

Special report

Africa

War and peace

Angola and Mozambique, both once riven by civil war, are now growing fast, although they still face challenges. Lawyers are key to their reconstruction

Joanne Harris

The story of Angola and Mozambique is one of colonisation, civil war and recovery – and in the last part of that story, lawyers are becoming increasingly important.

The two countries were colonised by the Portuguese in the 16th and 17th centuries and, despite their independence, the cultural legacy of centuries of colonisation lives on.

Most of Portugal's corporate law firms have developed close associations with local practices in one or both countries, but the opportunities for growth in Angola and Mozambique are now being eyed by a wider range of countries.

Investors from the US, UK, Brazil and China are among those looking for projects to put their money into, while the revenues generated by both countries' rich natural resources are starting to flow outwards. Last year, Angolan companies began taking stakes in Portugal's struggling private sector, for example.

Resourceful

The main source of work for lawyers, local and foreign, is in energy and natural resources. All the major oil and gas companies are already present and keen to expand. The biggest deal in both countries in the past three years, according to Thomson Reuters data, was the \$1.3bn (£820m) purchase of a stake in an offshore oil exploration block by Angolan state-owned company Sonangol, which completed in December 2009.

The revenues from oil are giving rise to more work. In Angola, the ruling MPLA party has invested billions of dollars in infrastructure and, ahead of elections at the end of August, pledged even more. The country was in ruins at the end of the destructive civil war that ended in 2002 and rebuilding has been crucial over the past decade.

"The market in Angola has, to a certain extent, been affected by the world financial crisis – but only to a certain extent," explains Rui Amendoeira, managing partner at Por-

In brief

There is enormous potential for growth and investment in Angola and Mozambique, but making a success of practising in these predominantly Portuguese-speaking African nations is no easy task for lawyers, whether domestic or international.

tuguese firm Miranda Correia Amendoeira & Associados, which has a long-standing relationship with Angolan firm Fátima Freitas Advogados. "Angola is very much dependent on oil prices and these have been high in recent years.

"There's a lot of activity going on in terms of infrastructure development. There was a big effort on the part of the government to rebuild the country. You see projects and building work everywhere, mostly funded by the government with oil revenues."

Fernando Faria de Bastos, a partner at Angolan firm FBL Advogados,



"If you're not legally incorporated, it's impossible to send profits outside Angola"
Renata Valenti



Mozambique is 10 years ahead of Angola in terms of post-civil war reconstruction

says the government has been implementing a raft of legislation to improve the business environment.

"The 'legislative boom' goes hand in hand with rising private investment – both foreign and national – in the country, due to the fact that Angola is one of the few countries that has been showing a systematic economic growth," he adds.

Renata Valenti, a lawyer at Gabinete Legale Angola (GLA), says the riches of Angola have been spotted by foreign companies, who are now looking for the best way to make money from the country.

"Many of our clients are foreign companies incorporating or wishing to incorporate in Angola," she says, explaining that by incorporating in Angola, doing business becomes easier, particularly in ensuring profits can be shared with the global parent.

"If you're not legally incorporated, it's impossible to send profits outside Angola," Valenti adds.

Outside in

Investment in infrastructure is also coming from foreign sources. China Development Bank recently invested hundreds of millions of dollars in two infrastructure projects in Angola, including a \$400m (£253m) credit line for the Mocamedes Railway.

This investment, say lawyers, has made a visible difference in Angola, increasing the number of schools, hospitals, roads and railways, and making getting about its 1,246,700sq km area much easier.

Similar strides in infrastructure have been seen in Mozambique. The country is 10 years ahead of Angola in terms of post-civil war reconstruction, but Mozambican lawyers also report that natural resources, energy and infrastructure make up the bulk of their practices.

Mining is an area that is seeing particular growth right now.

"In many key areas of interest, with mining, oil and gas in the front row, changes to legislation are being looked at and amendments are expected to be approved in the near future," explains Fabricia Almeida Henriques, a senior associate at SCAN Advogados & Consultores, which is allied with Portugal's Morais Leitão Galvão Teles Soares da Silva (MLGTS).

"Recently, the government launched a public tender to award mining licences to companies that are interested in exploring minerals of all sorts in Mozambique," says Josina Correia, a senior associate at Gabinete Legal Moçambique (GLM).

The tender is new, but mining has been going on in Mozambique for

Special report

Africa

some time. After the Block 32 deal in Angola, the next two largest M&A transactions of the past three years in these countries were the \$800m deal between Australian mining company Riversdale Mining and Chinese steel giant Wuhan Iron and Steel Corporation (Wisco) in June 2010, and the July 2012 announcement by mining company Anglo American that it was buying a \$555m stake in Mozambican coal mine Minas de Revubòe.

Riversdale is planning to begin production at the Zambeze coal mine in 2014, while Anglo American is looking to recoup its investment through the development of the Revubòe mine, which could produce up to 9 million tonnes of coal each year.

It is this sort of opportunity that is bringing in investors from all over the world. José Manuel Caldeira, managing partner of Mozambique firm SAL & Caldeira, says the firm's "mainly foreign" clientele has become more international in the past few years.

"There has been a shift in the sense of a much broader array of investors and clients than the traditional three or four countries that were more linked to Mozambique," agrees Couto Graça & Associados managing partner Pedro Couto.

So while Brazilian, Portuguese and South African companies continue to invest, China, the US and UK are now also key investment partners for both Angola and Mozambique.

Cuatrecasas Gonçalves Pereira associate Nuno Furtado Mendonça, who is based in Angola at the firm's associate office, adds that they also see a significant number of

"Recently the government launched a public tender to award mining licences"

Josina Correia



History

Pre-15th century: Angola and Mozambique occupied by hunters and gatherers

1482: Portuguese arrive in the Kingdom of the Congo

1498: Vasco da Gama lands on the coast of modern-day Mozambique

1575: Portuguese colony of Angola founded

1600s: Portugal occupies Mozambique

1641: Dutch occupy Luanda, taking control from Portugal

1974: Coup d'état in Portugal overthrows regime run by Marcelo

Caetano and previously by António de Oliveira Salazar following years of guerilla warfare in the colonies

1975: Colonies including Angola and Mozambique granted independence

1990: After years of conflict, Mozambique adopts constitution

October 1992: Mozambican government and rebels sign Rome General Peace Accords. UN oversees transition to elections

2002: Angolan military commanders sign ceasefire agreement after 27 years of civil war

instructions from Spanish clients.

Broadening sources of work have made building international relationships key for local firms in both Angola and Mozambique. However, breaking in is tough for foreigners because of restrictions imposed by local regulators.

In both countries, foreign firms are unable to set up their own offices and must work in alliance or association with a local practice. It is slightly easier in Angola, where several firms are essentially integrated with their local partners despite remaining separate for regulatory reasons.

SNR Denton works in Angola and Mozambique through an association with MC&A, a Portuguese firm set up to provide a network of offices around the world. In Angola, says founder Vitor Marques da Cruz, Mota Veiga Advogados operates essentially as a local office of MC&A.

"After some unsuccessful associations with local firms, we created our own firm there and have Angolan lawyers – we realised that associations in Angola just don't work," claims Marques da Cruz.

Limited interest

In Mozambique, the interpretation of the bar association's restrictions on foreign lawyers has given rise to heated debate.

Couto chaired the bar's board, which determined that the rules should restrict the employment of foreign lawyers by local firms. He says the official position of the bar was that foreign lawyers should not be prohibited, but restricted.

"I don't think it should be an open market because what we see with



Henriques: expects to see law changes, especially affecting mining, oil and gas

some international firms is a 'take-over' approach, but to deny that we need people with experience and skills in the areas we're heavily exposed to would be crazy," he says.

"There should be a limit, there should be rules and regulations, but it shouldn't be prohibited."

Caldeira is in favour of a more open market.

"That's one of the issues that should be resolved," he says. "We're trying to influence reform to change this, but it's not easy."

Caldeira blames the situation on the relative immaturity of the Mozambican market.

"The majority of the members of the bar are single attorneys and they feel this is a type of unfair competition," he says. "They feel that if the bar opened up, they'd be left with no work or not enough work."

He adds that along with other corporate firms, SAL & Caldeira is lobbying for the restrictions to be lifted, including writing to the attorney general's office, and hopes it

Angola: key figures

GDP (2011)

\$101bn

Annual inflation (July 2012)

10%

Population (2012)

20.6m

Life expectancy at birth

51

Unemployment rate (2012)

26%

Source: World Bank

will become easier for firms to employ foreigners and benefit directly from their skills and experience.

Critical links

In the meantime, the alliances and associations with foreign firms in both countries are crucial for local firms. Neither country has a large pool of lawyers – estimates for both countries put the number of bar association members at around 800 – and few have the depth of experience with large cross-border transactions that can easily be found in Europe or the US.

"Lawyers tend to be general and do a bit of everything – it's difficult to be a specialist lawyer, but we're trying," notes Catarina Levy Osório, a partner at Angola Legal Circle Advogados, which has an alliance with MLGTS.

"The local lawyers need to get a bit more sophisticated because the market is different now," adds Valenti.

"Most of them don't speak any other language than Portuguese. They're used to working with the courts and not with big firms. Partnerships between foreign firms and local law firms can help."

She says the association between GLA and Portuguese firm PLMJ has been "profitable", both for the firm and clients.

Local practices say the benefits of their alliances with international firms are seen on several levels. Perhaps surprisingly, winning clients is not top of this list.

"Mostly, clients come to us and then we use them as a back-up resource," says Caldeira of his firm's alliances with SRS Abogados in Portugal and DLA Piper.

Special report

Africa

“It’s difficult to be a specialist lawyer, but we’re trying”
Catarina Levy Osório



Referrals go both ways, but local firms are adamant that they are not only recipients, but also generators of work.

However, they do recognise that they need the support of their international partners, not just in terms of resource on big deals but also when it comes to training and development for lawyers.

“The firms that have partnerships with law firms in other countries, such as ours in Portugal, have the support that’s required to provide services to these mega-projects,” points out Correia.

“As a firm, we learn from large firms and adopt their structures, systems and ways of working,” says Couto. “Plus we want to put our brand out there and that’s the best way to do it – piggybacking on the networks of these large firms.

“It is quite challenging for Angolan firms to have the opportunity to work with experienced lawyers from other jurisdictions and learn how to continue to improve their performance, to bring Angolan law practice up to international standards,” adds Faria de Bastos, whose firm is in an alliance with Abreu Advogados in Portugal.

“For these firms, such alliances are attractive because they allow for a growth of resources and a higher level of specialisation,” says Almeida Henriques.

“From the investor’s standpoint, the possibility of resorting to international firms strengthens confidence to invest in an unknown market in which practice tends to distance itself from theory.”

Language barriers

Just like other international ventures, African firms are aiming to present a seamless offering to their clients, despite the differences and challenges they face in their domestic markets.

“The goal is the same – to give clients the most cost-efficient service possible,” adds Marques da Cruz.

One of the main challenges with the arrival of a broader range of inter-

national clients is language. Portuguese is the official language of both Mozambique and Angola and is spoken widely, although not universally. English is much less common and many lawyers say the lack of professionals with fluent English skills is an issue. While this is not a problem for the Portuguese firms or their local partners, it could be for other international firms looking to break in.

“Language is a big barrier – very few people speak English and the language of business is Portuguese,” says Amendoeira.

Marques da Cruz agrees.

“Mozambicans are much more flexible because they’re used to having close relationships with South Africa, but when it comes to lawyers it’s difficult to find a young one who speaks English,” he says.

South Africa can generate tensions, however, says Miranda’s partner in charge of Mozambique, Diogo Xavier da Cunha.

“More African firms are trying to do work in Mozambique with minimal intervention from local firms and that really annoys Mozambican lawyers,” he says. “They have a right to be mad about it.”

Another issue affecting domestic firms is the increase in the in-house sector. Companies coming to Angola and Mozambique to invest initially brought their own lawyers from overseas but, recognising the need for local knowledge, are now on the hunt for domestic in-housers. In-house

Mozambique: key figures

GDP (2011)
\$12.8bn

Annual inflation (July 2012)
1.5%

Population (2011)
24m

Life expectancy at birth
52

Unemployment rate (2012)
26%

Source: World Bank, Bank of Mozambique

capacity remains low, but companies are able to offer better remuneration packages and so are attracting some of the best of the new generation of lawyers.

“Companies are competing for our best people, there’s no doubt,” Couto confirms. “The number of in-house lawyers has doubled – probably tripled – in recent years.

“Previously there was a scenario whereby companies would bring in their own lawyers from outside. Now we’re faced with our clients poaching our best lawyers.”

Couto’s firm has responded by trying to work closely with clients to demonstrate the advantages of using external counsel to back up what in-house departments are doing.

The general improvement in quality of work and the growth in the scale and complexity of transactions means law is becoming a more attractive career choice for young people in both countries. Although there are still too few lawyers on the market, the number seeking jobs is reportedly on the increase.

“Law is becoming attractive,” concludes Osório.

Also on the up is the number of international firms trying to get a foothold in Angola and Mozambique. With work in energy, natural resources and infrastructure set to continue for the foreseeable future, it seems likely that both countries will remain high on the target list of international clients and their lawyers, despite the challenges inherent in entering into such fast-moving markets.

Top 10 Angola/Mozambique M&A deals since 2009, by target industry



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