Barrett Distribution Centers, a Franklin, Massachusetts provider. Barrett Distribtution serves an array of industries from fast moving consumer goods to the highly demanding automotive parts and online retail markets. When a firm is seeking a strategically located logistics center that has major multi-modal assets, Memphis is a clear first choice.

This first appeared on www.barrettdistribution.com on May 14, 2013

Memphis Bragging Rights

Transportation and Logistics

Greater Memphis has world class transportation infrastructure.

- International gateway for product export and import via four **Foreign Trade Zones**
- Home to the **FedEx World Hub** and major hubs for **UPS**, the **U.S. Postal Service,** and the **Air National Guard**.
- The Memphis workforce has more experienced logistics workers per capita than any other top 100 U.S. city, based on **Bureau of Labor Statistics** data.
- Memphis was ranked as the **number 1 "Logistics Leader"** in the country and was ranked second **globally** by *Business Facilities* magazine in 2016.
- Memphis ranked 4th for «Best Cost of Living» in 2015 by *Business Facilities* magazine.
- Memphis ranked **26th out of 100 U.S. metros** in total value of products exported in 2015, exporting over $11.8 billion.
- *Global Trade* magazine named Memphis one of the **"America's Best Cities for Global Trade,"** ranking Memphis 3rd for best infrastructure in 2015.

Runway: Memphis International Airport

- Known worldwide as **Memphis: America's Aerotropolis**
- For 23 years, home to the **busiest cargo airport in North America**
- The largest economic driver in the state of Tennessee with an **economic impact of $23.3 billion annually**, as of April 2013
- Weather does not impact operations at Memphis International Airport **99.2% of the time.**
- More than 80 passenger flights daily, with direct service to 29 destinations.
- In 2014, Memphis International Airport ranked #2 overall in *Air Cargo World* magazine's annual **"Air Cargo Excellence (ACE) Survey for North America,"** in the 1 million tons or more category.
- Memphis International Airport was ranked **No. 1 for mobile data coverage** among the top 50 airports by **RootMetrics** in 2015.
- In November 2012, FlightStats ranked Memphis International Airport the **top airport for on-time departures.**
- *Travel + Leisure* ranked Memphis International Airport as the **2nd safest airport in the nation** in 2011.
- In 2012, **Interstate Barbecue** and **Lenny's Sub Shop** were listed among the **best airport restaurants by GateGuru**, and airport information and review app.

Roads

- I-40 connects the Atlantic and Pacific Coasts and runs directly through Memphis. The stretch between Memphis and Little Rock is the 3rd-busiest trucking corridor in the nation.
- Memphis is the halfway point of the new 2,600-mile, **I-69 superhighway** connecting Canada to Mexico currently under construction.

Rail

- Memphis is the 3rd-largest rail center in the United States behind Chicago and St. Louis.
- Memphis is one of four U.S. cities with five Class I railroads: **BNSF**, **Canadian National**, **CSX**, **Norfolk Southern** and **Union Pacific**.
- Memphis is home to five of the largest wide-span cranes in the country because of **BNSF's** $200 million newly expanded intermodal facility.
- Home to nine fully-operational rail yards with a total current container capacity of more than 2 million annual lifts
- By train, Memphis can reach 45 states (including Canada and Mexico) within 2 days.
- Single system shipment to all 48 contiguous states, and Alaska, Mexico, and Canada

River

- The **International Port of Memphis** is the 5th-largest inland port in the United States and 2nd-largest inland port on the shallow draft portion of the Mississippi River.
- The largest still water harbor on the Mississippi River
- Port of Memphis handles more than **14.7 million tons** annually.
- The International Port of Memphis is also home to the **Valero** petroleum refinery, the only refinery in the State of Tennessee.

www.memphischamber.com

Why the National Logistics Platform is important for Uganda

By Diana Karimba

Without a clear vision on the development of logistic corridors and the place of Uganda in the regional logistic landscape, it would be difficult to formulate optimal policy to attract investment in the sector.

As a landlocked country, Uganda faces higher trade and transport costs than its coastal partners Kenya and Tanzania

Superior logistics would offer Uganda improved potential for economic gains. Given the structure of Uganda's economy, logistics are very important. Agriculture accounts for 42 per cent, while manufacturing accounts for at nine per cent and mining at six per cent (and set to grow with the discovery of oil). Combined, these sectors account for 57 per cent of Uganda's GDP. However, these sectors require transportation of large quantities of freight of low to medium value. This makes Uganda's economic performance intensively transport-dependent.

With this background, the Private Sector Foundation Uganda set up a Logistics Committee called Clearing, Transport and Haulage in 2014. It was through this committee that support was sought from Trademark East Africa to help fund and guide the design and implementation of the National Logistics Platform.

Maintaining and strengthening a competitive position as a logistics hub will require Uganda to make the right policy choices. It is difficult to ignore that alternative routes progressively improve in terms of security and costs for landlocked destinations such as South Sudan, Rwanda, Burundi and the DRC. Therefore, for Uganda to remain a competitive route, it needs to develop a comprehensive strategy to enhance logistics. Without a clear vision on the development of logistic corridors and the place of Uganda in the regional logistic landscape, it would be difficult to formulate optimal policy to attract investment in the sector. There is a real danger that Uganda and its logistic service industries will lag behind and only stay a market for large regional firms.

In addition to the efforts towards setting up a Logistics Platform, TMEA is also supporting the construction of a logistics hub in Gulu. This project seeks to reduce the time and costs for transporters, traders and producers of goods. The hub will enable traders to store, bulk and de-bulk products for distribution in the region and wider Southern Sudan and Democratic Republic of Congo populations.

TMEA will work with Ministry of Works, RVR, Uganda Railways Corporation, apex freight forwarders associations and the private sector to develop and utilize the facility. Setting up the hub will require policy aspects that will be channeled through the national logistics platform.

WHY GULU?

Northern Uganda remains the easiest gateway into Southern Sudan and Eastern DRC. Gulu and northern Uganda borders South Sudan and has the potential to feed the entire Horn of Africa. Since peace returned to Gulu, it has become land filled with lush maize, rice and sesame farms, among commercial forests funded by foreign agribusiness investors.

The logistics hub will provide a neat, efficient and centralized means of exercising control of cargo through standards monitoring, sanitary and phytosanitary control and collection of customs duties on cross border trade. The government also believes that the establishment of the Gulu logistics hub will result in an increase in trade flows, which will be beneficial to the northern Uganda region and the country as a whole.

The Gulu logistics hub Project is part of the 2030 Master Plan on Logistics in the Northern Economic Corridor that is being implemented by the government with a vision to be the ''Leading Economic Corridor with Integrated Transport and Logistics Systems In Africa.''

The National Logistics Platform, with support from Trademark East Africa and UK Aid, is a key partner in the upcoming Regional Logistics Expo to take place from 25th – 27th April 2017 at the Kampala Serena hotel under the theme, *'Transforming Uganda into a Logistics Hub - What is your role?'.* The expo expects to assess where the country is with particular regard to the policy, legal and regulatory environment and human capacity in the sector. The NLP is tasked with tracking progress and providing a monitoring and evaluation platform to ensure the right investments in the sector are made in the strategic areas to achieve the Logistics Hub status.

The writer, Diana Karimba, is the coordinator of the National Logistics Platform. Email: dkarimba@gmail.com

Uganda's logistics Sector looks to beat constraints

Hussein Kiddedde, CEO Graben 4Pl

To facilitate capacity building in preparation for oil production and another phase of exploration, indigenous freight logistics players in Uganda will need alternative and less costly financing options, Hussein Kiddedde, the CEO of Graben 4PL, has said.

"High cost of capital coupled with limitations aligned to accessing capital, if not addressed, will dilute local content aspirations and benefits," says Kiddedde, a certified member of the Chartered Institute of Logistics and Transport.

As such, traditional financiers will need to expand their menu by offering products with a flexible repayment plan. Short of that, the local logistics firms might not be able to borrow from the domestic market.

"They (banks) will need to borrow a leaf from the Islamic financing approach," Kiddedde advises.

As it is, the sector is already exposed to growth constraints, funding inefficiencies notwithstanding.

These constraints, Kiddedde points out, assume various forms but most prominently include inadequate infrastructure, low levels of human capital (e.g. lack of skills, high wages compared with productivity levels) and high transaction costs. The transactions costs may include high unit transport costs as a consequence of high levies on fuel, spare parts and vehicles that increase asset operation and maintenance costs. At the end, these costs narrow the profits that companies would otherwise have earned.

Unfavourable government policies are another hurdle that the sector has to contend with, says Kiddedde.

"This challenge lowers investors' accessibility to appropriate economic benefits as some policies increase risk to private investment through selective awards and/or inconsistent policy enforcement," he says.

Additionally, some policies have resulted into a heavy tax burden, where the value of private assets is diminished.

The same bad policies undercut private initiative by favouring competitors, says Kiddedde. He cites the unharmonised cross-border levies which have negatively impacted on large logistics projects.

"For every semi-trailer trip from Mombasa to Kampala, a Kenya based/registered motor carrier has a $300 advantage over the Uganda registered motor carrier. The Kenyans have a $150 cross border/toll fee advantage, and also another advantage of $150 in fuel pricing," Kiddedde pointed out.

He added: "Before fuel efficiency, the Kenya carrier has these advantages with his newer fleet that is cheaply financed. Meanwhile, the cost advantage of a Tanzanian motor carrier is $400 per trip in tolls alone hence in both cases making it impossible for the Uganda registered carrier to competitively bid."

Furthermore, the Ugandan logistics' investor has to contend with unexpected market failures, which impede experimentation with new business models. A growth in impediments was registered when "first movers" in the oil and gas industry failed to be adequately incentivized to take risks and to make investments in business innovation.

"As such, the local entities that bore all of the risks of failure when the oil and gas project was halted mid-2014 are now forced to share the benefits of innovation with their competitors," he says.

Now that Uganda seeks to produce First Oil by 2020, with more than 800,000 tonnes of equipment expected to be transported to the Albertine Graben, it is important that the aforementioned challenges are addressed before the same problems the first movers encountered reemerge. So, while the opportunity for the freight and logistics industry is evident, caution is imperative going forward, reasons Kiddedde.

"We need long term articulate contracts that include guarantee payments as well as clear provisions on the value. This would enhance acquisition of financing as well as facilitate competition," says Kiddedde, whose Graben 4PL is an ISO-certified logistics integrator, offering logistics services of management, consultancy organisation and coordination in the supply chains.

He opines that while the oil and gas sector presents great opportunities, there is need for capacity building through skilling, certification, clear and timely information. This will not only ensure appropriate equipment and human capital is availed, but also guarantees transparency and equal opportunities for the players.

"The freight logistics industry requires EHS management training, ISO quality management systems to ensure standards as well as highly-trained truck/equipment crew," he adds.

If the national content regulations are followed, the local freight logistics players have unprecedented opportunity in terms of volumes offering inland transportation, infield transportation, warehousing/storage, lifting services, passenger/people logistics, waste transportation, customs brokerage and freight forwarding among other services.

Given the magnitude of the task at hand in the oil and gas sector, Kiddedde urges freight and logistics companies to collaborate as opposed to working in silos; emphasizing that no local company has the capacity to go it alone.

"An oil and gas sector National Suppliers' Database (NSD) under the Petroleum Authority is a positive step in the right direction, which needs to be embraced by all. It's a platform for the sector players to identify and meet their match", Kiddedde says.

This can be supplemented by an updated baseline survey to ascertain the current state of the opportunities and the challenges in the industry.

"Timely dissemination of accurate information, monitoring and incentivizing foreign entities that promote local content is critical for national content development as it helps us make informed investment decisions on asset mobilization as well as build national content capacity. Unfortunately, this has not been the case in the past, with many players operating in the dark or being exploited," he says.

Regional cargo tracking services to boost trade in East Africa

Doing business in Kenya, Uganda, and Rwanda is expected to improve following the activation of an online regional Electronic Cargo Tracking System (RECTS).

Launched in Kampala on February 24, 2017, the new system will track the movement of goods from the port of Mombasa to Kampala and Kigali.

Initially, individual states had their own tracking systems working within the boundaries, and thus limiting complete transit monitoring of cargo to the final destination and exposing it to dumping, robbery, delayed bond cancellation and refund processing, and poor information exchange.

The new development comes in handy for Uganda in particular with Uganda Revenue Authority's (URA) recent unveiling of the Uganda Single Electronic Window system in November 2016 aimed at reducing transaction costs for the private sector by at least 30 per cent.

Doris Akol, URA's Commissioner General, says the new system has been built on the first phase of the Electronic Cargo Tracking System that was unveiled in Uganda in 2014, leading to a reduction in transit days from an average of six days to 1.5 days for trucks moving from Busia to Elegu, bordering with South Sudan.

She said the $4.4 million initiative funded by the United Kingdom's Department for International Development (DFID) through TradeMark East Africa will help the revenue authorities in the region to monitor goods from the start to the final destinations, ease cargo-handling and ultimately improve revenue collection.

"It will also prevent market distortion that comes with dumping of goods," she said, adding that the system will also benefit local traders, assuring potential investors of a levelled playing field in our region.

The new tracking system comprises of satellites, central command centres in each of the revenue authorities – Kenya Revenue Authority, URA, and Rwanda Revenue Authority –smart gadgets and rapid response units.

The system has no cost implications to transporters. Trackers – machines are attached on transit cargo vehicles communicating with the command centres and the owner of the cargo with real time updates such as vehicle location, speed, and the status of the goods (whether tampered with or not).

A customs officer shows guests how the RECTS works

This is to be supplemented with the response units stationed along the sections of the Northern Corridor identified as notorious for diversion of goods.

"These response units would be responding to the alerts received from the command centres about suspicious behaviour like diversion from designated route, unusually long stopovers or attempts to open a container, which they investigate and resolve on the spot," Akol said.

Frank Matsaert, the chief executive officer of TradeMark East Africa, says it will now be possible to reduce the transit time from Mombasa to Kampala from four to two days with the new system.

He says they will continue to partner with the revenue authorities in the region in integrating their systems to further ease trade.

Paul Mullard, a senior economic advisor at DFID, says reducing the region's trade barriers would generate growth and promote jobs and income, which is the surest way to reduce poverty.

"The launch of the Regional Electronic Cargo tracking System marks an important milestone towards our shared goal of reducing by a third the time to import and export goods from Uganda," Mullard says.

Traders in Kampala have welcomed the new development saying it will reduce the incidences of losing cargo.

"We have been losing about 60 consignments of cargo per annum due to highway robberies between Mombasa and Kampala," says Everest Kayondo, the chairman of Kampala City Traders Association. "We now hope that this system will be effective and support our trading."

He says several Uganda traders have been arrested and extorted of their cash in Kenya when searching for their lost goods.

In November 2016, three Ugandan traders filed a complaint with Interpol accusing the Kenya Ports Authority (KPA), Semelado Investments Ltd/ Sharis Logistics, and Cargo Hauliers Investments of loss of up to $140,000 and loss of their containers at Mombasa.

The three traders, Uthman Kimera, Robert Kisitu and Diana Nasuna under LAMAR, a representative of Sinosolar International Uganda Limited, filed a complaint with Interpol and nine other institutions including the ministry of Trade, ministry of Foreign Affairs, Inspector General of Police, Kenya, Kenya Ports Authority, among others.

The traders said their agents Semelado/ Sharis and Cargo Hauliers, all Kenyan registered companies that were contracted to clear LAMAR's containers connived with authorities who henceforth arrested them at the airport and took them to a nearby Mombasa post where they were threatened, harassed and extorted $40,000 before escorting them to the airport back to Uganda.

Analysts expect cases similar to these ones to reduce with the invention of systems like RECTS. They would also make the work of revenue authorities that are currently handling big volumes of trade easier to accomplish. For instance, countrywide, the URA clears about 520,000 transactions, handles 190,000 in total annual transits and has so far tracked goods worth US$250 million. KRA and RRA are not an exception.

Eng Dr. Kiwanuka (L), Chairman Board of Directors (UFZA) hands over Licence to Dr. Adriko, Chairman Board of Directors (Arua SEZ)

Arua to host first free zone

The northern Ugandan district of Arua, which borders South Sudan, will host the first free zone in the country.

This comes after the Uganda Free Zones Authority issued a developer's license to Arua SEZ Ltd on January 31, 2017. The company was licensed to develop a Special Economic Zone (SEZ) in Arua Municipality.

While handing over the license, Eng Dr Frederick Kiwanuka, the Chairman Board of Directors of UFZA, congratulated the indigenous company for seizing and harnessing the business opportunities that free zones present to the business community.

UFZA is mandated to develop, manage, market, maintain, supervise and control free zones in Uganda. Free zones are designated areas where goods introduced and produced are generally regarded as being outside the customs territory, in as far as import and export duties are concerned.

"Arua Special Economic Zone will be a key driver for exports and job creation in Uganda. The key export destinations will be Eastern DRC, South Sudan and Central African Republic, while raw materials from these countries such as timber and minerals will be processed for the international markets," Dr Eric Adriko, the chairman of Arua SEZ, said.

Arua SEZ will develop 45,000 square metres of productive warehouse space on a site of 12 hectares, including an export business accelerator park for local Small Scale Enterprises (SMEs), which should enable them get onto the international value chains.

The SEZ will include the development of an office park for dedicated trade facilitation and market linkage services to enhance trade in the region. The development is expected to cost about $12.7 million, with an additional $30.6 million from the operators or business enterprises the SEZ will host.

An estimated 2,500 direct and indirect jobs are expected to be created in the zone.

"The authority will see to it that Arua SEZ gets all the necessary documentation from the government ministries, departments and agencies with whom partnerships have already been established like URA, UNBS, URSB and others to aid in the acquisition of secondary licences, permits and approvals," Richard Jabo, the Executive Director of UFZA, said.

The project will be anchored on warehouses to facilitate the activities of: labelling, packing and repacking, sorting, grading, cleaning and mixing (agro processing) and breaking of bulk.

In future, the company intends to embark on processing timber into finished products for export.

Arua SEZ also intends to set up a fish processing unit, which will get its supplies from the local communities that are practicing aquaculture along River Nile.

"This will translate into better incomes for the locals and a better standard of living as they will be integrated into the global fish value chains," says Adriko.

This Arua development feeds into the authority's strategic plan FY 2015/16 – 2019/20, which envisages establishment of two public free zones and eight privately developed free zones.

The government's main policy objective in establishing free zones was to promote investment in the manufacturing and processing sector in order to boost Uganda's exports. Arua SEZ is expected to contribute towards the attainment of this goal.

Afro Freight readies for oil, with global partners

Established in 1997, with four workers, Afro Freight Clearing and Forwarding Ltd is now a well-established firm with ambitions of competing for major contracts in the oil and gas industry, Grace Tumukunde, **(pictured)**, the founder, says.

Tumukunde, who left her previous employment in 1998 and struck out on her own in the logistics world, has since steered Afro Freight CFL from humble beginnings to a respectable regional clearing, forwarding and logistics' player.

Her reputation in the industry is one of the company's biggest assets and she continues to drive Afro Freight CFL to greater heights with her foresight, generosity, entrepreneurial spirit and integrity.

Afro Freight's latest foray is into the oil industry with a fully-fledged oil and energy department created to adequately compete for oil-related business.

"Recently, we partnered with Mediterranean Shipping Company S.A to help us handle freight from all parts of the world," Tumukunde says.

Mediterranean Shipping has experience in moving all types and sizes of oil well equipment, including out of gauge project equipment and land rig movements (rig shunts), etc.

The privately owned global organisation operates a network of 480 offices in 150 countries, employing a team of more than 60,000 individuals. Its established fleet of 460 container vessels has an intake capacity of about 2.75 million TEU (twenty-foot equivalent unit) with global sailing schedules covering 200 routes and calling at 315 ports worldwide.

Afro Freight's regional associates are renowned inland logistics expert transporters such as SABA – GIFCO, who have a wealth of experience from across the world. This exposes Afro Freight's clients to SABA – GIFCO's huge fleet of trucks in the region, in addition to its 12 acre Inland Container Depot in Namanve Industrial Park.

Meanwhile, Afro Freight harbours expansion plans of its own. The company's application for land in Namanve Industrial Park was approved by the Uganda Investment Authority. The logistics company was allocated about two acres where an ICD to accommodate about 300 containers will be constructed, with ample parking space for trailers and vehicles.

This is expected to lead to a rise in the number of permanent workers, which currently stands at 17, notes Tumukunde.

However, a set of final paperwork from the Trade Ministry and the Investment Authority needs to first be signed before the Namanve project kicks off. Afro Freight also needs to secure funding of up to $3m to set up the infrastructure at Namanve.

"Our services have recently extended to South Sudan, with an office in Juba to complement our Entebbe Airport one, and the others at the entry points of Malaba, Busia and Katuna. A Dubai office will be up by the end of 2017 as well to serve our huge clientele," says Tumukunde.

She added: "Our operations have grown from five containers to about 300 40-feet containers every quarter."

A handler of delicate vaccines and medical equipment for the Ministry of Health, National Medical Stores and China-Uganda Friendship Hospital, Afro Freight's clients also include other government bodies such as the Uganda Communications Commission, NITA Uganda, among others.

"Because government business is very competitive, you have to be efficient to handle such cargo," Tumukunde says.

While the oil industry promises to be lucrative business, Afro Freight will not rush to invest heavily there. The company is cautious of booking heavy redundancy costs at a time of low activity within Uganda's oil industry.

So, instead of purchasing expensive trucks and hiring and training new staff, it is looking more at approaching its international partners for fleet, drivers and other services when the need arises.

"The trucks are very expensive. You may commit $20m to purchasing a few for the sector and end up stuck with bank loans and redundant staff. Some drivers for instance are only called in when the need arises," she says.

Discussions with the Union of African Shippers Council are also ongoing to get other partners on board. The company has in the meantime registered with the National Suppliers' Database (NSD), the platform that brings together all oil industry suppliers.

Government support

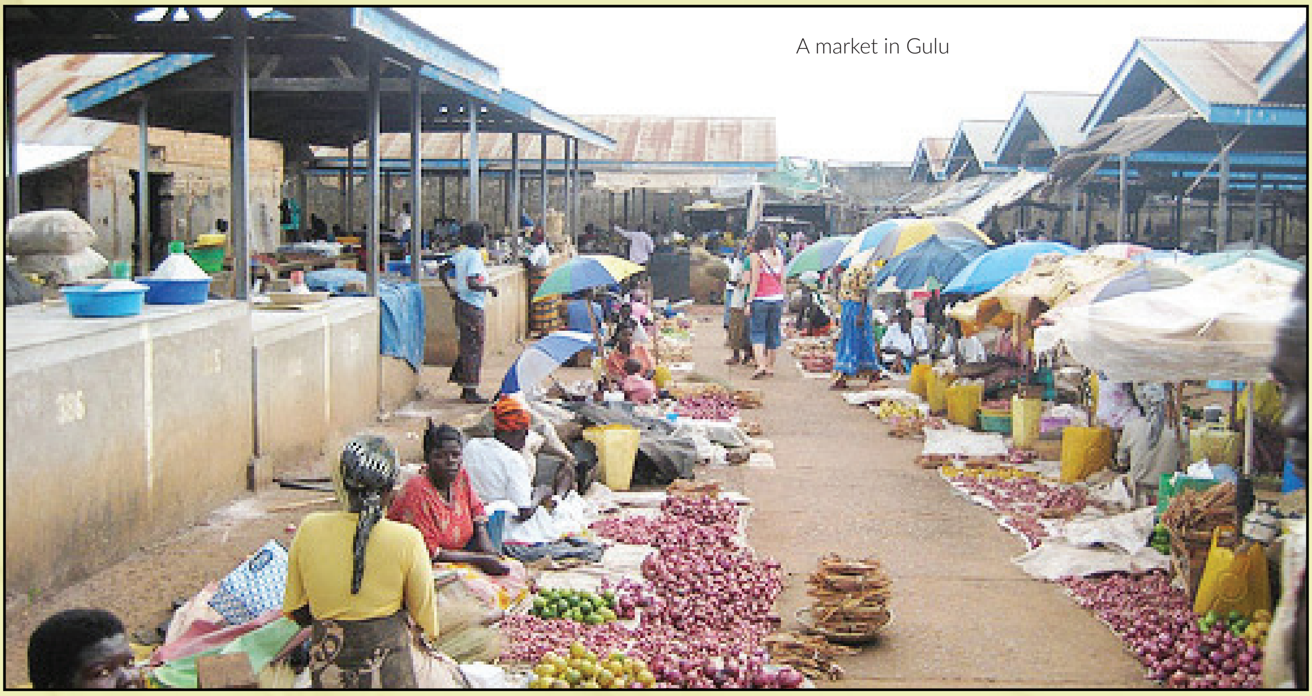
A more integrated and inter-connected transport infrastructure with more airports; a revival of Lake Victoria ports such as Port Bell; and a far-reaching railway network is needed urgently by the freight and logistics industry players, says Tumukunde, as many costs are incurred due to these deficiencies.

Training and certification of logistics service providers is also needed.

Importantly, government can put aside some funds for the sector. The government can do this by providing guarantees on loans and offer tax breaks on equipment meant to serve the oil sector. Otherwise the local firms may find it difficult to compete for tenders against their international rivals.


Afro Freight's regional associates are renowned inland logistics expert transporters such as SABA – GIFCO.

Gulu seeks more glory with new logistics hub



A market in Gulu

Just over 10 years ago, Gulu town was emerging out of the wreckage of war after government forces finally drove out rebels belonging to the Lord's Resistance Army out of the country.

A recovery programme, such as the World Bank-supported Northern Uganda Social Action Fund, was rolled into place to uplift towns such as Gulu that had been ravaged by years of war.

The rattling sounds of gunshots during the day, and the gloomy faces of children trekking from the villages to the more safer havens of Gulu's streets, has been replaced with hyper excitement of booming trade. Gulu has become a crucial gateway for traders moving to South Sudan, another country that is on a rebuilding process after decades of fighting.

The recovery of Gulu presents both promise and hope. Promise in that its location is important for a country looking to tap the opportunities South Sudan offers, and hope in the sense that Gulu embodies the spirit of a town that won't just give up.

It is partly on these grounds that TradeMark East Africa (TMEA) remains excited about the prospect of supporting the construction of a logistics hub in Gulu.

According to plans on the Gulu Logistics Hub, up to $18.2 million is needed to put up the hub. Already, the project sponsors say they have secured of $3 million to invest in this project.

This money, according to TMEA, which is one of the project sponsors, should put up a container yard, a container freight station, vehicle-holding area and traffic flows, an administration building, a perimeter wall, upgrade access roads, have a security gate and guardhouse, upgrade of utilities such as electricity lines, water drainage systems, water treatment and sewerage.

"The infrastructure will constitute the first step in the establishment of a freight centre that will include an Inland Container Depot (ICD) and a warehousing complex. The government will build the ICD complex with the support of TMEA at a cost of $3 million," TMEA said.

A consultant's report, basing on a five-year projection of cargo, estimated the cargo that can be allocated to the logistics hub as equal to 30,6185 TEU (Twenty-foot Equivalent Unit) per annum.

Exports from Uganda to South Sudan were $264.92 million in 2015; the latest official figures available. With the Gulu hub in place, these numbers are bound to go higher.

TMEA says that part of the land set aside for the development of the logistics hub shall be dedicated for setting up of a warehousing complex, where the private sector shall be invited to build storerooms.

Together, TMEA added, "the ICD and the warehousing complex will form the nucleus for an agglomeration economy derived from concentration of logistics in Gulu."

According to official proposals, the ICD should be operated through a concession for a period of no less than 30 years.

"It is environed that in this operational and maintenance concession that the government will invest in the provision of all terminal infrastructure, while the concessioner will be responsible for investing in the operating equipment," TMEA noted.

Achieved, the hub will further wipe away the image of a war-ravaged Gulu town to one defined by an attractive trade and investment destination.

Mirama Hills provides more options for Uganda, Rwanda Trade

Rwanda remains a top performer for the region. With glowing assessments such as the World Bank's Doing Business Report, Rwanda remains an attractive place for businesses looking to expand their franchises.

For Uganda, Rwanda remains a key export market, which the country needs to tap more into. Deepening ties with Rwanda has not been smooth for Uganda though, with few entry points in the country and a costly route to the border point of Katuna to transport goods.

It is on these grounds that TradeMark East Africa decided to support the construction of the one stop border post at Kagitumba in Rwanda and the Mirama hills in Uganda.

According to TMEA, the Mirama Hills road route offers a shorter and less difficult route to Rwanda than passing through the Katuna/Gatuna border post.

"Operationalization of a one stop border post at Kagitumba and Mirama hills is expected to decrease the time for goods to be transported between Kampala and Kigali and increase the volume of traffic using this route."

The one stop border post is already operational, and should have reduced the time spent from Kampala to the border at Mirama by 30 per cent compared with the route to Katuna.

On that account, a team of 14 from the National Logistics platform – which seeks to reduce the cost of doing business in the region by, among other things, promoting the construction of hubs - drove from Kampala to Kigali in December 2016.

"The purpose of the road trip was to experience the Kampala to Kigali route through the newly constructed one stop border post at Mirama Hills as opposed to the congested Katuna route," said TMEA.

The team stopped to inspect the newly constructed tarmac road from Ntungamo to Mirama Hills, which, at approximately 37km long, which is supposed to have been completed by the beginning of April 2017. This new route, according to TMEA, has attracted an increase of 6 per cent route usage.

In Rwanda, the team met the country's freight and logistics platform, which has been in operation since 2015. The teams shared experiences and discussed the challenges the industry faced and the opportunities that can be exploited.

The National Logistics Platform team agreed to work towards a partnership with the Kigali Logistics platform, which would foster strong partnerships and cooperation in developing an efficient and competitive `EAC logistics sector.

The Mirama Hills/Kagitumba border post is bound to open up more trade between Rwanda and Uganda. Rwanda remains a star performer in the region. For close to five years, economic growth has been stronger in Rwanda and Tanzania compared to the other East African countries.

Uganda exported goods worth $213 million to Rwanda in 2014 compared to the $11 million worth of goods it imported from there. The two countries also share the famous mountain gorillas, which is an attraction of tourists.

Tanzania's $1.2bn SGR project signals regional opportunities

Tanzania President John Magufuli (blue suit) gets a briefing on the Dar es Salaam _ Morogoro SGR

The recent launch of the construction of the Dar-es-Salaam – Morogoro Standard Gauge Railway (SGR) at Pugu Railway Station in Dar-es-Salaam by Tanzania President, John Pombe Magufuli, is another boost to regional efforts geared towards creating development opportunities for the over 150 million East African people.

Launched on April 13, 2017, the railway line will stretch over 300 kilometres, in which 205 kilometres will be the main line while 95 kilometres will comprise of intersections. There will also be six main stations and six mini-stations for intersections. Upon completion, the electrified train will take two hours to travel from Dar es Salaam to Dodoma and after the whole project is complete, it will take less than 10 hours to reach Mwanza unlike the current 36 hours.

According to Railway Assets Holding Company (RAHCO) Director General, Masanja Kadogosa, the SGR project will handle 17 million tonnes per annum and will run parallel to the existing central railway line built 112 years ago by the German colonialists. Total project cost is $1.215 billion. It will be manned by Yapi Merkez Insaat Ve Sanayi from Turkey alongside Mota-Engil, Engenharie and Construcao Africa, SA from Portugal.

It will connect Dar-es-Salaam with Morogoro. Construction is expected to last 30 months, officials said. It is designed for a maximum speed of 160km per hour for passenger trains and 120km per hour for freight.

Among the guests at the launch of the project was Uganda's Oscar Edule from the Embassy of Uganda.

Edule said the railway will boost trade within the East African Community including Uganda, Rwanda, the Democratic Republic of Congo (DRC) and Burundi.

The bigger plan is to have the 1,217 km railway line from Dar-es-Salaam to Mwanza – Uganda then to the port of Dar-es-Salaam where cargo can be transported by the SGR and by ships across Lake Victoria using Port Bell.

Like the other leaders in the region, President Magufuli said at the launch that his government is committed to developing infrastructure such as the SGR in addition to improving and expanding of ports, airports, roads and bridges.

Analysts say regional connection with the SGR would reduce the cost of transport in the region, making it an attractive investment destination; reduce the cost of doing business and enhance regional competitiveness; accelerate industrialisation through easier and cheaper transport to world markets; enhance environmental protection through reduced carbon emission; reduce wear and tear on the roads, leading to reduced maintenance costs. The other benefits would be: enhanced freight security, development and growth of cities and towns along the SGR route and accelerated growth of key sectors such as agriculture, mining, oil and gas, tourism, trade and industry. The bigger project is expected to create hundreds of jobs directly and indirectly among other economic benefits for the region.

Multiliners' Gerald Mukyenga (C) poses with his staff

"The economy can feel UFFA's contribution"

From an unrecognisable industry association, whose main objective was to professionalise logistics business, the Uganda Freight Forwarders Association (UFFA) has indeed come of age.

UFFA was founded in 2000 as a business association to address specific problems that bedevilled the logistics industry at the time including unethical conduct, lack of professionalism and the fact that the industry did not have a uniform voice to air its issues to the policy makers.

"UFFA came into existence when other sector associations were already in operation. But we took on a different approach where by the entire business chain was our concern; beyond merely clearing and forwarding," says Jennifer Mwijukye, the outgoing chairperson of UFFA.

As such, all players including shipping line agents, warehouse and ICD operators, transporters, amongst others were all welcomed into the association, because everyone's role was deemed significant on the supply chain.

> "We believe logistics keeps the entire economy moving. As such, to serve all the other sectors fully, it is prudent to embrace the strategic and comparative advantages Uganda enjoys within East Africa, and ride on this to take us to greater heights"

"Through advocacy and proving our trustworthiness to the state, UFFA is now the mouthpiece for the whole industry, evidenced by our representation on the Private Sector Foundation (PSFU), the Presidential Investor's Round Table (PIRT) and the Uganda Road Fund (URF), among others," says a gratified Mwijukye.

In as far as achieving the original objective of the association is concerned, she adds, she is proud that the holistic approach UFFA incorporated has yielded results; especially with the training programs the association initiated.

Following a needs assessment process a decade ago, UFFA developed a logistics curriculum and has since been training many youth since 2008. The training is now an on-going programme that is unique in two aspects, notes Mwijukye.

"One is that it has come out of our assessment of the day-to-day problems that we face as a sector; hence the training is focused on finding solutions for the same. Furthermore, the curriculum we developed is the first ever in the industry that is based on a public private partnership," she asserts.

UFFA partners with the Uganda Revenue Authority (URA) on this scheme. The association's approach proved so successful over the years that the East African Community (EAC) adopted it and is now duplicated across the four other member states.

"We are not only proud of the many professional logistics personnel that our association's training program has nurtured but also of these partnerships with state agencies," she says.

Going forward, the UFFA model can yield similar success stories across other sectors, since the state is slowly realising that its practical to partner with the private sector, says Mwijukye.

Because ethical challenges were one of the drivers in hatching UFFA, the group has adopted a strict code of conduct.

It chooses its members selectively and will not easily open its doors to anyone because they operate in freight and logistics.

"We do thorough due diligence of anyone applying to join the UFFA to ensure they do not carry any history of misconduct into our association," Mwijukye said.

Going forward the UFFA is starting to think nationally, beyond the nuts and bolts issues within its sector. The objectives it had in the beginning were very small, Mwijukye admits.

"I was telling my colleagues that this is why we have to think bigger. How do we make our sector relevant to Uganda's Vision 2040? That is more challenging and indeed makes the association more credible," she said.

Right now, UFFA is thinking beyond the objectives of professionalising.

Says, Mwijukye: "After doing all of this professionalising, then what?"

It's from such self-assessment that the Regional Logistics Expo idea came to fruition.

"So indeed, the Logistics Expo is a natural result of an association that has built a history, a track record and capacity and is now seeking a fresh challenge. Our original objectives, were merely a means to an end. This is not to say that the expo is the end goal, though," she adds.

For UFFA to remain relevant as industry operators, it thought it wise to define a relevant strategy within logistics that it could advance to support the state in achieving ambitious plans like Vision 2040.

"We believe logistics keeps the entire economy moving. As such, to serve all the other sectors fully, it is prudent to embrace the strategic and comparative advantages Uganda enjoys within East Africa, and ride on this to take us to greater heights," Mwijukye explains.

With this thinking, the idea of transforming Uganda into a regional logistics hub was born. This has even been adopted in UFFA's vision statements.

"Why do we think that it is possible? Because of our strategic location. We can be able to serve the neighbouring markets of South Sudan, DR Congo, Rwanda and Burundi," she says.

Of the commodities imported into Uganda, more than 50 percent is for redistribution to Southern Sudan and DR Congo, statistics reveal.

Elly Karuhanga, the Chairman of the Uganda Chamber of Mines and Petroleum is all for this vision.

Noting, "Uganda by nature is a hub. It is only that we have never bothered to exploit this God-given opportunity. A country like Belgium survives largely because of the hub at Antwerp port that serves most of Europe. This is what we need to do here. We need to create a transport hub because Uganda can be the largest warehouse in East Africa."

Already, people from Northern Tanzania are boarding flights to Dar es Salaam via our Entebbe Airport, says Karuhanga, hence in a way Uganda is already an ad hoc transport hub of sorts; but it will need to prepare itself thoroughly to assume this position, he adds.

Logistics hubs can unlock potential of Uganda farmers

How agriculture can benefit from a well-oiled logistics system

Kasese coffee farmers using a hand-cranked pulping machine

Uganda's lush greens and fertile soils continue to position the country as a food basket of the region. But recent events, where prolonged drought has led to hunger and high food prices, has weakened the country's position as a food buffer and instead point to a larger problem that needs quick solutions – the lack of storage facilities.

With three quarters of Ugandans earning a living from agriculture, supporting the sector in terms of putting in place storage facilities is critical if the country is to achieve its middle income aspirations. This support could translate into more exports for the country.

Jennifer Mwijukye, CEO, Unifreight Logistics and also the outgoing chairperson of the Uganda Freight Forwarders Association (UFFA), believes Uganda needs to focus on removing supply chain constraints through the creation of logistics hubs if more farmers are to grow from subsistence to commercial farming. This, she believes, will also spur growth in other industries and boost exports.

"The quality attributes of any finished product is a factor of so many things that are done prior to its export," Mwijukye says.

Adding, "It is not just about the chemical or physical content of a product; it is how that product has been packaged; it is how that product is stored; and it is how safe that product is going to be transported from one location to the market."

Mwijukye says that if the logistics hubs are put up in places where farmers grow crops or at the borders where a lot of trade happens, the country's export capacity will be enhanced.

Uganda targets to become a middle status income country, and projects to earn at least $8 billion in exports by 2020. The country is currently earning less than $4 billion in exports.

To achieve this goal, there is a need to have in place a strong export strategy, especially one that promotes the construction of logistics hubs.

The presence of logistics hubs in different parts of the country, Mwijukye says, will help farmers access information, as well as make facilities such as stores and warehouses accessible to those who need to keep their produce before being exported.

"When and order for maize is made from say the United Arab Emirates (UAE), the farmer has specific quality standards that they have to meet. Under normal circumstances over the course of the entire supply chain, right from the time of planting, through to harvesting, the farmer must be aiming at that quality," Mwijukye said.

The farmers have to answer many vital questions, like: where will they store the maize after drying? How will it be sorted and packed? How will the product be transported to the buyer in UAE?

Now, if standards on any of those stages are not met, the quality will be lost.

The price that an importer in UAE is willing to pay for the maize is dependent on the farmer meeting all the supply chain specifications because every stage has a related cost. So, for one to be able to price their product well, they must have all of this information on their fingertips.

"At the moment, not many people have this information or have access to us in logistics. We are not available. There is no information being shared. No farmer can stand wherever they are and be able to quote from an informed point of view," Mwijukye says.

Failure to meet these standards has seen many Ugandan traders fail to exploit international markets.

Furthermore, the lack of storage facilities means farmers cannot even supply the country in case of food shortages in some floods and drought ravaged regions.

However, when the hubs are easily accessible, the farmers or aggregators of grain know that they can find information easily.

The logistics hubs are bound to lead to the expansion of cities to other areas of the country.

Trade in towns such as Gulu, Tororo, Arua, Hoima and Kasese is expected to thrive if hubs are built there. The hubs, if built, are expected to come with large logistics infrastructure and activities that would attract investment and create employment.

Also, the immediate neighbouring towns or villages could easily tap into the hubs by having commercial agricultural activities and small processing industries.

Will Kenya – Uganda SGR be the answer?

Kasingye Kyamugambi, SGR project coordinator

For a long time, Ugandan importers have had to shoulder the costs of the slow movement of goods from the Kenyan port of Mombasa into Uganda.

In this online interview, KASINGYE KYAMUGAMBI, the project coordinator of Uganda's standard gauge railway, explains why the project is crucial for the country.

And when exactly do you expect to deliver this project?

We have compensated over 2,500 project-affected persons starting from Tororo, Butaleja, Namutumba, Luuka and half of Iganga. We are now heading to Mayuge. So far, over 100km of the corridor land has been acquired and fully compensated.

The chief government valuer is continuing with valuation reports and approval and then we continue with the compensation in the other areas. But we have also got permits from NEMA (National Environment Management Authority) for using some areas in wetlands totaling 53km as well as some strips through forest reserves from the National Forestry Authority. This means we already have 60 per cent of the land.

We are harmonizing with National Water and Sewerage Corporation, Uganda National Roads Authority and Uganda Electricity Transmission Company Limited to ensure the different infrastructure move smoothly.

We are also signing an MoU with Uganda National Bureau of Standards to ensure that the materials that come in are of the required quality. We have met district planners to ensure that once the railway is in place, it is used optimally to bring economic benefits so that the railway plays its functions to stimulate economic growth.

How competitive is the Uganda SGR project in terms of cost?

It is not appropriate for heavy infrastructure projects designed for 100 years to concentrate only on the investment costs. You must look at the life cycle because cost is an aggregation of the investment, operation and maintenance.

If careful analysis is not undertaken, usually policymakers favour low investments costs, which turn out to attract high operation and maintenance costs. All the comparisons being made now are based on investment costs.

For our contract, a study was done by an international firm who provided the preliminary engineering and feasibility study for the Malaba-Kampala SGR based on AREMA (American Railway Engineering and Maintenance- of-way Association) standards.

The consultant estimate was without locomotives and rolling stock. Uganda's contract cost for the Eastern route of $2.3

The SGR train before it left the Nairobi station in March 2017

billion, therefore, includes locomotives, rolling stock and provisional sums for an electric line. It is also important to note that in railway development, the highest cost is in bridges, followed by the earthworks (embankment), truck, stations and electrification, among others.

How are the funding constraints being addressed?

Given the challenging macroeconomic situation, government decided to prioritize the Eastern route first from Malaba to Kampala. The issue is having an efficient operation and maintenance that minimizes the gap between investment and full utilization of infrastructure.

The eastern route is the only route for which studies are complete and the final costs known in relation to the country's macros, which include debt-to-GDP ratio, per capita income, population and GDP. There are ongoing studies for the other routes (Western and Northern) that will inform the final costs. For now we only have planning costs for these routes.

The Exim Bank of China will contribute 85 percent of the funding while Uganda will contribute 15 pecent.

It appears we are lagging behind compared to our neighbour Kenya in terms of the general progress on the project. What is holding us?

We are negotiating with Exim Bank of China and so far the negotiations are going on well. Once we have secured the financing, we will commence construction.

How will traders benefit from this line?

It is a worthwhile investment and will transform the flow of commerce by reducing the time taken to move cargo from the port of Mombasa from the current seven to fourteen days to a single day, thus changing the turnaround time of business.

It will also significantly reduce the road wear and tear and open up the eastern part of DR Congo. By creating a cheap, reliable and efficient transport system, the new railway line will completely transform Uganda.

It will create a conducive environment for investments that spur industrialization and create jobs by attracting foreign direct investment. Currently, we are losing about $2bn every year in transport costs from Mombasa to Kampala because of slow, inefficient transport systems.

Will the SGR also cater for passengers?

Yes, the railway will carry 95 per cent freight and five per cent passengers.

On the issue of local content, what sort of efforts have been put up to have Ugandan firms play a key role in the construction of this line?

This is high on government agenda. We continue to discuss with different suppliers and contractors. We have a local content strategy that has already been approved by the minister of works and transport. One area where we have scored highly is cement.

We are looking at getting both high-grade and normal-grade cement and we are engaging the cement dealers like Hima Cement and Tororo Cement. We will not be importing cement. Discussions are going well with the steel producers as well including Roofings, Steel and Tube and a few others. For labour, at least 90 percent of the workforce must be Ugandan.

How does the SGR relate in any way with the old Kenya-Uganda line operated by RVR, if at all?

The existing line is managed under a Kenya-Uganda concession that runs up to the year 2032. The operations of the metre gauge will, therefore, continue under this concession. The new line does not necessarily follow the old line because the new line is designed for faster and heavier cargo.

What are some of the challenges you have met so far?

Multiple land titling and encroachers are some of the biggest challenges. To compensate them, you have to amend the law. The other challenge is harmonization with the different infrastructure projects.

This interview first appeared in The Observer, newspaper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Integrated Oil Field Services

Mineral Services Limited (MSL) is a wholly owned Ugandan company contributing to petroleum exploration and production activities in Uganda since 1998. it is a Private Limited Company that is incorporated in Uganda.

The company was registered to provide mining services and other support services. The company's petroleum services now covers the areas of **Turnkey Accommodation services**, **Transport and fleet Management**, **Base Management services**, **Human Resource Management**, **Supply Chain Management**, **Seismic Study Support** , **Equipment Handling**, **Hire and Maintenance**, **Energy Supply**, **Overall Project Management** and other related services.

MSL has Warehousing facilities in Kiira, Ntoroko and Butiaba. As early as 1998 the company started offering services in the oil exploration industry whose operations are concentrated in the Albertine Graben in the Western Rift Valley of East Africa. The Company also has supported oil Companies in Eastern Democratic Republic of Congo (DRC) and the Republic of Southern Sudan.

Today, Uganda is on the verge of a large Oil boom in the Albertine Graben and will soon be entering the league of Oil producers. Uganda is on a race against time to train the requisite manpower and to develop support services to take the helm of the Ugandan industry. The Oil and Gas policy in Uganda stresses the need for local participation in the sector and MSL has strategically established to benefit. Partnerships with big Logistics players like **SuperGroup** has only created a desirable edge.

Mineral Services Limited has Worked with major Exploration and Production players in Uganda such as:

•TOTAL E&P. (to date, MSL is offering Turnkey Accommodation Services to Total E&P)

- Tullow Oil,
- Heritage Oil and Gas,
- Hardman Resources,
- Neptune/Tower Resources,
- Dominion Oil & Gas.
- IMC Geophysics
- Oil and Gas Exploration Co. (OGEC)- Changed to EXALO Drilling(Poland)
- Oil of Congo(DRC)
- ZPEB(China)
- BGP(China)
- Baker Hughes
- SOCO Oil (in DRC)
- IMC Geophysics/ Tesla (Canada)

Transport Logistics

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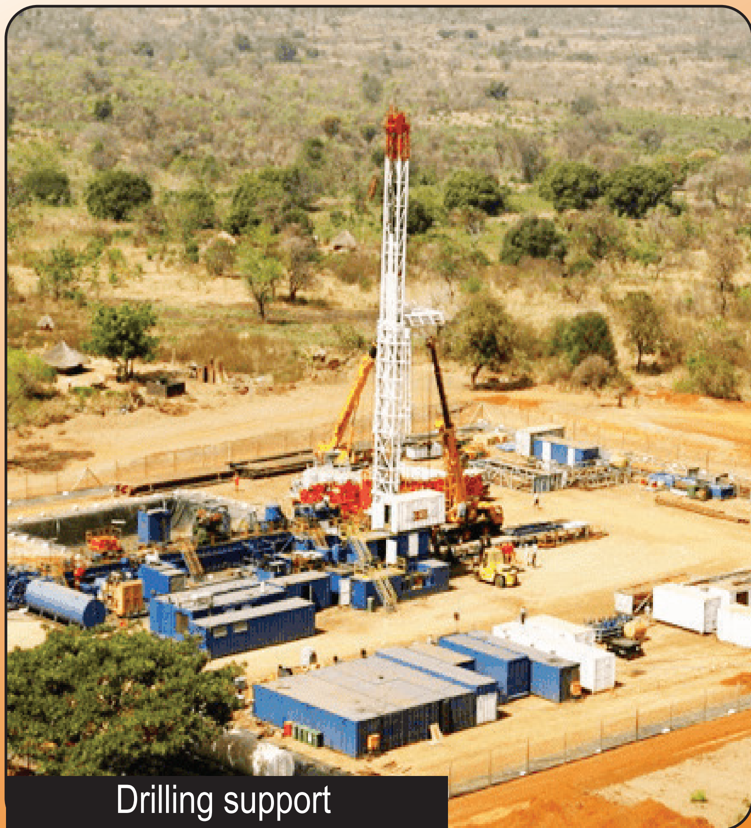

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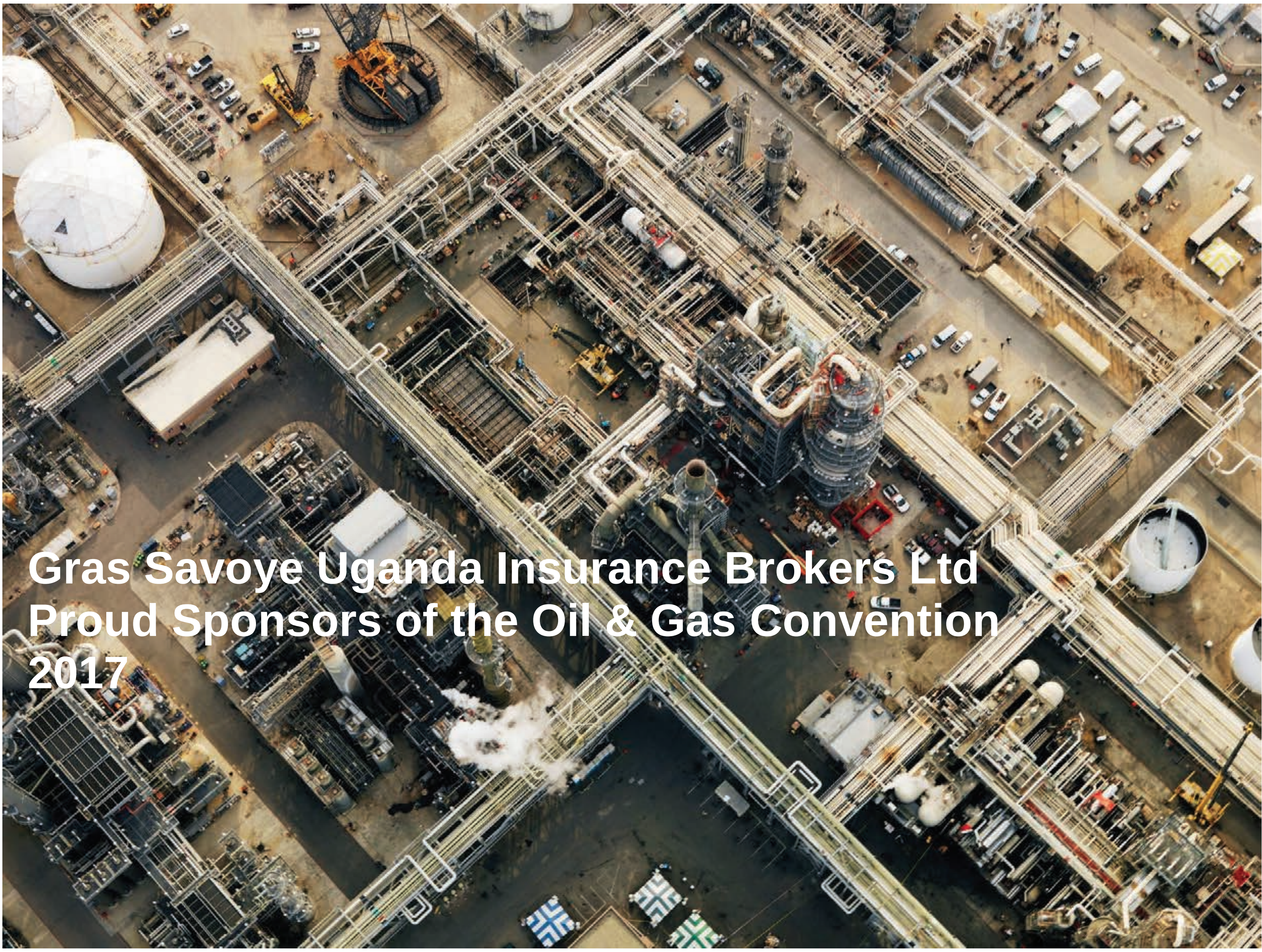

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