



# Angola and the road ahead

The legal services market and its ties with Angola and Portugal can be traced as far back as the 1980s. As well as analysing opportunities for foreign investors, Iberian Lawyer hears from some of the leading experts in their legal field

by michael heron

Portugal's historical relationship with Angola is a long and complicated one. It is the second-largest Lusophone speaking country in the world and achieved independence in 1975 as a one-party Republic. The country then descended into a devastating civil war which lasted until 2002. After the turn of the millennium and this period under the presidency of Eduardo dos Santos, Angola experienced the oil boom years.

## HISTORY

When Portugal is referred to as a gateway for doing business in Angola, one man and one law firm were the early pioneers in creating this link. Miranda. Angola's oil industry saw its inception at the beginning of the twentieth century. In 1910, the Portuguese colonial administration of the day granted a concession of 114,000 km<sup>2</sup> in the Kwanza and Congo Basins to Companhia Canha e Formigal, and drilling began five years later. Following several decades of tepid activity, the Belgian oil company Petrofina made the first commercial discovery in 1955 (Benfica II well, south of Luanda) and partnered with the Portuguese colonial government to establish Fina Petr6leos de Angola (Petrangol) and to construct the Luanda refinery. This then attracted the interest of several other IOCs, notably Chevron.

**Agostinho Pereira de Miranda** was raised in Angola and lived there until his 20s. He then went to university in Portugal before joining Chevron in the US as in-house counsel in the 1980s. He was responsible for the company's Angola projects for six years before returning to Portugal to set up his own law practice in 1987. Chevron was in fact the firm's first client. The rest were also oil and gas companies and contractors in Angola. **Rita Correia** joined as a junior lawyer in 1988, and she remains a partner at the firm to this day. She is arguably the go to lawyer for the oil & gas sector in Angola, especially when it comes to tax. One of the lazy criticisms levied towards Angola, is why the country failed to diversify its economy during the oil boom years. Correia responds by saying,



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**Rita Correia**

"Diversifying is not an easy task. You can only diversify an economy when you have the proper infrastructure in place (roads, plants, power transmission structures, etc.), and part of this infrastructure was destroyed or poorly maintained during the civil war.

## THE DIVERSIFICATION CHALLENGE

The Lobito Corridor consists of a 1,300 km railway line, through Angola from the Atlantic Ocean to the country's borders with the DRC and Zambia. The Corridor has seen a resurgence in interest in recent months, as evidenced by the signing of MoUs and agreements, most of which concern the development of the Corridor and activities related to green and



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clean energy technologies, in particular EV battery value chain products. Rita Correia argues this infrastructure is critical in allowing the Angolan economy to diversify but explains why there is still a long way to go: "International competition in commodities markets (where Angola would have more potential in the short term) is very intense. By way of example, competing at an international level in the tropical fruits market requires a very efficient value chain and resilient supply chains. Brazil has been doing this for the last 40 years, while Angola only now starts to have the infrastructures (such as the Lobito Corridor) allowing for large scale agricultural projects.

In 2019, **Alberto Galhardo Simões**, having been a lawyer at Miranda for nearly 17 years, joined CMS Portugal. During his career working with Angola, he has built a reputation for his expertise in foreign investment and Infrastructure, including project finance. The IMF predicted growth in the Angolan economy above 3% for 2024. When asked whether this is in line with his perception as we approach the end of Q1, Galhardo Simões responded by saying, "I believe that in all likelihood Angola will grow in 2024, though my basis is not a macroeconomic assessment, but rather the experience I have on the ground". The lawyer highlights several reasons to be optimistic as well as some challenges. He affirms that the devaluation of the Kwanza in 2023 and the creation of a 10% tax on international transfers will not help to attract foreign investment, but that there are many other measures being adopted with a positive impact on the country's growth. "The Angola Renewable Energy Programme (AREP), which is on track to achieve the (undeniably ambitious) goal of 70% of the country's installed capacity being generated from renewable sources by 2025. In a country whose biggest export is still oil, this is clearly a bold, sustainable step that shows vision for the future".

The lawyer also highlights the number of infrastructure projects to be implemented, such as the Lobito Corridor and the Northern Corridor. "Both projects are key to creating better routes for the transport and disposal of goods and therefore for making crucial investments viable for the Angolan economy". **José Miguel Oliveira**, partner at Vieira de Almeida, points out that the IMF has recently adjusted its projection to 2.6 % growth, on the basis of a decline in the oil sector and a slowdown in the non-oil sector to nearly 3%. "On top of this, the adjustment took also into consideration the rise in inflation in 2023 (reaching 20% in December), fuelled by the depreciation of the Kwanza and end of some subsidies". Oliveira added that the growth is aligned with expectations, but still far away from the country's potential.



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### THE GATEWAY

When asked why Portugal is a natural gateway for international clients that do business in Angola, José Miguel Oliveira asserts: "In addition to language and the historical ties between the two countries, Portugal is the only country in Europe that has in place a Bilateral Investment Treaty and Double Taxation Treaty with Angola, with all it implies in terms of protection of FDI flows and taxation. This explains why a number of international companies are effectively looking at Portugal to structure their investments in Angola and clear their entry in the country.

Rui Andrade, who left VdA in early 2024 to join Melo Alves, refers to the historical connection between Angola and Portugal which, "fostered a sense of familiarity and trust, and gave rise to a robust network of businesses, professionals, and institutions and made Portugal a preferred entry point for international clients seeking to do business in Angola". Andrade adds that", Portuguese companies and entrepreneurs have established strong footholds in various sectors of the Angolan economy, including construction, telecommunications, banking, and energy". The lawyer concludes, "in addition, Portugal and Angola share similar legal systems, business practices, and corporate, which facilitate cross-border transactions and investments".

### THE ROAD AHEAD

When *Iberian Lawyer* asked all the contributors to this piece, as to what their overall advice would be to anyone thinking of doing business in Angola in the future, the insight was positive but with some caution. Rui Andrade focused on more of a practical nature rather than legal. He says it is critical to choose your local partner very carefully. "Trust is a precious commodity in the country", he affirms.

José Miguel Oliveira says that, "the Angolan Government has been implementing a number of important reforms to attract new flows of FDI to the country, of which the changes produced to the Private Investment Law and its Regulations back in 2021, the enactment of a new Tax Benefits Code in 2022, new forex regulations, the new Local Content Regulations to the Petroleum Sector, and more recently the enactment of new rules against money laundry, are good examples". Oliveira concludes that for foreign investors to have the highest likelihood of success requires, "having a clear view of the local landscape and legal regime, remains being critical for a smooth entry and clear exit".

Rita Correia concludes positively, referring to the risks and rewards. She states", The opportunities are in almost all levels of the



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value chain and Angola can be a key player in the SADEC space, exporting products not only by sea, but also to all the bordering countries. The current legal, tax and business environment for foreign investment is quite friendly. Certainly, there are risks but these may be mitigated if a well grounded and medium, long term sustainable business perspective is adopted and suitable (financial, legal and tax) support is sought".

Alberto Galhardo Simões argues that entrepreneurs must be able to identify the best opportunities, but they must also be concerned with mitigating risks. "Investment opportunities in Angola are many and varied. Entrepreneurship and the ability to take risks are fundamental, but it is equally important to take into account the specificities of the Angolan market", confirms Galhardo Simões. When pressed on giving some valuable practical advice, the lawyer, among other points, recommends to, "structure the investment according to the nature of the business, the role of the local partner, local content rules and, very importantly, tax and exchange rate impacts. The exchange rate risk, in particular, may cyclically affect the speed of external payments, including the repatriation of dividends". He also talks about the importance of an exit strategy. "The option for arbitration in large contracts is almost mandatory, have a well-defined and agreed exit strategy. As important as structuring the investment well, it is to be ready in case it is necessary to put an end to it".

Market commentators say that the Lobito Corridor Transit Transport Facilitation Agency Agreement (LCTTFA) – signed by the governments of Angola, the DRC, and Zambia – will accelerate domestic and cross-border trade along the Corridor and foster the participation of small and medium enterprises (SMEs) in value chains. Time will tell whether Angola is ready to embrace all the opportunities available in its future. One thing is for certain, for foreign investors and their legal requirements, the Portuguese market and its main players are well placed to assist. Simões concludes by saying, "Angola is on the right path to strengthen its economy and grow in a sustainable manner".