

RICHARD H. MATZKE

**President, NESW Solutions
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Richard H. Matzke

Board Affiliations

- Board - Lukoil, Moscow
- Board - IHC/Caland, Amsterdam
- Board - Petroleum Helicopters, Lafayette
- Formerly - Vice Chairman Chevron
Texaco Corporation
 - 41 years with Chevron Corporation

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Education – Continued Involvement

- BS and MS Geology
- MBA Management
- Honorary Doctorate

- Chairman of the American-Iranian Council
- Board of the National Committee on United States-China Relations
- Advisory Board of the Center for Strategic and International Studies
- Council on Foreign Relations
- Russian-American Chamber of Commerce

Investment Opportunities

Non-African areas of the world desire trade and investment opportunities in Africa, and Sudan in particular, seeking primarily:

- Natural resources

- Agricultural products

- Human resources

- Light industry manufactured goods

- Export opportunities

Obstacles to Investment

Some of the built-in obstacles to capital inflow are often referred to as investment risks.

Civil war

Uncontrolled warlords

Disease (Aids & Malaria)

Poor education and health care

Famine and drought

Lack of developed infrastructure

Does Sudan Want Foreign Capital Investment?

Africa in general and Sudan in particular should desire both private and public foreign capital inflow.

Without economic growth and stability, there will never be political development and stability.

With high birth rates, low income levels, and virtually no domestic savings, there will never be internally sustained economic growth.

Does Sudan Want Foreign Capital Investment?

Foreign private capital inflow for economic development, coupled with foreign aid devoted to social and political development, provide the only opportunity for economic growth and ultimately political stability.

Sudan Has No Option

With advancing disease and famine, and the accelerating loss of life due to civil war, Sudan has no option.

It must bring an end to civil unrest and put in place the policies and behaviors that will attract foreign private and public capital inflows.

If you want foreign capital investment, you must decide how:

Debt?

Equity?

Joint Ventures/Partnerships?

Who do you want it from?

- Government owned banks (e.g. World Bank)
- Does country source make a difference?
- Large publicly traded companies?
- State owned companies?
- Entrepreneurial investor?

How do you want it?

- Up front and you control spending?
- Carried interest with partner controlling spending?
- Nothing up front but share of profit?

Capital Moves to Low Risk High Return Opportunities

Are the risks in Sudan low?

Are the returns in Sudan high?

Host countries can reduce risk, and investors can mitigate risk.

Capital inflow is not the entire solution.

Policies, systems, and behaviors must be accepted and put in place so that capital can work.

To have capital inflow create economic growth it must be allowed to generate shared value and recreate itself.

Investment Risks

Risks to an investor are determined largely by his/her understanding of the host response.

What are my rights?

1. How are they provided to me?
2. If we disagree, how are our differences adjudicated?

Policies and Procedures That Will Lead to Risk Reduction

1. Sanctity of contract
2. Commercial protection of investment
3. Physical security of people and assets
4. Repatriation of profits
5. Efficient investment procedures
6. Most favored nation treatment
7. National treatment
8. Contractual transparency

Policies and Procedures That Will Lead to Risk Reduction (cont.)

9. Protection of intellectual property
10. Incremental expansion opportunities
11. Eliminate trade barriers
12. Fair and functioning dispute resolution process
13. Minimal third party performance requirements

Reforms that will Enhance the Environment for Investment

(From MKKotecha – Encouraging Capital flows to Sub-Saharan Africa, fellow Council on Foreign Relations)

1. Improve infrastructure – water, power, food, transportation and communication
2. Reduce crime, corruption and civil disturbance
3. Improve health care, education, and respect for diversity

Reforms that will Enhance the Environment for Investment (cont.)

4. Create small and medium business education and lending systems
5. Encourage the repatriation of exported capital and increased domestic savings
6. Cooperate with rating agencies who will assist in process improvements
7. Ensure that judicial system is prepared to fairly treat foreign investors

In Conclusion

More important than the sanctity of contract is the successful conclusion of the purpose of your being here.

The war must end.