Investing in Angola: An American Perspective

MACEDO VITORINO & ASSOCIADOS
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1. Introduction

Angola, officially the Republic of Angola, is an ex-Portuguese colony and an independent country since 1975. It is located in Southern Africa and bordered by Namibia to the south, the Democratic Republic of the Congo to the north, Zambia to the east, and the Atlantic Ocean to west. With 1,246,700 km2 of total area and a population around 24 million of people, Angola is the world's twenty-third largest country.

Angola´s capital and largest city is Luanda, that lies on the Atlantic coast in the northwest of the country. The official language is Portuguese and Angola´s currency is Kwanza. The country´s Administration in organized in three levels: the Central Government, the Provincial Governments and the municipalities.

Angola has vast petroleum and mineral reserves and it´s the largest oil producer of sub-Saharan Africa. Its economy is among the fastest growing in the world, especially since the end of the civil war, in 2002. In spite of this, the standard of living remains low for the majority of the population, and life expectancy and infant mortality rates in Angola are still among the worst in the world. Nevertheless, Angola´s Constitution (2010) contains mandatory rules focused on the construction of a democratic welfare state and since the end of the civil war Angola´s Government is progressively aimed to improve social and economic development in the country as well as to create a new middle class.

Angola is a member state of the United Nations, OPEC, African Union and the CPLP - *Community of Portuguese Language Countries*.

Angola can be a country of extremes. In the space of only 40 years it witnessed a violent conflict, which resulted in the separation from Portugal, in 1975; a 27 year long civil war, which brought hunger, extreme poverty and a severe economic downturn until 2002; and a period of economic boom, starting as far back as 2005 and continuing to this day, mainly due to its oil and gas industry. Nowadays Angola´s economy is facing a slowdown due to the crash of the oil price but the IMF estimates a recovery of the country´s economy from 2017 on.

This study aims to inform and advise any American companies that are willing to invest in the region, being it in its already established oil market, its electricity sector, infrastructure sector, including roads, housing, airports and railways, or its underdeveloped renewable energies sector, as well as in agriculture.

2. Laws and Regulations Relating to Investment in Angola

Foreign investment in Angola is allowed by the Constitution and it´s ruled by The New Private Investment Law (NLIP), Law n.º 14/15 of 11th August, that repealed the old Foreign Investment Law of 2011 and establishes the new general bases of private investment in Angola, defining the principles, the rules and the limits on the benefits and incentives offered to investors.

The main purpose of the NLIP, sets in its own Preamble, is to accelerate the foreigner investment "*with less bureaucratic procedure*". The Preamble expresses that "*Private investment (...) remains a strategic focus state for fundraising and mobilization of human, financial, material and technological resources, to promote economic and social development of the country, diversification of the economy to increase the competitiveness of the economy, the growth of jobs and the improvement of living conditions of populations*".

The NILP is applicable to both domestic and foreign private investments and no threshold is set for foreign investments, replacing the previous amount of USD 1 million.

The NLIP defines the Private Investment in Angola as:

"The employment in national territory of capital, technology and know-how, capital goods and other in economic projects or the use of funds intended for the creation of new companies, joint ventures or other forms of corporate representation of private companies, both national and foreign, as well as the total or partial acquisition of already existing companies incorporated under Angolan law, for the implementation or maintenance of a particular financial year in accordance with is social objects".

According to the NLIP, there is no minimum threshold for foreign investments.

Nowadays, foreign investors carrying out investment value of less than USD 1,000,000 can benefit from the right to repatriate the respective profits, dividends and other capital gains. Nevertheless, only foreign investors carrying out investment value of more than USD 1,000,000, may have access to benefits and tax and customs incentives provided for by NLIP.

The NLIP states that the policy of private investment obeys to the mandatory principles of *private property*, *free market*, *free initiative*, *security* and *protection of the private investment* and *free circulation of goods and capital*.

Notwithstanding, there is a delimitation of sectors activity in which foreign investment is allowed only in partnership with Angolan investors, such as (i) electricity and water, (ii) tourism and hotels, (iii) transport and logistics, (iv) civil construction, (v) telecommunications and TIC´S, and (vi) media.

The NLIP determines a maximum investment amount that can be realized through loans or other forms of indirect investment, such as supplementary capital, patented technology or franchising.

For the repayment of investment through supply, the NLIP establishes a grace period of three (3) years.

The NLIP also creates an additional fee within the *Capital Invested Tax (Imposto sobre a Aplicação de Capitais)* which concerns the part of dividends and distributed profits exceeding the share of the investor in the private equity.

Under the NLIP, the extension of the benefits and/or incentives for investment shall be determined on a case-by-case basis by reference to objective criteria.

The approval of investment contracts rests with the ministerial authorities that, for this purpose, are delegated powers by the executive.

In addition to the NLIP, the new legal framework of the private investment in Angola was consolidated through the following laws and regulations:

- Guidelines of the national policy of private investment (Presidential decree n.º 181/15 of 30th September);
- Regulation of the procedure for the execution of private investment (Presidential decree n.º 182/15 of 30th September);
- Dissolution of the ANIP – National Agency for Private Investment and creation of the APIEX – Agency for the Promotion of Investment and Exportation of Angola (Presidential decree n.º 184/15 of 30th September); and
- Creation of the Technical Unit for Private Investment (UTIP) (Presidential decree n.º 185/15 of 2nd October).

2.1. Procedure for the execution of private investment

The Regulation of the procedure for the execution of private investment, Presidential decree n.º 182/15 of 30th September, regulates the aspects regarding the competence to approve investment projects and its procedure.

According to the Regulation, the competence to approve investment projects depends on the amount to be invested, as follows:

(i) Amounts up to USD 10,000,000, the approval is up to the Ministerial department of the dominant area of activity of the investment;

(ii) Amounts above USD 10,000,000, the approval is up to the President of the Republic of Angola.

The procedure for investment of the competence of the Ministerial departments has the following stages (i) presentation of the project and supporting documents before the competent body, (ii) analysis, assessment and decision or refusal of the investment project submitted, (iii) execution of the Private Investment Agreement, (iv) issue of the certificate of registration of private investment and (v) registration of private investment.

Under the Regulation, tax incentives may be suspended and revoked for failure to fulfil contractual obligations by the investor.

On the other hand, the preparation, conduct and negotiation of private investment projects of the competence of the President of the Republic of Angola are the responsibility of the Technical Unit for Private Investment (UTIP).

The UTIP attends (i) investment projects with a value above USD 10,000,000 and (ii) investment projects under special investment regimes, such as financial sector, mining and diamond industry and other sectors legally provided.

The UTIP is also responsible for the monitoring and control of the investment projects with a value above USD 10,000,000.

2.2. Agency for the Promotion of Investment and Exportation of Angola

Parties willing to invest in Angola must enter into an investment contract with the Angolan state.

During the Foreign Investment Law of 2011, the Government was exclusively represented by the ANIP – National Agency for Private Investment (ANIP) – which established the conditions for investments as well as the incentives granted.

After the approval of the NLIP, the Angolan state decided to extinguish the ANIP and replaced it by the APIEX – Agency for the Promotion of Investment and Exportation of Angola (APIEX).

The APIEX aims to promote, capture and keep up projects of private investment inside or outside Angola.

More specifically, the purposes of APIEX are (i) contributing to the competitiveness of Angolan companies through its internationalization and (ii) promoting and increasing the exportations and the foreign direct investment in Angola.

In contrast to the ANIP which was under the President of the Republic of Angola, the APIEX is under the ministry of commerce.

Nevertheless, with the approval of the NLIP, several governmental agencies may be involved depending on the delegation of powers issued by the President of Republic.

The incentives granted, including the repatriation of funds for foreign investments, tax deductions, and exemption from certain taxes and duties need to be negotiated with the APIEX and other ministries of the Angolan government on a "case-by-case" basis.

Documentation usually required:

- Presentation of proposal form (description, inventory of equipment and facility);
- By-laws if investor is a shareholder of an already existing company;
- Draft articles of incorporation for the creation of company;
- Annual financial reports for the last 3 years, for individual investors;
- Certificate of financial capacity; and
- Certified criminal record and power of attorney (if necessary).

A licence to invest will be given in the form of a *Private Investment Certificate*. Despite this long and bureaucratic process, these steps are essential in order to take further business action such as importing capital, establishing a local company or branch office or require the necessary permits and licences.

Besides the APIEX, several entities will have an important role in private investment in Angola by providing facilities to the investor.

The entities entrusted to provide financial facilities are the *(Public) Fund of Credit Guarantee*, the *Angolan Development Bank (BDA)*, the *Public Fund of Venture Capital*, the *Investment Fund to Large Companies (FIGEA)* and banking financial institutions in general.

The entities responsible for supporting entrepreneurship, namely training, consulting and business incubator, are the *National Institute of Support to Micro, Small and Medium-sized Enterprises (INAPEM)*, the *Institute for Business Development (IFE)*, the *National Institute of Employment and Professional Training (INEFOP)* and consulting companies.

Finally, the entities empowered to reduce bureaucracy are the *APIEX*, the *Companies Single Desk (GUE)*, the *Foreigners and Migration Service (SME)*, the *Real Estate Single Desk (GUI)* and the Ministerial departments in general.

2.3. Investment climate

Whilst the Angolan economy is the third largest in sub-Saharan Africa and the second largest oil producer in the region, Angola ranks 172nd out of 183 countries for ease of doing business (IFC Business "doing business" report 2012). However, foreign investment is flowing into the country like never before. Investors must, nevertheless, take into account the bureaucratic inefficiencies, administrative extra costs, the undeveloped financial system, poor infrastructure and extremely high operating costs. Despite all this, the Financial Times suggests that the "*significant business opportunities [in Angola] may well justify the time and effort involved*".

2.4. 'Angolanisation'

This is a key requirement for investing in the country. Presidential decrees n.º 5/95 and n.º 6/01 encourage the 'Angolanisation of companies' workforce by limiting expatriate staffing of local companies set up in Angola by national or foreign investors to 30% of the workforce and requires Angolan and expatriate staff with the same jobs and responsibilities to receive the same salaries and social benefits. However, enforcement of these laws is inconsistent.

The Angolan government expects foreign and national companies to prioritise local labour and have several rules in place, namely a 70/30 split in recruitment for the employment of local staff.

This is especially emphasised in the oil sector, as it is the biggest area of investment in the Angolan economy. A 2008 decree law requires oil companies to first seek Angolan employees to fill any vacant position prior to seeking expatriate appointment, which must first be authorised by the ministry of petroleum

Decree n.º 5/95 further states that expatriate employees won't receive more than three renewals to their one year visas, for a total of three to four years in the country. Approval for the fourth year is contingent upon the companies identifying the Angolan employee who will take over the position after the expatriate leaves.

With the oil and diamond sectors, contracts with the government spell out the commitments companies make to invest in infrastructure and social services to benefit the local communities such as building schools.

This imperative requirement by the government can be a challenging one and salary is a key consideration. The market is extremely competitive for reliable skilled labour, which is something Angolans are, for the most part, not. Companies tend to recruit and re-train their staff especially after investing in them with training programs.

2.5. Customs

Despite its improvement in the last few years through the construction of two dry ports in Lobito for container storage, Angola's customs service remains a barrier to the region's markets. This is largely due to bureaucratic inefficiencies. For example, the import of certain goods into Angola requires an import license issued by the ministry of commerce and others may need specific authorization from various government ministries.

This necessary authorization may lead to bureaucratic blocks that can result in delays and extra costs. The import license is annually renewable and covers all shipments of the authorized good or category of goods imported by the licensed importer.

The required customs paperwork includes the *Single Document (Documento Único)* for the calculation of customs duties, proof of ownership of the goods, bill of landing, commercial invoice, packing list, and specific shipment documents exhibiting the right to import or export the product.

Furthermore, any shipment of goods equal or exceeding US$ 1,000,000 requires use of a clearing agent. The number of agents have increased, although competition between them has not reduced fees, which typically range from 1% to 2% of the declared value.

Pre shipment inspection is recommended for most goods like cars, living animals and plants, cereals, food produce, pharmaceuticals, alcoholic beverages, and dairy products. This inspection may be carried out by Bureau Inspection Valuation Assessment Control. If exporters skip this inspection, they are subject to additional inspection upon arrival, with increased bureaucracy, delay and costs.

2.6. Investment Barriers

Although Angola is open to foreign investment, its legal structure makes it difficult to provide adequate protection to foreign investors. Smaller firms operating in the secondary and tertiary industries tend to have difficult times in Angola in contrast to larger corporations in the primary sector.

Under the NLIP, foreign investors wishing to establish a company or branch office in Angola must have their venture approved as a *private investment project* by the Angolan State.

Investment in oil, diamonds and financial areas remains ruled by sector specific legislation. Obtaining licenses to operate in Angola is time-consuming and adds to the cost of investment.

Some American businesses have reported difficulties in repatriation of profits out of Angola because transfers over a certain amount require central bank or Finance Ministry approval and commercial banks may be reluctant to go through the required bureaucratic process.

The Angolan judiciary is another barrier as it can be slow and sometimes partial.

2.7. Risks

(1) Collapse in Oil Prices

Angola remains overly reliable on its oil industry, with 90% of its GDP coming from the sector. A fall in oil prices (which is happening since the 2nd semester of 2014), the rapid maturity of its oil assets, and the absence of major new finds would put severe strains on the government, its budget, and particularly its public works program.

Reduced oil revenues generally lead to a reduction in government expenditures with subsequent effect on public service delivery. For instance: the Public Budget for 2015 reduced in 50% in confront with the 2014th Public Budget. Furthermore, this may lead to the government cuts or total disregard of the current tax exemptions and incentives currently in place.

(2) Political System

The structure of the Angolan Political system is heavily reliant on the President's ability to run it effectively. Although the current framework has served the current party well for the last 31 years, it is very dependent in Dos Santos' ability to function effectively. As he ages, the probability of a leadership change increases and becomes more real. Such scenario may lead to a period of instability and uncertainty, due to the absence of a strong alternative leadership scenery. The next legislative elections will take place in 2017 and until now it´s uncertain if Dos Santos´ will re-apply or not. In case of he´s resignation, this will inevitably have effects in the stock market and trade.

(3) Administrative inefficiencies

Administrative inefficiencies is a pervasive problem in contemporary Angola that generally leads to the appearance of "extra costs" exigencies and bribes, which inevitably hinders Angola's chances to move forward and develop.

This is sometimes seen as a deterrent to investment by many entities and may hinder economic growth as a whole.

3. Bilateral Agreements

3.1. African Growth and Opportunity Act (AGOA)

The *African Growth and Opportunity Act* was signed by the United States on 18th may 2000. The purpose of this legislation is to assist the economies of sub-Saharan Africa and to improve economic relations between the United States and the region. It is a non-reciprocal trade preference program that provides duty free treatment of certain US goods from the eligible sub-Saharan countries. The Act originally covered an 8 year period from October 2000 to September 2008, but legislative agreements have extended AGOA until the end of 2015. As we reach that date, it is now up to the US congress to decide on the fate of the agreement.

Recently, this agreement has gained more relevance in the Angolan sphere, as the Angolan minister for commerce is set to make sectors other than oil more dynamic. Angola is aiming to export products such as lumber, honey, sea produce and other products deriving from Angola's rich, yet rather unexplored agricultural sector.

3.2. United States Agency for International Development (USAID)

USAID is present in Angola and aims to improve three main areas in this country - democracy, human rights and governance; economic growth; and health. Currently, USAID is strengthening its linkages with different levels of government in an attempt to enhance the reform of national systems; at the community level, they are seeking to boost key social services and economic inputs.

In terms of economic growth and trade, USAID aims to support and mobilise private sector investment as a sustainable mechanism for Angola's development. They maintain a longstanding Public Private Partnership (PPP) with ExxonMobil to co-fund malaria prevention activities. Furthermore, USAID supports private sector activity through a Development Credit Authority guarantee with Banco Keve and Kixicrédito (two local banking institutions), to mobilise local private capital to improve the commercial viability of the local market. USAID is currently developing partnerships with corporations such as General Electric, Chevron and Coca-Cola.

3.3. US-Angola Chamber of Commerce

The chamber aims to promote trade, investment and Angolan economic development and sponsors trade missions to Angola, represents private sector views to both governments and promotes investment opportunities in both countries. The chamber has over 90 corporate members, ranging from Angolan banks such as Banco de Negócios International; to American oil companies such as Chevron; to multinational law firms such as Hogan Lovells LLP.

3.4. Trade and Investment Framework Agreement (TIFA)

Set up in 2009, TIFA provides a forum to access trade issues such as those related to the protection of intellectual property rights, worker rights, and labour or environmental issues and to help improve trade and investment relations between Angola and the US.

A United States – Angola council on trade and Investment was formed under the TIFA to address trade and investment issues. This council has a key role in advancing the common trade and investment interests of the United States and Angola and in strengthening their overall relationship.

Specifically, the council shall:

- Monitor trade and investment relations between the parties and identify opportunities for expanding trade and investment;
- Consider specific trade and investment matters of interest to the parties;
- Identify and work to remove impediments to trade and investment between the parties; and
- Seek advice of the private sector and civil society, where appropriate, on matters related to the council's work.

Furthermore the council aims to identify opportunities for expanding trade and investment.

3.5. Effect on Trade

These bilateral agreements serve as a partial explanation to the recent general investment data published by the US Department of State regarding the investment climate in Angola.

As it stands, Angola is currently the USA's 46th largest goods trading partner with US$ 10.2 billion in total in goods trade in 2013. Goods exported totaled USD$ 1.5 billion and goods imports totaled US$ 8.7 billion. The US has a trade goods deficit with Angola of the amount of US$ 7.2 billion.

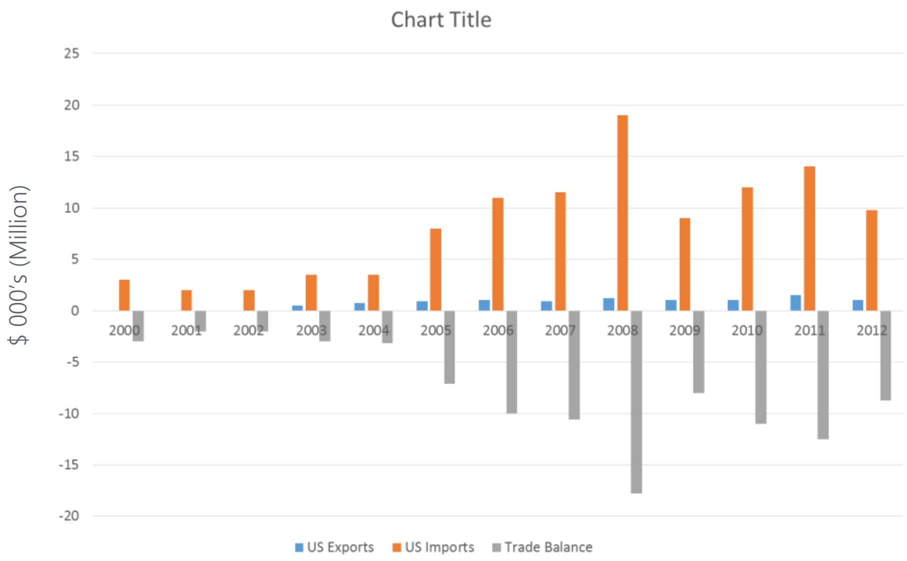

Fig.1. Graph illustrating bilateral goods trade between the United States and Angola up to 2012. Source: www.agoa.info

In terms of exports, more recently, US goods exports to Angola were US$ 1.5 billion, down 2.7% from what it was in 2012. The top export categories being, machinery, meat and poultry, iron and steel products, electrical machinery and optical and medical instruments.

US imports from Angola show an astounding US$ 8.7 billion in 2013, however this is still a decrease from the values they stood at in 2012. The five largest import categories in 2013 were mineral fuels and oil (crude oil), precious stones, wood and rubber.

As you can see from the above graph the US trade deficit with Angola in 2012 is estimated at US$ 7 billion.

4. Main Investment Opportunities

4.1. Transport and Communications

(1) Rail Networks

The government has plans to rehabilitate the rail system, mostly funded by Chinese investors and loans from Chinese banks. The project involves the rehabilitation of three main lines: the Lobito – Benguela railways (1,336km); the Luanda to Malangue railway (479km); and the Moçâmedes railway from the coastal town of Namibe to Menogue (907km).

The government seems to have a desire to connect Angola to other African nations, as upon completion the Benguela railway would eventually reach the border with Zambia and the Democratic Republic of Congo. Furthermore, the government has plans to begin construction on a railway line linking Angola to the Namibian rail way network (which incidentally is linked to the South African rail network).

(2) Roads

Much of the road network was destroyed by the civil war. This is evidenced by the decrease in road mileage from 75,000km in 1994 to 51,429km in 2001.

(3) Ports

Angola has three main cargo ports, geared almost exclusively to imports, these include Luanda, Lobito and Namibe. Activity in these ports has grown sharply since the war, especially in Luanda.

The Luanda port handled a record breaking 13 million tonnes of cargo in 2014, up from 16% from 2013, however, 2015 has witnessed a minimal reduction of 14% in shipping movement, witnessing a 7% fall in tonnage of cargo. It has become very heavily congested due to years of underdevelopment and the sharp rise of imports in the past five years, leading to and average 3 month delay in importing goods. Nevertheless, the port has undergone a US$ 130 million rehabilitation, and the new commercial port in Baia do Dande, 50km north of Luanda, was due to open in 2008, which has more than twice of Luanda's capacity.

(4) Air Transport

In 2007, the government announced plans to rehabilitate 32 airports and aerodromes by 2010. The first stage involved the US$ 400 million rehabilitation of 25 airports in 2007-2008. Work is also continuing on Luanda's new international airport, located in Bom Jesus, 40km east of the capital.

The state airline, Transportadora Aérea Angolana (TAAG), has been in debt for years and has periodically been suspended from the international air transport association (IATA) and from European air space. Nonetheless, the company has ambitious plans to establish Angola as a regional air transport hub, and in July 2006 it announced plans to invest US$ 600 million on a modernisation program, which will include the purchase of seven new aircraft.

(5) Telecommunications

Angola Telecom

This is Angola's state owned fixed-line network and constitutes around 100,000 subscribers. The company planned to increase this to 420,000 by 2009, but failed. Angola Telecom's privatisation has been under discussion for years and the government is believed to be considering listing the company on Luanda's stock exchange.

Mundo Startel

ANIP, current APIEX, granted approval for Telecom Namibia – operating through the Angolan company called 'Mundo Startel' – to become the first private operator in Angola's fixed-line telephone network.

Movicel

Angola Telecom introduced this mobile network in Luanda in 1993 and it has since extended to two main towns. Movicel competes with privately owned UNITEL, a joint venture formed in 2001 that includes Portugal Telecom, SONANGOL and investors close to the family of the president, José Eduardo Dos Santos.

According to Angola's Instituto National de Comunicações (INACOM), five million Angolans – around one third of the population – own or have access to a mobile phone, compared with just 20,000 when mobile telephony took off in 1995. UNITEL had 66% of the market share in 2007, with an estimated 3.3 million subscribers.

The government is considering launching a tender for a third mobile-phone operator.

4.2. Energy

(1) Oil and Gas

Proven oil reserves were estimated at 13.5bn barrels (1.1% of world total) and natural gas reserves at 9.5trn cu ft (0.2% of world total) at the end of 2008. The state-owned refining sector is underdeveloped, with a single, 39,000b/d, refinery located in Luanda, leaving the country heavily reliant on imports for its own energy needs.

The oil sector is dominated by the state-owned oil company, SONANGOL, which operates a number of joint ventures with major multinational oil companies and has numerous interests in sectors as diverse as transport, construction and banking.

Domestic demand comes primarily from the transport, construction and manufacturing sectors, as well as from private car owners. In addition, an estimated 42.6% of Angola's output in 2009 used diesel generators.

Owing to the unreliability of the electricity network, over two-thirds of domestic businesses rely on their own generators, the highest recorded rate in Africa, adding to fuel demand. Furthermore, given high government subsidies for refined fuel products, domestic demand has been mostly unaffected by increases in international energy prices.

The supply of imported and domestically refined products is expected to improve, especially once the Lobito refinery project, which could potentially meet all domestic fuel demand, finally becomes operational.

Although SONANGOL's plans to start production by 2012 were delayed, construction of the refinery did commence in late 2012. After falling in 2009 owing to the recession, petroleum consumption is forecasted to rise by an annual average of 11% up to 2015.

Unfortunately, over 95% of all Angolan oil production is exported, but the country exports only negligible amounts of Liquefied Natural Gas (LNG). In 2009, Angola was sub-Saharan Africa's largest crude oil exporter (a position which it has since ceded to Nigeria), with China and the US representing its largest export markets.

In the long term, Angola's strategic location in the Gulf of Guinea will become an increasingly important focus of interest for the US and the EU, which are keen to secure energy supplies outside the Middle East.

Lastly, note that the government heavily subsidises fuel in Angola, totalling US$ 5 billion in 2008.

(2) Electricity

Angola suffers from an undersupply of electricity and frequent blackouts. The Empresa National de Electricidade (ENE) is the state-owned monopoly electricity provider. Angola has immense hydroelectric potential, by virtue of its extensive river system, but only a small fraction is being utilised.

The problem of the electricity sector is a simple one. ENE has struggled to keep up pace with rising demand for power from industry and urban households. Around 75% of national electricity output is consumed in Luanda but only around one quarter of the city's residents have access to regular power supply. This forces most businesses and households that can afford it to use their own diesel generators for power supply, at a significantly higher cost than power provided by ENE.

Outside the main cities, most rural areas have no access to electricity; the only exceptions are towns located near Angola's hydroelectric dams, such as Matala in the Huila province or Chama in Cunene province. Overall, less than 20% of Angola's population has access to electricity, and most households will depend on wood or charcoal

Key projects in this area include the construction of a 500-mw dam at Epupa Falls and a 450-mw dam at Nyanga, both in Cunene province, as well as three new dams on the Kwanza River each with a generating capacity of more than 500mw.

(3) Alternative Energies

Angola has an abundance of fertile land and extensive water resources, most of which are untouched. The country therefore has huge potential for setting up a biofuel industry.

A study conducted by KPMG has estimated that by 2050, Angola could produce six exajoules of biofuel annually, the equivalent of 2.7m b/d of oil, which is well in excess of the country's current crude output.

4.3. Mining

Mining is one of the more de-regulated sectors of the economy. On the 23rd of September 2011, the new Angolan Mining Code (Codigo Mineiro) came into force. The new law encourages a more intensive exploitation of the country's rich mineral resources by conferring greater protection to investors. i.e exploration and commercialisation rights are now granted under one licence and state participation is set at a minimum of 10% (compared to 50% in the previous regime).

(1) Diamonds

Angola is one of the world's biggest diamond exporters. In 2009, Angola accounted for about 11% of the world's total diamond production by volume and for about 13% of the world's total diamond production by value. Diamond production was estimated at 13 million carats in 2011.

The main regulating body of the diamond industry is the Empresa National de Diamantes de Angola (ENDIAMA) and is the exclusive concessionary of mining rights in the domain of diamonds. ENDIAMA is responsible for creating partnerships with international companies prospecting for diamonds and is a partner in all diamond ventures.

4.4. Construction

Much of Angola was destroyed during the 27 year long civil war. Luckily, and as stated above, Angola's oil wealth has allowed the country to upgrade its airports, build houses, hospitals, schools, stadium and has initiated the rebuilding of its railway network.

The growing population in Angola has led to frenzied activity in the construction sector, which includes a gigantic program to build housing to cope with these growing numbers. However, this has left much of the capital city, Luanda, looking like a big construction site.

The construction sector provides a very important contribution to the local economy and has steadily increased its share of GDP from 3.5% in 2003 to an estimated 8.9% in 2012.

The biggest problem with investing in this sector is the fact that it may take up to a year in order to get a building permit.

4.5. Main Construction Players

(1) Sigma Group

Sigma group is an Angolan company headquartered in Luanda. It specialises in architectural/engineering design and project/construction management. Sigma group has been involved in some of the country's biggest projects ranging from roads and infrastructiure to urban planning and commercial compounds. Examples Include:

- The Intercontinental Hotel and Casino;
- The Sonangol headquarters in Luanda; and
- The Lobito refinery road.

(2) Mota-Engil

Mota-Engil is a Portuguese industrial enterprise listed in the Portuguese stock exchange and it has been present in Angola since 1946. Its main activities include civil engineering and construction. Its operations range from Europe to Africa and America. Angola is one of its main growth markets. In Angola, Mota-Engil retains 51% of capital and the remaining 49% is held by Sonangol. Examples of its projects include:

- The Calueque Dam commissioned by the Angolan Ministry of Energy and Water. This is a USD$ 164 million project with an expected duration of 25 months;
- The Aldeia Solar project, for Sonangol Holdings. A USD$ 26 million project with the duration of 10 months;
- The financial city project. The third phase of finicapital project valued at USD$ 73 million with an expected duration of 18 months; and
- The Baía de Luanda requalification, a project for the requalification of the Luanda´s most iconic and touristic spot.

(3) Odebrecht

Odebrecht is a Brazilian Business conglomerate founded in 1944. It specialises in engineering and construction with stakes in mining and oil ventures. Odebrecht is one of the longest established and largest companies in Angola, with over 28 years of experience in the market and employing over 17,000 Angolans. Some of Odebrecht's projects in the country include:

- The renovation and expansion of Luanda's International Airport;
- Expansion of Damer Gráfica (a graphics and printing plant); and

- The Construction of Cinfotec, an IT training college.

Other main companies operating in the market include Soares da Costa (Portuguese), Teixeira Duarte (Portuguese), Edifer (Portuguese) and Somague (Portuguese).

4.6. Agriculture

Angola has outstanding agricultural potential with 58 million hectares of potentially arable land, a favourable climate, and rich water resources. Prior to gaining independence from Portugal, Angola was self-sufficient in all major crops except wheat. It was also the world's fourth largest coffee exporter, employing nearly a quarter of a million people. Other export crops included cotton, sugar cane, sisal, bananas, cassava and wood.

The country is now largely dependent on food imports to feed its people, however the government wants to change it. The government has launched several programs aimed at increasing agricultural output, promoting local produce and developing the small holder sector. The agriculture sector is also gradually recovering thanks to the rehabilitation of rural infrastructure, the removal of land mines and the return of populations displaced by the war.

4.7. Main Agriculture Players

(1) Fertiangola

Created in 2005, Fertiangola has an extensive product offering including, fertilisers, seeds, agrochemicals, veterinary products, garden, tools and irrigation products. They are well organised with a shop in the province of Benguela.

(2) National Coffee Institute

Given the importance of coffee as a crop export before the independence; the national coffee institute was created to focus especially on the development of this specific crop.

(3) IDA

Provides technical and material assistance to subsistence farmers growing food crops (Beans, Maize and Cassava). It also provides agricultural inputs and services on credit to small scale farmers.

Other sector players include Agroway. BrasAfrica, Novagro, Lonagro, Omnia, Agromundo and Gesterra.

4.8. Oil Market Projections

Recent studies have shown that there has been a spiked increase in demand for oil and a steady increase in the demand for natural gas. This may be a result of the continuing development of the country's infrastructure and need to rebuild its cities after the civil war. Demand for the consumption oil products is expected to rise from 6408ktoe to almost 10,000ktoe in 2020.

Furthermore, the demand for fuel for transports is also on the rise and is expected to peak at 5,457ktoe in 2020 as opposed to the current demand of 3,360ktoe. Demand for Gasoline and Distillates, as well as for natural gas is expected to rise sharply by the year of 2020, perhaps due to the increase use of generators and demand for home energy.

However, figures show that supply for oil and gas is simply not keeping up with the increasing demand. For example, whilst the demand for petroleum products is expected to reach 10,000ktoe in 2020, crude oil production is only expected to reach 2,050ktoe by the same year. This may perhaps be a result of the single oil refinery owned by the Angolan state. Eventually the number will increase to 3, nevertheless, this is obviously not enough to keep up with domestic and foreign demand.

Note that the Angolan government has strict rules on oil investments. The 2011 law stipulates that all payments made from oil investments need to be made through local banks rather than overseas banks, in the hopes that the national currency is strengthened. This aim is founded on the basic premise that the government wants to build up its underdeveloped financial sector.

As a result of these measures, a handful of American businesses have reported difficulties repatriating profits out of Angola. Transfers over a certain amount require the central bank's (BNA) approval and commercial banks may be reluctant to go through the required bureaucratic processes.

After Angola's temporary suspension of wire transfers in 2009, the BNA is requiring much more detailed information from the transferring entity, including copies of employment contracts for any individuals paid off-shore with US dollars.

4.9. Main Regulators Administrative Agencies

The most important Regulators Administrative Agencies are the followings:

- APIEX – Agency for the Promotion of Investment and Exportation of Angola - http://www.anip.co.ao/;
- INP – Petroleum National Institute - http://institutodepetroleos.org/;
- IRSE – Regulator Institute for the Electric Sector - http://www.irse.gov.ao/homepage.aspx/; and
- INACOM – Angolan Institute of Communications - http://www.inacom.gov.ao/.

5. United States Presence in the Angolan Economy

The presence of the United States is mainly confined to the oil and gas sector of the Angolan economy. Angola's vast oil reserves have attracted companies of the likes of the historic Exxon Mobil and Chevron and newer companies such as Cobalt, Vaalco, Marathon Petroleum and Falcon Oil. As such the main goods exported to the United States by Angola are energy products and chemicals and derivatives. This is illustrated in the pie chart below:

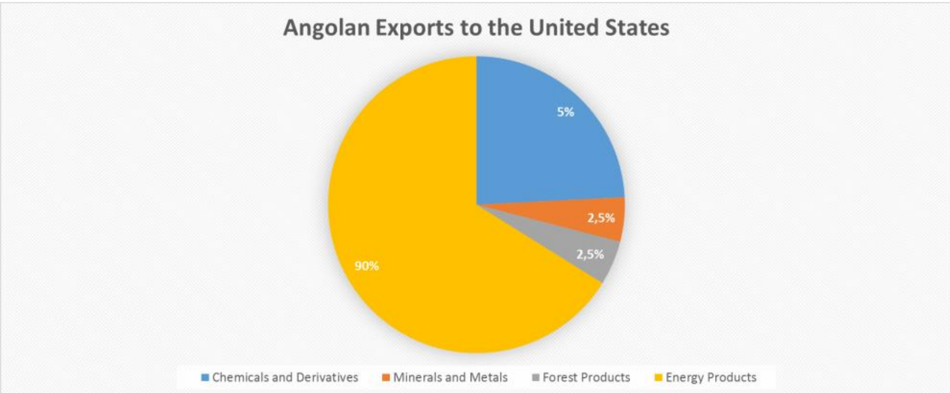

Fig.2. Main goods exported to the United States in 2014 Source: KPMG

Conversely, Angola imports a vast array of goods from the United States, ranging from agricultural products, chemicals and derivatives, energy products, transport equipment and machines. This is also illustrated in the pie chart below:

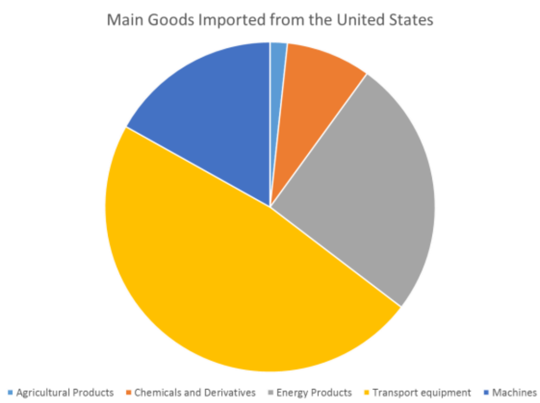

Fig.3. Main Goods imported from the United States in 2014 Source KPMG

The oil and gas-production sectors in Angola are dominated by Sonangol, which operates joint ventures with all major multinational oil companies operating in the country. This may explain the fact that Sonangol is the biggest net worth company in the country despite technically being insolvent.

Angola's rising levels of proven oil and gas reserves, coupled with the active encouragement of the government and attractive investment sweeteners, has ensured that four of the five oil majors (with the exception of shell, which has had a disappointing time in Angola) including Exxon Mobil and Chevron are already present in the country.

This is crucial for US investments in the Angolan oil and gas sector as the government has plans to increase proven reserves to over 25bn barrels and to boost production capacity to over 2.5 million barrels a day. However, both targets look unattainable as they depend on the development of Angola's so called "Ultra-Ultra-deep-water" acreages, which have yet to be licenced and are likely to take many years to come into full production.

In addition to offshore activity, onshore drilling is also under way in Cabinda, although results so far have not proved commercially viable.

5.1. Major operations

(1) Exxon-Mobil

Exxon-Mobil has an upstream business presence in Angola, and at the end of 2012, their affiliate companies in Angola had interests in three deep water blocks covering a gross amount of upwards of 3 million acres.

Furthermore, its co-ventures and Angola's national oil company Sonangol have announced 44 discoveries in Angola, representing a gross recoverable resource potential of about 12.4 billion barrels.

(2) Chevron

Chevron operates in Angola through its subsidiary Cabinda Gulf Oil Company Limited, and ranks among the country's top petroleum producers. They are investing billions of dollars in major energy projects intended to increase crude oil production and conserve natural gas.

They have investments in:

- Mafumeira Sul, the second stage of the offshore Mafumeira Field development;
- Angola LNG, a liquefied natural gas plant in Soyo;
- Congo River Canyon Crossing Pipeline;
- Lianzi Project, in the Angola-Republic of the Congo joint development area; and

- Nemba enhanced secondary recovery project.

2015 is expected to witness a start-up of the Nemba project, commission the Congo River Canyon Crossing Pipeline, report first production at Lianzi and restart the Angola LNG project, which produced its first shipment of liquefied natural gas in 2013.

Chevron has interests in three concessions in Angola. They are the largest foreign oil industry employer in Angola and has an impressive 89% of native Angolan workers.

(3) Cobalt (oil)

To date, cobalt has several exploratory wells and three appraisal wells in the northern pre-salt Kwanza basin offshore Angola.

Off the coast of Angola, Cobalt acquired a 40 percent working interest in, and is the operator of, three blocks – 9, 20 and 21 – covering a combined 3.4 million acres. Their Cameia #1 discovery in block 21 confirmed the presence of an expansive pre-salt hydrocarbon reservoir, proving cobalt's own geologic model and de-risking the new pre-salt play in the deepwater offshore Angola.

Cobalt's discoveries include:

- Evidence that allows them to accelerate work toward the sanctioning of an early production system and they are currently drilling the Cameia #4 development as well as part of a development drilling program that is expected to continue into early 2016;

- The Lontra #1 pre salt discovery on block 20 confirmed an oil and gas accumulation with better than expected reservoir quality;

- The Bicuar #1A discovery in block 21 was the first discovery where mobile hydrocarbons were found in the deeper pre-salt syn-rift reservoir.

6. Investment Advice

As a general point, investing in one of Angola's growing markets (oil, alternative energies or infrastructure) with an Angolan national would be the most prudent action to take, considering the NLIP. The NLIP will mean more injection of capital into the economy, and although it will benefit Angola in the long run, investing your own US$1,000,000 is a big financial risk. Furthermore, as the laws encourage 'Angolanisation', once your investment has been authorised by APIEX, it would be prudent to include as much Angolan workers in your workforce as possible, especially if you are in the oil and gas sector. This could involve extra costs arising through training and other investments on your workforce.

US companies do have an advantage against other countries as there are several bilateral agreements, although many of them are not reciprocal. These, especially the US-Angola chamber of commerce, have inherently facilitated trade between Angola and the United States, which is evidenced in the increase in exports to Angola and a US$ 8.7 billion value of imports to the US.

A promising opportunity also arises in the re-building of railway lines as these were largely destroyed during the civil war. The government seems to want to connect Angola with the wider western and eastern African community and already has plans to connect the country to Zambia, the DRC and South Africa through connecting its railway lines with Namibia. As such this would be a viable business opportunity to get involved in as soon as possible.

The main opportunity observed by this study, lies in the oil and gas, water supply, construction and electricity sectors. Despite there already being a developed oil sector, with large American companies such as Exxon Mobil, Chevron and Cobalt, Sonangol also associates with new companies as long as they have a stake in the business.

Getting involved in the state owned refining sector would potentially yield a stable return as it is much undeveloped and largely underexplored. Due to the unreliability of the electricity sector, currently, houses and business are dependent on generators which add to the fuel demand. This provides an opportunity to who invests in Angola's electricity sector as the government is building huge complexes to house the ever growing population.

Mainly, Angola's strategic position in the gulf of Guinea will be useful as the Middle-East's oil deposits are starting to run out. As such, Angola is a key alternative to the current dominance of the Middle-East in the oil sector. Getting a footing in the market before everyone else is a good idea.

Alternative energies are also unexplored and available for large investment opportunities. The vast open planes, rivers, mountainous areas and coastline, provide opportunities to invest in wind farms, dams, wave power turbines and biofuel. Furthermore, mining is one of the most deregulated markets in the country as opposed to the over regulated energy sector. It does however have a regulatory agency, ENDIAMA, which makes partnerships for the exploration of diamonds with international investors.

Finally, agriculture is one of the safest sectors to invest in. Firstly because it was left unexplored and unused after the civil war with the government mainly focusing on the profitable oil sector, secondly because there will always be huge demand for food in the country and lastly because in the past, Angola was the 4th largest producer of coffee in the world. As such, reviving Angola's power to produce coffee to the levels that it once did would be an intelligent investment to get involved in.

7. Conclusion

In summation, a lot of Angola's success is owed to US investment in the oil and energy sector. It is a leading trading partner in sub-Saharan Africa and has several agreements with the US, which have facilitated trade between both nations. However, overreliance in the energy sector, specifically in oil and gas which accounts for 90% of Angola's GDP, may pose dangers to any investor who may want to venture into the Angola economic sphere.

As the evidence suggests, there is a lot of investment potential in the renewable energies, construction (railways, roads and housing) and agricultural sector, specifically in the construction of hydroelectric power generators and coffee production. Indeed, Angola is ranked as one of the hardest countries to do business in, as such, understandably, investment in its markets would have to be a well thought and pondered decision, taking into account the level of government intervention and corruption. However, the significant business opportunities may prove fruitful, despite the time and effort involved in investing in "one of the fastest growing markets in Africa".

Within this framework, it is important to emphasise the relevance that the NLIP and the role that the APIEX will assume, from now on, in order to facilitate the foreign investment in the country, and therefore, invigorate the attraction of projects of structural importance in Angola.

Macedo Vitorino & Associados, as a Portuguese Law Firm, knows well the country, dominates the local language, culture and costumes, possesses a sustainable network in the field and have a strong team with the capacity and the skills to support an American investment in Angola.

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