Oil-dependent African nations look to energy and tourism sectors

Countries in Africa suffering the effects of the oil crisis have the opportunity to diversify their economies by developing their energy, tourism, agribusiness and infrastructure sectors

The fall in global oil prices is heaping the pressure on oil-dependent African countries to diversify their economies. But what options are open to them? Attendees at an *Iberian Lawyer* event in London heard that nations such as Angola and Mozambique now have significant opportunities to attract investment in sectors such as renewable energy, tourism, agribusiness and infrastructure.

Angola, in particular, is heavily reliant on the oil industry for revenues. Indeed, in 2015-16, oil accounted for 95 per cent of the country's exports. "Dependence on the oil sector has led to a huge foreign exchange shortage in Angola," said FCB Sociedade de Advogados partner Pedro Guimarães, speaking at the Agenda Africa 2016 event at the Institute of Directors in London. He added that one of the knock-on effects of this has been disputes and litigation between international oil companies (IOCs) and service providers centred on the issue of payment. "This is quite surprising," said Guimarães. "We've always advised our clients in Angola to not go for litigation and always try and resolve it out of the courts or through arbitration." Guimarães added that a lot of exporters from outside Angola are becoming less willing to sell goods in the country because "they don't know if they're going to get paid in the end". Another consequence of the fall in oil prices has been a freeze in public investment, according to Guimarães.

1,446

Number of potential hydro projects – with the ability to produce 18GW of energy in total – that have been identified in Mozambique. Tete province presents the largest potential for hydroelectric projects, followed by Manica and Nampula.

Angola more open

However, Guimarães added that the Angolan government is taking steps to facilitate more economic diversification. "There has been a modification of significant pieces of legislation and each of the government ministries has set up an investment unit," he explained. Bruno Xavier de Pina, partner at PLMJ and head of the firm's Angola desk, said that Angola had, until recently, forgotten how to attract foreign investors. But he added: "The country is now more open as they understand they los an opportunity to attract some types of investors – the private sector should look to Angola not only as a runaway point when something goes wrong in the US, Europe or Asia, but as a place to

Bruno Xavier de Pina, PLMJ

stay for the long run."

With regard to countries in Francophone Africa, Vieira de Almeida partner Matthieu Le Roux said that there have been low prices in the oil, mining and agriculture sectors and that this has led to a reduction in the flow of finance to those nations. "There are a lot of mining projects on standby," said Le Roux. "This has had an impact on public finance, economic growth rates are very low and in some cases have halved – there have been cuts in public spending in most of the countries and international oil companies' exploration projects have slowed down and some have stopped." He added that some larger oil and gas companies are trying to sell their assets, notably to smaller companies.

Tourist potential
PLMJ partner Miguel Spínola said Mozambique's economy does not depend as much on oil and gas. He added: "Mozambique has traditionally had a more diverse economy – agriculture and fisheries for example. There is also huge potential for tourism, as well as in agribusiness and infrastructure, including roads, bridges and ports, for example." Sergio Antunes Teixeira, an associate on FCB Sociedade de Advogados' Mozambique Desk, said there were opportunities for the country to diversify its economy by developing its hydro energy and wind energy sectors. With regard to hydro energy, he highlighted that more than 1,400 potential projects had been identified with the potential to produce 18 gigawatts (GW). Meanwhile, in relation to solar energy, 16 solar energy sites – which will produce 1.2GW are being developed in connection with the country's national grid.

PPP resurgence
The event also heard that there was a resurgence in public-private partnerships (PPPs) in some African countries and that laws and regulatory frameworks for such partnerships were being developed. "We need the public sector to be interested in developing relationships with the private sector," one participant said. "Greater participation by the private sector is required for the development of infrastructure generally."

Attendees were also told that political and economic stability was a requirement for project finance and there were hopes that forthcoming elections may bring governments to power who promote project finance and PPPs. In addition, the event heard that there was an increase in the development of project preparation facilities, the lack of which has been identified as a barrier to the project financing of infrastructure. It was also noted that there was now increased involvement of direct foreign investors (DFIs) in project preparation facilities. IL

Event: *Agenda Africa 2016: Sub-Saharan Africa - Light at the end of the tunnel? How can dependable and fragile economies diversify faster to counter-balance the oil crisis*

Location: Institute of Directors, London


Matthieu Le Roux, Vieira de Almeida