



# Africa *In Focus*

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Welcome to **Africa In Focus**,

We are most pleased to release the sixth issue of Africa In Focus.

Our aim with these bi-monthly brief reports is to provide you with an update on relevant news and key legal issues pertaining to Africa which may be of interest to you and to your business, complemented, whenever pertinent, with overviews on regulatory developments in the Angola and Mozambique jurisdictions.

Angola has made significant strides in several sectors during 2013 aimed at encouraging economic diversification. In this context, the recent enacted Legal Framework for Collective Investment Schemes is expected to play an important role in the Real Estate sector by providing international investors with an attractive legal environment based on recognisable international standards.

If you feel there are developments of information you have read in these documentation, as well as comments or suggestions you would like to make, we would be very glad to hear from you so please let us know by emailing [africaninfocus@vda.pt](mailto:africaninfocus@vda.pt).

## VdAtlas



Through its VdAtlas – International Platform, VdA has developed over the years a strong network of leading firms in Portuguese speaking Africa that covers all such jurisdictions. For further information about our Africa practice, please [click here](#).

### Angola: Step by step

The economic context in Angola, including inter alia the (i) economy's expansion, (ii) the government commitment to a programme of public infrastructures and (iii) the stability of the inflation rate, represents an outstanding opportunity for both foreign and national investors.

The expected economic growth and the consequent improvement of the social and economic conditions of the population, alongside with the announced Government's commitment to the development of economic sectors such as Tourism, will expectedly lead to an increased demand in the different areas of the real estate market and consequently will trigger the need for medium /long-term financing, which has been up to now one of the main obstacles for real estate developers in the local market.

In this context, the recent enacted Legal Framework for Collective Investment Schemes (Regime Jurídico dos Organismos de Investimento Coletivo), established by Presidential Decree nr. 7/13, in force since the 11th of October 2013, can certainly play an important role in filling the "financial" gap felt by developers and investors, and at the same time, provide international investors with an alternative to direct investment in real estate (significantly conditioned by current Angolan real estate ownership laws) in a legal environment where real estate investment vehicles are based on recognisable international standards.

A new and much more detailed set of rules applicable to the setting up and operation of Real Estate Funds, a much more demanding rules and procedures for their investments and determination of the value of their assets – including mandatory evaluations to be periodically conducted by approved and registered surveyors – leading to an increased transparency of transactions, a clear regulatory environment within which the management companies shall conduct their activity subject to the supervision of Government Agencies, are just some of the factors that in our opinion will gear up the level of professionalism of this market and will reduce the risk (and the perception of risk) associated to the real estate investment activity in the country.

By opening the door to different types of Funds ("open-ended" or "closed-end" funds), subject to different rules and levels of implementation and governing complexity, this new legal regime provides investors/players and the market with different solutions that can be selected and adapted to different investment portfolios or to the profile of different investors, once again increasing its potential to raise significant amounts of capital from a wider and diversified range of investors to the real estate market.

We strongly believe that this new regime and the new generation of investment vehicles that will follow should increase the visibility that the Angolan real estate market is already having abroad with projects like the Baía de Luanda waterfront project and the subsequent development that is now undergoing.

Nevertheless, it is also important to note that the effective implementation of the standards underlying the rules, procedures, mechanisms etc. foreseen in this regime and,

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most of all, an attractive tax incentives package associated to these vehicles and their investments are probably the most critical features for its success.

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## NEWS

### Angola



#### ECONOMY

##### **Angola's has "high" potential economic growth**

Even at a stage when its oil production accounts for a smaller slice of the economy, as well as the ability to become a "regional powerhouse in Africa".

The production sectors with potential to grow are many, including agriculture and fishing as well as exploration of natural resources other than oil and diamonds and that are "expected to continue attracting investment and may become the next drivers of the country".

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

#### TRADE & INVESTMENT

##### **Private investment nearly doubled in 2013**

Angola's National Private Investment Agency (ANIP) evaluated and approved 177 investment proposals together worth 444.2 billion kwanzas (US\$4.540 billion). These proposals, evaluated and approved in 2013, were nearly double the investment projects endorsed in 2012. Besides the goods and services that will result when the approved projects begin operations, with consequent tax revenue, the investment proposals will ensure 17,000 direct jobs.

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

##### **Sinopec plans to invest US\$20 billion in Africa**

The state-held China Petroleum & Chemical Corporation (Sinopec) group plans to invest US\$20 billion in Africa, in the next five years, specifically in Angola. Sinopec has invested US\$6 billion in Angola to date, besides "reinforcing cooperation with the Angolan state oil company Sonangol". Angola is currently China's second biggest supplier of oil, after Saudi Arabia.

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

#### BANKING & FINANCE

##### **Ecobank prepares expansion in 2014**

Pan-African bank, Ecobank Transnational plans to enter the Angolan and Mozambican markets in 2014.

Ecobank, whose shares are listed on three stock exchanges and which has a presence in 35 of a total 55 African countries, already has branches Cabo Verde (Cape Verde), Guinea Bissau and Sao Tome and Principe, and only a representative office in Angola.

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

##### **Four new banks in Angola by the end of the year**

Banco Pungo Andongo (BPAN), Banco Prestígio, the Standard Chartered Bank and Banco de Poupança e Promoção Habitacional (BPPH) will start operating in Angola by the end of the year.

The new banks will have to operate, based on the latest rules of the central bank, with the minimum starting capital established for new banks and approved by the Economic Commission of the Council of Ministers, which set a minimum figure of 2.5 billion kwanzas (US\$19 million), compared to the previous 600 million kwanzas.

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

### Mozambique



#### ECONOMY

##### **Fitch Affirms Mozambique at 'B+'; Stable Outlook**

Fitch Ratings has affirmed Mozambique's Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+' with a Stable Outlook. The affirmation reflects the fact that the authorities have demonstrated a track record of prudent economic policy and reform, notably in the conduct of monetary policy, revenue collection and public financial management.

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

##### **Government forecasts 8% of economic growth in 2014**

Mozambique's economy should grow 8% in 2014, with exports predicted to reach US\$4.7 billion, 21% more than the target set for 2013. The forecasts are lower than projections by the International Monetary Fund, which in July indicated that Mozambique's gross domestic product (GDP) would grow 8.5% next year.

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

#### TRADE & INVESTMENT

##### **Mozambique is first country to benefit from Fund for Cooperation between China and the Portuguese-speaking countries**

Chinese company Wanbao Grains & Oils Co. plans to invest US\$10 million from the Fund for Cooperation between China and the Portuguese-speaking Countries in an agricultural project in Mozambique. Total investment in the project is expected to be US\$200 million.

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

##### **Mozambique continues to be favourite destination for foreign direct investment**

Mozambique continues to be a favourite destination for foreign direct investment, related to the launch of coal mining and oil and gas extraction projects. From January to September net foreign direct investment totalled US\$4.515 billion or US\$760 million more year on year. This figure is the equivalent of around 30 % of the country's projected Gross Domestic Product (GDP) for the entire year.

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

#### BANKING & FINANCE

##### **Millennium bim bank manages European credit line**

Mozambican bank Millennium bim is set to manage a credit line of US\$25 million earmarked for small and medium-sized enterprises (SMEs) in Mozambique.

The credit line is funded by Germany's Deutsche Investitions und Entwicklungsgesellschaft (DEG) and FMO of the Netherlands, two financial institutions focused on supporting development.

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

##### **Central Bank maintained its benchmark interest rate unchanged**

The Banco de Moçambique has decided to maintain unchanged the market's main benchmark interest rates, leaving the marginal lending facility at 8.25 %. The Monetary Policy Committee decided to intervene in the interbank market to guarantee that the circulating money supply

### **National Bank reduces base interest rate to 9.25%**

The Bank of Angola has reduced the base interest rate, the BNA rate, 50 basis points to 9.25%, and its permanent loan liquidity facility rate 75 basis points to 10.25%. The Central bank indicates the “downward trajectory of the rate of inflation,” and “the prospect of that trend continues,” to explain the decisions as well as announcing that it had kept the liquidity absorption rate at 0.75%.

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

## **OIL & GAS**

### **2 million barrels of oil per day in 2015**

Angola’s oil production is expected to reach 2 million barrels per day in 2015. This projection already took into account investments carried out and projects that are underway. Angola is currently the second-largest oil producer in sub-Saharan Africa, after Nigeria, with a daily production of around 1.7 million barrels.

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

### **America’s VAALCO Energy will begin prospecting for oil**

The US company VAALCO Energy has begun contacting companies to rent a semi-submersible platform to begin the oil prospecting phase in the pre-salt layer of Angola’s Cuanza Basin.

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

### **Cobalt oil group discovers a large oil reserve**

US group Cobalt International Energy confirms that during a test on the Lontra oil well, in block 20 of the Angolan sea, “produced a stable flow of 2,500 barrels of condensates and 39, million cubic feet of gas per day.”

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

### **Total group will begin to explore CLOV project in second half of 2014**

The CLOV (Cravo, Lírio, Orquídea and Violeta) project is due to start production at the end of the second half of 2014, increasing the quantity of oil extracted from 600,000 to 800,000 barrels.

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

### **Pluspetrol Angola begins onshore oil exploration in Cabinda province**

Onshore oil and natural gas extraction began Tuesday in Angola’s Cabinda province at a block operated by Pluspetrol Angola, a subsidiary of Argentinean group Pluspetrol.

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

### **New foreign exchange regime for the oil sector with a positive impact**

The new foreign exchange regime for the oil sector, in place in Angola since June, has started having a “positive” impact on the national financial sector. In the last four months, there has been a “significant increase in liquidity in the banking system” and Angolan financial institutions are able to provide loans to the economy

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

## **MINING**

### **Australian company begins prospecting for rare soils**

The Australian company Rift Valley Resources will begin drilling to search for rare soils in Longonjo, southern of Angola. Longonjo is the first site of the recently acquired Ozango project, where the company will begin collecting samples for later metallurgical analysis

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

### **Government will auction off new coal concessions in June 2014**

The Mozambican government plans to hold an auction for coal concession in the provinces of Tete and Niassa in June 2014. The national director of Mines for the Mining Resources Ministry confirms that no blocks for natural gas prospecting would be put up for auction until parliament approved the new mining law

does not surpass 45.893 billion meticaís at the end of November.

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

## **OIL & GAS**

### **Mozambique targets new hydrocarbon licensing round in 2014**

Mozambique prominent among east Africa’s new hydrocarbon frontier markets, with giant gas finds off its coast fuelling an exploration boom. Mozambique’s regulatory authority for petroleum activities, was looking at blocks in the deep water Rovuma basin, as well as offshore Zambezi Delta and Beira High regions. The last round was held in 2009.

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

### **Sasol will start the production and sale of oil in 2014**

South Africa’s Sasol Petroleum International (SPI) is due to start producing and selling oil extracted in Mozambique’s Inhambane province in 2014.

The company, which already operates a natural gas processing plant in Pande and Temane and a gas pipeline, has concluded an evaluation programme in which 236,000 barrels were extracted in the Inhassoro region.

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

### **Mozambique to begin LNG exports in 2018 to feed Asia**

Mozambique is hoping to tap vast unexploited reserves of natural resources such as gas and coal to boost revenues and pull its war-scarred population out of poverty.

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

### **Sasol intends to invest further in Mozambique**

The South African petrochemical group plans to increase its investment in Mozambique in order to improve the service of African hydrocarbon market.

The cost of increasing the capacity of the pipeline was around US\$200 million, to which must be added the US\$135 million of underway investment at the central processing unit, construction of which is due to be concluded in the first half of 2015.

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

### **ENH wants to increase its share in the blocks of natural gas**

Mozambican state oil and gas company Empresa Nacional de Hidrocarbonetos (ENH) wants to increase its share in the blocks operated by US group Anadarko Petroleum and Italy’s ENI.

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

### **BP Group announces investments of US\$85 million**

The Oil group plans to invest US\$85 million over the next five years in new projects and modernising facilities in the country. The major portion will be spent on modernisation of infrastructure, in order to improve the safety and reliability of shipments to the port terminals of Nacala, Beira and Matola.

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

## **MINING**

### **Mozambique to launch coal bidding round in June 2014**

Mozambique will launch a round of bidding for coal mining in its Tete and Niassa provinces in June next year. The country has seen a flood of foreign investment into its coal mining sector in the last few years. The war-scarred Southern African nation is estimated to have some of the world’s largest reserves of coking coal, used in steel-making.

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

### **Coal India plans to begin third coal bloc prospecting phase in 2015**

The Coal India Ltd (CIL) group will, in early 2015, begin the third and last phase of prospecting in two Mozambican coal blocs. The Indian group has already drilled 17,000 metres of the planned 30,000 metres in two blocs, with estimated reserves of a billion tons.

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

### **Brazilian group Vale plans to announce new partner in Nacala’s corridor by June 2014**

Vale is expected by the end of the first half of 2014 to choose the partner that will take on half of its 70 % stake in the Nacala logistics

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

## **ENERGY**

### **Electricity sector subject to reforms in 2014**

The Angolan electricity sector in 2014 will be subject to significant reforms, under which will be created three new companies focused on power production, transmission and distribution. Those companies will be created in order to increase the capacity to provide services and to extend those activities across the country.

The programme of reforms was based on the need to have the regulatory market model in accordance with the General Electricity Law.

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

### **Cuanza Norte will become top province for hydroelectric power production**

Upon completion of the Laúca dam and modernisation of the Cambambe dam in the next five years, Cuanza Norte will become the Angolan province which produces the most hydroelectric power.

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

## **INFRASTRUCTURE**

### **Studies for new M'banza Congo airport begin**

The project to build the new airport of M'banza Congo is at the stage of technical studies by the Transport Ministry.

The Governor of the Angolan province of Zaire confirms that the studies may only be concluded at the end of 2014 but the new airport would definitely be built.

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

### **Transport Minister announces the construction of a deep water port in Cabinda**

The city of Cabinda in northern Angola will have its own deep water port and construction of the facility is due to begin in the next three years. The construction of the port would be carried out in three phases, and that at the end of the first phase the port would have a commercial dock 775 metres long, which would be increased to 1,550 metres at the end of the final phase.

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

### **Government plans to build direct railway branch line to Zambia**

The direct branch line to Zambia from the railway will link Benguela, on the Atlantic coast, to the Democratic Republic of Congo (DRC). The 1,400 km railway connecting the port of Lobito to the city of Luau is strategically important from the political and economic standpoint, as it will enable Lobito to recover its status as a port serving not just the country's interior but also landlocked neighbouring countries.

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

## **REAL ESTATE**

### **Odebrecht delivers road in northeast Angola in March 2014**

Brazilian construction group Odebrecht has given assurances that it will deliver on a project to repair an 86-kilometre section of road between Lóvua and Catata, in Angola's Lunda Norte province in March 2014.

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

### **Prado Valladares launches new real estate projects in Luanda**

Brazilian group Prado Valladares launched two real estate projects – Mix Center and Espaços Avenida, – both in Talatona, Luanda, valued at US\$82.1 million. The two real estate projects were designed to meet current demand for retail space, as well as keeping up with the trend of an increasing supply of this type of real estate product on the market.

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

corridor. The remaining 30 % of this project is in the hands of state Mozambican port and rail company CFM. The Nacala corridor is the logistics facility of Vale's Mozambican coal operation and includes a 912-kilometre railroad and modernisation and expansion of the deep water port of Nacala to transport the coal the group mines in Moatize.

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

### **Ncondezi Energy agrees on shareholder structure for power plant in Tete**

British company Ncondezi Energy, formerly the Ncondezi Coal Company, has reached an agreement on the shareholder structure of the 300-megawatt coal-fired power plant due to be built in Mozambique's Tete province.

The state electricity company Electricidade de Moçambique (EDM) will have the right to an initial 5 % stake in the vehicle company that will build the plant and have an option to acquire a further 10 % "at market prices".

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

## **ENERGY**

### **Mozambique plans to produce 5,000 megawatts of electricity by 2025**

Mozambique plans to double its power production capacity and reach 5,000 megawatts by 2025. The contribution of the hydroelectric plants would fall from 80% to 60% of the total, the natural gas would increase 25% and coal will remain at 15%.

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

### **Danish company will supply electric power**

Per Aarsleff A/S has obtained a turnkey contract to build electric power transmission lines in Mozambique. The company specifies in the statement that the contract involves the construction of two lines, one of 140 km of 275 kV high tension lines and other of 100 km of another 110 kV line, as well as four transformer stations north and northeast of the capital Maputo.

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

## **INFRASTRUCTURE**

### **Port of Maputo expected to handle 17 million tons of cargo in 2013**

The cargo handled at the port of Maputo this year is expected to exceed its previous record of 17 million tons. As part of the Master Plan drawn up by the MPDC, which covers a period of over five years, US\$2 billion is due to be invested in the port of Maputo to increase its cargo processing capacity and competitiveness.

Of that amount, the company has already invested US\$80 million on work to improve the port's facilities.

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

### **Government approves construction of Moatize-Macuse railway**

The tender for construction of a railway line from Moatize, in Mozambique's Tete province, to Macuse, in Zambézia province, and the respective port terminal was last week awarded to a consortium of companies from Thailand and Mozambique. The consortium is made up of Thai company Italthai Engineering with a 60 % stake, by Mozambican consortium Codiza and by state port and rail company Portos e Caminhos de Ferro de Moçambique, with 20 % each.

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

### **Japanese government to fund reconstruction of road**

The Japanese government plans to provide US\$68 million for reconstruction of 90 kilometres of the Mandimba-Lichinga road in Mozambique's Niassa province.

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

## **TAX**

### **Sales of assets will be subject to 32 % of capital gains tax as of 2014**

Future sales of assets in Mozambique owned by foreign companies will be subject to a 32 % of capital gains tax starting in 2014. Mozambique's parliament approved a change to the tax regime stipulating that sales of assets owned by non-resident companies would be charged a flat rate of

## TOURISM

### **Government will spend more than US\$100 million on hotels and tourism in 2014**

The Angolan government plans to spend more than US\$100 million in the hotel and tourism sector during 2014, namely on the construction of hotel units and job training. Part of this amount will be used to complete four of the five Office of Tourism Development (Infotur) hotels that are being built in various provinces.

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

## TAX

### **Angola will start taxing oil explorers for imports of materials**

Oil explorers in Angola, Africa's second-largest crude producer, will be required to start paying duties on imported materials under a new law.

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

32%.

Currently, sales of local assets were subject to a sliding rate, which vary in accordance with the time that assets are owned by the selling company.

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

## LEGAL OBSERVATORY

### Angola



#### **Customs Tariffs of Import and Export Rights**

Presidential Legislative Decree 10/13 of 22 December 2013 approves the Customs Tariffs of Import and Export Rights, establishing the customs taxation and the general rules for the interpretation of the Harmonized System nomenclature (SH) and Rights.

#### **Public Investment Program**

Presidential Decree 213/13 of 13 December 2013 approves the Methodology for Monitoring, Control and Implementation of the Outcome of the Public Investment Program (PIP), including namely the portfolio of projects, the annual and quarterly planning, the implementation of financial planning and closure of the project.

#### **Share capital of Financial Banking Institutions**

Notice 14/13 of 2 December 2013, issued by National Bank of Angola, determines that authorized banking financial institutions must have their capital fully paid-up in national currency, as well as maintain their share capital and regulatory own funds (FPR) at the minimum value of KHz: 2.500.000.000 .00.

### Mozambique



#### **Public-Private partnerships and Small Business Concessions**

Decree 69/2013 of 20 December 2013, approves the Regulation for Public-Private Partnerships (PPPs) and Small Business Concessions (CE), establishing the guidelines and procedures applicable to the PPPs and CEs procurement processes, implementation and monitoring.

#### **Code on Individuals Income Tax**

Decree 56/2013 of 27 December 2013, amends the Regulation of the Code on Individual Income Tax, namely concerning to the waiver of tax return, the procedures and forms of settlement, the deadline for settlement, the payment of tax, the general rules for withholding tax, the income and deductions statement and the exempted income.

#### **Lawfulness control of Public Revenues and Expenses**

Law 24/2013 of 1 of November, rules the procedures of lawfulness control of public revenues and expenses, setting that administrative litigations and prior review, by means of visa, of that lawfulness shall be exercised by the Administrative Courts.

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