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A new private investment law simplifies foreign private investment in the country, reduces the minimum amounts for investment and specifies that Angolan investors must own 35% of projects in some economic sectors. The president will now directly authorise all investment over \$10m. The economic crisis continues to dominate the agenda. The economic crash in China, together with the devaluation of the currency, directly affects the accords reached with China in June. An oil bidding round for onshore concessions is taking place.

Parliament passes new private investment law

Angola's parliament has passed a new private investment law, **Law 14/15**, which took effect from 11 August. This repeals the existing 2011 investment law. The law is to establish the general basis of private investment in Angola, including in special economic zones, free trade zones, development areas and other areas subject to specific regulations defining regimes of access to incentives.¹ The benefits and incentives of the law apply to foreign investments whose total amount corresponds to a value of less than 100m kwanza (\$800,000), and for internal Angolan investments equal to or greater than 50m kwanza (\$400,000).² Economy minister **Abraão Gourgel** described the new law as "a step forward in improving the business environment for investors in order to promote private investment."³

*"Besides making the capital repatriation process of profits and dividends from international companies operating in the country speedier. The new regulations will lead to a reduction of excess bureaucracy in investing in Angola, making the decision-making process more agile."*⁴

Major points of the new law are:

- The minimum amount legally necessary for an entity to invest in Angola is now set at \$400,000 for internal investors and any amount for external investors. Previously the minimum amount for external investors was \$1m.⁵
- The law establishes objective criteria for the granting of tax incentives and benefits. The government will publish a table with measurable criteria for the reduction of industrial tax. Exemptions will range from a 5% rebate to full exemption for projects that can meet all the criteria within a maximum of ten years.
- The law introduces new registration rules for investments made through machinery, equipment and other tangible fixed assets.⁶
- The law is not applicable to investment projects approved prior to its entrance into force. These projects remain regulated by the laws and investment contracts under which the original investment was authorised.
- Any benefits and facilities granted under previous laws remain valid, in accordance with their

¹ Abraão Gourgel quoted in Angop, 22 Jul 2015.

² Angop, 22 Jul 2015.

³ Angop, 22 Jul 2015.

⁴ Angop, 22 Jul 2015.

⁵ Angop, 18 Aug 2014.

⁶ VDA, Portugal 11 Aug 2015.

original terms, although these may not be extended.

Analysts see the new law as a much-needed revision of an overly-complex and time consuming set of procedures which will bring new overseas investment into Angola.⁷

“This law contains major changes that should be more attractive to overseas investors than the previous law. Angola’s notorious bureaucracy is reduced by the removal of [Agência Nacional para o Investimento Privado] ANIP from the investment process and by the publication of more objective criteria for tax breaks. The President’s direct involvement in approving major investment has however attracted criticism.”⁸

Under the new law, President **José Eduardo dos Santos** (1979- present) will personally authorise private investment projects in Angola worth more than \$10m. Private investments up to \$10m will need the approval of ministerial departments in the respective sectors. Gourgel said this was in order to “remove excess stakeholders in the review and approval process”.⁹

National private investment agency ANIP has lost its jurisdiction over approval processes following the transfer of authorisation. ANIP was set up in 2003 as the organ of state for private investment¹⁰ and is headed by **Maria Luísa Abrantes**, ex-wife of President dos Santos.

The new law also demarcates areas in which Angolan companies must hold 35% of a project. These priority sectors relate to internal development, tourism, telecommunications and information technology, logistics and transport, energy and water and construction. External investment in these sectors can only take place if the 35% ownership criterion is met.

It is not yet clear how this clause will translate into actual investment, and whether Angolan investors will be willing to invest in roads, infrastructure, water and electricity projects in the interior, rather than in major cities.¹¹

*“Private Angolan companies have frequently been criticised for failing to reinvest their money in Angola. Instead, foreign partners have provided the investment capital. One objective is to increase the volume of local private investment and the other is to continue the policy of ‘Angolanisation’. Since this clause is published under the rubric of the **National Development Plan**, failures mean the plan will not meet its goals, which include meeting development objectives outside the urban areas.”¹²*

Impact of China’s economic crisis on Angola

China’s economic crisis has delayed the implementation of new investment projects contained in bilateral economic pacts that China and Angola signed in June. The Chinese stock market first crashed on 12 June, around the time of Dos Santos’ visit to **Beijing** (see *ARC Briefing Angola June 2015*). It is too early to assess the full impact of China’s economic crisis on Angola:

“Only one project has been announced and the rest of Angola’s agreements with China still remain unpublished ... The devaluation of the yuan on 10 August may help the situation, bringing down the costs of imports from China – Angola currently imports about 21% of its goods from China – and giving a slightly raised oil price. The question is whether China is now going to be able to deliver the longer-term relief that Angola’s battered economy needs? Concerns about this may explain why the new Foreign Investment Law was pushed through Parliament and promulgated so quickly.”¹³

⁷ Source, Angola analyst

⁸ Source, Angola analyst

⁹ Ernst and Young Angola Global Tax Alert, 13 Aug 2015.

¹⁰ Macau Hub, 27 Jul 2015.

¹¹ Source, Angola analyst

¹² Source, Angola analyst

¹³ Source, analyst, Luanda

Raul Danda, leader of the opposition **União Nacional para a Independência Total de Angola (UNITA)** parliamentary group, summed up the frustration at the current lack of information on the new agreements with China:

*"How much did our president get from China? Nobody knows. How will we pay for it? Nobody knows. We asked our president to explain what he did in China but the boss does not talk."*¹⁴

The government's reaction to the devaluation of the Chinese currency by 1.9% against the **United States (US)** dollar was mainly positive.¹⁵ The yuan's devaluation results in cheaper exports and more expensive imports for China; since Angola is one of China's main oil suppliers, moves that stimulate the Chinese economy are good news for Angola.¹⁶

However, any further slowdown in the Chinese economy and lower growth are likely to have a negative impact on the prices of raw materials. Currently, the projections for China's gross domestic product (GDP) point to a slowdown to 7.5%. Growth falling below that level is likely to impact on Angola's oil exports to China. At present, 61% of Angolan exports, of which approximately 50% are oil, are destined for China. Angola-China bilateral trade was worth \$37.5 billion in 2014.

Petroleum minister says existing projects to continue, ahead of new oil bidding round

Petroleum minister **Botelho de Vasconcelos** told potential investors at the **Feira Internacional de Luanda (FILDA)** (International Fair of Luanda) that present oil exploration and production projects in Angola would continue despite low oil prices.¹⁷

*"The oil industry is going through a difficult time and ongoing projects have been updated and adapted to the current context of low prices. These projects will give a certain guarantee to maintain the production levels set out in the State Budget. It is essential that companies operating in the country adapt to reality, since oil production is a cyclical business and we have to face the less good cycles."*¹⁸

Vasconcelos believes that Angola's \$10 billion natural liquefied gas project, **Angola LNG**, will open in late 2015 and begin operations in the first quarter of 2016. Angola LNG is a partnership between state-owned **Sociedade Nacional de Combustíveis de Angola, E.P. (Sonangol)**, US-based **Chevron**, **United Kingdom (UK)**-based **BP**, Italy-headquartered **ENI** and **France**-based **Total**. Angola LNG has a production capacity of around 5.2 million tonnes of liquefied natural gas per annum.

Vasconcelos was speaking ahead of Sonangol's launch of an oil bidding round for 10 onshore blocks. Seven blocks are in the **Kwanza Basin**, three are in the **Baixo Congo Basin**. Sonangol announced that the blocks hold on average 700,000 barrels of oil each. The closing date for proposals is 18 September.¹⁹ Sonangol noted that all contracts would be in the form of production sharing agreements.

*"The move by Sonangol to expand Angola's onshore exploration potential comes as low oil prices threaten the viability of the offshore sector. Offshore currently accounts for all of the country's crude output of 1.7 million barrels per day."*²⁰

There are new names in the list of those pre-qualified to be concession operators; **Austria's OMV**, **Colombian** state oil company **Ecopetrol**, **United Arab Emirates (UAE)** based **Mubadala Petroleum**, **London**-based **Dragon Oil**, **UK Sterling Energy** and mining major **Anglo-Swiss Glencore Xstrata** are all listed.

¹⁴ Raul Danda quoted in Angonoticias, 25 Jul 2015.

¹⁵ Expansão 18 Aug 2015.

¹⁶ Expansão 18 Aug 2015.

¹⁷ Expansão, 27 Jul 2015.

¹⁸ Expansão, 27 Jul 2015.

¹⁹ Oil and Gas Year 20 Jul 2015

²⁰ Oil analyst, Oil and Gas Year, 20 Jul 2015.

The inclusion of Glencore in this list is noteworthy; Glencore has had very longstanding and important oil trading links with Angola but has not previously sought oil producing concessions.²¹

*Glencore's links to the upper echelons of Angola's economy include the purchase of Angola's Russian debt from Arkaday Gaydamak and Pierre Falcone in 1998. Nick Busink, the Chief Financial Officer of Glencore International AG until 2004 was an advisor to the Banco Nacional de Angola on setting up Angola's sovereign wealth fund (Fundo soberano de Angola, FSDEA). The head of the FSDEA, Zenu Dos Santos, worked briefly for Glencore. With this history, the evolution of Glencore's oil interests in Angola should prove to be very interesting."*²²

Implications

Angola is attempting to fend off a "perfect storm" resulting from the collapse of oil prices and the economic crisis in China, a very significant trading partner. The situation calls into question agreements with China in June, which were to bail out Angola's economy. The Chinese are likely to revise them. As a result, the need to make Angola more investor-friendly, to bring in investors who might otherwise avoid such a complex business environment, has driven the new foreign investment law. There are also unexpressed hopes that there will be an increase in credible investors. The law goes a long way towards meeting the demands of investors for a more objective, faster, and guaranteed investment process. It also eliminates the role of ANIP, and by implication indicts ANIP for failing to boost investment. Interestingly, the government has recognised the previously untapped potential of Angolan companies for internal investment and expects them to take a much higher profile role in investing in the country's development. Rentier capitalist companies in Angola may find it harder to exist, as the government takes a more robust – and realistic – approach to the crisis.

Petroleum minister Botelho de Vasconcelos has been at pains to reassure investors in the oil sector that existing projects will continue as planned. Sonangol is aiming to increase the number of oil concessions by introducing a bidding round for 10 new on-shore concessions which between them could raise Angola's production by 7 million barrels over the life of the projects, at a lesser initial cost than the more complex off shore and pre-salt projects.

²¹ Source, senior analyst, Angola

²² Source, senior analyst, Angola

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