

Energy resources can spark Africa's economic growth

 By [NJ Ayuk](#)

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Despite the Covid-19 pandemic, not all of the economic news in Africa has been negative. We continue to see promising developments.



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Look at Uganda's oil and gas industry. Following multiple petroleum discoveries in Uganda's Albertine Graben, foreign investments there have reached nearly \$20bn. The resulting projects include a refinery being built by the Uganda National Oil Company in joint partnership with four Italian and Mauritian companies. Through another joint venture, in this case with the Tanzania Petroleum Development Corp. and Total, Uganda's National Oil Company is building a 1,445km pipeline to the Tanzanian seaport that represents numerous opportunities for new jobs and economic growth.

The oil discoveries also have resulted in new food supply chain, equipment, and logistics businesses and the development of an airport in the Hoima district. And the government is looking at using oil revenue to boost other sectors including agriculture, health, and education. Because of the oil-related growth of businesses in the Bunyoro region, new roads, health centres, and schools have already been developed.

And this is one of multiple examples. In Senegal, President Macky Sall announced in late September that his country is on target to see double-digit economic growth, 13.7%, by 2023, thanks to new oil and gas field developments. What's more, Senegal has been reaping the rewards of a long-standing partnership with Germany, which has resulted in more than €1 billion in funding, including significant support for small-scale power plants and renewable energy projects.

The news has been promising in Rwanda as well, where government efforts to draw foreign investment are yielding fruit, including more and more investments by Turkish businesses. Turkey's biggest investment in Rwanda, by Hakan Mining and Electricity Generation Inc., involves the construction of an 80-megawatt power plant in the southern part of the country.

These encouraging events have a running theme: Through foreign investments and partnerships, these African countries are strategically harnessing their oil and gas resources to make sustainable improvements for their people. They're bolstering economic growth and addressing the need for widespread access to electricity.

Africa needs more of this

"Investments are required to convert resources in the ground to revenue and value. The investments represent jobs and business for a plethora of oil field service providers and is therefore an important metric to the wider activity level around the oil and gas industry," the upcoming 2021 Africa Energy Outlook says.

While the report describes widespread declines in capital expenditures in the continent's oil and gas industry, it notes that they are taking place, primarily, because of Covid-19. An investment rebound is possible after the pandemic, the report says, if oil prices exceed current expectations.

While there is little we can do to influence oil prices, there are tangible steps that African countries can, and should, be taking to increase the chances of much-needed investment dollars going into their energy projects. These include working toward increased government transparency, passing legislation that protects the sanctity of contracts, and implementing more competitive fiscal regimes. We need to be working on these measures now. This is how we will make a lasting difference in Africa. This is how we will empower people to develop the necessary skills to land well-paying jobs. This is how we will promote stability.

The job and investment killer

The Bank of Central African States (BEAC) forex regulations set to go into force in January 2021 is a classic example of what we should not be doing in Africa. Bureaucrats are not listening because they are comfortable with tax dollars and killing businesses and investment.

If the BEAC, International Monetary Fund and World Bank bureaucrats really mean what they say about helping Africa and Central African Economic and Monetary Community (Cemac) countries bounce back from Covid-19, shouldn't they be listening to what the people who actually run businesses have to say about job creation? After all, business employs 80% of the regions private sector workforce and accounts for more than 99% of its employers.

When over two-thirds of job creators especially energy companies tell us how to create jobs in an economy that desperately needs them, bureaucrats and politicians should not only listen, they should do something or get out of the way and let business work. Africa should not focus on development aid in exchange for job and investment killing regulations. We can do better than this. Free markets, limited government, cutting red tape, and individual liberty are still our best bet to than begging for bailouts and foreign aid.

Investments allow us to tackle pressing needs

One area where investors can have a tremendous impact is the battle against energy poverty. The need is acute. Currently, about 595-million people in sub-Saharan Africa, 55% of the region's population, are without access to electricity. World Bank Vice President Rachel Kyte summed up the problem effectively when she said, access to energy is fundamental in the struggle against poverty. "It is energy that lights the lamp that lets you do your homework, that keeps the heat on in a hospital, that lights the small businesses where most people work. Without energy, there is no economic growth, there is no dynamism, and there is no opportunity."

This is where international oil companies (IOCs) truly can make a difference, and on multiple fronts. By investing in oil and gas projects, IOCs create opportunities for revenue that can be channeled into new and improved energy infrastructure. And, by participating in upstream, midstream, and downstream natural gas projects, investors help create a path for valuable gas-to-power projects.

Monetising natural gas

For years, when I've called for strategically harnessing Africa's petroleum resources to bring about prosperity and stability for Africans, I've discussed the importance of monetising our vast supplies of natural gas. Instead of flaring gas or exporting all of it, African countries should be using it to diversify their economies and establish new revenue streams, from petrochemical and fertiliser manufacturing to liquified natural gas (LNG) plants. Partnering with foreign investors, more African countries could build midstream and downstream infrastructure, from pipelines and ports to refineries. Each of those projects, in turn, would generate more revenue and open the door to even greater diversification efforts. Investors would have an important role in this process. Not only could they partner with countries on infrastructure development, but by investing in capacity building and local content, they could enable individuals and businesses to qualify for the job and contract opportunities that result. This will create monetization that truly benefits local economies.

Knowledge transfers contribute to long-term growth

Not only does the continent need ongoing foreign investment, it also needs the technical knowledge and expertise that the international business community can provide. Knowledge transfers empower local companies - including oil and gas industry suppliers, service companies, and indigenous oil and gas companies - to cultivate the skills and technologies necessary to thrive in a continuously evolving industry.

What's more, knowledge sharing plays a valuable role in eliminating the need for foreign assistance. We realize that, with the Covid-19 pandemic wreaking havoc upon African economies, there has been more talk of aid packages to meet basic needs. And while donations and aid are appreciated and valuable during crises like the one we're experiencing now, they can do nothing but serve as a temporary emergency safety net. Rather than doing things "to help Africans," I'd like to see more foreign governments and companies partner with African countries to make sustainable changes for the better. Equipping African countries to thrive is a highly effective way to do that. Knowledge transfers contribute to stronger economies, increased entrepreneurial activity, and job creation.

How we get there

There's no question that foreign investments are beneficial, and necessary, for African countries. But when it comes to attracting investments from IOCs, we're not where we need to be yet.

So how do we foster more investment, both now and after the pandemic? As I've said, African countries must work to create an enabling environment.

To make doing business easy with their countries, government leaders should be looking at their tax frameworks so investors can be sure their hard work will yield fair dividends. They should be looking for ways to eliminate red tape, implement better fiscal regimes, and ensure transparency. And while countries should have local content policies in place to benefit individuals in businesses, they should put effort into creating policies that are fair, not burdensome, to IOCs. What's more, governments must enact legislation that ensures the sanctity of contracts so investors know their agreements will be respected.

Along with these efforts, oil and gas project developers and owners have their own role to play in drawing investors. It has become increasingly important for oil and gas projects to adopt strong environmental, social, and governance (ESG) standards. While these will vary by project, examples could include carbon emissions reduction and operational energy efficiency in the area of environment. Social standards could include health and safety measures and relationships with local suppliers and service companies. Examples of governance policies could include leadership diversity and reporting

transparency. Investors are considering ESG, and project developers must do the same.

Foreign investment opportunities will play an important role in supporting economic growth and eliminating energy poverty in Africa for years to come. That's why the African Energy Chamber will continue to work to help African countries make themselves more attractive to investors and to make potential investors aware of the many opportunities Africa offers them. It's worth a different kind of investment on our parts as Africans, investments in time and effort.

The end result? More promising developments like the ones emerging in Senegal, Rwanda, and Uganda. Economically vibrant African countries. Thriving African households and entrepreneurs. Growth and hope.

ABOUT NJ AYUK

Ayuk is founder and CEO of Centurion Law Group and the executive chair of the Africa Energy Chamber of Commerce (AEC).

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