# LUSOPHONE AFRICA SPECIAL REPORT 2009: THE CONTINUING ATTRACTION OF AFRICA

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"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."
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### With abundant natural resources and the need to rebuild their shattered economies after decades of civil war, Angola and Mozambique remain economic bright spots on the African continent

In order to offset falling domestic activity and revenues many businesses are looking to new and developing markets for growth. For Portuguese companies, this has traditionally meant its former colonies, among which, Angola and Mozambique, continue to stand out as offering opportunities for growth even in the face of the global downturn.

Until 1975 both were Portuguese colonies however the subsequent years of independence have not been an easy path for either country to follow. A bitter civil war raged in Angola between 1975- 2002 and in Mozambique between 1977- 1992, fuelled in part by wider macropolitical issues but also efforts to gain control over the countries own abundant natural wealth.

Angola enjoys significant oil, gas, gold and diamond reserves, and is level with Nigeria as Africa's largest oil producer, while Mozambique has vast coal fields as well as smaller gas, gold and bauxite reserves.

Since the end of the wars both countries have therefore seen a dramatic upturn in development and significant international investment, and it is no longer only the Portuguese that are looking to capitalise on the rehabilitation and evolution of the Angolan and Mozambique economies.

## Everything to do in Angola

Since the end of the civil war, Angola has emerged as the fastest growing economy in Africa and one of the fastest in the world – a young and dynamic country where the average age is 18. 'Angola is a place in which you can sense both the past and the future. There is everything to do there and the capital, Luanda, is a city in which change is evident almost on a monthly basis,' says João Robles of Lisbon's F Castelo Branco & Associados (FCB&A), which operates in the country through an association with Luanda-based Vitor Félix Advogados.

Since the 2002 peace settlement efforts have been made to resettle the estimated 4 million people displaced by the civil war and there is now a major house building programme planned across the country. But while rebuilding efforts have resulted in a construction boom, much of the country's road, rail and port network remains undeveloped, say lawyers.

'Angola is still experiencing significant growth, with the international investment that began a decade ago with the major offshore oil finds still happening. The oil sector remains a major driver but a recurring problem is that there is still virtually no infrastructure within the country;' says Thomas Moore, an oil and gas specialist with Dewey & LeBoeuf in London.

The past few years have seen him advise a consortium involved in the US$8.5bn Angola LNG project being developed jointly by Chevron, Government-owned oil company Sonangol, BP, Total and Italy's ENI.

Located in Zaire Province in the extreme north west of Angola, the project is expected to come into operation in 2012. It is the oil sector that has to date made the largest impact on the Angolan economy contributing an estimated 85% of GDP. Despite a drop in oil revenues in line with falling global prices GDP growth has averaged around 15% in recent years rising to $110bn in 2008.

Angola became a member of OPEC in late 2006 and now produces around 1.9 million barrels a day, largely under the control of Sonangol.

Angola is now hugely attractive to the petroleum industry, says Moore. 'Angola is very high in the minds of international oil and gas multinationals as the types of offshore deep water reserves they have are really only within the reach – technologically and financially – of the major players.'

The fall in oil prices has however helped energise efforts by the Angolan Government to speed up the diversification of the country's economy, note others, with a growth in its diamond, iron ore, phosphate, copper and gold sectors, as well as an emerging manufacturing sector.

The Angolan Central Bank has also implemented a successful exchange rate stabilisation program, in order to reduce inflation, and the country has seen the implementation of new laws – drawing on the dominant Portuguese legal tradition as well as more recently Anglo Saxon concepts – addressing finance, corporate, tax and benefits issues to help facilitate private investment.

'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,' says João Freitas e Costa, partner with Lisbon-based Abreu Advogados.

The country has to date however already benefited from considerable international investment and aid including in 2005 a $2bn line of credit from China – since increased to $7bn – and to which the country is now estimated to be the major oil supplier. Angola also now enjoys significant credit lines from Brazil, Spain and Portugal – the elading importer.

'Portugal and Angola have always shared a close and good relationship, in as much as they have a similar culture, social relationships and speak the same language. Portuguese investment in Angola tripled in the period 2008-09 and it is now Angola's main trading partner outside of the petroleum and diamond sectors,' says Freitas e Costa at Abreu Advogados.

Challenges still exist for those wishing to do business in the country, not least finding a reliable local business partner, and as only Angolan citizens may be members of the Bar much investment continues to be channelled through Lisbon.

The major Portuguese law firms all now have strong regional affiliations, alongside PLMJ, FCB&A

and Abreu Advogados, Cuatrecasas Gonçalves Pereira and Vieira de Almeida and Raposo Bernardo are notably active (and have offices in Maputo in Mozambique).

"The market is big enough for several players but it is vital to have a presence on the ground to be able to deliver an international level of service and fundamentally to be able to operate in both English and Portuguese," says Rui Amendoeira, Managing Partner of Miranda, the longest established Lisbon firm in Angola, in association with local office Fatima Freitas.

## Mozambique

Mozambique has also seen significant reforms in the last few years as it sought to encourage further inward investment, and to modernise its own – Portuguese dominated – legislative and regulatory systems. Nonetheless, it has felt the effects of the global financial crisis, as funding for the major infrastructure and energy projects has proved more difficult to source.

'The government is intensifying efforts, especially during this period of crisis, to upkeep and preserve the progress achieved in the last decade,' says Tiago Mendonça de Castro, who leads the Mozambique practice at PLMJ in Lisbon and in Maputo.

South Africa remains Mozambique's main trading partner, but Belgium and Spain also figure prominently, as inevitably does Portugal. But the country has also seen significant investment from China and now Brazil – the mining giant Vale this year announced a $1.3bn (€936m) coal extraction project in northern Mozambique, which has the potential to make the country Africa's second largest coal producer.

'Despite the global economic situation we see Mozambique continuing to attract considerable international investor interest in the energy, mining and tourism sectors,' says Gregory Nott, managing partner of Dewey & LeBoeuf's Johannesbourg office, who is advising energy clients on local projects. 'Much of the focus remains channelled through Maputo but the country as a whole is one in which there remains huge optimism in the region.'