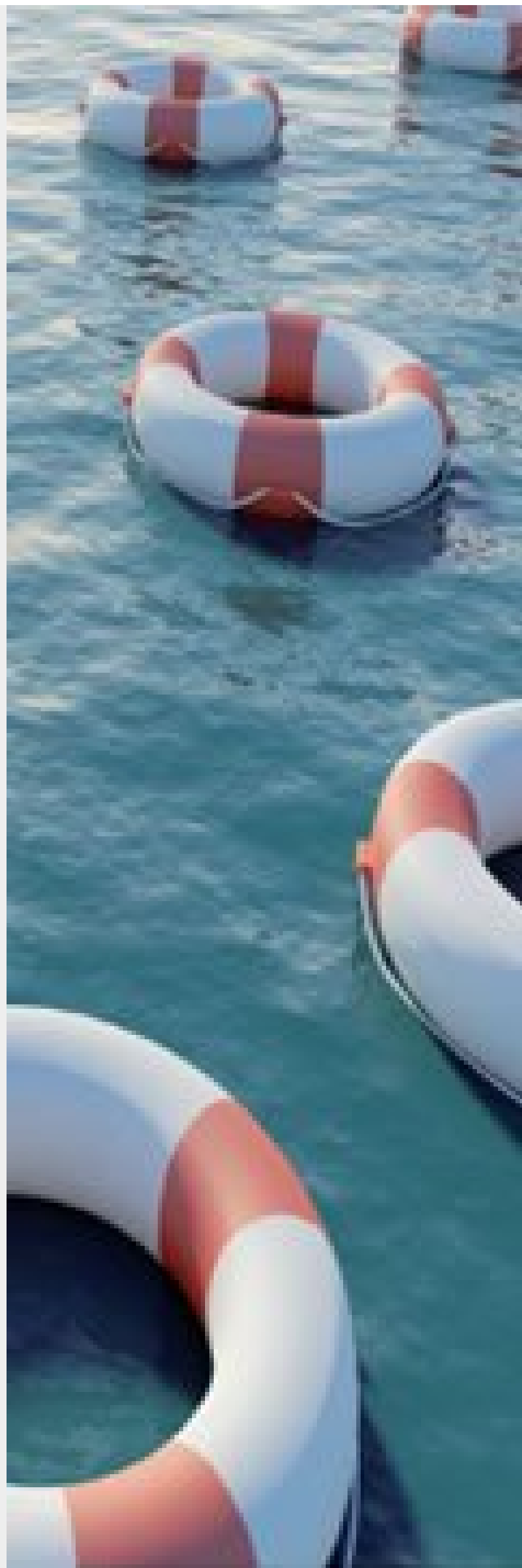


REBUILDING ANGOLA - PLMJ

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After decades of civil war Angola is now a country under construction embarking on major infrastructure and housing projects and looking outside for the skills to build them

Angola saw almost its entire infrastructure destroyed in a 30-year civil war and as a result rebuilding projects are now underway across the entire country. Nonetheless much still remains to be done, says Sofia Gomes da Costa, real estate and projects partner at PLMJ in Lisbon.

"There is a tremendous desire and momentum to rebuild Angola's roads, railways, bridges and ports, which are almost overcome with the volume of traffic they are now experiencing."

In addition, the past decades have seen the country experience a population explosion, she says. "Angola has grown by eight million people but to date there has been almost no investment in new housing and only limited investment in the infrastructure required to support them."

The government has however announced a plan for a million new homes and the sewage, water and electricity networks necessary to supply them. Such projects are extending well beyond the capital, Luanda, and Angola's other main cities to span the entire country, says Gomes da Costa.

"We are seeing investor interest from around the world as more traditional – and perhaps less risky – markets have been affected by the global downturn and proved less attractive. The Angolan economy, while affected by a fall in oil revenues continues to grow."

As a result of the development projects now underway, a pressing issue is sourcing the materials to build them. The Angolan Minister of Construction recently visited Lisbon to meet suppliers while a new tax exemption for construction materials has been announced.

Another issue is securing the finance to support investments, adds António Vicente Marques, partner at Luandabased AVM Advogados, which maintains a joint venture with PLMJ.

"To date, the majority of major infrastructure projects have been undertaken under concession agreements. There is as yet no tradition of public-private partnerships (PPP) or private finance initiative (PFI) schemes, and those companies that are able to demonstrate that they have the financial backing and sufficient funds to undertake projects are clearly at a competitive advantage."

Developments are most often allocated through public tenders and undertaken as joint ventures with the state or a local entity. Consequently, exact contract terms are open to negotiation and there is often a significant degree of flexibility in timing, he says.

"There is still some bureaucracy although the Government is now implementing new systems to overcome this."

It is important therefore that investors are willing to adapt to the local commercial and legal environment. Although much development and redevelopment has begun, Angola's demands will last well into the next two decades, he says.

"There is considerable activity by Chinese contractors as a result of an ongoing loan programme agreed between Angola and China, but there is an expectation that as this comes to an end it will be European and perhaps Brazilian contractors that will benefit."

Hundreds of schools have already been built, but demand continues for more, as well as the infrastructure to develop Angola's higher education and private education system, he adds. The past five years have already seen the construction of twenty five new universities.

Emerging opportunities are also arising in the tourism sector, they say.

Luanda has only a handful of hotels and there is therefore considerable interest among the major global chains to enter the market as the economy continues to improve.

"Per night room rates in Luanda can reach US\$800 and for which there remains considerable demand. But more than that, Angola has national parks and a thousand kilometres of beautiful coastline which, while currently difficult to access, will open up as the country's infrastructure improves," says Gomes da Costa.

For now however, the emphasis of much of the Government's development and infrastructure incentives is towards getting Angola's basic road, rail and communication networks established, she notes.

"We have seen the creation of special economic zones and new investment and co-investment structures. The scale of development is huge and there is no evident desire to reduce momentum."