

Lusophone Africa Special Report 2015: Changing track



With oil prices falling, investors in Angola and Mozambique are increasingly looking for new opportunities – lawyers say sectors such as agriculture and telecoms offer considerable potential, but there are still many obstacles to investment that must be overcome

When most people think about investment in Angola and Mozambique, an image of the respective countries' rich natural resources springs to mind. But perspectives on these markets are slowly changing. While the two countries have attracted great international interest and investment thanks to their abundance of oil and gas reserves, lawyers now say investors' attention is switching to other sectors in Angola and Mozambique.

"It is unquestionable that in many countries in the continent we are witnessing the birth and growth of new industries and services, which in turn induce the need for new types of services that can support the requirements of the new business models," claims Rui Mayer, partner at Cuatrecasas, Gonçalves Pereira, who coordinates the firm's Angolan practice.

The desire to explore new opportunities is partly down to current market conditions, specifically the recent drastic drops in commodities prices – especially oil, which has more than halved in price since 2014. According to VdA partner João Mayer Moreira, this has brought "new concerns to the table". Oil-rich countries are now facing major revenue shortfalls in their national budgets while mining and natural gas investments become less economically viable as oil is so cheap to buy. Attracting investment in sectors other than natural resources is becoming critical.

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Mobile banking

"Diversification of the economy is a major challenge and sectors such as agriculture offer great potential, even if it carries its own infrastructure development challenge," VdA's **Mayer Moreira** continues. "Telecoms is a sector that plays a peculiar role in Africa, through mobile banking". He adds that mobile banking will be one of the key drivers of the increase in the use of banking services in Africa.

Fernando Veiga Gomes, co-head of Abreu Advogados' Angolan desk, claims that a more diverse economy creates many openings for businesses. "There are interesting business opportunities in mining, agriculture,



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infrastructure, rail, roads, ports and airports, telecoms, IT, fishing, energy and water, health, education and tourism,” he says.

Expansion into new sectors would also help Africa open up even further, lawyers claim, creating new internal markets and trading blocs as well as establishing a significant consumer base, which

drives forward wider commercial developments. Even so, clients looking at taking advantage of this situation still face many problems when investing in African markets, despite attempts to improve local systems. There remain substantial operating costs as well as the traditional administrative hurdles, along with other risks such as political instability, bureaucracy and corruption.

Unpredictable courts

Irina Neves Ferreira, part of the Africa team at Morais Leitão, Galvão Teles, Soares da Silva & Associados (MLGTS), highlights problems with the efficiency, reliability and predictability of courts in investment decisions: “The Angolan court system still lacks a reform focused on the improvement of its efficiency, reliability and swiftness.” Dário Moura Vicente, a partner at Serra Lopes, Cortes Martins & Associados, concurs, adding the judicial systems in many African countries, which are not yet consolidated, means that dispute resolution is an additional risk for foreign investors.

“Administrative procedures required in order to set up local businesses tend to be slow and cumbersome,” he adds. “Having the right partners is often decisive in order to overcome this sort of problem.” Moura Vicente says law firms can also play an important role in this context. “Exporting profits can also prove to be difficult, particularly in periods of shortage of foreign currency,” he says. “Investments in African countries should therefore be regarded as long-term commitments for foreign companies.”

This combination of economic promise and local challenges has seen clients expect more from their legal counsel, to the point where, as Cuatrecasas’ Mayer puts it, clients in Africa are “rapidly becoming as demanding as they are in Europe”. He says this is not only because many of the clients are foreign in origin, but also because they are discovering new opportunities in the market.

João Robles, partner and head of FCB&A’s Angolan Desk, has also seen client expectations increase.

Specifically clients now require prompt and practical business-oriented advice and no longer tolerate long waiting periods for advice or long legal dissertations on any matter. “As a firm, one of our main priorities is to provide tailor-made advice which means that we make a strong effort to understand our client’s business and needs,” he

adds. “We also require our lawyers to be responsive and to constantly report to our clients so that they understand that their projects are also our priority.”

Paid in local currency

Francisco Ferraz de Carvalho, partner and a member of Linklaters’ Africa desk, believes that managing client expectations is a key part of his firm’s work: “Lawyers shall advise their clients on what is realistic and achievable in each case – something that looks correct on paper and ‘ticks all the boxes’ may face practical difficulties in its implementation, cause severe delays to a project or just not be sustainable in the medium or long-term.”

Higher client expectations also usually apply to legal costs, and law firms say they are getting squeezed on fees. In-house legal teams are functioning with smaller budgets and looking for cost-savings. The problem of lower fees is compounded by the fact they often have to be paid in the local currency – rather than euros or dollars – which are more susceptible than other currencies to drastic fluctuations.

“The biggest challenges facing lawyers working for clients in Africa, are undoubtedly the pressure to reduce fees and the lack of foreign currency,” Rui Amendoeira, managing partner at Miranda Correia Amendoeira & Associados, remarks. “This is due to a reduction in the price of exports such as oil – getting paid in foreign currency is a challenge with many local businesses trying to pay legal fees in local currency.”

Increasing client demands also put the spotlight on the quality of local lawyers. Portuguese law firms must ensure that the legal, language, business and customer skills of local lawyers are up to the sufficient levels. As Miguel

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Spínola, a senior associate who co-ordinates PLMJ’s Mozambique desk, points out: “One of the biggest challenges for international lawyers and firms is assuring their international clients have effective support on the ground as well as providing in depth local knowledge of the applicable

legal framework as well as local practices and customs. Meanwhile, through their training and collaboration with local lawyers, firms must ensure high quality services which match the international standards.”

Two-pronged strategy

The fact that the bar associations in Angola and Mozambique have very strict rules on how foreign lawyers can operate in the countries – legal services must be offered through joint ventures with local law firms – has heavily influenced foreign law firms’ strategies in both countries. Many firms have adopted a two-pronged strategy of

combining Portuguese expertise with leading local lawyers to service clients within the rules. PLMJ, for instance, established PLMJ International Legal Network offices in Angola and Maputo, which operate as Gabinete Legal Angola and Gabinete Legal Moçambique respectively, while MLGTS, VdA and Miranda also have local networks. Neves Ferreira says that working in close connection with the member firms of the MLGTS' network – dubbed Legal Circle – allows for the combination of “local knowledge with the international experience and support of the whole network, which enables us to maximise the inherent synergy and resources available to our clients”. Pedro Metello Nápoles, head of PLMJ's Angolan desk, adds that members of PLMJ's international network also “facilitate business contacts, thus bolstering links between companies, promoting development and growth of economies, as well as promoting private enterprises and strengthening confidence among those states' economic partners and financial institutions”.



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Abreu Advogados

Think long-term

Some lawyers, such as Veiga Gomes, acknowledge it takes time to build new and strong partnerships, as well as invest in the education of local lawyers and infrastructure in order to create the basis for good legal work in future decades. “Therefore, the biggest

challenge for lawyers in Africa, in particular in sub-Saharan countries with the exception of South Africa, is to build the capacity to respond with high quality legal services and have local teams with the capacity to answer to the demands created by investments carried out by the big corporations in the coming years,” he says.

Robles echoes the point, saying the biggest challenge is “to find and retain good talent” while Moura Vicente says finding the right local partners, adapting to a different professional environment and “creating trust in the local professional communities” is another major task facing foreign law firms.

“Successfully meeting those challenges takes time and effort,” Moura Vicente says. “For law firms, doing business in Africa should be regarded as a long-term investment.”

Source: <http://www.iberianlawyer.com/special-reports-global-markets/special-focus-lusophone-africa/4717-lusophone-africa-special-report-2015-changing-track>