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Dubai – Focal Point For Growth In The Middle East

The Editor interviews Arman Galledari, a Partner in Jones Day's Dubai Office. Mr. Galledari focuses his practice on mergers and acquisitions and project finance. For more than 22 years, he has advised on the development, financing, sale and acquisition of complex and high-profile energy and infrastructure projects. Mr. Galledari heads Jones Day's new Projects & Infrastructure Practice.

Editor: Could you share with us a brief overview about why Jones Day is establishing a Projects & Infrastructure Practice, and in particular why now?

Galledari: Jones Day's Projects & Infrastructure Practice encompasses a multidisciplinary, focused group of lawyers who have been involved in the development, acquisition and financing of infrastructure assets for more than twenty years. Our dedicated team can advise from the initial joint venture agreement through to the construction and financing of the project, and has a detailed understanding of the contractual arrangements and revenue generation. We have created this group now because we see our clients and the market generally moving towards a multidisciplinary approach to projects rather than the sector being led by financiers only. Also, market conditions are improving, particularly in the emerging markets, after five years of slow growth.

Editor: While your office is located in Dubai, your M&A and project financing practice spans not only the Middle East but many other continents as well. Why is Dubai an ideal location from which to conduct your practice?

Galledari: Dubai has developed itself as a regional hub for the Middle East. It is the location of choice for many interna-

tional banks, financial institutions and multinational corporations that do business in the region. It attracts institutions that see opportunity in Saudi Arabia, Kuwait, Qatar and as a whole for expanding their businesses.

Dubai has a great infrastructure with a concentration of legal and financial service providers. It has managed to allow institutions like Jones Day to use Dubai as a regional springboard in serving our clients. Having spent more than 10 years based in Singapore and also 10 years in London, I continue to advise many Asian and European clients on their investments both in Asia and Europe. Dubai is strategically located to allow ease of access to both Europe and Asia.

Editor: Do you find that operating within the Dubai International Financial Centre (DIFC) affords you certain advantages in terms of your practice?

Galledari: Yes. The DIFC within Dubai is a free zone designed to attract accounting and law firms, banks, and multinationals that are in the financial sector. While it is a relatively small area geographically, it is highly concentrated in terms of financial and legal firms. The vast majority of international law firms have their offices in the DIFC, with four or five law firms located in our building alone. Everyone is here! It is an easy environment to deal with and an excellent place to meet clients.

Editor: I understand also the DIFC has a court system that is very favorable to Western interests in terms of following common law principles.



Arman
Galledari

Galledari: It has an independent court system with a sophisticated arbitration and judicial system; it is also promoting itself as an arbitration venue of choice. In addition to the ease of access and concentration of like-minded institutions, there is a legal framework that underpins this unique enclave.

Editor: How does Jones Day's Dubai office interface with its three offices in Saudi Arabia?

Galledari: As you know, Jones Day as a whole is a single partnership, working very closely with all of our colleagues around the world. With our Saudi offices by virtue of location, we have a particularly close relationship. We work as a single team. Our colleagues in Saudi will focus principally on domestic Saudi transactions while our Dubai office will focus on cross-border transactions that have a connection with Saudi Arabia. By way of example, we act for international institutions that may be doing joint ventures with Saudi institutions, or we may be acting for Saudi institutions that are acquiring assets or selling assets to institutions outside of the Kingdom. We put together teams of lawyers from our Dubai office and our Saudi offices as a single team to service our clients' needs.

Editor: How do you see the development of projects and infrastructure in Saudi Arabia?

Galledari: Saudi Arabia is really the engine of growth in the region. It is a wealthy nation of 25 million people, and it has an enormous appetite for developing infrastructure for the benefit of its people. This affords institutions that specialize in infrastructure development enormous opportunities. The opportunities are in a broad spectrum of areas, not just in the

Please email the interviewee at agalledari@jonesday.com with questions about this interview.

petrochemical sector, but also in the power sector, the water desalination sector, telecommunications, and in construction of roads and rails; Saudi Arabia is making huge investments in developing these infrastructures. As a consequence, this provides enormous potential for law firms, banks, developers and contractors.

Editor: Saudi Arabia also has the specialized economic cities for foreign investment, and that must be a real plus.

Galledari: Yes, there are economic cities that are set up by the King specifically to promote a particular industry, including economic cities promoting the healthcare sector, on the dry ports and logistics hubs, in media and telecommunications and in financial institutions. These economic cities are essentially being created from scratch in areas where there was little development or infrastructure before. The amount of work, time, energy and investment that is needed is very substantial, and we do our part in assisting in that development process.

Editor: Many of your transactions are in the energy and infrastructure projects area. Please describe some of the projects you have advised on in the project finance area.

Galledari: One of the economic cities that has been created and developed in the Kingdom is called the Prince AbdulAziz bin Mousaed Economic City. We are currently advising the General Authority for Civil Aviation on the development and privatization of an international airport – Hail International Airport. HIA is an important component of that city’s infrastructure. In addition, we are currently advising on the development of phase three of a \$3 billion power and water project in Yunbu that is about to commence construction. We have just completed advising on an important district cooling project in the holy city of Mecca that is going to underpin and be part of a huge development of hotels for those visiting Mecca.

Editor: One of your clients is the Galana Group, one of the leading independent oil companies in the Indian Ocean. Please describe some of their projects in which you have participated.

Galledari: Galana is a very interesting client. Their strength lies in Sub-Saharan Africa, where they have businesses in Madagascar, Mozambique and Rwanda. We are assisting them in the development of their oil storage distribution facilities and port development in these countries. By way of example, we have advised them on the development of a fixed oil jetty in Madagascar, and we are advising them on the development of a fuel storage and distribution facility in Mozambique and on projects that they have underway in Rwanda. We have been working with them for over five years, and it has been great to be a part of that successful growth story.

Editor: One of your most interesting M&A transactions involved a subsidiary of Tanjong Public Limited Company that acquired CDC Globeleq Holdings Limited. Please describe the transaction and the implications for the regions where they have taken place.

Galledari: We have done work for Tanjong over many years and have advised them not only on the acquisition of Globeleq but on other assets. Essentially, these transactions have all been deals where Tanjong has acquired a portfolio of power generation assets in and around the Middle East. The Globeleq transaction included the acquisition of power generation assets in Egypt, Sri Lanka, Bangladesh and Pakistan. It was very interesting to have been part of a transaction which had so many significant assets in so many different jurisdictions and which had an enterprise value of close to \$3 billion.

Editor: Not to mention the fact that it must have been very beneficial for those emerging markets.

Galledari: Absolutely. These are all projects that have some form of support from institutions such as the World Bank, the Asian Development Bank and other export credit agencies that are all designed to promote the development of power generation assets in these emerging markets. They provide real benefit to the communities they serve and bring change to the people’s daily lives.

Editor: Another of your most interesting M&A projects was Schneider Electric’s acquisition of M&C Energy Group. In what way did this acquisition

enhance Schneider Electric’s footprint in energy management services?

Galledari: Again, a very interesting transaction. Some time ago, Schneider acquired a similar business in the United States called Summit Energy, and Summit does similar work to M&C Energy Group in that it provides consultancy services in the energy sector and the ability to create efficient energy usage either by pooling clients together or by arranging different suppliers. The M&C acquisition was very much in line with the acquisition of Summit; its purpose was to create a bigger footprint in that sector of the energy business for the company. Both of these acquired businesses have software assets for managing energy delivery.

Editor: Do you see a lot of public/private-type investment where governments co-invest with private industry?

Galledari: Yes, particularly in Saudi Arabia and the UAE. The basic model for the development of the power and water sector in the Middle East is founded on public and private partnerships. In all typical projects, there is a component of government ownership of those assets, usually 40 percent, while 60 percent is private equity or developer owned. The developer arranges the financing, develops the project, and takes on the obligations of running and operating the assets, while the government remains a 40 percent passive shareholder. These transactions are almost always done as project financings. They are put out to tender for private developers to bid on.

Editor: What is your view regarding the future development of your practice in the Middle East?

Galledari: We’re very positive in the context of projects and infrastructure in this region. Not only are we very positive about its development in the Middle East, we are also positive about development in Asia and Latin America. I am very optimistic that the emerging markets will increase their investment and opportunities for private participation, particularly in infrastructure. This is much needed in all of the countries in the Middle East. Generally, governments are committed to opening opportunities for private institutions to invest and develop those infrastructure projects.