



# Africa *In Focus*

Issue 1

January | February 2013

Welcome to **Africa *In Focus***

We live in exciting times. Globalisation has resulted in a new international business landscape with new markets and stronger players. Countries which used to make the statistics for the wrong reasons are now grabbing the headlines for their success stories. Companies traditionally focused on developed markets have expanded their activities into new regions and are making important investments in emerging markets.

It is in this new context that the African continent has become increasingly popular for international investment. In years gone by Africa was well known for being underdeveloped, undemocratic, corrupt and dangerous. Happily those days have gone. Even though some African countries still live under autocratic regimes, democracy is firmly rooted in some countries and little by little it has been accepted that local and global interests are not mutually exclusive and that the world needs Africa, just as Africa needs humanist globalisation.

Sub-Saharan Africa in particular has evolved from being a disaster zone with some of the poorest countries in the world to a region with a bright future, with a wealth of natural resources, high population growth and massive urbanisation.

This dramatic change brings opportunities and challenges at all levels, including the definition of the legal framework that better suits the needs and aspirations of international investors whilst factoring in local customs and procedures.

The aim of *Africa In Focus* is to contribute to a better understanding of such framework, in particular in Angola and Mozambique. With brief bi-monthly reports we will provide you with updates on the most important news and key legal issues, which impact your business and interests. When relevant we will give you an overview of recent legal and regulatory developments in those jurisdictions.

The first edition of *Africa In Focus* looks into the recently enacted changes to the foreign exchange regime applicable to the oil sector in Angola and their impact on the local market.

Since it is of little use for us to produce information that does not address the issues that really matter to you, we are very keen to get your feed-back. If you are aware of developments on the topics covered in *Africa In Focus*, you have additional information you would like to share with others or if there are suggestions or comments you would like to make, please let us know by emailing us to [africaninfocus@vda.pt](mailto:africaninfocus@vda.pt).

With very best wishes,

**VdAtlas**

## Oil Sector in Angola – Foreign Exchange Rules

The foreign exchange regime of the oil sector in Angola has undergone, during 2012, a strong restructuring, by means of Law 2/12, January 13, 2012, which entered into force on May 2012 (“Law 2/12”). This Law applies, in general terms, to the oil concessions and supersedes any foreign exchange special prerogatives that the National Concessionaire (Sonangol E.P.) and companies directly engaged with it (the “Associates”) may have had in the past.

The main concern underlying this reform is far from being a mere answer of the Angolan Government to the aspirations vented by various players in the sector regarding the aggregation and standardization of the different foreign exchange regimes applicable to the oil sector in order to ensure an equal treatment to the investors.

The fundamental aim of this legislation is rather to address a set of concerns which were, for a long time, identified by the Executive, and which generally arise from the need to capture oil and gas cash flows into the national banking system. Accordingly, Law 2/12 sets out the procedures and new requirements applicable to foreign exchange transactions within the oil industry including rules whereby the financial intermediation of such transactions must be dealt with by national banking institutions.

As such, the National Concessionaire and the Associates are required to open accounts with Angolan banks in order to pay, as a matter of priority, all tax charges and other tax liabilities towards the State and, afterwards, the goods and services provided whether by resident or non-resident suppliers or contractors. In other words, non-resident services providers may no longer be paid directly outside Angola by the National Concessionaire and the Associates through offshore bank accounts.

Given the enormous impact of Law 2/12, the Angolan National Bank (the “BNA”), through the recently issued Order No. 20/2012 – also applicable to the entities which perform oil operations within the oil concessions in Angola (“Operators”) –, has set out a schedule for the gradual implementation of these new requirements, in order for companies involved and also the local financial sector to adapt to this new framework, as follows:

From 1 October, 2012

- The payments by the National Concessionaire and national or international Associates regarding the provision of goods and services must be made through local bank accounts in foreign or national currency
- The payments by the Operator to resident entities regarding the provision of goods and services must be made through local bank accounts of the Operator to local bank accounts of such entities in foreign or national currency

From 13 May, 2013

- Amounts that are due for compliance with tax obligations shall be deposited in local bank accounts in foreign currency

From 1 July, 2013

- The payments arising from agreements for the provision of goods and services entered into by the National Concessionaire and national or international Associates with local entities must be made in local currency

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- The payments by the Operator to local entities regarding the provision of goods and services must be made in national currency

From 1 October, 2013

- The payments by the Operator to foreign entities regarding the provision of goods and services must be made through a local bank account of the Operator

Further to the above, Law 2/12 establishes that, upon compliance with tax obligations and payment of cash-call expenses,

- The foreign Associates may invest the excess funds deposited in the Angolan bank accounts in national or international markets and, additionally, hold within bank accounts outside of Angola the amounts corresponding to profits, dividends, incentives and/or other capital or investment returns, and
- The national Associates may periodically transfer the amounts corresponding to profits or dividends and incentives to its foreign stakeholders. Although the national Associates may only hold the amounts corresponding to profits, dividends, incentives and/or other capital or investment return in Angolan bank accounts, it is permitted that such entities hold escrow accounts with foreign banks to secure debt (finance) transactions provided that previous authorization by BNA has been obtained.

For the time being, foreign exchange operations for the purposes of payment of services and goods within the oil sector may be carried out without the prior approval of BNA, which will definitely expedite the payment process. However, capital transactions for external investment purposes, by the national Concessionaire and national Associates, do not fall under this exception and therefore BNA prior approval is required.

Foreign Associates are required to finance in full their share of investment necessary to carry out the oil operations in foreign currency, and, on the other hand, it is forbidden to the national banks to finance, either in national or foreign currency, foreign Associates, their subsidiaries or affiliates without prior authorisation of BNA, save if the relevant financing is covered by local guarantees.

## NEWS

### Angola

#### **Government analyses reform of the tax system**

The Angolan government is examining possible structural changes in the current tax system. The main change is related to the income tax, for the purpose of ensure an increase of progressive taxation.

Source [www.angolahub.com](http://www.angolahub.com)

#### **Creation of the Sovereign Fund renews interest of financial markets**

According to the EMEA Finance, the constitution of the Sovereign Fund and the issuance of international debt organized by Russian Bank VTB renewed the interest of financial markets in Angola.

The Sovereign Fund will invest a portion of oil revenues in the country and will managed assets valued at \$ 5 million, equivalent to 5% of Angolan GDP.

Source [www.angolahub.com](http://www.angolahub.com)

### Mozambique

#### **New concessions for prospecting precious stones**

The government of Mozambique will grant the concession of three new areas for prospecting of precious stones in the province of Nampula (north of Mozambique)

Source [www.mozahub.com](http://www.mozahub.com)

#### **New iron ore deposits discovery**

The Capital Resources Company, an Australian company, discovered, in Tete Province, a large deposit of iron ore. Were also discovered in the subsoil of this Province other minerals such as copper, marble, titanium and mineral water aquifers

Source [www.mozahub.com](http://www.mozahub.com)



### **National Development Plan for 2013/2017**

The National Development Plan 2013/2017 aims the 'stability, growth and employment' and its main purpose is to combat hunger and poverty, as well as increasing the quality of life for Angolans  
Source [www.allafrica.com](http://www.allafrica.com)

### **Trade license via internet will be launched this year**

The Ministry of Commerce will make available a new model of trade license to be issued via internet, aiming to finish with unclear situations in obtaining the same.  
Source [www.angolahub.com](http://www.angolahub.com)

### **Thermal power station under construction in the province of Luanda Norte**

Building a new power plant in the province of Luanda Norte aims to improve the electricity supply in the capital of Angola. The central building is designed to produce 30 megawatts of electricity  
Source [www.angolahub.com](http://www.angolahub.com)

### **European Union funds construction of Power Plants**

Last November, were submitted the proposals for the construction of 30 solar power plants under the Public Tender launched by the Government for that purpose. These plants will produce 500 KW each and will supply Huambo province. The corresponding costs of construction will be supported by the European Union  
Source [www.angolahub.com](http://www.angolahub.com)

### **The third phase of recovery of the Bay of Luanda begins this year**

As part of the project to recover the Bay of Luanda, will begin this year the construction of social infrastructure in three plots of land. In accordance with Baia the Luanda, the project manager, these plots are mainly intended for installation of a business center, as well as buildings for institutional investors and small and medium enterprises  
Source [www.angolahub.com](http://www.angolahub.com)

### **ANIP signs investment agreements in the amount of \$ 16 million**

The Private Investment Agency of Angola (ANIP) signed several investment agreements in the total amount of \$ 16 million. These investment agreements were signed with companies operating in sectors of activities such as the distribution of food industry, agricultural equipment and construction and public works. For 2013, ANIP intends to attract more investment in areas such as agriculture, energy, telecommunications, industry and hydro production  
Source [www.angolahub.com](http://www.angolahub.com)

### **Road network remains under repair**

During the year 2013 the works of repair of the Angolan road network will continue. The repaired roads will link Luanda with the main centers of industrial and agricultural production in the country.  
Source [www.angolahub.com](http://www.angolahub.com)

### **New kwanza notes and coins in circulation**

Yesterday the Banco Nacional de Angola (BNA) launched the new Kwanza notes in Angola. The coins of 50 cents, one, five and ten kwanzas will begin its circulating on February 18, while the new

### **New real estate project at International Airport of Maputo**

The construction works for the new real estate project near the Maputo international airport shall begin later this year. The architectural project, which includes hotels and restaurants is already finished.  
Source [www.mozahub.com](http://www.mozahub.com)

### **Anadarko Group develops project of natural gas processing**

Anadarko Mozambique engaged the elaboration of a construction project of a processing plant for natural gas in the province of Cabo Delgado (north of Maputo). This unit will have the capacity to process 5 million tons / year of liquefied natural gas  
Source [www.mozahub.com](http://www.mozahub.com)

### **Mining companies expect to achieve a combined production of 7.5 million tons of coal**

Mining companies with explorations of coal in Tete Province expect to reach to a combined production of 7.5 million tons of coal. For 2013, the Plan of mining production and commercialization expects a growth of 17.7% over 2012, based on the increased production of coal, natural gas and condensate, precious stones and semi-precious stones.  
Source [www.mozahub.com](http://www.mozahub.com)

### **Portuguese group Visabeira with a new hotel in Gorongosa National Park**

The Portuguese group Visabeira will open next April a new hotel in Gorongosa National Park. This project valued at U.S. \$ 1.8 million was concessioned to the Portuguese group for a period of 12 years.  
Source [www.mozahub.com](http://www.mozahub.com)

### **Economic and Social Programme foresees economic growth boosted by the extractive industry**

The Government foresees for 2013 the creation of about 260 000 jobs in the industry sector and the agro-industry, since Mozambique's economy register one of the highest growth rates worldwide. The Economic and Social Plan for 2013 provides a solid economic growth, based especially on the development of the emerging mining industry that is expected to reach 18.6%  
Source [www.mozahub.com](http://www.mozahub.com)

### **Maputo port handles 15 million tons of cargo in 2012**

The port of Maputo increased the cargo handled in 3 million tonnes compared with 2011. This increase enables the Mozambican companies business opportunities in 266 million of meticais  
Source [www.mozahub.com](http://www.mozahub.com)

### **Ncondezi Coal Power Plant will be built in 2015**

The construction of the thermal power plant in Tete will begin in 2015. The Ncondzi Coal Company owns 100% of the project, which is valued at 4.7 billion tons of coal.  
Source [www.mozahub.com](http://www.mozahub.com)

### **Standard Bank-Mozambique and EMEM signed an agreement on promoting the development of mining**

Under this agreement, Standard Bank will provide Mozambican Mining Company (EMEM) with consultancy and financial intermediation services, and advise on the development of the infrastructures necessary for maximising the potential of mining projects.  
Source [www.thezimbabwean.co.uk](http://www.thezimbabwean.co.uk)

notes and 5000 50,100,200,500,1000,2000 will be introduced in the market on 22 March and during the first half of the year.

Source [www.angolahub.com](http://www.angolahub.com)

### **Angola and Portugal will hold their first bilateral summit in 2013**

The Summit, to be held during the second half of 2013, will be focused on strengthening cooperation between the two countries.

Source [www.angolahub.com](http://www.angolahub.com)

### **Parliament approves the State Budget for 2013**

In February 14, the National Parliament approved the State Budget for 2013.

Source [www.angolahub.com](http://www.angolahub.com)

### **Development plan for the Kuando-Kubango**

The development programme of Southern Kuando-Kubango province was approved in February 5, by the economic commission of the Council of Ministers.

The works will begin in 2014.

Source [www.portalangop.co.ao](http://www.portalangop.co.ao)

## **LEGAL OBSERVATORY**

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### **Angola**

#### **Oil Sector | Foreign Exchange Regulation**

The Law 2/12 of January 13 approves the Foreign Exchange Regulation applicable to Oil Sector, which aims to establish the exchange rate regime for the settlement of some transactions arising from the activities of prospecting, exploration, evaluation, developing and producing crude oil and natural gas.

#### **Code of Conduct of the Interbank Money Market**

The NBA Notice 14/12 of April 3 establishes the Code of Conduct of the Interbank Money Market (IMM) and the Interbank Foreign Exchange Market (MCI), which aims to regulate relations among participants of the interbank markets, according to the principles of ethics and professional conduct.

#### **Incorporation of Leasing Companies**

The NBA Notice 18/12 of April sets forth the Leasing Companies process of incorporation and operation

#### **Oil and Natural Gas | Foreign Exchange Operations**

The NBA Notice 20/12 of April 25 establishes the procedures and mechanisms to adopt in foreign exchange operations inherent to the activities of prospecting, exploration, appraisal, development and production of crude oil and natural gas under the Law on Foreign Exchange Regulations applicable to Oil Sector.

#### **Import and Export of Goods | Foreign Exchange Transactions**

The NBA Notice 19/12 of April 25 sets forth the rules and procedures to be observed in the carrying out of foreign exchange transactions intended for the payment of import, export and re-export of goods in Angola.

### **Targets Gas Companies for Stock Exchange Listings**

Mozambique's stock exchange may add five new listings by 2018, the first as early as June, as companies exploring for gas raise funding for projects

Source [www.bloomberg.com](http://www.bloomberg.com)

### **US oil group invests US\$2.2 billion**

The Anadarko Petroleum has until now invested US\$2.2 billion in Mozambique, more specifically in prospecting for oil and natural gas in Area 1 of the Rovuma basin, in the north of the country.

Source [www.mozahub.com](http://www.mozahub.com)

### **ENI and Anadarko join forces in Mozambique**

Two oil companies that have made a series of massive natural gas discoveries off the coast of Mozambique have agreed to jointly construct a huge liquefied natural gas plant in the east African country.

Source [www.ft.com](http://www.ft.com)

### **Mozambique**

#### **State Owned Companies legal framework**

The Law 6/2012 of February 8 establishes the new State owned companies legal framework. The main purpose of the Law is to establish several governmental means of control over State owned companies and to assure their effective and adequate management.

#### **VAT Code | Amendments**

The Law 3/2012 of February 24 amends the VAT Code and the most relevant changes are the extension of exemptions granted in relation to oil and mining operations, as well as to the supply of agricultural goods.

#### **Corporate Income Tax Code | Amendments**

This Law 4/2012 of February 24 amends the Corporate Income Tax Code, imposing a more detailed accounting regime to companies within the oil sector

#### **Regulation of the Law on PPP, LSP and BC**

The Decree 16/2012 of July 4 approves the Regulation of the Law about Public-Private Partnerships (PPP), Large Scale Projects (LSP) and Business Concessions (BC) which, in compliance with article 40 of Law no.15/2011, of 10 August (Law on PPP, LSP and BC), establishes the procedures applicable to the contracting, implementation and monitoring of PPP, LSP and BC.

#### **Regulations for the Research and Exploration of Groundwater**

The Decree 18/2012 of July 5 approves the Regulations for the Research and Exploration of Groundwater, which establishes a set of rules and procedures to be complied with licensing for research, drilling and exploitation of groundwater and the criteria to be observed in the opening of boreholes, wells and other works of



### **Private Investment**

The Presidential Decree 84/12 of May 14 defines the procedure of submission of proposals of private investment on amount of over 10,000,000.00 U.S. Dollars to the National Agency for Private Investment (ANIP)

### **Real Estate Brokers**

The Law 14/12 of May 4 approves the Law of Real Estate, which regulates the process of establishment and activity of real estate brokers

### **Sole Shareholder Company**

The Law 19/12 of June 19 approves the sole shareholder company legal framework.

### **Crude Oil and Natural Gas transportation and storage activities**

The Law 26/12 of August defines the rules and procedures for undertaking Crude Oil and Natural Gas transportation and storage activities connected with petroleum operations carried out under the Petroleum Activities Law. It is applied to the oil operations activities set forth in the Petroleum Act approved by Law 10/04 of 12 November.

### **Banking Correspondents**

The Notice NBA 25/12 of August 20 (i) lays down specific rules for engage of banking correspondents by Financial Institutions, for the purpose of acting as commercial banks' agents and thus facilitates the relations with the citizens, (ii) regulates the activity of correspondent banking and (iii) defines the penalties

### **Regulation on Waste Management**

The Presidential Decree 190/12 of August provides the general rules on the production, deposit in the soil and subsoil, release into the water or the atmosphere, treatment, collection, storage and transport of any type of waste, except for radioactive waste or waste subject to specific regulation, in order to prevent or minimize its negative impacts on human health and on the environment.

### **Amendment | National and foreign currency**

The Order NBA 28/12 of November, 1 amends the Notice 1/2012 of January 16, which regulates the entry and exit of national and foreign currency, in respect to the conditions applicable to non-resident individuals.

### **Water Strategic Plan**

The Presidential Decree 9/13 of January 31 approves the Water National Strategy Program for 2013-2017, which aims to prepare a framework for multi-sectoral emergency investments or short-term investments

groundwater abstraction.

### **Economic Activities | Regulation for Resettlement**

The Decree 31/2012 of August 8 approves the Regulation for Resettlement resulting from Public or Private Economic Activities, carried out by natural or legal persons, national or foreign, in order to promote quality of life for citizens and protect the environment

### **Management Office | New Tete Bridge Concession**

The Ministerial Order 206/2012 of September 5 creates the Management Office for the New Tete Bridge Concession and defines its duties and powers.

### **Rules for determination of the Maximum Sale Price of Natural Gas**

The Ministerial Order 210/2012 of September 12 sets forth the provisions for the determination of maximum prices for the supply of natural gas to final consumers within a distribution network.

### **Operation Rules | Transport and Communications Development Fund**

The Ministerial Order 245/2012 of September 24 creates the structure, the operating standards and the internal organization of the Transport and Communications Development Fund.

The Fund is a public institution responsible for, inter alia, the financing of strategic projects in the sector, defined in the Strategy for Integrated Development of the Transport System.

### **Road Fund**

The Decree 40/2012 of November 30 amends the Decree 22/2003 of 20 May that establishes the Road Fund, in relation to its nature, role and assets.

### **Specific Consumptions Tax Code**

The Law 2/2013 of January 30 amends the Specific Consumption Tax Code approved by Law 17/2009 of 10 September, in relation to the taxable event, the taxable amount, the payment, the incidence rates, the establishment of warehouse and penalties.

# WRITING ABOUT

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## New Regulation on Waste Management

Flash VdAtlas

November 21, 2012

On August 24, Presidential Decree nr. 190/12, of 24 August 2012, was published, approving the Regulation on Waste Management.

The Regulation provides the general rules on the production, deposit in the soil and subsoil, release into the water or the atmosphere, treatment, collection, storage and transport of any type of waste, except for radioactive waste or waste subject to specific regulation, in order to prevent or minimize its negative impacts on human health and on the environment.

[See Flash VdAtlas](#)

## Basel II in Mozambique: The New Rules of Capital Adequacy and Risk Management

Flash VdAtlas

February 4, 2013

The publication in the Mozambican Official Gazette of Notice no. 3/GBM/2012, of 13 December, ("Notice") issued by the Bank of Mozambique ("BM") was recently announced.

The Notice's purpose is to establish the scope and timing for the introduction of amendments to the country's prudential legal framework and to the rules of capital adequacy, in order to ensure their compliance with Basel II

[See Flash VdAtlas](#)

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