



THE WAITING GAME

Corruption and repatriating profits are among the major problems facing investors in Africa, but with governments attempting to address these issues, investors with a long-term outlook are likely to make handsome profits in the longer term

Despite issues related to corruption, the need for greater transparency and the problems facing businesses looking to repatriate profits, Africa remains a land of opportunity for Portuguese law firms. For investors that are committed for the longer term, the rewards are there. Countries such as Angola and Mozambique are taking steps to tackle corruption in an effort to better attract investors, and to an extent, it is having the desired effect. Asian investors in particular are eagerly eyeing African energy assets, while there are also plans to sell off more than 70 state-owned companies in Angola.

“It is easy to feel daunted by the challenges [in Africa],” says **Jorge Brito Pereira** of Uría Menéndez. “But at the end of the day, that is the other side of the huge opportunities of a continent that is larger than India, China and the United States combined.” Generally speaking, investment in Africa is most likely to pay-off in the longer term. “Given the volatility of some African markets, clients need to have the financial strength to go through the less favourable periods and not expect high returns in the short term,” says Linklaters’ **Diogo Plantier Santos**.

OPTIMISTIC OUTLOOK

Lawyers also say that recent political developments – such as efforts by governments to improve transparency – in addition to new opportunities in a wide range of sectors means there are many reasons for optimism. While Angola and Mozambique remain the main focus for Portuguese firms, other Lusophone territories, such as Cape Verde, São Tomé e Príncipe and Guinea-Bissau are also well served by Portuguese lawyers. There is also increasing activity in French-speaking countries such as Congo, Cameroon and Gabon.



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Given high fertility rates in Africa, in addition to rising child survival rates, the World Economic Forum estimates that, in the next 30 years, 40 per cent of the world's under-fives and more than a third of under-18s will be African. This population explosion promises not only greater manpower in the continent, but also unprecedented new demand. "I think the biggest investment will be food," says Viera de Almeida partner **Raúl Mota Cerveira**. "In Angola, the population is expected to double within five years, so investments in agribusiness are increasing." Cerveira also predicts a rise in demand for land planning advice, particularly in Angola, Mozambique, São Tomé e Príncipe and Guinea. Meanwhile, with regard to Angola, Cerveira highlights growing demand for residential housing. Water sanitation, infrastructure and education are other sectors set for significant development in the coming years, and all of this means big opportunities for lawyers.

CMS Rui Pena & Arnaut associate **Tiago Machado Graça** says: "We have seen political stabilisation in Angola and Mozambique in the last year and a major effort on the part of the governments of both countries to align with international standards of transparency in doing business."

REVOLUTION IN THE AIR

Angolan President João Lourenço's "legislative revolution" is creating a far more positive business environment, according to many lawyers, while the country established the Competition Regulatory Authority in May last year. "We are hopeful that this will help enhance Angola's economic performance and attractiveness in international markets," says **Luis Gagliardini Graça**, partner at MLGTS.

As well as addressing corruption, the wide-reaching regulatory changes have generated significant potential workflow for lawyers, as well as opportunities for investors. "The Angolan Government's development plans are clearly aimed at diversifying the economy, and this will trigger a wide range of new business opportunities spanning agriculture, waste and sanitation, health, energy and infrastructure, just to name a few," says **Rita Correia**, partner at Miranda & Associados.

There are plans to privatise 74 state companies in Angola in the next few years, while **André Duarte Figueira**, senior associate at Cuatrecasas, highlights the recent overhaul

of the country's tax system. "We foresee a large increase in business related to tax consultancy and litigation, namely from international companies and particularly Portuguese companies operating in Angola," he says.

LOANS SCANDAL

Mozambique is also making significant regulatory changes following the Credit Suisse loans fraud scandal, which involved the arrest of the country's former finance minister. Since then, the Mozambique government has made what lawyers describe as "huge efforts" to comply with international standards on transparency. The government's future agreements with creditors will, in particular, "promote transparency in the management of its future natural gas revenues", according to MLGTS consultant **Claudia Santos Cruz**.

Currency instability is an issue throughout Africa, and particularly in Angola and



RITA CORREIA



JORGE BRITO PEREIRA

Mozambique. It is an especially acute problem in Angola, where the kwanza's devaluation, combined with a lack of euros and dollars coming into the country, make it extraordinarily difficult, and expensive, to get money out of the country. All of this has led to a decline in the number of international investors coming to the country.

The Angolan government is trying to tackle the problem by incentivising businesses that cannot get their profits out of the country to reinvest. A new private investment law, approved in June, reduces minimum capital requirements, facilitates profits' repatriation and removes the previous requirement that local investors must have a 35 per cent stake.

Though reactions to the new law have been mixed, **João Robles**, partner at *FCB Sociedade de Advogados*, believes the legislation is

helping to make Angola "more attractive". He continues: "The significant changes to the law include reducing the time it takes to incorporate a company from a few months to a matter of weeks."

ENERGY INVESTMENT

Given the fact that Africa is a country rich in natural resources, energy and mining projects are a major source of legal work and, despite the problems already outlined, major oil projects remain a lucrative business. In Machado Graça's view, Mozambique is taking steps to "position itself as one of the biggest gas producers of Africa". Last year, there was a landmark moment when Exxon Mobil signed exploration agreements with the Mozambican Government. Meanwhile, there have been other major investments from Anadarko and Eni.

Angola is continuing to attract high-grade strategic energy investors, such as Total, while the new government's overhaul of the regulatory powers of Sonangol (a state-owned enterprise that oversees petroleum and natural gas production in the country) is making the jurisdiction more attractive to international energy companies. In addition, there is growing interest in developing renewable energy sources, particularly in Angola and Nigeria, Africa's two largest oil producers.

Machado Graça says renewable energy is crucial if Africa wants to fully satisfy its growing energy demands. "The complete electric

grid will not happen and the growing demand for power in these countries – and in neighbouring countries – will require an answer from governments," he says. "The answer will be off-grid projects based on renewables."

'HARD CURRENCY'

Asian investors are particularly keen on deals in Africa, especially in Angola and Mozambique. "The competition in Portuguese-speaking African countries – particularly in Angola – from Chinese companies is very strong," Cerveira says. "It's very difficult to compete with China's companies because they enter into the countries with specific lines of credit provided by China's export-import banks – basically, bringing into the country what is missing, which is hard currency." Meanwhile, Korea (one of the world's largest gas consumers) and Japan are also continuing to invest heavily in the region.

In addition to activity in the energy sector, a number of Chinese construction projects are underway in Mozambique. Law firms with offices in Hong Kong and Macau are leveraging such resources to tap into this growing demand for construction-related advice. *MLGTS'* Cruz says: "We have worked over the past year to strengthen the bridge between the *Morais Leitão Legal Circle* Asian offices in Macau and Hong Kong and its teams in Angola and Mozambique," says Cruz. "We are seeing heavy interest from Asia in both counties." While there may be many potential pitfalls facing clients investing in Africa, the shrewdest investors that are prepared to exercise patience will reap dividends in the longer term ■.