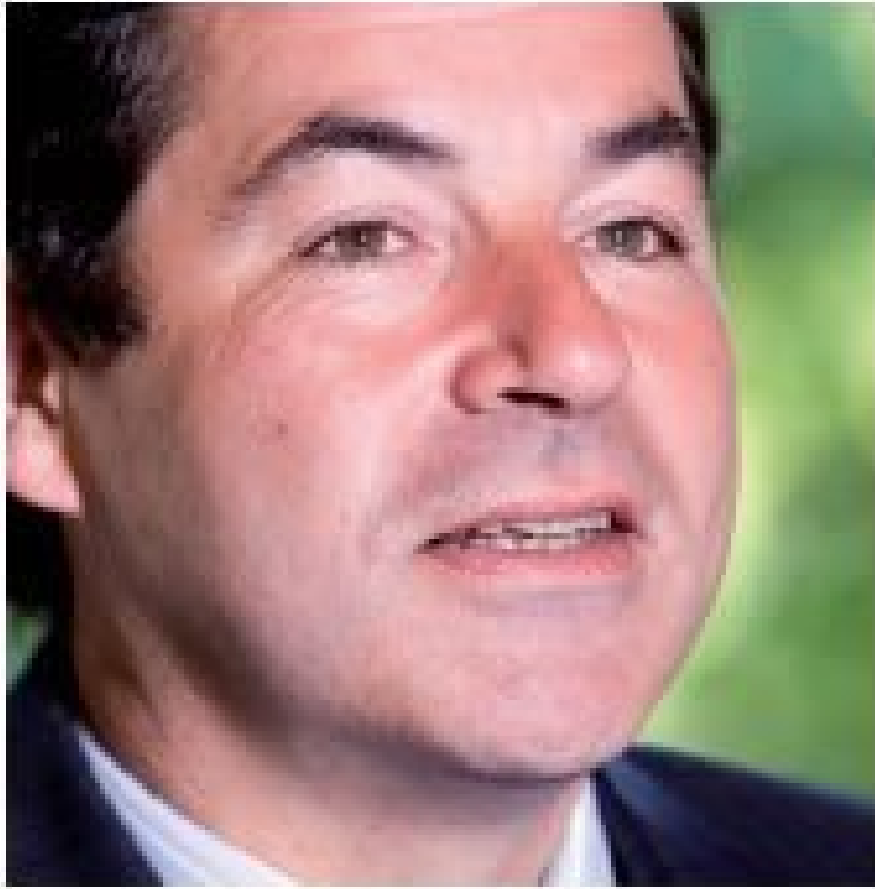


# RIDING THE INFRASTRUCTURE BOOM ACROSS AFRICA AND THE MIDDLE EAST - HERBERT SMITH

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Miguel Riaño

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**The major development projects emerging across parts of Africa and the Middle East, where many countries continue to invest heavily in expanding their infrastructure and communications networks, are presenting Iberian companies with new and unique opportunities, says Miguel**

## Riaño, Madrid-based partner with Herbert Smith.

"We are seeing Governments in many of the emerging economies in north Africa, and the Gulf States, place an expanding focus on improving their transport, energy and telecoms connections. Many of these States are fortunately rich in natural resources and therefore not suffering from the same economic challenges that countries, for example, in Western Europe now face."

Spanish companies are already making inroads in markets as diverse as Algeria, Morocco, Libya and Tunisia, as well as achieving growing success in the United Arab Emirates and Saudi Arabia, but further opportunities continue to emerge, he says.

"Within Africa there is continuing interest in the expanding oil and gas sectors, especially in countries such as Angola and Nigeria, and growing demand both in the production and services sectors. In addition, many countries are also now looking to expand and diversify their own domestic energy and electricity production portfolios, with a growing emphasis on renewable resources."

Photovoltaic solar and thermo solar projects are emerging throughout the north African Magreb, with Spanish companies landing major contracts in Libya, Algeria and the UAE – the US\$600m Shams plant in Abu Dhabi will be the world's largest concentrating solar power plant.

Likewise global prices for natural resources may have peaked in recent years, but the rate of economic development and the consistent growth of markets such as India and China continues to drive strong demand, he says. But new opportunities are emerging not only in extraction and mining, but also in building the infrastructure to transport materials and to connect to transport hubs such as ports.

Riaño points specifically to the emerging success of a consortium of eleven Spanish companies in the 444km \$10bn Haramain High Speed Rail line project linking Medina and Mecca, via Jeddah, in Saudi Arabia.

"Collectively, the consortium appears to be in a strong position to win a major element of the project tender. It has meant managing Spanish, English and Islamic law issues, in structuring the bid vehicle and complying with the administrative and bidding requirements, and is demonstrative of the scale of opportunities now evident across the region."

**"Spanish companies find the US increasingly attractive using their expertise in infrastructure to secure concessions."**

Luis Riesgo, Jones Day, Madrid

The Al Shoula consortium, comprising companies including ACS Cobra, OHL, Imatia Inovation, Indra Sistemas, Patentes Talgo, Renfe and ADIF is bidding for projects in Phase II of the Haramain project – to

construct and provide rolling stock and operations and maintenance services, as part of a wider track, signalling, telecoms and power procurement process.

The tender decision is expected later this year. But projects of this scale are a developing trend across the Middle East, as countries look to connect major cities domestically.

Riaño accepts however that African and Middle East markets present new and different challenges for Spanish businesses. Common law and Islamic law issues may inevitably arise in Southern Africa or within the Gulf, but these can be managed via offices of the Herbert Smith network, or co-ordinated by Madrid. But much of the legal framework across central and northern Africa is based on civil codes derived from their Portuguese, French or Belgian colonial pasts, and therefore not too dissimilar to Spain's own legal framework.

In any event, many Iberian businesses already have a strong track record of operating internationally, have unique and in-demand areas of expertise, and need not therefore be

intimidated by expanding further across the map.

“What is important for the client is to maintain an overview of the major finance, corporate and structural elements of a transaction, wherever they may be derived, but also to manage the risk and co-ordinate local negotiations and agreements, with counterparties and where relevant the State – which inevitably in many of these emerging markets plays a primary role both in major infrastructure projects as well as facilitating major transactions.”