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Angola removing barriers to investment

Despite the fall in oil prices, the country has made regulatory changes that have made investment easier with the result that Angola still offers many opportunities for law firms



Rui Amendoeira

Though Angola has suffered due to the drop in oil prices, the country continues to remove barriers to investment and therefore remains a key market for Portuguese law firms, according to Rui Amendoeira, partner at Vieira de Almeida.

He adds that Angola is a rich source of new business and new clients, particularly in the areas of M&A, contracts, employment and tax advice. Amendoeira says that, with most major Portuguese law firms having a presence in the country – in partnership with local firms, which is mandatory under the local Bar regulations – the legal market is very competitive. Excluding oil sector-related business, Portugal is the largest foreign investor in Angola, Amendoeira explains, though he adds that Chinese investment in the country is also significant.

However, the oil price crash – which resulted in Angolan state tax revenues declining by almost 50 per cent in 2015 – has hurt a lot of businesses in

the country as many of them are heavily dependent on the oil industry, according to Amendoeira.

One of the biggest challenges facing local businesses relates to problems in making overseas payments. Amendoeira adds: "This [the fall in oil prices] has also led to a shortage of hard currency, making it increasingly difficult for local companies to make overseas payments, while creating obstacles to investment." He says that the current crisis in Angola is probably the worst the country has suffered and has led to pessimism among companies with no sign of a sustainable recovery in oil prices.

On a positive note, Amendoeira points out that regulatory changes have helped to streamline procedures for investment and that it is hoped that this will have the effect of boosting business confidence in the country. He continues: "Even the simple process of incorporating a local company was extremely complex, implying a \$1 million investment – but a new law in 2015 lowered the investment threshold, leading to improvements over the last 12 months."

Opportunities for cash-rich investors in Africa



Joana Andrade Correia

Although 2015 was a challenging year for the African market, there remain considerable opportunities for law firms, according to Joana Andrade Correia, partner at Raposo Bernardo in Lisbon. "What now exists is a redesign of Africa's economic relations with emerging partners, which is creating new opportunities for diversification in the continent," she adds.

Correia says that, with companies in Africa reconsidering their strategies, 2016 looks set to be a year in which divestment of non-core businesses will create opportunities for "cash-rich investors". She continues: "Companies must complement normal business practices with innovative approaches – this requires a business model that marries local know-how with new global strategies, in order to exploit market opportunities and mitigate the risks."

While there have been greater strides in economic, social and political reforms

over the past two decades than most investors realise, Correia says that African countries continue to be dominated by nascent institutions, weak governance structures, poor infrastructure, and underdeveloped health care and educational systems. "Consequently, as with all emerging markets – and even some advanced countries – doing business here is all about balancing risk against the business model," she says.

However, to do this, companies have to overcome a number of obstacles, Correia says. "For example, while African consumers benefit from access to imports of consumer goods and cheaper clothing produced by the emerging economic powers, it is the progressive integration of African economies in the global value chain that contributes to keeping them confined to the lower sections of the productive processes. However, Africa's potential is indisputable."