



Transcript

Fostering the Future: Promotion and Development of Angola's Financial System

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Dr Aginaldo Jaime:

Your Excellency the Lord Mayor Mr Alderman Michael Bear, Her Excellency Valentina Filipe Secretary of State, Professor Carlos Francisco, Dr Luís Lelis, Professor Alves da Rocha, distinguished Ambassador of the UK to Angola, Ladies and Gentlemen,

It is for me a great pleasure to address this workshop for the promotion and development of the financial system in Angola. I was just exchanging a few words with our principal guest, the Lord Mayor of the City of London, and he disclosed to me that he was having a very good stay in Angola, which I was very pleased to hear. So I believe that your visit and that of your delegation, and the warm welcome which [inaudible] to your delegation, is a clear sign that there is room and willingness to strengthen the cooperation between Angola and the United Kingdom. In fact, the policy of the Angolan authorities is to establish diversified and mutually rewarding relationships, which can add value to – and render more competitive – our economy, in order to achieve sustainable development, and bring prosperity to the Angolan people. As you probably know, the 2010 and 2011 UNCTAD investment reports place Angola in the first group of the most successful African countries in attracting private investment. The good results achieved by Angola in the past few years, despite the global financial and economic crisis, is in my view the result of the following factors:

1. The peaceful and stable political environment we can find in Angola since the end of the civil war in 2002. The steps so far taken were to [inaudible] a society where the rule of law prevails.
2. The stabilization of the principal macroeconomic indicators which created a predictable financial and economic environment, conducive to investment and economic and social development.
3. The ambitious and on-going process of rehabilitation, expansion and modernization of basic infrastructure which is led by the Angolan government, and is open to the private sector and the different PPP arrangements. This process has had positive and multiplier effects for the economy as a whole.
4. The legal and institutional framework in place, based on the best international practices, including the new investment bill recently approved and bilateral agreements on investment protection and double taxation, signed with many countries.
5. A sound financial system which managed to survive the global financial crisis thanks to the culmination of prudent liberalisation

measures and adequate supervision by the relevant banking and financial authorities.

Ladies and gentlemen, Your Excellency the Lord Mayor of the City of London; despite the good results achieved, we are fully aware that the challenges ahead are real. Among them, let me point out the following: we need to diversify our economy and the structure of our GDP in order to boost employment and make the Angolan economy less vulnerable to external shocks. We also need to add value to our raw materials, expand our exports, and reduce or substitute our imports. [Inaudible] we also need to deepen our industrialisation process in order to make our growth sustainable and our economy more competitive. We need also to reduce poverty and illiteracy, and improve the social indicators of [inaudible].

We Angolans cannot meet all these challenges alone and without the support of foreign entrepreneurs, who are willing to form meaningful and win-win partnerships with Angolans, bringing capital, technical and technological expertise and know-how. I therefore encourage all British companies represented here at this workshop to come and invest in Angola, taking advantage of the vast opportunities I have just outlined.

In order to meet these challenges, we also need a sound, reliable and diversified financial system. We need banks, non-banking financial institutions and a stock exchange, which can all attract domestic savings and finance economic growth and development. In this regard we have a success story to tell. From distant times, when we had a repressed and less developed banking system, which was state-led and with no intervention of market mechanisms in establishing the currency value and interest and exchange rates, today we are in the process of setting up a modern financial system, which began to be a [inaudible].

The authorities have already adopted measures to comply with international requirements regarding money laundering, 'know your customer' rules, and internal compliance procedures. You are most welcome to be part of this process, bringing your valuable experience as players of one of the most sophisticated financial markets of the world.

Ladies and gentlemen, let us not waste more time. Let us join efforts in order to make Angola a better place to live. And to finalize, allow me to give a piece of advice to all of you: Do not feel discouraged by the negative propaganda that you will find in some quarters and the shortcomings and difficulties you will certainly find in a post conflict society like ours. Please regard all these

difficulties and shortcomings as challenges that we can jointly face and successfully meet.

I thank you very much for your time.

Dr Luís Lelis:

The Lord Mayor of the City of London, Your Excellency Valentina Filipe, Dr Aguinaldo Jaime, Ambassador, Welcome.

We are glad that you are able to join us here on this day in Luanda in Angola, and I hope it will be both productive and educational. I would like to welcome you to this financial seminar that we are honoured to sponsor. This is an excellent opportunity to exchange ideas and especially to network and to show the potential of the financial services industry in Angola.

As Dr Aguinaldo Jaime has just referred, the Angolan economy has been growing steadily, and the financial system has played an important role in this way. We want to continue to play this role in order to further extend the opportunities. For this we must exchange ideas, and adopt best practice from those who have already got these experiences. The City of London, as the centre of the financial services industry in Europe, represents an interesting [inaudible] for the establishment of fruitful relationships with the Angolan financial institutions and the global financial institutions. This is why BAI is looking into the opportunity of establishing a representative office in London.

We hope that by exchanging points of view, and getting to know each other, we will be able to start this fruitful and long-lasting process that will enhance our relationship. As I have mentioned a few moments ago, we are pushing the Lord Mayor very hard to assist us in order to open our representative office in London, and we hope that during lunch he will be able to advise us with shortcuts.

So with no further ado, thank you very much for visiting our country, and we that when you go back to the City of London, you express [inaudible] other people to come back and invest in Angola.

Welcome.

HE Alderman Michael Bear:

Excellencies, distinguished guests, ladies and gentlemen. I am absolutely delighted to speak at the opening of this important seminar, and delighted to be in Luanda, Angola – the first stop of a four country visit.

I am the 683rd Lord Mayor, and it has been 821 years since the Mayoralty began. And the Lord Mayor, as you have heard, has a unique role, not only as ambassador for the United Kingdom's financial, business and professional services, but also to make over 900 speeches in a year. And today, it is my 760th speech. But you don't have to worry, because I am a green Lord Mayor, and I am doing my bit for sustainability by recycling my speeches.

Now, my visit comes at an important moment in relations between the United Kingdom and Angola. It follows from the visit of the UK's minister for Africa, Henry Bellingham in December, and it is the first visit ever to Angola, of a Lord Mayor of the City of London: A real sign of goodwill between our two countries, and of our determination to widen our relationship.

And could I just say at this point, that Luis, you (and BAI) will be most welcome in London with a representative office. And as a property developer myself, I shall give you every assistance – free of charge.

Now our bilateral trade between the United Kingdom and Angola stands at just under 1.4 billion Pounds. So, we are already major trading partners. And I am here to look at ways to develop our partnership further. To find ways in which the United Kingdom can work with Angola in diversifying its economy away from oil and gas, and to build up its expertise and skills and continue to create the right environment for sustained economic growth and social development.

I am very impressed by Angola's great achievements. It is the third largest economy in sub-Saharan Africa, and with its GDP projected to grow by an average of about 7% between 2011 and 2015, and with the benefit of the credit rating agencies upgrading your sovereign debt, further developing its financial services industry will be vital in meeting your aspirations.

These aspirations include building up expertise and capacity especially in ways of planning, delivering and managing important infrastructure projects across the whole life-cycle, such as private-public partnerships. Also in helping to create the right products for a growing, sophisticated market economy; products which will be crucial in fuelling social development, and crucial to a growing middle class that will demand access to those products.

And in creating the right environment and the right governance and regulation, to attract foreign companies and investment.

Today's seminar provides the opportunity to look at solid practical ways in which Britain can work with Angola to make that happen. It is an important part of my visit, when I hope to find ways in which we can overcome any obstacles to building up our partnership and accelerating Angola's development.

The City of London is one of the world's truly global financial centres, and we welcome the development of Angola's financial services industry. The City of London and the institutions based there, represented today by a strong business delegation around the table are excellent partners for Angola's financial services industry, now and in the future.

Working together with our Angolan partners, Britain and the City of London can create jobs, wealth and prosperity for all Angolans. To succeed in the challenging environment that we live in today, you need to have more than one of what I call "the three C's":

1. Commodities – which you have a lot of. We used to have oil, but we don't any more in the United Kingdom, but we have the expertise.
2. Cash – we don't have a lot of it in the United Kingdom, but we are very good at raising and controlling it.
3. The third C which we have a lot of, and which we want to help you develop, is creativity: Innovation. And that is what I hope will come out of this seminar today. Ways that we can use our human resources to grow those important industries so vital to both yours and our future.

Now – it's very hard for a Lord Mayor to speak for under 45 minutes, but I shall try to do so today. So, could I end by wishing you all a very successful workshop and seminar, and thank you for allowing me to make my 760th speech.

Thank you.

HE Valentina Filipe:

Estimado Tiago Laranjeiro, Dr Aguinaldo Jaime, Dr Luís Lelis, distintos presentes, [inaudível] uma apresentação muito sucinta, com o tema principal da promoção e desenvolvimento do sistema financeiro em Angola e foi nos

dada a possibilidade de falarmos sobre a regulação dos mercados capitais em Angola, e com muito vontade nos [inaudível].

A nossa apresentação tem seis pontos, [inaudível]:

1. O sistema financeiro Angolano;
2. O quadro legal;
3. A Comissão de Mercados de Capitais (CMC);
4. A bolsa de valores;
5. Comissão de reestruturação e de gestão da CMC;
6. Perspectivas;

Relativamente ao sistema financeiro Angolano, existem três [inaudível] reguladores:

1. O Banco Nacional de Angola (BNA) no centro, cuja actuação é sobre as instituições ligadas a moeda e o crédito;
2. O instituto de supervisão de seguros (ISS), que actua sobre as instituições ligadas aos seguros e providência social;
3. A comissão de mercado de capitais (CMC), que actua sobre as instituições ligadas ao mercado de capitais e ao investimento.

Quanto ao quadro legal, nos temos a lei 13/05 de 30 de Setembro – a lei das instituições financeiras, que regula o processo de estabelecimento, o exercício da actividade, a supervisão e o saneamento das instituições financeiras.

A Lei 12/05 do dia 23 de Setembro que é a lei dos valores mobiliários, que visa regular os actos e operações com valores mobiliários, promover o desenvolvimento ordinário e a transparência do mercado dos capitais bem como adequada protecção ao investidor.

O decreto 9/05 do 18 de Março, que cria a comissão do mercado de capitais (CMC) e aprova o seu estatuto orgânico, estabelece as atribuições e competências da CMC enquanto organismo de supervisão do mercado de capitais, e também os seus órgãos sociais.

E finalmente o decreto executivo 209/08 de 23 de Setembro, que é sobre as taxas, e estabelece o regime das taxas aplicáveis às operações e actividades económicas realizadas no âmbito do mercado de capitais. O decreto [inaudível] das taxas para a autorização, registo e fiscalização das sociedades abertas concretamente.

[Inaudível], a comissão do mercado de capitais [inaudível] foi criada por decreto 9/05 no 18 de Março, e ela é uma pessoa colectiva de direito publico

dotada de autonomia administrativa, financeira e patrimonial e está sujeita á tutela do ministério das finanças.

A CMC rege-se pelas leis das instituições financeiras, pela lei de valores mobiliários, e seu estatuto orgânico e regulamento interno.

Quanto às atribuições, são quatro que devem ser destacadas. Nomeadamente a promoção, a regulação, a supervisão e a fiscalização.

No acto da promoção, ela deve promover o desenvolvimento do mercado de capitais e de outros instrumentos financeiros e das actividades de intermediação financeira.

Que diz respeito a regulação, deve regulamentar o mercado de capitais bem como as actividades exercidas pelas entidades sujeitas a supervisão.

No domínio da supervisão, deve supervisionar e assegurar a transparência do mercado de capitais.

E quanto a fiscalização deve fiscalizar o mercado de capitais, e assegurar a protecção dos investidores.

Além destas quatro provisões nucleares, a CMC deve também assessorar o ministro das finanças em todas as matérias relacionadas com os mercados de capitais, deve assegurar a cooperação com as autoridades congéneres ao nível mundial, e desempenhar outras funções que lhe forem cometidas por lei.

Para especificar um pouco mais a regulação que e uma parte integrante do que estamos apresentar, [inaudível] que o sistema jurídico Angola estabelece as condições necessárias para que a CMC no âmbito dos poderes conferidos, crie normas que permitam assegurar os seguintes objectivos:

- Protecção dos investidores;
- Assegurar um mercado justo, eficiente e transparente;
- E assegurar também a redução do risco sistémico.

Do ponto de vista institucional a CMC devera abranger as seguintes entidades:

- Intermediários financeiros como corretoras, distribuidoras, gestoras de fundos, etc.;

- E abrangente também os emitentes de valores mobiliários, fundos, e clubes de investimento;
- E também o mercado de balcão organizado e as bolsas de valores.

Falando das bolsas de valores, que é outra parte do nosso tema, temos a referir que elas apenas podem constituir-se como associação civil ou sociedade anónima, e o estado é a única entidade que pode deter mais de 15% do capital social das bolsas de valores em Angola.

Nos vemos o tema das bolsas de valores [inaudível] em duas perspectivas:

1. Elas podem adquirir o poder de auto-regularem-se e a sua actividade directamente da lei [inaudível], desde zelam pelo cumprimento da lei dos valores mobiliários (LVM) e das normas emitidas pela CMC.
2. E a segunda perspectiva é que elas podem auto-regular de forma derivada, através de instrumento de delegação a ser emitido pela CMC.

O Ministro das Finanças e a CMC tem uma intervenção [inaudível] conjunta com a bolsa dos valores, e neste caso particular temos de definir que o Ministro das Finanças, após ouvir a CMC e o BNA pode determinar a suspensão de mercados e certas categorias de operações [inaudível].

[Inaudível] é que as bolsas devem dar a conhecer a CMC, até 10 dias após a sua aprovação, os regulamentos emitidos nos termos da delegação [inaudível].

E após a suspensão da negociação de qualquer activo, as bolsas são obrigadas a informar a CMC, que pode ou não confirmar a referida suspensão.

No que diz respeito a [inaudível] intervenção da CMC, [inaudível] do estatuto orgânico da CMC, a CMC pode substituir-se às entidades gestoras (por exemplo as bolsas), e também pode substituir-se à operadoras, sempre que neles se verifiquem as situações anómalas e essas entidades não tomem, depois de notificadas para o fazerem, as medidas que o interesse público e a defesa dos investidores imponham.

Nos estaremos a falar agora um pouco sobre a comissão de reestruturação e gestão da comissão do mercado de capitais. A comissão foi criada por despacho presidencial do dia 19 de Janeiro de 2011, e tem duas funções fundamentais:

- Ao nível da reestruturação, deve preparar um plano de acção para definição do Programa de reestruturação da CMC;
- E a segunda missão, que é gerir a CMC até a nomeação do conselho de administração.

E esta comissão de reestruturação elaborou já o plano de acção e foi submetido por aprovação pela comissão económica, e o plano de acção prevê, aliás [inaudível]:

- A revisão do regulamento da CMC e a definição dos seus objectivos estratégicos. Portanto aqui estamos a falar de linhas de orientação, regulamento da CMC, e resultados a atingir no curto e médio prazo.
- A definição do novo modelo operativo da CMC. E aqui [inaudível] para organização, capacidades, atribuições, processos, competências e infra-estruturas – incluindo instalações tal como infra-estruturas tecnológicas.
- A revisão dos anteprojectos de regulamento já elaborados visando o seu ajustamento às novas orientações do executivo. [Inaudível]. Portanto estamos a falar de sociedades de gestão e imobiliário, bolsas de valores, correctoras, e sociedades abertas, entre outros.
- Depois, no fim do mandato desta comissão, depois ter revista toda legislação e [inaudível] para o executivo, devemos ter também elaborado um plano programa de recrutamento e formação dos [inaudível] da CMC, bem como um plano de comunicação. Nesta altura estarão criadas as condições para que a CMC volta numa [inaudível] juntamente com os seus órgãos sociais.

Deixa-me fazer referencia que esta em curso um processo para contratação de uma consultoria para prestar assistência a CMC, e esperamos [inaudível] de trabalhar conforme aos melhores práticas internacionais dentro dos conceitos e [inaudível] A governação [inaudível].

Obrigada pela vossa atenção.

Tiago Laranjeiro:

Professor Alves da Rocha, Your Excellency Dra Valentina Filipe, Dr Aguinaldo Jaime, Dr Luís Lelis, dear participants, good afternoon.

In terms of the topic for today – private equity in Angola, I will basically focus on three topics in this short presentation. First I would like to call your attention to the opportunity for private equity investment in Angola, and then I would like to talk about how to attract, and what is the process for attracting private equity for investments in Angola, and then I will finalize with a brief description of the fund that we have here, '*Fundo de Investimentos Privado de Angola*' – the main highlights of who we are.

In terms of the opportunities, a lot has been said in conferences, debates, and there are lot of good speeches that have identified the real opportunities in Angola, and the opportunity in Angola is called growth – with everything that comes from it.

Since 2002 and the end of the long civil war, we have a very fast increase of the GDP of the country, and in nominal terms it is even more impressive. If you think about that in 2002 we had a U\$10bn economy, and now it is a U\$80bn economy (roughly), it is very fast by any standards in the world.

This growth has been driven initially mostly by the oil and gas industry which increased its production. The prices have also been helping: from ten years ago they have obviously increased. This big sector economy that emerged pushed the other sectors of the economy to grow with it. Services to the oil industry, services to other sectors, like real estate, hospitality, or manufacturing - all these economies are trying to catch up with this huge economy that was created by the oil and gas sector and turned Angola into such a large economy in Africa. Also, the government has been implementing, in the national interest, major infrastructure construction programs that have driven the growth of the non-oil sector of the economy.

The country is blessed by many natural resources besides oil and gas, such as agricultural land, fisheries, and hydropower potential. We also have a country where there is human capital that you can count on. In the last years, there have been a lot of Angolans returning from abroad. Angolans that have studied, that have worked, that have had contact with the best practice, and they are coming back to Angola, to work here, to start their businesses. In terms of private equity, we need these people, because these are going to be the people we are going to invest in. These are going to be the business owners – the managers. Human capital is essential also for a successful private equity environment.

We also have mentioned that there is a very strong foreign investment flow. ANIP testifies that investment flows have been very impressive over the last years. This is capital coming to Angola to create good projects which private equity can finance.

We also have the stock market on the horizon, which will basically mean that the financial system will evolve. For private equity this is very important because private equity is a medium term investment/investor, and it will need to exit from companies. One potential exit is listing on the stock exchange – helping companies to grow so that they can go on the stock exchange. So it's very important in the medium term that there is a stock market in Angola.

Also, Angola is a market known for good commercial margins. So, those that can effectively overcome the challenges that are being presented, those who have the strength and perseverance to overcome the challenges, will be able to have good commercial margins.

These are the ingredients [inaudible] for the success of private equity in Angola.

Also, this growth that is outside the oil and gas sector [inaudible] manufacturing, hospitality, services agriculture, there is a very strong weight on small and medium size companies (SMEs). Whereas the oil sector is dominated by big multi-nationals with million dollar projects, in the non-oil economy there is a strong weight of SMEs. These SMEs need financing and financing experts.

As I will explain what the banks can offer, that's why private equity also can make the [inaudible].

So we have this opportunity. All these factors are at the right place at the right time, but what is happening is that at the moment there is no significant private equity investment yet.

There are important private equity players, which are mostly individual firms based out of London, which is a very important financial centre with many regional funds that cover Africa or emerging markets, and which as part of their mandate could invest in Angola – as part of their global portfolio. And we have many other funds that are headquartered in Johannesburg, in South Africa, that cover the region of Southern Africa or even Africa, but none of these funds have people here. They don't have a local presence. So in reality, what they have done is very limited [inaudible].

We also have the Development Finance Institutions (DFIs), which have been [inaudible] sometimes – we have the IFC, DBSA, NORSAD, and other

institutions that can provide funding to Angola, and some of them are doing some projects here, but some of them also don't have a physical presence here which makes things more complicated.

In terms of substitutes – substitutes for private equity are limited. We have a banking sector – a strong and developing banking sector in Angola as has been mentioned, it has evolved a lot, but the banking sector focused mostly on trade finance and short term facilities. It's not a long-term provider of financing, and it's not a provider of equity funds – it's a provider of debt funds. Leasing operations are going to start now, but they didn't exist in the past. So, the substitutes for what private equity investments into companies can offer, are very limited at the moment.

Also, in the times that we live in today, after this financial crisis, we see global un-leveraging, meaning that businesses, and now even governments and sovereigns, are trying to be less and less dependent on debt financing. This is also a very important point for private equity funds because you need to be sure of a good ratio of equity to debt in the projects and the companies, and it's very important to have institutions that can provide that equity for the projects. So, the role and significance of private equity increased after this financial crisis.

The message in the end is that outside the oil and gas sector in Angola, there is very limited availability of equity and quasi-equity financing. So, private equity has a huge opportunity here.

In terms of opportunities for financing, we can see this as engagement beyond money. So, private equity can not only offer the financing, but other factors that fit very well with what Angolan companies need: Long-term partnership, financial discipline and value creation, through close and active interaction with companies they are investing in.

Also it can be seen as a vehicle to set high standards of governance, auditing and reporting, because if some companies start having these standards, we believe that other companies will seek the best practice and others will lead by example. And it will be very good for Angola as a country to have institutions pushing for these high standards.

Also, a vehicle for international companies going to Angola: Companies wanting to enter Angola either need a financial partner locally who can contribute with equity, or also in the process of divesting from its investments [inaudible] - will become investments that have been audited and are transparent so they can be attractive to foreign companies to enter Angola through the acquisition of these companies that have gone through the

private equity process. These companies that have gone through the private equity process become attractive for acquisition.

It also would contribute to a local M&A market, and create dynamics that would be conducive to the activity of the local stock exchange.

Attracting private equity for Angola, is a challenge that is [inaudible] faced by this country. [Inaudible] everything is in place, the ingredients are here, the opportunity is here, so it should be easy to attract private equity to Angola. But there is something still missing for a [inaudible] Angola, and for Angolan entities, or funds that invest in Angola to attract capital. International private equity commercial investors still view Angola as a frontier market. This is because private equity has been a very limited activity here, and there is still a lack of track record of successful transactions of private equity players [inaudible]. And we need to create this track record to generate confidence and trust, and to show that through examples of other private equity transactions it is possible and profitable to do private equity.

Also, a contributing factor is that there is typically unfamiliarity with the language, culture, legal system. We have players that are based in London, Johannesburg – they come from the Anglo-Saxon world, Anglo-Saxon culture and law, so it takes a while for them to adapt to this country's system. This is nothing extraordinary – it's just not their system, but it is very easy if you do have a local presence, and if you are here [inaudible].

Also, there is risk avoidance that is not based on fundamentals, many times based on a lack of knowledge of the situation. A lot of the decision makers in these funds try to play safe. As I say – nobody gets fired for buying a blue chip company, but when somebody has to decide to invest private equity money in Angola, it's something that – you know because the next guy didn't do it, nobody wants to take the first step.

So, in the end, what we see is that the development finance institutions have so far been the main providers of private equity and capital to Angola. This is also shown in FIPA, where along with local banks that support the fund, it has been the development funds and institutions.

So, Angola needs to build a strong private equity track record in order to attract large pools of capital from international commercial investors.

Just briefly to finalize, a few words on the fund (FIPA): This is a fund that is based in Luxembourg – it is a Luxembourg entity, which pooled resources from all over the world – mostly Europe, and also locally from two banks.

[Inaudible]. Just last month we closed the fund, and we closed the fund with U\$39m to invest in Angola.

This fund is regulated by the Luxembourg capital market commission. Luxembourg is a very well-known financial centre where many private equity funds operate, so things are very standardised and very, very transparent.

We have these guidelines to invest across the whole sectors in Angola in projects, from expansion, management buy-outs (MBOs), privatization and early stage start-ups. Our focus will be mostly on expansions. We will spread this capital across a portfolio of projects and we will invest up to U\$8m per project. The minimum is U\$1m as it is the ANIP minimum investment threshold for foreign investment. And we will invest mostly in equity, because the equity and debt [inaudible].

And we always take minority positions. Also very important are due diligence appraisals, [inaudible] private equity in general and also for us, this is where the biggest risk comes from.

We look for many factors, but I would say the bottom factor – the base factor is to have strong and committed management teams with specific industry expertise. That's why it's very important to have [inaudible]. Angolans that are qualified, entrepreneurs and managers that can then drive forward their companies and inspire confidence in investors to finance them.

And finally, this fund, with all these financial international development institutions behind it is focussed [inaudible] on economic profit, which is a must, but we also look for two other bottom-lines: environmental values – and here we are very strict in evaluating our investments from an environmental point of view, and also social value – social development, compliance, transparency, and economic development for the country. We want to invest in companies that in the end create jobs, create wealth, substitute imports, create exports; this would be the ideal project for us and that's what we try to work to identify. We need projects that meet all these [inaudible].

So, thank you very much.

Jerry Simu:

Your Excellency Secretary of State for Finance Valentina Filipe, Dr Luís Lelis, distinguished members of the audience, members of the Lord Mayor's delegation, let me begin by thanking the organisers, for [inaudible] this important event, and the first visit of the Lord Mayor to Angola. Like the Lord

Mayor, this is my first speech in Angola, and hopefully there will be more in Angola [inaudible].

It is with great pleasure that I have this opportunity to [inaudible] and banks. And this goes back to HSBC [inaudible] its current status of HSBC.

In fact, one of the core convenors of this seminar is Banco Africano de Investimentos (BAI), and we are a proud of our long and [inaudible] friendship that we have had with BAI [inaudible].

If you allow me I will provide some background on HSBC's global presence, which will allow me then to focus on HSBC in Angola. HSBC has a presence in 88 countries, and we are uniquely positioned to provide global support to our clients in Angola given our wide footprint across the globe. Similarly, we will also be able to provide access for Angolan companies that are looking to invest outside of Angola.

Our presence is supported by 290,000 employees across the globe. [Inaudible] in Angola but growing. We will be looking to formally open the representative office in [inaudible], and we will be looking to recruit in Angola. So, I think that is going to be an important aspect of our growth going forward.

The global footprint and emerging markets financing and strategy is critical in Angola and thereby providing connectivity. Connectivity is a critical theme that we look at across all our markets that we are going to be present in.

In terms of sector coverage, we are currently committed to providing seamless relationship management and strategic advisory and capital related services to our clients. Our current focus is on the [inaudible] which are two sovereigns and sovereign [inaudible] government agencies starting from the Ministry of Finance and other agencies of government: reserve managers in the Central Bank and similar entities. HSBC is going to support most sovereign institutions.

[Inaudible]

We currently do not have coverage of corporates but we are working with our corresponding banking partners to go directly to work with the corporates.

I think we recognize that the local financial institutions have expertise that we necessarily do not have in Angola. Therefore we look to work together with our corresponding banks to provide our services to the corporate sector.

In terms of the private coverage in Angola, we see some five to six key principal areas:

1. Relationships and partnerships – this is the starting point. We have investment banking advisory teams based in Johannesburg and the rest of the globe, and they focus on a number of areas. I will outline two of them now:
2. Corporate finance and mergers and acquisitions, and we are looking for opportunities to support the local market in that area.
3. Investment banking financing is another area that we are keen to be involved in. There is project finance, syndicated finance, export credit agency finance, rating advisory and debt capital markets.
4. Global markets is an important area to be able to learn [inaudible] and we are particularly keen to work with our clients in the energy derivatives area. [inaudible] Joint venture with Total. This is a global joint venture. With Angola being blessed with hydrocarbons and [inaudible] energy derivatives, [inaudible] we would like to discuss further.
5. Transaction banking services – these are traditionally trade finance, and we are looking to continue to provide investment services [inaudible].

In the interest of time I am not going to go through all of those.

I just want to touch on some perspectives we have for Angola. 2010 and 2011 have been very important years for HSBC with the opening up of the rep office. Our perspectives in Angola, [inaudible] show where we are particular keen to support and in the product areas that we are keen to support. This is all underpinned by three or four key particular areas [inaudible] banking sector across all its geographies.

The first one being economic relevance and the economic [inaudible] of a particular economy. This is done by comparison with other opportunities where HSBC can work to invest. Angola has demonstrated some of the highest GDP growth in the world over the last few years, and the forecast I think is growth of 7% until 2015. On average I think the Angolan story is a very impressive one, and I think it is one of the pillars that HSBC is [inaudible] when we are looking to invest. So, the economic [inaudible] is phenomenal; strong international [inaudible] position; strong currently in turn on the continent, second only to South Africa; [inaudible].

Connectivity is an important metric that the group uses, and the critical role that Angola plays in South-South trade corridor, and its connectivity to the BRIC economies, is seen very favourably by HSBC. It therefore is another important factor for our presence in Angola. Related to this is our global

footprint, and our ability to provide services to companies that are multinationals, or commercial banking groups in the rest of the world looking to come to Angola – or the other way around. So the connectivity aspect is critical.

The financial sector industry is the third pillar that we look at, and [inaudible] the financial sector is extremely strong, extremely [inaudible]. The regulator is very strong in that respect, and this is an important aspect that we look at when we are looking to invest in Angola.

The industry is one that is, again, growing, and [inaudible] we are coming away from the place as something that we are particularly interested in as a bank, in terms of our ability to support [inaudible].

The infrastructure and infrastructure spend, and the programme that Angola has over the next few years, is something that we would like to support where we can, and again it is aligned to our core strengths as a bank in appraising and financing these kinds of projects. So, infrastructure is also something that we are particularly keen to pursue further.

So in summary, the [inaudible] long history in Angola demonstrates our commitment and our [inaudible] of aspirations [inaudible] our relationships and partnerships.

Thank you very much.

Eric Guichard:

First I would like to thank your Excellency Secretary of Finance of Angola for your graciousness to stay, and also for your excellent presentation. I also would like to thank the Lord Mayor and the delegation for inviting Homestrings, which is a UK based firm. I would also like to thank Dr Carlos Francisco, and Dr Alves da Rocha for organising and managing this process and last but not least Chatham House and Markus Weimer for organising this session.

What I am going to be talking about is somewhat of a new paradigm. I know that you are aware of the financial flows of the diaspora from outside of Africa to the continent of Africa. According to the UN and other sources, these amount to about U\$40bn a year. Those amounts are significantly larger than official development aid that Africa receives [from the World Bank] with a current portfolio of about U\$20bn.

So at Homestrings we thought that if U\$40bn are being sent person to person, and the World Bank's entire portfolio is U\$20bn, clearly U\$20bn cannot all be subsistence consumption as we all would like to believe. And myself being from Guinea (my mother from America), I know that when I send money to my relatives in Guinea and Senegal, I know that they are not using it to buy rice and tomato paste. They are using it to buy land, power generators and imported cars for taxis – i.e. they are using it for investment purposes.

So the question to me was, as a former World Banker, who is reading stories of growth in Angola and in other countries, how do I invest in those countries in an organised fashion? When I looked around I saw no existing environments that gave me a structured way of selecting investment opportunities – the same kind of investment opportunities that [Development Investment Funds such as] FMO or Norfund would normally have – i.e. opportunities that generate returns, but also opportunities that had an impact on development. Essentially this is what Homestrings is about.

So, the area we are trying to formalize, alongside FDI, and official development aid, [inaudible], is Diaspora driven investment – i.e. the ability of the Diaspora to finance development alongside official ways of financing development. [Inaudible]

So, as I mentioned, we know what the flows are: global flows from the west to emerging markets is about U\$450bn in remittances, [inaudible], and as I have said before, these flows are person to person flows. They are syndicated by banks, syndicated by money transfer agencies, and the conventional wisdom today is that most of these funds are for subsistence. We beg to differ.

So for us the question is whether remittance flows equal Diaspora investment flows - i.e. what proportion of these flows equals to the potential for attracting into structured investments. In order to do that we need to understand who the remitters are. Luckily for us, George Washington University, and USAID in conjunction with Western Union conducted a study of the African Diaspora living in the US (primarily). They looked at around a thousand members and tried to figure out their profile, their investment interest and activity, the obstacles they face, their advantages as members of the Diaspora, and last but not least their investment motivation.

This is a summary of the report. You can find the whole report on the George Washington university website (gwu.edu), or you can e-mail me and I will forward it to you. The essential profile is the following:

- Members of the African Diaspora within the US have typically been there for 22 years – i.e. they have very deep professional roots.
- About 72% of them expect to go back home, which means they are investing ahead of their retirement or ahead of their return, and most of these investors are investing in real estate.
- The average age of the respondents of the survey is 46 years old, so clearly these are mature individuals.
- More than 50% have salaries in excess of U\$100,000, so there is significant liquidity for them to invest.
- If we look at what they transfer through Western Union, they transfer on average about U\$13,000 per year, with a standard deviation of about U\$22,000 – U\$23,000. Clearly they are transferring significant amounts of money.

In essence the summary of the findings are the following, and this actually surprised us:

1. The number one reason – the foremost motivation for the Diaspora to invest, is to make money. This is contrary to what you would hear from NGOs the reality is that they are looking to make money.
2. Number two – yes, there is the emotional attachment of 'back home', and yes they want to help in development.
3. Number three – they are also seeking social status. They want recognition for contributing with their hard-earned money in the development of their home country.
4. Last but not least, they want voice. They want the ability to influence policy in an organised fashion.

The question for us is when looking at these motivations – how to achieve all four of those objectives in a single solution - i.e. how to translate this into a palatable proposition.

It needs to:

1. Facilitate access to impactful opportunities – the likes of FIPA, the country focussed private equity funds;
2. We need to provide a reasonably fast rate of return;
3. We need to provide transparency – the ability to due diligence the underlying investment;
4. We have to provide a voice mechanism;

We believe that we have achieved that proposition.

[Video presentation]

At Homestrings we have been registering members of the Diaspora from all over Africa, and as you can probably see from the images, we are a global solution. We are currently registering around 10-15 members per day, which is around 300 a month, or 11,000 per year.

Currently [inaudible] of about 20,000 professionals in the US and the UK. According to Western Union they have an interest in investing around U\$25,000 per year each, which gives us a [inaudible] of about U\$0.5bn.

Our objective is to find [inaudible] ways in order to put in the catalogue [inaudible] investment opportunities that are opportunities that the Diaspora would like to invest in. So, we are looking at private equity funds, we are looking at public private partnerships (PPPs) with governments, we are looking at private investment promotion agencies, and we are also looking at showcasing the IPA pipeline of projects next week.

In conclusion, we believe that Homestrings is strategically placed – uniquely placed – in the space of organising Diaspora flows and channelling them in an organised way into projects that actually make a difference – be they funds, be they PPPs or be they stand-alone projects.

We intend to work with governments, with banks and corporations, project sponsors, SMEs, etc., and we see ourselves as a shopping mall for impact investing for the Diaspora.

Thank you.