

Angola Business Environment News

Alerts:

**Ensure full compliance (no abuse; no overstay) with the new immigration law - avoid a stay at the Airport Detention Centre and a fine.
Only recruit staff after thorough integrity testing – especially those that have worked for firms with a demonstrable track record of failed integrity.**

Solutions-related events 2008 update:

June	*Keith Campbell on “The Outlook for the Upcoming Elections” – held on 12 June 2008 – presentation on SA-ACC website
July	*Jopie Coetzee on “Advanced Investment Risk Mitigation using Vector analysis” – held on 9 July 2008 – presentation on website *Roger Ballard-Tremeer on “Trade and Investment opportunities in Angolan Agriculture” at Agribusiness Africa 2008 – 21 July 2008 – presentation on website *Themis on “Mitigating governance and compliance risk using software” – held on 22 July 2008 – presentation on website
August	*WISER’s Angola Seminar – 5 August 2008 Africa Investor’s Angola Business Briefing – held on 6 August 2008 – with Deputy Prime Minister Dr Jaime Aguinaldo *Briefing on “Trade and investment opportunities in Angola” for visiting business delegation from Malaysia – held on 7 August 2008 - Roger Ballard-Tremeer *IIR’s SA-Angola Forum 2008 – held on 19/20/21 August 2008 – lead speaker Dr Gabriel Kiala; Chair / Workshop leader Roger Ballard-Tremeer
September	*Talk on “China / Angola / Insurance” – delivered on 11 September 2008 – Institute of Loss Adjustors in Southern Africa - Roger Ballard-Tremeer
October	*Briefing on “Agricultural Opportunities in Angola” to the Agrifika Agriculture Africa Project Access Group 16 October 2008 – Roger Ballard-Tremeer
November	*Heading for Angola? Make the Angolan market work for you! – 20 November 2008 – Cape Town at Wesgro HQ

More solutions events coming up – details to be advised:

- *Mitigating your human capital risk in a weak institutional and integrity environment
- *Panel discussion on “Tackling the Worsening Port Congestion Crisis by Road”
- *Corin Mitchell on “Accessing the Africa Enterprise Challenge Fund for your Agricultural projects”

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Chamber Manager: Ms Josefa Muteca
South Africa – Angola Chamber of Commerce
41 Keyes Avenue, Rosebank 2196, Johannesburg
Telephone: +27 11 252 4635
Fax: +27 (0) 86 537 0592
Email: info@sa-acc.co.za
Website: www.sa-acc.co.za

Access the ABEN content since August 2007 on the SA-ACC website, at your convenience.

The content of the ABEN responds to your needs – make your needs known by replying to this message with your input.

ABEN enables you to engage in Angolan time travel – yesterday / today / tomorrow – look through the URLs and savour the experience.

Never rely solely on the English language versions of ANGOP reports – always refer to the original Portuguese language version for decision-making purposes.

Interpreting and translating – only use interpreters and translators that are “sworn” and “accredited”:

Leila Neves	+27 72 122 5869
Ricardo Branco	+27 82 851 6413
Marinela Carmo	+27 83 657 0206
João M. Cabrita	+268 623 5751

Angola-specific management coaching
Bronwyn Allan +27837083475

Historically, directors, and particularly non-executive directors, had little formal liability when it came to the decisions they made at their companies. Now, however, there is a much more serious fiduciary burden on directors, and they face possible fines or jail time if they fail in their duties... The negligent and / or fraudulent carrying on of business by directors and / or the company officers (including deployed country managers) thereby causing liability to the company may result in the directors and / or the company officers being personally liable at least in terms of delict in common law – in a weak governance environment the risk of negligence escalates considerably – mitigate this cross-border risk using software and gap coaching – contact ABEN

Visit Ziziluanda’s slideshows of Angola
<http://www.slide.com/r/F8SjqDnk4D9cWrbLCCWIDVpG41S9GqYB?cy=br>

News this week:

Some Nigerians expressed concern that their weak investment environment may be driving investors to Angola with its’ better investment environment.

Although the GRA has denied mobilizing forces there are suggestions that Angola may be readying itself to support the peace-making / -keeping in Eastern DRC.

TransHex reported that it has “turned the corner” in its diamond exploration and production ventures in Angola. Other diamond mining firms are reporting similar progress.

The TAAG Board of Directors was summarily removed and replaced with an interim arrangement due to its failure to perform – at the same time the EU has extended its ban on TAAG using EU airspace to all other Angolan airlines. (SAA continues the full wet-lease operation that is assisting TAAG to continue its Luanda / Lisbon / Luanda service).

StatOil Hydro was being pressured to disclose its Angolan oil venture partners that have chosen to hide within a “sociedade anónima” company structure.

The Angolan diaspora may be enfranchised for the next elections 2012 / 2013.

An Angola business environment checklist:

- 1 Nearly seven years after peace came in 2002.
- 2 Successful, free, multiparty elections held in September 2008 and expected every 4 years thereafter (next one in 2012) (civil war lasted from 1961 to 2002).
- 3 Presidential election expected in mid-2009.
- 4 Angola surface area 1 246 700 km² surface area (South Africa 1 214 470 km²).
- 5 Population ≈ 18.3 million (a best estimate after the registration of voters process ending in early 2008).
- 6 Population mainly concentrated:
 - a. Around growth nodes located mainly on the Western littoral (Greater Luanda / Lubango / Benguela Lobito / Cabinda), on the planalto (Greater Huambo / Kuito and Malanje), in some of the other 12 provincial capitals and
 - b. Along active economic corridors (as opposed to the notional regional SDI’s).

- 7 Angola (OPEC's latest member and OPEC Chair for 2009) is presently Africa's biggest oil exporter (inter alia due to the ongoing troubles in the two African oil producing nations with bigger reserves i.e. Niger delta in Nigeria and Libya's weak E&P governance) - about 2 million bpd.
- 8 LNG refinery at Soyo at the mouth of the Congo River, now under construction (Bechtel), aims to convert gas from offshore oilfields that would otherwise be flared into about 5 million tonnes of LNG per annum – cost of refinery about US \$ 8 billion – market USA.
- 9 Sonaref oil refinery at the Port of Lobito - design and construction licensing of contractors awarded to KBR early in November 2008 – project estimated to be worth US \$ 6.4 billion to produce 200000 barrels of petroleum products per day.
- 10 GDP Growth IMF estimate was 26.6% for 2008 (GDP likely to maintain in double digits for some years to come)
- 11 Consumer inflation 13.1% y/y and reasonably stable
- 12 Exchange rate US \$ 1.00 ≈ Kwanza 75 and stable
- 13 Prime lending rate 15.82% and stable
- 14 Money supply M2 about 30% and improving
- 15 Foreign reserves reached more than US \$ 19 billion (BNA Early October 2008 = covers about 17 months imports)
- 16 Angola has paid off its Club of Paris debt with the exception of a nominal interest-related amount.
- 17 Financial services – banking and insurance – becoming world class – although only less than 8% to 10% of Angola's families are banked, the financial services now function at a level sufficient to support Angola's national and foreign trade and investment.
- 18 Civil Law = e.g. presumption of guilt (South Africa Roman-Dutch Law = presumption of innocence) – implication - be driven rather driving yourself – driving himself cost a South African national's employer US \$ 250000 in compensation.
- 19 Ranking in various international economic and governance indices still far too low but showing signs of improvement
- 20 Market becoming freer
- 21 Governance / transparency improving – a way to go!
- 22 At US \$ 70 the oil industry might generate revenue of ≈ US \$ 50 billion pa
- 23 After government, the oil and gas parastatal Sonangol is the biggest internal investor into the Angolan non-oil and gas economy
- 24 Government budget expenditure / income 2008 ≈ US \$ 34 billion @ US \$ 55/barrel = 70% of national revenue. Note - some ministries return up to 40% of annual budget allocation that goes unspent due to lack of capacity to deliver.
- 25 High potential arable land = at least 7 million well watered hectares (South Africa = 3 million unreliably watered hectares).
- 26 High potential arable land is generally nutrient depleted and may require inputs to correct the nutrient status.
- 27 Hunger / food aid / agricultural development circumstances are unlike those in other African countries. For a start Angola is a high income economy rather than a low income economy and, according to the UN agencies operating there, it is now in a development phase rather than an aid phase.
- 28 A new Mining Code may soon emerge from Parliament.
- 29 Diamonds generate some US \$ 10 billion in revenue pa.
- 30 New constitution too?
- 31 Trade and investment opportunities just getting better and better?
- 32 Still there and making their respective impacts:
- a. The red, lateritic dust that penetrates into every nook and cranny, especially of your electronics.
 - b. The ants that voraciously consume any untreated or poorly treated wood products.
 - c. The seasonal, torrential, tropical downpours that cause sporadic and, at times, very costly economic disruption.
 - d. Business opportunities that can be transformed into deals.

- e. The diseases (including malaria, HIV/AIDS, tuberculosis, sleeping sickness, cholera and poliomyelitis) and parasites (including hookworm and tapeworm) of Africa's tropics continue to impact negatively on the performance of the national and foreign investor human capital base. "Infant and maternal mortality rates too high; Too few health workers; Too few doctors"
 - f. The fruit-bats (macaquinhos "do fruto" or *Eidolon helvum* or Straw-coloured fruit bat) considered a delicacy by some, especially in the North, and eaten with relish from time to time by those that are either unaware or simply ignore the fact that these mammals may be a vector for haemorrhagic fever viruses such as those causing Marburg and Ebola.
 - g. The locals that assert that there is an Angolan kangaroo species to be found on the planalto – the small mammal in question is actually a species of lebrão (m.) lebre (f.) or the *Pedetes capensis* or Springhare or Springhaas (not to be confused with a lebré which is a mastiff dog).
 - h. The MEDEVAC insurers that are now insisting on evidence that expat subscribers are actually taking malaria prophylaxis – failure to do so can have serious insurance financial consequences in the event of an evacuation for cerebral malaria.
 - i. The business travellers that contract malaria in "airport lounges" far removed from tropical Africa due, inter alia, the warmer temperatures brought about by climate change and the migration of mosquitoes by air.
 - j. The road accidents which, in Angola, remain as severe a threat to one's physical well-being as they are anywhere else on the African continent.
 - k. The Portuguese / Brazilians / Spanish / Germans / US / French / Brits / Irish / Canadians / Israelis / Lebanese / Kenyans / Australians / Italians / Swiss / Namibians / Scandinavians (Norway; Denmark; Sweden; Finland) / Chinese / Russia / CIS States / Former Eastern Europeans / South Koreans / Cubans / Japanese / Indians / Malaysians / Philipinos / Zambians / Zimbabweans / etc
 - l. The law firms and consultants that provide comprehensive, sound and impartial professional advice to foreign investors and traders – always test the performance of your advogados against code of conduct of the Ordem dos Advogados (Law Society) www.oaang.org . Remember that only Angolan citizens may practice law in Angola. Test all legal intermediaries against the same code of conduct.
 - m. Victims of civil or criminal acts that immediately denounce their understanding of the questionable circumstances of the act or acts to the local magistrado (public prosecutor).
 - n. The rumour-mongers and
 - o. The dodgy agents / middle-persons / influence-peddlers.
- 33 Bridge the cross-cultural business diversity gap, inter alia, by looking for strategic business partnerships not only with locals but also within the successful foreign business community – base this search on the non-negotiables of verifiable, in-country track records, mutual full disclosure, legal compliance and uncompromising commitment to the principles of good governance. Beware of doing business with Angolan companies that chose to incorporate "anonymously" (Sociedade Anónima or SA) and in so doing fail to display transparency / apply full disclosure / disclose the names of all shareholders. By doing so in a weak governance environment such as Angola's you may betray your obligations to the principles and codes of good governance. Also beware the extraterritoriality of external legislative regimes that could send you to jail for contravention of the bribery and corruption clauses in or in respect of Angola.

South Africa – Angola Chamber of Commerce – more than five years of members doing better business by applying this code of conduct in trade with, and investment in, Angola.

Article 1: Extortion and coercion

No one may, directly or indirectly, demand or accept a bribe.

Article 2: Bribery and "Kickbacks"

a.) No Member may, directly or indirectly, offer or give a bribe and any demands for such a bribe must be rejected.

b.) Members should not (i) kick back any portion of a contract payment to employees of the other contracting party, or (ii) utilize other techniques, such as subcontracts, purchase orders or consulting agreements, to channel payments to government officials, to employees of the other contracting party, their relatives or business associates.

Article 3: Agents

Members should take measures reasonably within their power to ensure:

- a) that any payment made to any agent represents no more than an appropriate remuneration for legitimate services rendered by such agent;
- b) that no part of any such payment is passed on by the agent as a bribe or otherwise in contravention of these Rules of Conduct; and
- c) that they maintain a record of the names and terms of employment of all agents who are retained by them in connection with transactions with public bodies or State enterprises. This record should be available for inspection by auditors and, upon specific request, by appropriate, duly authorized governmental authorities under conditions of confidentiality.

Article 4: Financial Recording and Auditing

- a) All financial transactions must be properly and fairly recorded in appropriate books of account available for inspection by boards of directors, if applicable, or a corresponding body, as well as auditors.
- b) There must be no "off the books" or secret accounts, nor may any documents be issued which do not properly and fairly record the transactions to which they relate.
- c) Members should take all necessary measures to establish independent systems of auditing in order to bring to light any transactions which contravene the present Rules of Conduct. Appropriate corrective action must then be taken.

Article 5: Responsibilities of Members

The board of directors or other body with ultimate responsibility for the member should:

- a) take reasonable steps, including the establishment and maintenance of proper systems of control aimed at preventing any payments being made by or on behalf of the member which contravene these Rules of Conduct;
- b) periodically review compliance with these Rules of Conduct and establish procedures for obtaining appropriate reports for the purposes of such review; and
- c) take appropriate action against any director or employee contravening these Rules of Conduct.

Article 6: Political Contributions

Contributions to political parties or committees or to individual politicians may only be made in accordance with the applicable law, and all requirements for public disclosure of such contributions shall be fully complied with. All such contributions must be reported to senior corporate management.

Article 7: Company Codes

These Rules of Conduct being of a general nature, members should, where appropriate, draw up their own codes consistent with the ICC Rules and apply them to the particular circumstances in which their business is carried out. Such codes may usefully include examples and should enjoin employees or agents who find themselves subjected to any form of extortion or bribery immediately to report the same to senior corporate management. Members should develop clear policies, guidelines, and training programmes for implementing and enforcing the provisions of their codes.

With acknowledgement to the ICC <http://www.iccwbo.org/>

Roger Ballard-Tremeer
Hon Chief Executive
South Africa - Angola Chamber of Commerce
+27824347276 mobile
+27865370592 fax
rogerbt@sa-acc.co.za
www.sa-acc.co.za

Panorama of the Bay of Luanda from the Fortaleza

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