

Issue 38 - June 2021

African Footprint

Newsletter from the Crowe Global African firms

Inside This Issue

Crowe (Rwa) & Horwath HTL Interconsult Extend their Reach	2
Relevance of Comparability/Benchmarking Analysis in Transfer Pricing	4
Dubai - Travel, Tourism and Hospitality	7
Message from our Europe, Middle East and Africa Regional Executive Director	8
Managing your Firms' Human Capital Risk	10

Audit / Tax / Advisory / Human Capital

Smart decisions. Lasting value.

Crowe (Rwa) and Horwath HTL Interconsult Extend their Reach

About Rwanda

Rwanda is a country with a vision to raise its status to a middle-income, service and knowledge-based economy by 2050. The country registered an average GDP growth of around 8% per year over the last two decades, with a GDP growth of 9.4% in 2019. Over the last ten years, it has implemented a successful doing business reform agenda to create a favorable and competitive business environment.

Key Global Rankings

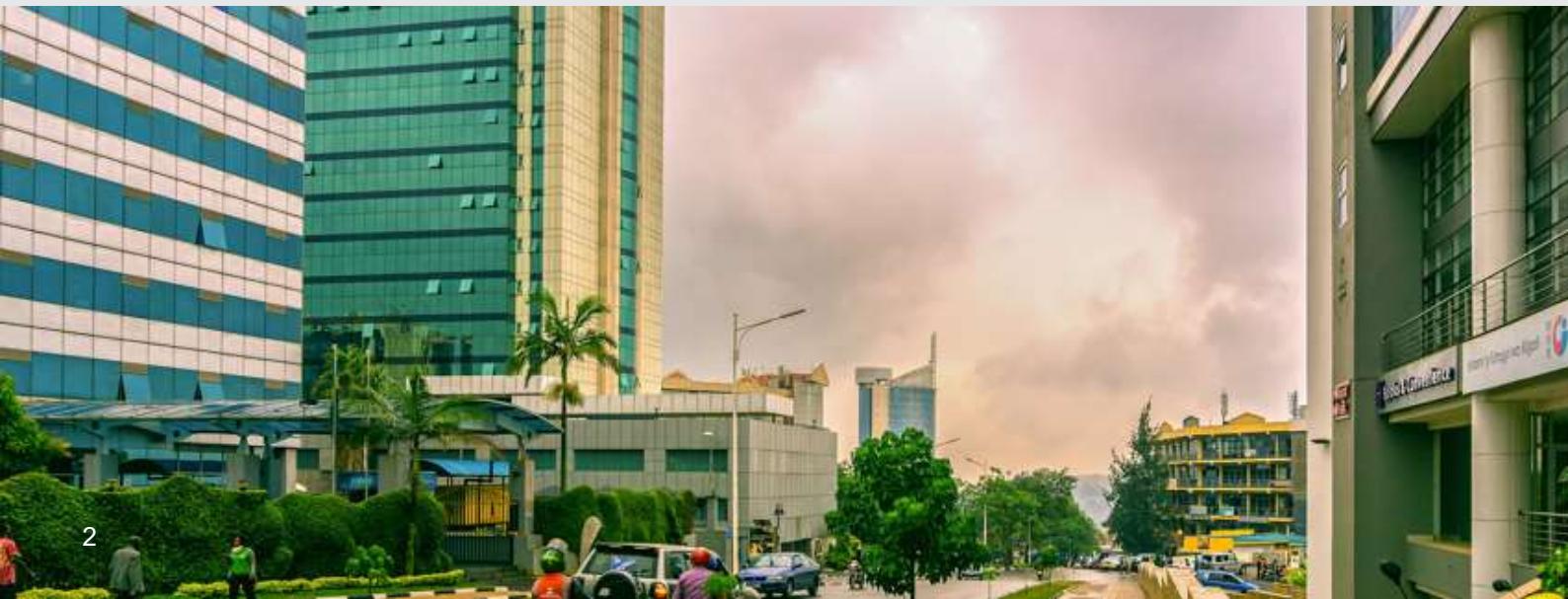
- 2nd in Africa and 39th easiest place to do business globally
- Among the top 10 Global reformers (Doing Business Report, World Bank 2019)
- B+ Long-Term Foreign-Currency Issuer Default Rating (IDR) - Stable Outlook (Fitch Ratings 2019)
- 4th in Africa and 1st least corrupt country in East Africa (Corruption Perception Index, TIR 2015)

Horwath HTL in Rwanda

Horwath HTL is one of the world's largest consulting organizations specializing in Hotel, Tourism, and Leisure. It provides solutions through international experience and local expert knowledge, with 50 offices in 40 countries.

The firm's consultants have a mix of functional and strategic skills and knowledge to provide expert advice on destination management and sustainable tourism. These allow the firm to provide innovative and workable business solutions. Since 2012 Horwath HTL has successfully conducted tourism and MSME business development projects in the region. In 2016 Horwath HTL was registered in Kigali, Rwanda.

Horwath HTL offers a range of services; analyze public policies; examine their long-term and economic impact, develop master plans, specific concepts, feasibility studies, strategic investment analysis, and operational and marketing plans.



Crowe (Rwa) Limited

Crowe has succeeded in keeping abreast of the needs of East African businesses and African businesses at large over the last three decades. Crowe is now in Rwanda.

Crowe Rwanda was established as an Audit, Tax and Advisory firm in early 2020, by Cephas Osoro (Kenya) and Arshad Bholim (Uganda) as promoters. They are also working together in their other firms in Kenya, Uganda, and Seychelles.

Horwath HTL and Crowe - Working Together

Horwath HTL and Crowe have been collaborating on several levels over the past few years and this has brought about growth and the sense of direction especially with the effective utilization of skills and resources available to maximize scaling and profitability.

In 2018 HTL opened its Ugandan office at Crowe Uganda's headquarters as the first step of working together and is currently in the process of opening the Kenyan office.

Crowe Rwanda has decided to establish a joint office in Kigali with Horwath HTL, who already have a significant footprint in the region.

This collaboration will allow the two firms to develop and grow while jointly working on projects to enable them to provide their clients with the broader range of services they require in an ever-increasing and demanding professional environment and extend their reach in the East African Region.

Arshad Bholim and Frank Mustaff
Crowe (Rwa) Ltd & Horwath HTL Interconsult Ltd
Rwanda



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Crowe (Rwa) Limited



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Cephas Osoro
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Relevance of Comparability/ Benchmarking Analysis in Transfer Pricing

What is comparability/benchmarking analysis?

Comparability/benchmarking analysis means comparing with third party transactions the pricing policy/profitability of intra-group transactions. From a Transfer Pricing perspective, the objective of analysis is to evaluate that whether intra-group transactions are in line with market standards and pricing and to ensure that pricing is not altered with the aim of tax evasion or profit shifting to low/no tax jurisdictions.

Comparability analysis or benchmarking search is an important aspect of Transfer Pricing documentation to determine an arm's length price for controlled transactions to demonstrate if the pricing is in alignment with market conditions.

Which are the comparability parameters?

There is an old famous idiom that "*Apple cannot be compared with Orange, instead appropriate comparison can only be made apple-to-apple*". Therefore, it is imperative to evaluate the parameters of controlled as well as uncontrolled transactions while undertaking a comparability analysis.

- Characteristics of product/services
- Functions performed, Risks assumed and Assets employed (FAR or functional analysis)
- Contractual terms
- Economic circumstances
- Business strategies

How to undertake comparability/benchmarking analysis?

Comparability analysis can be undertaken to find either (1) internal comparables (2) external comparables.

Internal analysis

Under an internal comparability analysis, one needs to compare the transactions of the taxpayer with related parties vis-à-vis unrelated parties. This is a more reliable analysis and also an easier exercise provided there is the availability of such internal comparable transactions.

External analysis

As against this, under external comparability, one needs to find external potential comparables having regard to the nature of the business/transactions which are broadly similar to the controlled transactions. Generally, an external search can be undertaken on globally recognised licensed databases which have industry/business data of companies (listed as well as unlisted) in various jurisdictions. A benchmarking search can be performed by applying relevant criteria such as relevant year, jurisdiction for which information required, industry/business, turnover criteria, related party criteria, etc. Based on the analysis, potential comparable companies can be identified. Similarly, for inter-company transactions relating to a loan or royalty, we may find potential comparable agreements from the database to derive the arm's length interest rates prevailing in the market scenario. Interestingly, the tax authorities of many jurisdictions have subscribed for these databases which are used by them at the time of the tax audit/scrutiny of taxpayers to determine arm's length prices.

Which inter-company transactions can be benchmarked on licensed databases?

Generally, a benchmarking search on licensed databases can be performed for most of the inter-company transactions within a multinational group such as:

- **Traditional transactions** – Purchase/sale of raw materials or finished goods, provision/availing of services, management/technical fees, etc
- **Financial service transactions** – Intra-group loans/guarantees (including determination of credit rating of borrower), etc
- **Intangible property transactions** – Intra-group royalty, technical know-how, brand/trademark fees, etc

While the above list is merely an illustrative list, searches can be performed for any related party transactions having regard to the nature and terms of the transactions.

Transfer Pricing has gained significant focus in Africa in the last decade



Way forward

The Transfer Pricing topic has gained significant focus in Africa in the last decade and many countries have introduced/implemented Regulations and Guidance. Moreover, tax authorities are aggressively undertaking Transfer Pricing audits/scrutiny with the aim of identifying tax evasion or simply to increase the tax revenue of the country.

Multinational Corporations operating in Africa which have not prepared adequate Transfer Pricing documentation (including comparability/benchmarking analysis) can face serious challenges to justify their intra-group transactions.

It is recommended to undertake a fresh benchmarking analysis every year to compare the profit/pricing of taxpayers with potential comparable companies/agreements and to assess whether they are still aligned. A search can also be performed as a planning exercise before setting up the pricing policy for intra-group transactions as a reasonable reference. Adequate and robust comparability analysis can only help to substantiate intra-group transactions.

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Dubai - Travel, Tourism and Hospitality

Dubai continues to attract Foreign Direct Investment (FDI) by fully complying with Economic Substance Regulations (ESR) and Anti Money Laundering (AML) regulations.

Dubai continues to attract FDI (Foreign Direct Investment) in all strategic sectors and was recently ranked 3rd after Singapore and London in the latest Global Cities of the Future list. Real Estate, especially in the Travel, Tourism, and Hospitality sector has experienced an uptick in investors during Q1 2021. A steady supply of villas and homes makes it an attractive investment for the Holiday Let industry.

Attracting FDI is a one of the main economic stimulators for Dubai given its minimal dependency on Oil. The large flow of investment funds means Global regulators expect greater compliance. The UAE Government has implemented a series of measures which help them comply with the ESR (Economic Substance Regulations) and AML (Anti Money Laundering) initiatives of the OECD and other regulating bodies.

Compliance with global regulations helps to promote Dubai as a haven for investment funds. Investors are bullish on post Expo 2020 tourism. The luxury beach hotel sector in Dubai continues to be in strong demand, as hotels focus on occupancy at the expense of short-term ADR (Average Daily Rate).

I had a virtual coffee with a General Manager at a local 4-star hotel. He commented they continue to receive interest for managing properties acquired by European and US investors, especially REITs (Real Estate Investment Trusts). This is evidenced by the recent acquisition of Dubai's Address Sky View Hotel, which was owned by a subsidiary of Emaar Properties by Evergreen Hospitality in a deal worth \$204 million. "They are after something unique and Dubai can offer that", he said.

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Message from our Europe, Middle East and Africa Regional Executive Director

Tackling Strategic Priorities in a New Business Landscape

Although our colleagues in the UAE have been able to meet in-person, the reality was that it was the first time in 18 months. It is difficult to believe how long we have been unable to meet in-person. I know for most of us we have to wait even longer.

Things are starting to look up for several countries in the region as they open up. Many others are still waiting for vaccines and clearance to lift some of the restrictions. However, it is important to remain wary and vigilant to make sure we can completely move past this pandemic.

Strategic Roundtables Offer Bright Outlook

I think it is safe to say that there is so much opportunity with what is ahead for the rest of 2021 and beyond. This bright outlook has emerged during the last couple of months where I have participated in roundtable discussions with our members in the region.

Focused on Crowe Global strategic priorities, these discussions were facilitated by the CEOs of our large firms in the region. The topics included collaboration, growth, and knowledge sharing. The discussions within Africa were particularly dynamic, productive, and open.

Everyone shared their perspectives on the current and future opportunities and challenges. The group was also engaged in terms of what members need to do to achieve these strategic priorities. It was exciting to hear how everyone wants to continue the roundtables in the future as a forum for open and active collaboration. I look forward to participating and sharing further updates as these discussions occur.



Kamel Abouchakra

Welcome to New Members!

The Africa region is also growing through new membership. I would like to welcome East Africa Gate (EAGate) Foreign Trade Auxiliary PLC. They joined the Crowe Global network as a Business Associate firm this past March.

This addition to the network represents continued investment in Africa by Crowe in 2021 and acknowledges the strategic importance of the market in our global service offering. EAGate Foreign Trade Auxiliary PLC is the fourth addition in Africa this year, increasing the network's reach and the depth of service provision for international clients investing in the region. Other additions were Botswana, South Sudan, and Togo.

EAGate is a French-Ethiopian business partnership founded by Tigist Getachew Araya and Olivier Poujade. The two partners have 15 years of combined experience in emerging markets in the legal, financial, and business strategy areas. As a boutique investment advisory firm, EAGate has gained a reputation for accurate business information and tailored investment solutions in Ethiopia. Clients have included Unilever, Peugeot Cycles, International SOS, Diageo, and Panzani.

There is also a joint venture that has formed between the Zimbabwe firm and the firm in Kenya for South Sudan. Please connect with Oliver Mtasa, Raymond Sibanda, Erastus Omolo, or Donald Odera to learn more.

Cross-Border Work Yields More Growth

Collaboration in the region has been more than just discussions on strategy. There has been a lot of action and opportunity. Active requests for proposals into the Africa pipeline have remained high. Several members continue to seek out professional services from other firms in several African countries.

I am excited to see what else can be accomplished in Africa throughout the rest of 2021 and into 2022. Please share with me the wins, cross-border work, and best practices that your firm has achieved so that the rest of the Network can benefit from what you have learned and enacted.

Kamel Abouchakra
Regional Executive Director
EMEA, Crowe Global

Managing your Firms' Human Capital Risk

Attracting and retaining the right people, in the right numbers and in the right roles, creating strong employer brand capital and aligning your people with your company goals and vision are vital success factors for every Crowe partner and firm.

Risk-intelligent organizations understand the value of attracting, developing and retaining highly competent employees and making sure they have the human capital programs, tools and processes in place to do so. Working on your business as partners is not only underpinned by Crowe's strategic driver of enabling an environment focused on excellence and leadership, but it is critically embedded in our Crowe values which holds all partners accountable and responsible for Caring, Sharing, Investing and Growing our teams.

At Crowe DNA we advise clients on all facets of Human Capital Management and Organisational Development so that businesses can achieve optimal performance through their employees. Our team of Organizational Psychologists and HR professionals' study and assess individual, group and organizational dynamics in the workplace and then apply and integrate research findings with best practice solutions to problems that improve the well-being and performance of individuals, teams and organizations.

Crowe DNA advises and consults to clients across all industries and sectors, adopting a balanced approach that merges best practice with practical solutions that add long lasting value. While it is acknowledged that employees must take ownership for their development, it is also a critical requirement that firm leaders provide the necessary support, opportunities and tools for employees to self-manage in a way that meets both employee and organizational needs.



Utilizing psychometric assessments is a strategic decision

Crowe DNA professionals work with firms to enable talent management practices that provide the foundation of facts required to create the human capital strategy, solutions and infrastructure needed to build the right workforce, create a performance based culture and minimize the organization's exposure to the risks of disengagement and poor performance. Armed with data and years of collective team experience, we support business leaders to implement specific actions to close gaps and realign talent management processes, thereby reducing the organization's vulnerability and exposure to performance risk.

Gaining better insight into people capability will enable your firm to adjust your talent strategy to suit the changing world dynamics and the ever-growing war for talent. Crowe DNA collects and uses crucial insights from our psychometric assessment centre, using people analytics that inform and guide all stages of the talent management and performance life cycle.

The use of integrated psychometric assessments can transform the success of your business by giving you better insight and understanding of your talent ensuring you not only select the right person for the job but you develop them to perform in the job. Due to their construction and scientific validity, psychometric assessment provides accurate and unbiased insight into people's behavioural characteristics and inherent potential. It will allow you to differentiate your employer brand, recruit the right people, measure for unique attributes that support your culture, manage and develop your staff more effectively, enhance employee engagement, make fair and objective talent decisions and boost retention. Ultimately, recruiting employees who will stay longer, are more engaged and committed to excellent performance will lead to higher customer satisfaction and create the competitive advantage that will enhance business performance and bottom line returns.

In cultivating future leaders and promoting employee wellbeing, we strongly encourage firms to place greater emphasis on helping leaders and managers become better coaches, communicators and conflict mediators which establishes the foundation for positive support and constructive feedback. As the use of AI continues to accelerate, it's safe to say that those leaders who display strong organisational behavioural management skills will contribute significantly to building our Crowe brand capital, a critical Crowe Global strategic objective which forms part of our Crowe firm scorecards.

As partners within your firms making the decision to assess and measure and develop your talent is a critical leadership imperative. Deploying and utilizing psychometric assessments is a strategic decision that will not only assist you to identify and address your human capital needs but it will also support your ROI when investing in your human capital assets. Choosing to use our Crowe DNA assessment centre and Organisational Psychologists will support you in the following key areas of talent management practices:

- Workforce planning
- Competency frameworks
- Talent attraction
- Selection practice
- Talent development
- Performance management
- Recognition and reward
- Succession management
- Retention
- Leadership culture
- Talent analytics
- Talent metrics
- Governance
- Risk management

About Crowe DNA

As a team of Registered Organisational Psychologists and HR Specialists we offer an extensive and holistic approach which involves the design, implementation and reinforcement of human capital strategies, structures and processes. We focus on helping clients develop and implement the right human capital strategies and practices that suit the environment and therein guide the selection, deployment, development and retention of talent. Grounded in organizational psychology, we leverage research, analytics, expertise and industry insights to enable business performance by removing the "guesswork" from making the right decisions about people for your firm.

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About Crowe Global

Ranked eighth largest accounting network in the world, Crowe Global has over 200 independent accounting and advisory firms in 130 countries.

For more than 100 years, Crowe has made smart decisions for multinational clients working across borders.

Our leaders work with governments, regulatory bodies and industry groups to shape the future of the profession worldwide. Their exceptional knowledge of business, local laws and customs provide lasting value to clients undertaking international projects.

Crowe provides global reach on a personal scale. Crowe firms focus on the future, the client experience and working with clients to build something valuable, substantial, and enduring. Close working relationships are at the heart of our effective service delivery.

At Crowe, our professionals all share one commitment, to deliver excellence.