

The investment powerhouse

Nabeel Ikram, Ilham Kabbouri and Bella Dunk of Vinson & Elkins highlight UAE's ambitions in Africa and the safety nets of bilateral investment treaties which aim to boost FDI on the continent.

In recent years, the United Arab Emirates (UAE) has significantly ramped up its foreign direct investment (FDI) in Africa, and has emerged as the fourth-largest foreign direct investor on the continent after China, the European Union and the United States.¹

We provide in the below (i) a snapshot of the statistics highlighting the economic ties between the UAE and Africa, and (ii) an introduction to the investment protection framework available to UAE companies looking at investing on the continent.

UAE FDI IN AFRICA: A STATISTICAL OVERVIEW

The UAE's FDI in Africa has witnessed substantial growth over the past decade and expanded beyond the Arabic-speaking

(north) part of the continent.

According to recent data, the UAE invested in excess of USD50 billion on the continent in 2022.

Significant recipients of UAE's investment in 2022 were: Egypt (USD24.8 bn), Kenya (USD1 bn), Morocco (USD2.8 bn), South Africa (USD8.4 bn) and Zimbabwe (USD20.9 bn).²

This surge underscores the UAE's strategic commitment to strengthening economic ties with African nations across various sectors, including infrastructure, renewable energy, technology, logistics, and retail.

Notable ventures include:

» Dubai Ports World's (DP World) investment in the development, modernisation and operation of ports and

terminals in numerous African countries including Angola, Djibouti, Egypt, Morocco, Mozambique, Senegal, Somalia and Tanzania;³

» AMEA Power's investment in the development and delivery of clean energy projects across the continent, with projects already in operation/under construction in Morocco, Egypt, Burkina Faso and Uganda;⁴

» Mubadala Investment Company's recent co-investment of USD350 million in global technology investment company Partech's latest Africa-focused venture capital fund — Partech Africa II.

COP28 AND THE UAE

The UAE's growing influence and economic engagement with the African continent was most recently illustrated during COP28, in which the Africa Green Investment Initiative was showcased.

Launched at the Africa Climate Summit 2023, this transformative partnership brings together USD4.5 billion of private, public, and development institutions including Abu Dhabi Fund for Development, AMEA Power, Etihad Credit Insurance, and Masdar, with Africa50 as the strategic partner, to support clean energy projects on the continent.⁵

The pipeline of projects under the umbrella of the initiative announced during COP28 include:

» AMEA Power signed two agreements to develop a USD600 million wind farm in Ethiopia.⁶

» Masdar committed to mobilising USD10 billion in investment to deliver 10 GW of clean energy in Africa by 2030.⁷

INVESTMENT PROTECTION FOR UAE INVESTORS IN AFRICA

Investing in Africa comes with a unique set of challenges, including, in some regions, political instability, regulatory uncertainties, repatriation restrictions and currency challenges.

To mitigate these risks, a number of investment protection mechanisms are in place, which UAE Investors should be aware of.

Bilateral Investment Treaties (BITs) are one of the primary tools which aim at offering investors protection against non-commercial risks. These treaties typically outline the standards of treatment that should be expected by foreign investors, which often include provisions for

fair and equitable treatment, full protection and security, and the assurance of compensation in the event of expropriation or nationalisation. These treaties also typically provide for an investor-state dispute settlement mechanism whereby in the event a state violates its investment protection-related obligations, the qualifying investor is entitled to bring a claim directly against the host state to the dispute resolution forum provided for in the treaty.

The UAE has signed 32 BITs with African Countries. Of those 32, only 12 are in force (Niger, Rwanda, Angola, Ethiopia, Mauritius, Comoros, Mauritania, Kenya, Guinea, Algeria, Egypt and Tunisia).⁸ In addition to BITs, several African countries have developed comprehensive Investment Protection Codes or Foreign Investment Laws. These codes outline the legal and regulatory framework for foreign investments in each country. Those instruments aim to provide some level of investment protection and incentives under domestic laws.

With its increasing investments in the continent, the UAE has managed not only to position itself as a key partner for a number of African nations but has also opened the door for new investors to venture on the continent often referred to as the last frontier for global growth. As UAE investors increasingly look at opportunities in Africa, close attention should be paid to the ever-evolving field of investment protection. 🇦🇪

References 1 - 8 are available on the web version of the article on the Oath's website.



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