

The background of the slide is a photograph of the Addis Ababa University building. The building is a grand, multi-story structure with classical architectural features, including columns and ornate carvings. A prominent sign on the facade reads "ADDIS ABABA UNIVERSITY". The lighting is warm, suggesting a sunset or sunrise, with a bright orange glow on the left side of the image.

ADDIS ABABA
UNIVERSITY

LEGAL INFRASTRUCTURE FOR CAPITAL FORMATION

Edwin Martin, Moderator
Senior Counsel, DLA Piper



EVERYTHING MATTERS



Introduction

- Capital Formation, as an Engine of Economic Development in the “formal” private sector
- Three types
 - Reinvestment into the Enterprise
 - Debt Capital, through borrowing from institutions or others
 - Equity Capital, provided particularly by entities or individuals not engaged in the enterprise



Introduction

- Legal Infrastructure relates primarily to the last two
- Our Speakers:
 - Seyoun Yohannes, Law School of Addis Ababa University
 - Thina Siwendu, Partner, Siwendu & Partners Inc, South Africa
 - Teshome Beyene, Secretary General, Addis Ababa Chamber of Commerce
 - Myself, Edwin Martin, Senior Counsel, DLA Piper



What we are not covering

- Joint Ventures with Foreign Business Enterprises or Foreign State Owned Enterprises
- The Informal Economy and Microfinance
- Stock Exchanges; Public Offerings and Public Markets



Legal Infrastructure as Important Factor

It is a key factor for both Debt Capital and Equity Capital

- Debt Capital

- Clarity of Rights to Assets
- Ease of Providing Collateral
- Legal Provisions regarding Collections
- Registry of Intangible Assets
- Regulation of Lending Institutions
- Other



Legal Infrastructure as Important Factor

It is a key factor for both Debt Capital and Equity Capital

- Equity Capital

- Commercial Code Private Limited Companies
- Clarity of Rights and Obligations
- Ease of Accommodating Agreements of Parties
- Simplicity of Compliance
- Adaptability to a Range of Companies
- Regulation and other laws regarding equity investing by “institutions” and other professional investors



Legal Infrastructure Important But Other Factors More Important

- Generally, these are applicable anywhere in the World
- Culture: Views of society and individuals regarding
 - Pursuit of economic success
 - Risking (and perhaps losing) assets and reputation
 - Risking (and perhaps losing) assets of others invested in the enterprise
 - The comfort in trusting people, entities and institutions which is necessary for both entrepreneurs and investors



Legal Infrastructure Important But Other Factors More Important

- Perceptions with respect to future economic and political stability
 - To gain comfort that such external factors are unlikely to disrupt the ability of the business to achieve a success
 - To gain comfort that fruits of success won't be destroyed by instability
- The development of a community of trusted advisors, including lawyers and accountants, to both entrepreneurs and investors to assist in building companies and relationships



Legal Infrastructure Important But Other Factors More Important

Perceived economic opportunities for such
businesses

- Feasibility (or Perceived Feasibility) for Investors (and often, Entrepreneurs) to monetize the success of the business through (e.g.) sale, dividends, selling interests in the business
- Importance of Role Models



Relevant Legal Infrastructure

- Some covered in this panel; some covered elsewhere
 - Law and Practice regarding formation, governance and other aspects of business entity
 - Tax law for companies, individuals, investors
 - Intellectual Property Law
 - Regulation of Institution regarding lending and investing

Relevant Legal Infrastructure

- Some in this panel; some covered elsewhere
 - Laws on Creditors Rights
 - Protection of Minority Shareholders and Corporate Governance
 - Laws relating to the formation of, and fund raisings by, entities which make equity investments:
 - To acquire companies
 - To make loans to, or equity investments in, domestic companies
 - To invest in local investment entities

The background of the slide is a photograph of the Addis Ababa University building facade. The building is constructed of dark stone with intricate carvings and a large central sign that reads "ADDIS ABABA UNIVERSITY". The lighting is warm and golden, suggesting a sunset or sunrise. The overall tone is professional and academic.

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