

# INFRASTRUCTURE & PROJECT FINANCE

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Financier Worldwide canvasses the opinions of leading professionals around the world on the latest trends in infrastructure & project finance.

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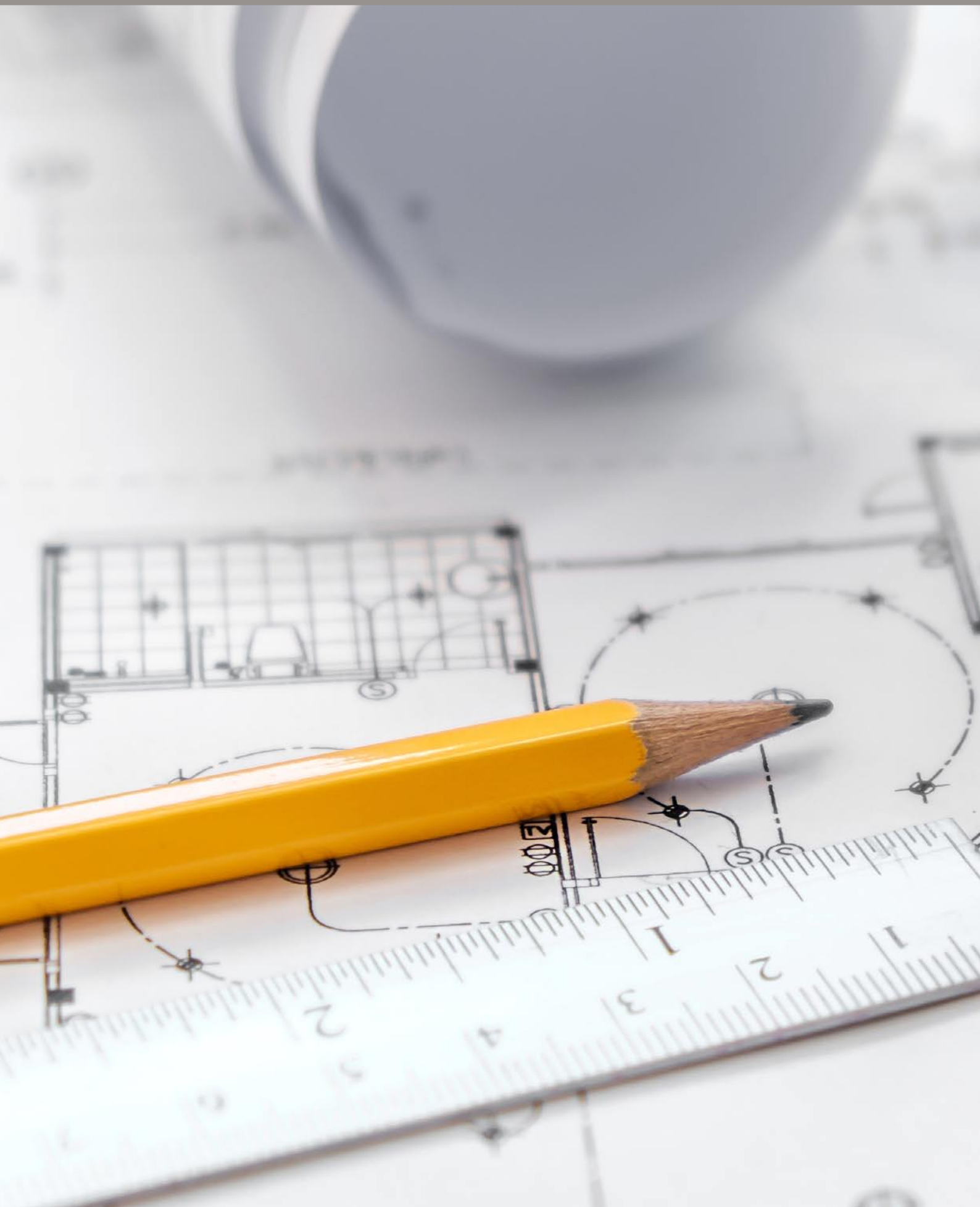
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The background of the page is a grayscale image of architectural blueprints. The blueprints show various technical drawings, including floor plans, sections, and details, with lines, circles, and text. The image is slightly blurred, giving it a professional and technical feel.

## INTRODUCTION

Infrastructure investment and development is a vital tool for modern economies, creating jobs and helping to deliver growth.

Since the onset of the financial crisis of 2007-08, governments have been forced to get creative. In the US, for example, federal, state and local level governments have explored novel means of securing infrastructure investment from alternative sources. Private investment in particular has been adopted by virtually all types of infrastructure assets. This has not, however, been restricted just to the US market; public-private partnerships (PPP) and private finance initiatives (PFI) have become a core part of modern infrastructure development.

The importance of private investment is most vital in areas where core infrastructure assets are in a state of disrepair and local authorities are unable to provide the capital needed to maintain or improve their services. Though there tends to be some resistance to private investment in infrastructure development, public opinion, in certain jurisdictions, is shifting.

The alarming slowdown of the Chinese economy in the second half of 2015 has also had a bearing on infrastructure development and funding. In China, the government has launched a series of reforms to encourage local governments to structure PPP projects and issued government bonds. The PPP model has proven conducive to both growth and reform, with budget restraints likely to remain in place for most governments, we are entering the era of the PPP.



# ANGOLA

**IRINA NEVES FERREIRA**  
ANGOLA LEGAL CIRCLE ADVOGADOS



**Q HOW HAS THE INFRASTRUCTURE SECTOR FARED IN ANGOLA OVER THE LAST 12-18 MONTHS? HOW ARE ECONOMIC CONDITIONS AND GOVERNMENT BUDGETS AFFECTING INFRASTRUCTURE INVESTMENT AND DEVELOPMENT?**

**FERREIRA:** Since the end of the civil war, the Angolan government has been making efforts to recover the infrastructure sector. The construction of a deep water port in Cabinda which began in June 2015 and the rehabilitation of a 1344 km section of the Benguela railway between the port of Lobito and the DR Congo are two good examples of significant infrastructure development. The steady drop in oil prices has definitely taken its toll on short to medium term infrastructure policies. The 2014 annual general budget had been calculated using a reference price of \$98 per barrel of oil, so the Angolan government was forced to approve an amendment foreseeing a reduction of 54 percent in public investment. Oil production, the economy's main driving force, is slowing down and the fact that the \$10bn LNG Soyo plant is still inoperative certainly does not help.

**Q WHAT TYPES OF INFRASTRUCTURE PROJECTS ARE PROVING POPULAR AT PRESENT? WHAT OPPORTUNITIES EXIST IN AREAS SUCH AS ENERGY AND POWER, TRANSPORT, WATER SUPPLY, COMMUNICATIONS, WASTE MANAGEMENT, HEALTHCARE AND EDUCATION?**

**FERREIRA:** Angola's oil-dependent economy is set to slow down in 2015-2016 and key infrastructure projects are very likely to be shelved or otherwise cancelled. However, the Angolan government estimates that Angola will quintuple its capacity for energy production by 2017 with the conclusion of projects in the oil production field, expansion of the Cambambe dam from 180 to 960 megawatts, the construction of Lauca dam with 2067 megawatts, and of the combined cycle power plant dam of Soyo with 750 megawatts. The Angolan government has also publicly identified the following priority sectors – tourism, telecommunications, information technologies, logistics and transportation, energy and water, and construction. A good example in the transport sector is the building of a new international airport near Luanda, together with a highway project connecting Luanda to the new airport. Hence, opportunities in these sectors are more likely to occur even in these dire circumstances.





**Q** TO WHAT EXTENT IS THE GOVERNMENT INTRODUCING POLICIES AND INCENTIVES TO ATTRACT PRIVATE INVESTMENT TO FUND INFRASTRUCTURE DEVELOPMENT? HAS THERE BEEN AN INCREASED APPETITE FOR PUBLIC-PRIVATE PARTNERSHIPS (PPPS) AND PRIVATE FINANCE INITIATIVES (PFI), FOR EXAMPLE?

**FERREIRA:** A new law on public-private partnerships was enacted in January 2011 with the ambition to increase the state's use of the management capacity of the private sector and therefore improve the quality of public services, and save on the utilisation of public funds. The deep water port in Cabinda was, for instance, constructed in the context of a PPP established between the Angolan government and the company Caioporto. The publication of the new Private Investment Law, enacted by Law no.14/15, of 11 August, is also noteworthy. This law purportedly aims to attract private investment by establishing an incentive scheme, while imposing the requirement of partnerships with Angolan citizens, publicly owned companies or Angolan companies, within the scope of foreign private investment in certain areas of activity, notably electricity and water, hotel business and tourism, logistics and transportation, construction works, telecommunications and IT, and media.

**Q** WHAT TRENDS HAVE YOU SEEN IN PROJECT FINANCE, IN TERMS OF PRICING, TERMS, WILLINGNESS TO LEND, AND SO ON?

**FERREIRA:** According to the World Bank, Angola is included in the top four sub-Saharan African countries in terms of deal volume for project finance, which stands at \$4bn. The country stands out as one of the Sub-Saharan African countries where project finance was, until the recent downfall in oil prices, more encouraged. The trends in Angola concerning project finance are well illustrated with the China example and funding, in particular, by the China Exim Bank. Most endeavours with the Chinese government and countries follow a model whereby the repayment of the loan for the development of infrastructure projects is made through natural resources, such as oil. China has largely contributed to change the Angolan infrastructure landscape. Nonetheless, the current economic crisis and the problems affecting China are likely to put future projects on hold and impact the predisposition of lenders, the state and investors alike.



**“Pursuing an infrastructure deal in Angola should be preceded by a project delay analysis in order to forecast time slippages.”**

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**Q** WHEN EXECUTING INFRASTRUCTURE DEALS, HOW IMPORTANT IS DUE DILIGENCE TO MANAGE THE RISKS AND REGULATORY CHALLENGES?

**FERREIRA:** For Angolan based projects, due diligence – both legal and financial – is of the utmost importance. Effective management of specific country risks and regulatory challenges associated with infrastructure deals in Angola is key. Due diligence should cover environmental concerns, licensing procedures and construction and land related issues, local content issues, which are particularly relevant in Angola, the customs system, as well as the private investment system or public-private partnership framework. Additionally, pursuing an infrastructure deal in Angola should be preceded by a project delay analysis in order to forecast time slippages and their impact on, for instance, the project’s budget.

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**Q** IN YOUR EXPERIENCE, WHAT ELEMENTS ARE ESSENTIAL TO OPTIMISING EXISTING PROJECTS, GENERATING RETURNS AND CREATING LONG-TERM VALUE FROM INFRASTRUCTURE INVESTMENTS?

**FERREIRA:** As in most countries, and generally accepted by experts in order to optimise existing projects, generate returns and create long-term value from infrastructure investments, it is essential to increase the utility of the infrastructure, decrease the total cost and increase the lifetime value. In order to increase the utility of the infrastructure, the asset utilisation should be maximised and the quality for users enhanced. Additionally, a decrease in the total cost might be achieved through the mitigation of externalities and the reduction of operating and maintenance costs. Finally, increasing the lifetime value of the infrastructure requires the extension of the asset’s durability, and reinvestment.

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**Q** LOOKING AHEAD, WHAT KEY TRENDS DO YOU EXPECT TO SEE IN INFRASTRUCTURE AND PROJECT FINANCE IN ANGOLA OVER THE COMING MONTHS?

**FERREIRA:** The Angolan government was forced to approve an amendment to the annual general budget foreseeing a reduction of 54 percent in public investment following the drop in oil prices. Public investment in the infrastructure sector will most likely decrease over the coming months. However, infrastructure deficits are still pronounced – the number of roads per land area is very low, access to electricity is uneven and port capacity is diminished – and that, combined with demographic pressure, may lead to some projects being developed in spite of the economic downturn. New projects may also benefit from some initiatives aimed at funding infrastructure projects in Africa, such as the EU-Africa Infrastructure Trust Fund, which was already applied in Angola, and the Africa 50 project finance platform, which provides direct loans and loan guarantees as a means of supporting projects where many become stuck.

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Irina Neves Ferreira joined Angola Legal Circle Advogados in September 2013. She is a lawyer with considerable international experience, especially in the Angolan jurisdiction. In this market she has been involved in operations concerning private investment, insurance law, real estate (including providing support in the negotiation of lease contracts for petrol companies), tax law, foreign exchange law and customs. She also has a high degree of experience in corporate compliance, attained through her role as counsel for the EMEA (Europe, Middle East and Africa) region in the international compliance team of multinational company Hewlett-Packard.