

Building bridges towards a brighter future for Angola

Diaspora Speaks Out

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Contributed by Alberto Galhardo Simões - Partner and the head of Commercial and Projects at Miranda & Associados

Infrastructure projects are critical during the business cycle of any economy. Whether it is the financing of a bridge or a motorway, for a huge oil producer like Angola, for there not to be the infrastructure in place to transport and export the oil overseas would be unthinkable. I have been doing business in Angola for over twelve years and have seen first-hand the benefits that the completion of successful infrastructure projects have brought to the economy.

Up until very recently, and perhaps ironically, with the price of oil being so high, governments in Africa were able to fund their own infrastructure projects, which didn't make it very attractive to foreign investors. In the aftermath of the oil crisis, governments are more dependent on funding for these types of projects.

It is in this context where oil producing countries are affected by a sharp decrease on their public revenues that they need to look at alternative sources of finance. The Public Private Partnership (PPP) model can (and is) no doubt a viable alternative to public finance. It can attract private finance to the construction of public infrastructure in order to enable the Governments to continue delivering much needed infrastructure services.

But this is not the end of the story. When governments resort to PPPs and project finance, there is a risk allocation game between the public and private sector that must be played very skillfully. There are also risks that are enhanced in the African continent that must be successfully mitigated in order to attract private finance.

Paramount among those risks is the political risk. Is it possible to mitigate against political risk? The answer is yes. First, by bringing the multilateral institutions to financing the projects, such as the IFC (International Finance Corporation) and the ADB (African Development Bank). They do not only bring credibility, but also have a catalytic role of commercial banks. Second, by considering to resort to institutions such as MIGA that can insure against political risk. So much like if you were insuring a driver against the risk of having a car accident, an institution like MIGA can insure your infrastructure project against the political risk. My experience of working for the Inter-American Development Bank in Washington for five years as in-house counsel, gave me valuable insight as to how these organizations function in practical terms. Even though my focus was on infrastructure projects in Latin America, I can still draw upon this experience when advising clients in Africa.

Angola is trying to offset the oil crisis by diversifying its economy through PPPs, but also through hydro power and photo voltaic solar projects. Solar power is perfect for the climate of the African continent. After doing business in Angola during the last twelve years, the reality is that in 2015 it is becoming harder than ever to do business in Angola. Foreign exchange reserves are down and some investors are worried regarding the repatriation of their profits. Medium sized companies from Portugal, however, due to the cultural proximity to countries like Angola, are finding it easier to do business in country. The New Private Investment Law (NPIL), (Law 14/15, of 11 August 2015) has produced some positive changes and has made the country particularly attractive for consulting firms. I am very passionate about infrastructure projects and believe they are critical to building a better future for Africa.

About the Author



Alberto Galhardo Simões is a partner and the head of Commercial and Projects at Miranda & Associados, a full service law firm based in Lisbon, Portugal. Miranda is the founding member of the Miranda Alliance, a network of legal practices spanning 17 jurisdictions across five continents, but with a strong Africa focus.

In 1998 Alberto joined the legal department of the Inter-American Development Bank (IDB) in Washington D.C. During the five years spent at the IDB, he was involved in the structuring of several infrastructure projects funded by the IDB in the areas of transportation, sanitation and energy in Brazil, Argentina, Mexico, Bolivia, Paraguay, Chile and Guatemala. He was also involved in the setting-up of venture capital funds in Brazil and securitisation operations.

Joining Miranda & Associados in 2003, Alberto's international experience in projects includes the representation of multilateral organisations, construction companies and lenders during the several stages of a project, including the tender process, preparation and negotiation of the contractual documentation until financial closing and legal assistance during construction and operation. His recent project activity includes advising lenders and sponsors in projects in Portugal and several emerging markets. His main areas of activity are corporate law, commercial transactions, public-private partnerships and project finance.