

## Sudan peace lures investors to growing oil sector

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By Wangui Kanina

NAIROBI, March 14 (Reuters) - Foreign firms seeking a share of Sudan's multimillion dollar oil industry flocked to a business conference on Tuesday, hoping that peace in the war-ravaged south would unlock huge potential oil wealth.

Sudan's southern government, in need of billions of dollars to rebuild a region deprived of roads, water and power after what was Africa's longest running civil war, is trying to attract investors to drill the oil there.

However, some warned of foreign exploitation of an infant administration lacking governance experience.

"What the world is looking for in southern Sudan is its natural resource capacity," Jonathan Bearman, managing director of consultancy firm Clearwater Research Services Ltd., said.

"There is a danger right now of bounty hunters, fortune hunters jumping on planes trying to sign up mineral rights."

Under a 2005 deal that ended more than two decades of civil war pitting southern rebels against the Khartoum government, oil revenues are split roughly 50-50 between the north and south.

Although the south has complained it has yet to receive its cut, the World Bank's lead economist for Sudan, Jeni Klugman, said it was projected to receive up to \$1.3 billion in oil money this year.

Up to 500,000 barrels of crude oil is produced every day, mainly from fields in the south with output forecast to rise by 150,000 barrels per day this year.

"We are very encouraged by the government's efforts to attract investors in this sector," said Saleem Soobader, an official at the Petroleum Oil and Gas Corporation.

The war restricted appraisal of Sudan's oil fields but experts estimate there are at least hundreds of millions of barrels of recoverable reserves in the south.

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The conference also drew other businesses - from banks to airlines to paint manufacturers - hoping to profit from demand for investment in everything from construction to transport.

"We've seen a lot of investors in the one year. We've been opening up letters of credit, mainly for emergency infrastructure projects," Victoria Otieno, a senior official with South Africa-based Stanbic Bank, said.

"What is very important is that the peace will hold."

Last year, donors pledged \$4.5 billion for Sudan between 2005-7 following the peace deal, which did not cover a separate conflict in Darfur.

Of that amount, \$1.7 billion was earmarked for development projects in the south, a region destroyed by cycles of conflict since independence in 1956.

The southern government, led by former guerrillas, acknowledged it had a lot to prove to investors wary of financial risk and sporadic bursts of insecurity in the region, half the size of Western Europe.

"A region that has just come out of war cannot immediately inspire confidence from investors," John Luk Jok, the south's minister for youth, culture and sports, told reporters.

"We have to answer the questions the investors will be raising."

(Additional reporting by Marie-Louise Gumuchian)