

ANGOLA'S CURRENCY ON FIRMER FOOTING - AVM ADVOGADOS

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Alterations to Angola's foreign exchange regulations has strengthened the local currency and helped to improve the country's economy

Angola is known for its natural resources, especially petroleum. The abundance of oil has prompted a wave of international inward investment into the country. The Angolan government has made a concerted effort to reform regulations so investment may continue while also helping to bolster the local economy.

António Vicente Marques, the Luanda-based Managing Partner of AVM Advogados, highlights the alterations to the foreign exchange rules – which came into force on July 1st, 2013 – as a prime example. "The effect of the Foreign Exchange Law on the Petroleum Sector was that it made it compulsory for companies to pay staff into Angolan bank accounts," he says. "In addition, payments for goods and services provided by resident contractors and service providers has to be made in Kwanzas, the local currency, rather than US dollars."

US dollars, the currency in which oil is priced and purchased, had created a dual-currency scenario in Angola because US dollars were also the currency of choice to pay suppliers. From last July, companies received US dollars when selling oil but had to convert them into Kwanzas to pay local

providers.



Fellow AVM Advogados Partner Claudia Santos Cruz says the policy has gone some way to improving not only the local currency but the local economy. "If we go back 18 months, almost all activity was priced in US dollars but the currency shift has pushed people and businesses towards Kwanzas," she explains. "We are now drafting contracts and commercial agreements in Kwanzas or at least with currency conversion terms to Kwanzas. Indeed, the

currency's exchange rate is also no longer static, effectively pegged to the US dollar; it can fluctuate, which is a positive sign."

There are signs the currency shift, as part of wider reforms, is helping to stabilise the economy – there are reports that the Kwanza is in informal use in other countries, including the Democratic Republic of Congo and Zambia. The oil-rich influx into Angola has made Luanda one of the most expensive cities in the world, yet inflation was 7.69 percent in 2013, according to the National Bank of Angola, which was the lowest figure on record.

The much-heralded Angola Stock Exchange is also back on the agenda, which would represent another major step for the economy.

Slow progress

"An Angolan Stock Exchange has been on the cards for quite a few years but a growing economy and a robust currency all help build confidence," Marques says. "This year has seen the government attempt to pass the secondary legislation needed to establish a bourse, so we are slowly moving forward."

Not all of the reforms in Angola have been overwhelmingly well-received, however. There was the proposal to levy a 0.1 percent charge on the value of goods imported for oil and gas exploration and production, while there has also been an increase in the amount of red tape for companies in order to meet regulatory obligations.

Companies now have to make quarterly submissions to the Angola National Bank about the various agreements with FX non-residents and FX residents, and also face additional paperwork after the threshold to export any dividends by a company was increased to \$1 million (up from \$300,000) or \$3 million for oil and gas producers.

Santos Cruz says that the challenge has been the introduction of additional contract approval procedures. This has resulted in another layer of bureaucracy as companies are subject to new tests and scrutiny from the authorities, covering, for example, whether the goods and services can be obtained locally before approving a contract and making payments abroad.

"There have been some delays and it has taken quite a long time for some companies to get import or export licences," Santos Cruz says. "A company sometimes has to get a licence for each individual transaction too, so it can become a difficult process."