

# LUSOPHONE AFRICA SPECIAL REPORT 2012: EXPANDING INTO AFRICA: NEW ENERGY FOR ANGOLA AND MOZAMBIQUE

*Posted on 07/05/2012*



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**Africa remains a region of growing international investment focus by European companies, with Angola and Mozambique increasingly at the top of strategic lists**

Portugal and China may be the major foreign investors in Angola, but its expanding oil and gas

sector continues to attract new interest. Events in the Middle East, specifically the oil sanctions imposed on Iran, mean that Angola's output is attracting renewed analysis. Meanwhile, efforts by the Government to diversify the economy are attracting a wider pool of international investment, say lawyers.

"Angola remains an attractive country for many reasons, where a more stable oil price is now helping the Government to plan new projects – and pay for those already underway – in an effort to reduce its reliance on oil, which of course means more business opportunities for foreign companies," says Paulo Trindade Costa, Partner at the Miranda Alliance, operating in Angola through leading firm Fátima Freitas Advogados.

Ten years after the civil war, Angola's economy is expanding at an annual rate of around eight to nine percent. The Government is using its petrodollars to rebuild the country's shattered infrastructure, expand the economy and modernise and better connect its cities.

"The country is now back where it was prior to the global financial crisis and the drop in oil prices. There is more liquidity, the Government is paying its bills and major public works are under way, with more in the pipeline. There is a renewed optimism," says António Vicente Marques, Founding Partner of Luanda-based AVM Advogados, also now active in Portugal and Mozambique.

Angola is also looking to expand its port and transport infrastructure, all but destroyed by the fighting. Telecommunications are expanding, most recently with Unitel announcing it is to commence Blackberry services nationally.

Significant legislative change has also been undertaken, including last year's enactment of a new Foreign Private Investment Law, and Angola is now seeing wholesale reform of the country's private and corporate tax regimes.

"The changes are highly significant, especially to the many smaller companies looking at Angola as a new export or investment market, as it brings both positive and negative changes for them," says João Robles, co-Head of the Angola practice at F. Castelo Branco & Associados in Lisbon, which operates in Luanda through Eduardo Vera-Cruz Advogados. "There is clearly a push to ensure all new investments adhere to the new Law and rules of the National Private Investment Agency (ANIP)."

The financial sector is becoming more sophisticated encouraged by the investment and tax changes. There is potential for consolidation as banks look to build deeper expertise and expand across the country, says Vicente Marques at AVM Advogados, while there is also renewed talk of an Angolan Stock Exchange following a return to greater stability in the international capital markets. Angola's banking sector may be dominated by institutions with strong Portuguese shareholdings, but new players are arriving. Most recently, Standard Bank announced it is to begin corporate operations in Angola.

Issues, however, remain, not least its reliance on oil production. Many construction companies active on public projects found their payments delayed as Government revenues were reduced when prices dropped.

Presidential elections are scheduled this year; the incumbent Jose Eduardo dos Santos has ruled since 1979 and there is a sense that he may choose to stand down. So the question is rather what, or who, comes next.

The legal market also presents foreign law firms with challenges, as only Angolan nationals can be members of the local Bar. With very few local corporate law firms, the dominant players remain those associated with the major Portuguese firms.

## **Mozambique**

Relative to Angola, Mozambique may be further down the development track, but recent discoveries of huge offshore natural gas reserves hold the potential to change the economic direction of the country, say lawyers.

"The country has always experienced a degree of inward investment, notably by the Portuguese and

South Africans in areas like tourism, banking and infrastructure, but we are now seeing significantly higher levels of international interest, especially in the gas and mining sectors," says Nuno Castaleo, Head of International Relations at Vieira de Almeida in Lisbon, which operates in both countries through its VdAtlas platform.

US company Anadarko, which has helped lead gas exploration efforts in Mozambique, is exploring the options for a US\$18bn LNG plant. Brazilian mining giant Vale commenced a US\$1.7bn coal mine investment in early 2011 – at the time the largest ever single investment in the country – and has since committed a further US\$6bn to its operations in Moatize.

The legal market is also seeing strong growth, albeit here too the Mozambican Bar remains reluctant to open up to foreign lawyers and law firms. Most international firms – predominantly Portuguese – continue to work in association with local firms.

New arrivals over the past year include AVM Advogados, where the practice is overseen by Lisbon Managing Partner Claudia Santos Cruz. Leading Portuguese firm PLMJ also has a new joint partnership called Gabinete Legal Moçambique (GLM), Vieira de Almeida now operates with local firm Silva Garcia Advogados, Morais Leitão Galvão Teles Soares da Silva & Associados (MLGTS) counts SCAN Advogados as a member of its Legal Circle, while SRS Legal now operates in association with SAL & Caldeira.

Among the longest-established firms is Cuatrecasas, Gonçalves Pereira, which has operated in association with Couto Graça & Associados since 1998, while also long-established is the Miranda Alliance, which counts Pimenta Dionísio e Associados as its local member. Abreu Advogados has operated in Maputo through Ferreira Rocha & Associados (FRALAW) since 2010, while also active locally but without formal tie-ups are Lisbon-based ABBC, Sérvulo and Caiado Guerreiro.

Portuguese law firm moves are merely a reflection of the growing needs of their domestic client bases, firms say, but these local offices are also intended to help facilitate more multinational investment both in and out of Angola and Mozambique.

"From a Portuguese perspective, Angola is very exciting, but Mozambique is becoming more so. Such markets may not yet be a true counterbalance to the challenges we and our clients face at home but they clearly present new and expanding possibilities," says Pedro Pais de Almeida, co-Head of the Mozambican Desk at Abreu Advogados in Lisbon.