

AFRICA'S ALTERNATIVE FUNDING - ABREU ADVOGADOS

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Mozambique and Angola look to go beyond the bank loan market and establish genuine alternative sources of financing for investors

Obtaining debt finance from banks is not an easy task anywhere in the world in the current economic climate. For investors looking for a line of credit in Mozambique, the limited capacity of the local market makes it an even tougher task, explains Miguel Castro Pereira, Managing Partner of

Abreu Advogados, not least because the country is now in the midst of a real estate boom off the back of the major gas investments coming into the region.

"Mozambique is a small market and has relied on traditional bank lending to finance investments," explains Castro Pereira. "However, traditional bank lending does not work when the amount required surpasses the \$150m mark as there just is not enough local capital."

Castro Pereira says clients are increasingly enquiring about alternative funding mechanisms such as the capital markets. In terms of equity capital markets, Mozambique does have a stock exchange with three companies listed (Cervejas de Moçambique, Companhia Moçambicana de Hidrocarbonetos and CETA - Construção e Serviços) so the scope for rights issues and similar mechanisms is limited at present. It is a similar situation in Angola, which has a long-held ambition to establish a stock exchange although that has failed to materialise.

Financial institutions, however, are looking towards the debt capital markets for solutions. This would not only allow alternative lines of credit but deepen the pool of potential investors, he says, especially in light of Brazilian and Portuguese investment in the region.

"Financial institutions are trying to obtain a credit rating in order to consider bond issues both locally and internationally," Castro Pereira says. "Strong capital markets create a more sophisticated financing sector, and there are clearly opportunities for issuances." Therefore, Mozambique could indeed prove to be a vital funding source while also presenting better returns for investors in the coming months.

Mozambique y Angola buscan la posibilidad de establecer fuentes alternativas de financiación para inversores, según opina Miguel Castro Pereira de Abreu Advogados. Mozambique, en los próximos meses, podría incluso convertirse en una fuente importante de financiación con excelentes niveles de rentabilidad.