

# UAE – The Gateway to East Africa

On 17 May 2016, Berwin Leighton Paisner LLP (BLP), together with UK Trade & Investment (UKTI), hosted joint conference in the Jumeriah Emirates Towers in Dubai on the opportunities and challenges of doing business in East Africa.

The seminar highlighted the potential for growth in various sectors of the East African economy and how the UAE is ideally positioned, both geographically and economically, to help these developments with inbound and outbound investment.

The event attracted over 100 attendees with 14 speakers from across Africa, Europe, America and the Middle East all of whom work or have operations in Africa. It was opened by Lisa Mayhew, the managing partner of BLP, and a subsequent overview was given by Eric Olanya, head of UKTI Uganda.

The talks focused on three sectors of the economy, with a panel discussion and Q&A dedicated to each topic:

- 1 **Oil & Gas (panel 1)** – chaired by Alexander Sarac (partner at BLP, Dubai) and joined by Eric Olanya (head of UKTI Uganda), Leo Budd (managing partner of Energy Drilling in Uganda) and Dennis Kakembo (Senior Tax Manager at Deloitte East Africa, Kenya);
- 2 **Energy & Infrastructure (panel 2)** – chaired by Segun Osuntokun (partner and head of Africa practice at BLP, London) and joined by Mohammed Al-Tooqi (country manager, Tanzania, at State National Reserved Fund, Oman), Tobias Becker (senior vice president, Director Africa, at ABB Ltd), Andrew Mugambi (partner at Hamilton Harrison & Mathews, Kenya) and Eric van Zuthem (area director at BAM International, Tanzania); and
- 3 **Hospitality, Real Estate & Tourism (panel 3)** – chaired by Scott Antel (partner and head of Hospitality & Leisure MEA at BLP, Dubai) and joined by Johanne Hague (partner at JuristConsult Chambers, Mauritius), Dhruv Jog (company director at Advent Construction, Tanzania) and Trevor Ward (managing director at W Hospitality Group, Nigeria).

## Panel 1 – Oil & Gas opportunities in East Africa

This discussion focused on the opportunities and challenges in the oil & gas sector throughout East Africa, with particular focus on Uganda, Kenya and Tanzania. The key takeaway points from this panel discussion and Q&A are as follows:



There is huge potential in East Africa:

- Uganda is estimated to have around 6.5 billion barrels of oil;
- In Tanzania, the total estimated recoverable natural gas reserves are in the range of 57 trillion cubic feet, of which around 50 trillion cubic feet are off-shore.

However, the issue has been the delays and costs involved in extracting this potential and using it to develop the countries' economies:

- Uganda first discovered oil in 2006 but is yet to commercially extract and transport this;
- Tanzania started making huge discoveries of gas in 2011 but still only 4% of the rural population has access to electricity.

The major hindrance has been the lack of capacity and understanding from governments on how to create real growth from such opportunities:

- Uganda, Kenya and Tanzania have all made the costly mistake of introducing onerous taxes on oil & gas companies and stifling investment.

The industry is only 7-10 years old though and the feeling is the region is becoming more attractive for oil & gas development and investment:

- Tanzania's 2014 licensing round for on and off-shore gas did not attract the hoped for response mainly due to the proposed commercial terms;
- In order to market the off-shore gas in Mozambique and Tanzania substantial investment in LNG facilities will have to be made;
- Uganda have just signed a deal to build an oil pipeline through Tanzania to Tanga which has regional implications since Kenya was initially the selected transit country.

The UAE is perfectly placed to capitalise on investment into the region:

- there are daily short haul flights direct into East Africa;
- Dubai has a double tax treaty with Mozambique and Kenya (with talks about creating this with Uganda and Tanzania too);
- Dubai welcomes investments in and outbound Africa making it an excellent hub and potential headquarter for operations in (East) Africa.

## **Panel 2 – Energy (Power), Infrastructure and Construction Developments – connecting Eastern Africa**

This discussion highlighted some of the current infrastructure developments in East Africa, the types of issues such projects face and the possible solutions. The key takeaway points from this panel discussion and Q&A are as follows:

East Africa has some key infrastructure projects underway or in the pipeline:

- Lapsett project in Kenya and South Sudan – creating a new transport and economic corridor between the countries;



- exploration of the Rovuma basin which is calculated to hold around 150 trillion cubic feet of natural gas;
- Bagamoyo port project in Tanzania – creating a large port and industrial hub with transport links and commercial zones over a 90 square km free zone;
- construction of an interconnector between Kenya and Ethiopia.

However, there are still issues that East Africa infrastructure faces:

- the cost and time it takes to transport materials or fuel across the continent;
- there is a huge over-demand for power which countries are struggling to meet;
- the procurement processes are generally performed inefficiently.

What are the potential solutions?

- Improve transportation to enable power to reach rural areas quicker and more cheaply which may help to stop rapid urbanisation.
- Privatised national assets and use funds to improve infrastructure.
- Better collaboration between countries to pool together resources and know how.
- Governments should stop trying to be a player and become more of an enabler for investments.
- Train local talent to ensure a pool of skilled workers for the future.

East Africa has a lot to learn from the UAE:

- the importance of the three Ts – trade, transport and tourism;
- how to use natural resources and structure public policies to successfully develop the economy and encourage investment;
- supplement local talent with keen foreign workers.

### **Panel 3 – Hospitality, Real Estate and Tourism – new opportunities will continue to develop**

This discussion focused on current trends in the hospitality, real estate and tourism sectors throughout Africa, focusing on hotel developments as a crucial indicator. The key takeaway points from this panel discussion and Q&A are as follows:

- The hospitality sector is the second biggest industry worldwide, making up 10% of global GDP.
- Africa has recently seen a significant rise in the amount of hotel developments in the pipeline:
  - Accor is currently the largest group in respect of hotel openings in Africa with 5250 rooms opened between 2010-2015; and
  - Accor achieved a 300% increase in hotel rooms last year partly due to a contract to develop 60 hotels in Angola.

Most of the growth is coming from Sub Saharan Africa which has traditionally lagged behind North Africa. This may partly be due to the political unrest in certain North African countries like Libya and Egypt.



In terms of pipeline hotel developments in Sub Saharan Africa, the split is as follows:

- West Africa 45%;
- East Africa 24%;
- Southern Africa 26%; and
- Central Africa 5%.

The hotel industry in Africa does face some key obstacles:

- the majority of the costs are upfront capital with no presale revenue;
- dealing with operators is often a hindrance;
- the perception vs the reality of terrorism is often misguided by the press;
- Government tourism and immigration policies (especially in Nigeria) can be restrictive to growth.

The future of investment in the hospitality sector in Africa may lie with the idea of smart cities which are self-sustaining commercial and residential areas able to supply their own power needs.

Mauritius is encouraging investment not just into hotel construction but the surrounding social and energy infrastructure as well.

#### About Berwin Leighton Paisner

BLP is an international law firm with 14 offices and over 800 lawyers. BLP's leading Africa practice is advising clients across the African continent. BLP has been present in the Middle East since 2009. The Dubai office, in conjunction with the London and Asian offices serves as a gateway for in and outbound investment into Africa.

#### About UKTI

UK Trade & Investment is the Government department that helps UK-based companies succeed globally and assists overseas companies to bring investment to the UK. We lead the whole of Government effort to help UK firms win business overseas and rebalance the economy towards export led sustainable economic growth.