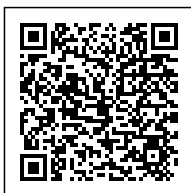


# ANGOLA LOOKING TO BETTER MANAGE ECONOMIC GROWTH - ABREU ADVOGADOS

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## **Attempts are being made in Angola to broaden its economic output with the creation of government incentives and the introduction of stronger regulatory systems**

Africa has proved no more immune to the effects of the global economic crisis than elsewhere, albeit the impact to date has largely been felt vicariously through reduced commodity prices, says João de Freitas e Costa, partner with Lisbon-based Abreu Advogados. One of the repercussions in Angola however has been added impetus by the Government to diversify and better regulate the country's economy.

'Angola's economic system is still largely dependent on the production of petroleum and diamonds, both of which have seen a dramatic fall in prices as a result of the global economic and financial crisis. Recent months have seen the Government adopt several new measures to promote economic diversification, in areas including energy, construction, manufacturing and agriculture.'

Angola's financial and currency systems are also now subject to strengthened regulation, he says, with increased powers and scrutiny by the Angolan National Bank.

The Government has approved an amended 2009 budget aimed at mitigating any further impacts of the crisis, including introducing a more restrictive monetary and financial policy. The legal reserves of domestic financial institutions have been increased from 20% to 30% with such reserves now also having to be held in the national currency, the Kwanza.

'Likewise, currency operations in excess of US\$100,000 have become subject to prior approval from the Angolan National Bank, while there is also now more control of the sale and purchase of foreign currency and of foreign currency bank accounts. The Government is also trying to reduce foreign debt namely through the reduction of foreign facilities, while tax reform rules are also expected.'

But investing in the country still offers significant potential rewards, says Freitas e Costa, albeit investments should be made cautiously. Foreign operators must also understand the nuances and rules, written or otherwise, of a country that only saw its bitter 30- year civil war come to an end in 2002. 'A reliable local business partner is usually required, but important also is knowledge of the market and legal framework, and the incentives and benefits applicable to foreign investors.

In fact, once investors understand and know the nuances of operating in Angola and choose the right partner, the chance of good returns is extremely likely.'

Since the end of the war, Angola has seen the introduction of a number of new laws – drawing on the Portuguese legal tradition as well as more Anglo Saxon concepts – in order to better facilitate private international investment, including a new Commercial Companies Act, Financial Institutions Law, Private Investment Law and Tax incentives and Benefits Laws.

'There is no doubt that Angola is making an effort to better manage its economic growth, and one outcome of the current global financial crisis may be that private investments will be subject to stronger control and supervision. However, Angola will also know new realities, including the creation of a domestic financial market and the launch of a Stock Market.'

In order to help stimulate the domestic economy, the Government is notably looking to tackle the country's housing shortage – with a programme for the construction of a million new homes and the

requisite sewage, water and electricity infrastructure to support them – and to amend its chaotic property laws, says Freitas e Costa.

'Most domestic owners do not have any legal title over their properties while many of the titles that do exist are not recognised by Angolan law. Such an absence can play a decisive role in acquisitions as land occupied without legal title is deemed State property and as such the surface rights automatically belong to the Republic of Angola.'

There remains much to do in Angola, and it can be a challenging place in which to do business, but Angola's new Housing Development Law is another example of the efforts being made to fill some of the gaps that have historically limited international investment and economic diversification, he says.

'The Law offers a strategic model defining specific rules around the construction of properties by individuals, companies or other entities under the grant of land at a reduced cost, including the application of new financial and tax incentives and mortgage credits.'

**“The recent investment grade status achieved by Brazil is allowing a more intense international capital flow to the country, and this is being seen in an upturn in the energy sector.”**

Eduardo Soares, Mattos Filho Veiga Filho Marrey Jr e Quiroga