



IPR

INVESTMENT POLICY REVIEW



ANGOLA



UNITED NATIONS



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Geneva, 2019

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NOTE

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The following symbols have been used in the tables:

- **Two dots (..)** indicate that data are not available or not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row.
- **A hyphen (-)** indicates that the item is equal to zero or its value is negligible.
- **A blank in a table** indicates that the item is not applicable.
- **A slash (/) between dates** representing years – for example 2009/10 indicates a financial year.
- **Use of an en dash (–) between dates** representing years – for example 2008–2010 signifies the full period involved, including the beginning and end years.
- **Reference to “dollars” (\$)** means United States dollars, unless otherwise indicated.
- **Annual rates of growth or change**, unless otherwise stated, refer to annual compound rates.
- **Details and percentages** in tables do not necessarily add to totals because of rounding.

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PREFACE

UNCTAD Investment Policy Reviews (IPR) are intended to help countries improve their investment policies with the objective of meeting the Sustainable Development Goals (SDG) and to familiarize governments and the international private sector with an individual country's investment environment. The reviews are considered by the UNCTAD Commission on Investment, Enterprise and Development. The analysis is based on the UNCTAD Investment Policy Framework for Sustainable Development (IPFSD) and its core principles and guidelines (UNCTAD, 2015a). The recommendations of the IPR are then implemented with the technical assistance of development partners, including UNCTAD. The support to beneficiary countries is delivered through a series of activities that can span several years. Consistent with the SDGs, IPRs encourage official development assistance and investment in countries where needs are greatest. The IPR recommendations are in line with countries' national development plans and focus on key development sectors, including agriculture, mining, manufacturing, tourism and infrastructure. By helping countries in this manner, the IPR programme notably contributes to:



SDG 1 target b: “to create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions”.



SDG 8 target 2: to “achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors”.



SDG 10 target b: “to encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes”.



SDG 17 target 3: “to mobilize additional financial resources for developing countries from multiple sources”.

The Investment Policy Review of Angola was initiated at the request of the Government and is part of a wider technical assistance project – Train for Trade II – delivered by UNCTAD, as part of the Trade Support Project financed by the European Union. In addition to analyzing the legal and regulatory framework, the Review proposes an approach to assist Angola attracting and benefiting from FDI, beyond the extractive industry, and support the Government's objectives of increased economic diversification and sustainable development. The IPR is based on a scoping mission that took place in April 2018, a fact-finding mission undertaken in March 2019 to gather all relevant data to complete the draft report and additional information made available to UNCTAD until 30 September 2019. The missions received the full cooperation of the Angolan relevant ministries, departments and agencies, in particular MINCO (the Ministry of Trade) and AIPEX (the investment promotion agency). They also benefited from the views of the private sector, foreign and domestic, as well as development partners. The Government and the United Nations Development Programme (UNDP) in Angola provided substantive contributions as well as logistical support to the IPR process. A draft version of the report was discussed at a national validation workshop in Luanda on 4–5 September 2019. The final report reflects comments from stakeholders, including ministries and agencies of the Government of Angola.

Geneva, October 2019



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ABBREVIATIONS

ACFTA	African continental free trade area
ADR	alternative dispute resolution
AfDB	African Development Bank
AGOA	American Growth and Opportunities Act
AGT	Administração Geral Tributária (Angola Tax Authority)
AIPEX	Agência de Investimento Privado e Promoção das Exportações (Agency of Private Investment and Export Promotion)
AML	anti-money laundering
ARC	Autoridade Reguladora da Competência (Competition Regulatory Authority)
ASYCUDA	automated system for customs data
BIT	bilateral investment treaty
BNA	Banco Nacional de Angola (National Bank of Angola)
BUE	Balcão Único do Empreendedor (entrepreneur's one-stop shop)
CDAIS	Capacity Development for Agricultural Innovation Systems
CFIA	Cooperation and Facilitation Investment Agreement
CIT	corporate income tax
CPLP	Comunidade dos Países da Língua Portuguesa (Community of the Portuguese Speaking Countries)
CREL	Centro de Resolução Extrajudicial de Litígios (Centre for Extrajudicial Resolution of Conflicts)
CRIP	Certificado de Registo de Investimento Privado (Private Investment Registration Certificate)
DIAE	Division on Investment and Enterprise
EBA	Everything But Arms
ECA	Escola de Campo do Agricultor (Farming field school)
ECCAS	Economic Community of Central African States
EIA	environmental impact assessment
EIS	environmental impact studies
EU	European Union
FaaB	Farming as a Business
FAO	Food and Agriculture Organization
FDI	foreign direct investment
FET	fair and equitable treatment
GDP	gross domestic product
GUE	Guichê Único da Empresa (enterprise's one-stop shop)
IAC	imposto sobre a aplicação de capitais (investment income tax)
ICSID	International Centre for the Settlement of Investment Disputes
IDZ	industrial development zones
IFAD	International Fund for Agricultural Development
IGAPE	Instituto de Gestão de Ativos e Participações do Estado (Institute for State Asset and Holdings Management)
IGCA	Instituto Geográfico e Cadastral de Angola (Institute of Geography and Cadastre of Angola)
IGT	Inspecção Geral do Trabalho (General Labour Inspectorate)
IIA	international investment agreement
ILO	International Labour Organization
IMF	International Monetary Fund
INAPEM	Instituto Nacional de Apoio às Micro, Pequenas e Médias Empresas (National Support Institute for Micro, Small and Medium-sized Enterprises)
INEFOP	Instituto Nacional do Emprego e de Formação Profissional (National Institute for Employment and Vocational Training)
IPA	investment promotion agency



IPFSD	Investment Policy Framework for Sustainable Development
IPGUL	Instituto de Planeamento e Gestão Urbana de Luanda (Planning and Urban Management Institute of Luanda)
IPR	Investment Policy Review
IPU	imposto predial urbano (urban real estate income tax)
ISDS	investor–State dispute settlement
JSC	joint-stock company
LDC	least developed country
LLC	limited liability company
MAPTSS	Ministério da Administração Pública, Trabalho e Segurança Social (Ministry of Public Administration, Labour and Social Security)
MEP	Ministério da Economia e Planeamento (Ministry of Economy and Planning)
MFN	most-favoured nation
MINAGRIF	Ministério da Agricultura e Florestas (Ministry of Agriculture and Forests)
MINAMB	Ministério do Ambiente (Ministry of Environment)
MINCO	Ministério do Comércio (Ministry of Trade)
MINOTH	Ministério do Ordenamento do Território e Habitação (Ministry of Land Management and Habitation)
MJDH	Ministério da Justiça e Direitos Humanos (Ministry of Justice and Human Rights)
MSMEs	micro, small and medium-sized enterprises
NT	national treatment
OECD	Organization for Economic Cooperation and Development
PAC	Programa de Apoio ao Crédito (Credit Support Programme)
PDN	Plano de Desenvolvimento Nacional (national development plan)
PDMPSA	Plano de Desenvolvimento de Médio Prazo do Sector Agrário (Mid-term Development Plan for the Agricultural Sector)
PIL	private investment law
PNFQ	Plano Nacional de Formação de Quadros (National Training Plan)
PPP	public–private partnership
PRAI	Principles for responsible agricultural investments that respect rights, livelihoods and resources
PROCIP	Estratégia de Promoção e Captação de Investimento Privado (Programme for the promotion and attraction of private investment)
PRODESI	Programa de Apoio à Produção, Diversificação das Exportações e Substituição das Importações (Programme to support production, export diversification and import substitution)
PROFIR	Programa de Fomento da Pequena Indústria Rural (Programme to foster small agroindustry)
R&D	research and development
SADC	Southern African Development Community
SADCP	Smallholder Agriculture Development and Commercialization Project
SDG	Sustainable Development Goal
SEZ	special economic zones
SILAC	Sistema de Licenciamento da Actividade Comercial (System of Commercial Licences)
SILAI	Sistema de Licenciamento Industrial (System of Industrial Licensing)
SOE	State-owned enterprise
TIP	treaty with investment provisions
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
UTIP	Unidade Técnica para o Investimento Privado (Technical Unit for Private Investment)
VAT	value added tax
WEF	World Economic Forum
WTO	World Trade Organization



KEY MESSAGES

- The Government of Angola has adopted ambitious strategies with the objectives of fostering economic diversification, ensuring food security, promoting sustainable development and ultimately reducing poverty. The private sector will play an increasing role in the achievement of these objectives, as the Government retreats from direct management of economic activities and implements its privatization plan.
- In support of these development strategies, a major reform programme has been adopted. It is meant to improve the business environment, enhance infrastructure, stimulate private sector development and encourage formality. In 2018, a new investment law, aimed to simplify the country's investment regime and to broaden its scope to cover all investors, was enacted. The Government also streamlined business registration procedures through one-stop shops and eGovernment solutions, adopted measures to simplify tax payments and rationalize fiscal incentives, and introduced a modern competition legal framework.
- Despite these efforts, key gaps and bottlenecks in the investment climate persist. They include a complex system for FDI entry and establishment, burdensome operational regulations, the persistence of restrictive business practices and a lack of institutional capacity and coordination. These constrain the country's ability to take advantage of its strategic location, abundant natural resources and preferential access to regional and international markets, and to fully tap its huge potential to attract FDI in various sectors.
- In this context, the economy remains highly dependent on oil and gas, which represent over 95 per cent of export earnings, attract the bulk of FDI and contribute to almost half of the Government's revenues. FDI in the oil and gas has remained somewhat of an enclave activity, and the low level of linkages with the domestic economy limits its development contribution. A more diversified FDI portfolio could support the achievement of economic and social development objectives.
- Against this background, the IPR of Angola looks at lifting constraints to private sector development. While gradually implementing its privatization plan, the Government should also facilitate a level playing field to support private sector development and fight anticompetitive business practices. A key recommendation arising from this report is to improve the overall competitiveness of the economy by bringing down costs and barriers related to regulatory, administrative and governance practices challenges.
- Special attention is devoted to the promotion of sustainable investment in agribusiness, given the strategic role that agricultural development plays in the Government's strategies. The IPR sets out how investors could optimize their sustainable development contribution to agricultural projects, either directly through investment or indirectly through linkages with domestic producers. It calls for concrete measures to foster responsible investment and promote inclusive agricultural modes. The recommendations emphasize the need to strike a policy balance between the food security and export development objectives, improve access to land and infrastructure, and promote entrepreneurship and skills development.
- As recent reforms have established the institutional structure for investment promotion, the IPR also provides recommendations for implementing an effective investment promotion strategy for agribusiness. The strategy focusses on building expert capacity within the Agency of Private Investment and Export Promotion (AIPEX) and effectively targeting investors in the agribusiness value chain.

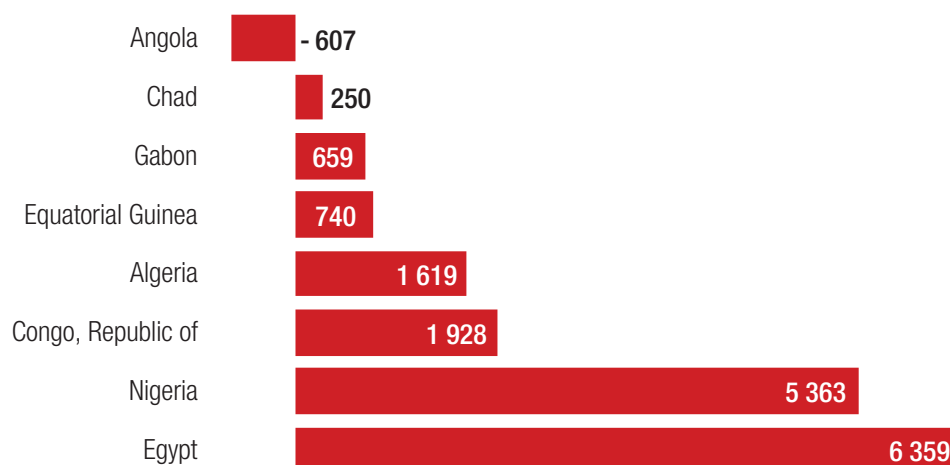


CONTEXT

The Government of Angola has ambitious development objectives as the country prepares to graduate from least developed country (LDC) status. Since emerging from a protracted civil war in 2002, Angola has made strides to overcome its economic and social challenges. While the economic situation has improved, the country remains highly dependent on the oil sector, and is vulnerable to external shocks. Angola is scheduled to graduate from LDC status in February 2021, and the Government wants to accelerate the structural transformation of the economy in preparation for this transition. It has therefore initiated several programmes to better tap the country's potential, promote private sector development, and diversify the economy in support of sustainable development.

Angola has experienced one of the highest growth rates in the region. The economy has expanded at an average annual rate of nearly 6 per cent between 2004–2018, one of the highest gross domestic product (GDP) growth rates among oil-producing economies in Africa (figure 1). This translated into a GDP per capita of \$3,642 in 2018, a figure higher than several oil-producing countries in Africa. The oil and gas sector accounted for about one fifth of GDP, in 2018, down from a high of nearly 50 per cent in 2008, indicating that some diversification towards agriculture, manufacturing and services is taking place.¹ Nonetheless, over 95 per cent of export earnings and close to 50 per cent of government revenue are still derived from the oil and gas sector (IMF, 2018a).

Figure 1. High economic growth does not translate into FDI inflows, 2004–2018



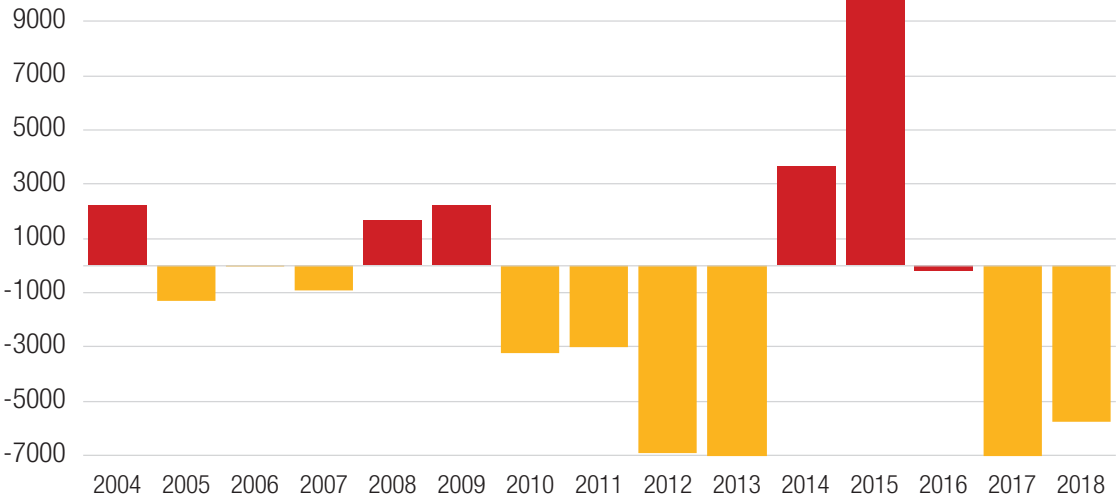
Source: UNCTAD FDI/MNE database, and UNCTADStat
Note: Growth is calculated as the simple annual average.

Despite the economic recovery, social gaps are significant. Estimates show that multidimensional poverty declined from 77 per cent in 2001 to 51 in 2018 at the national level.² Poverty, however, remains higher than the country's income level would suggest (IMF, 2018a). Poverty figures also highlight important disparities between urban areas (30 per cent) and rural ones (88 per cent). Furthermore, the human development indicators are low compared to other countries with similar income levels. For instance, the newborn mortality rate is among the highest in the world, and many children between the ages of 5 and

18 are out of school. As the number of young people under 18 is projected to sharply increase by 2030, Angola’s social challenges would become more pronounced if not addressed upfront (United Nations, 2019).

According to official data, FDI inflows remained exceptionally low and volatile. FDI data for Angola are subject to significant revisions on a yearly basis, which can change both the volume and the direction of flows from positive to negative.³ Based on the latest official data, between 2004 and 2018, the average annual net FDI inflows amounted to minus \$607 million, the lowest volume among oil-producing economies in Africa (figure 1). At the same time, the data show a high degree of volatility (figure 2). The unevenness of capital flows linked to project development in the oil sector can explain the divestments that occurred in the periods 2005–2007 and 2010–2013 (the latter are also influenced by the global financial crisis). More recently, FDI inflows to Angola have swung from minus \$7.1 billion in 2013 to a peak of \$10 billion in 2015. This figure may have been influenced by the announcement, in May 2014, of the discovery of pre-salt oil reserves.⁴ However, in 2017 and 2018, inflows turned sharply negative again.

Figure 2. FDI inflows to Angola have historically been volatile
(Millions of dollars)



Source: UNCTAD FDI/MNE database

Angola has continued to underperform other economies in the region in terms of FDI attraction. Over 2004–2018, Angola underperformed other economies with respect to absolute and relative indicators, including oil-producing economies, such as the Republic of Congo and Nigeria, and members of the Southern African Development Community (SADC), such as Mozambique or Zambia (table 1). Data also show that FDI stock increased from \$8 billion in 2000 to a peak of \$32 billion in 2010, and then fell back to about \$24 billion in 2018.

While FDI remained concentrated in the extractive sector, it has potential to play a role in broader economic development, and new investment opportunities are emerging. FDI has been instrumental to the growth of Angola’s oil industry, including the development of physical infrastructure and the transfer of relevant knowledge and technology. Despite the bulk of FDI targeting the natural resource sector, in particular oil and gas, and to a lesser extent mining (especially diamonds, and also copper, iron and gold), other opportunities are emerging. Data collected by the National Bank of Angola (BNA) show that after

Table 1. Comparative FDI performance, Angola and selected economies, 2004–2018

Country	Average inflows of foreign direct investment										Foreign direct investment stock					
	Millions of dollars					Per capita (dollars)					As percentage of gross fixed capital formation			Total (millions of dollars)	Per capita (dollars)	Percentage of gross domestic product
	2004–2008	2009–2013	2014–2018	2004–2008	2009–2013	2014–2018	2004–2008	2009–2013	2014–2018	2004–2008	2009–2013	2014–2018	2018			
Angola	328	-2 526	75	17	-99	11	13	-20	0	4	-8	5	23 704	770	21	
Congo, Republic of	926	543	3 158	232	124	610	100	46	257	26	9	46	25 566	4 735	181	
Congo, Democratic Republic of	893	2 140	1 511	15	32	19	55	83	40	45	41	20	24 021	286	60	
Ghana	599	3 036	3 256	26	121	116	19	63	58	5	23	24	36 126	1 226	55	
Mozambique	337	3 759	3 373	16	148	118	38	271	240	30	105	87	40 664	1 332	279	
Nigeria	5 268	7 280	3 541	36	45	19	22	19	8	21	12	6	99 685	509	24	
Zambia	720	1 473	1 027	57	102	63	59	64	42	23	25	13	20 435	1 160	76	
LDCs	11 140	21 424	27 023	14	25	28	26	29	27	12	12	11	353 771	349	33	
ECCAS	3 264	3 413	7 466	24	23	42	25	17	29	10	6	12	114 690	597	44	
SADC	9 738	15 010	13 070	38	51	40	22	24	20	10	10	9	292 964	831	40	

Source: UNCTAD FDI/MINE database.

Note: LDCs stands for lead developed countries, ECCAS is the Economic Community of Central African States, SADC is the Southern African Development Community.

net divestment from 2013 to 2017, FDI in the non-oil sector was positive in 2018 at \$185 million.⁵ There has been interest in financial services and in food and beverages, in particular, from European and South African investors, who own several banks and supermarket chains. China, which is Angola's largest trading partner, is also a significant investor in the construction and trade sectors. However, comprehensive bilateral data on FDI at a sectoral level are not available and the reliability of overall FDI data in Angola being a concern, it makes it difficult to assess the picture more accurately. Building capacity on FDI data collection methodologies is raised in chapter 2.

The Government is seeking to restore confidence in the economy by addressing macroeconomic imbalances... The dominance of the oil industry has hindered the competitiveness and growth of other sectors, and exposed the economy to external shocks, notably fluctuations in the global price of oil. This has constrained growth and investment in non-oil sectors, such as in agribusiness. The decline in oil prices at the end of 2014, for instance, had a direct negative impact on economic growth. The current Government has re-focused attention on improving governance and restoring macroeconomic stability through a stabilization programme that envisages fiscal consolidation and greater exchange rate flexibility (IMF, 2018a).⁶ To this end, the Government de-pegged the kwanza (Kz) from the dollar in January 2018, and more recently introduced a regulation on the auctioning of foreign currency through commercial banks.

...and by promoting economic diversification and private investment. In this regard, the National Development Strategy (PDN) 2018–2022 emphasizes the role of FDI as a pillar for the strategy of economic diversification and for increasing exports (Government of Angola, 2018a). The Government also introduced, in 2018, the Programme to support production, export diversification and import substitution (PRODESI, Government of Angola, 2018b). Overall, it aims to diversify the economy by focusing on export value chains and on sectors where there is potential to boost local production to substitute imports. To reach such goal, the programme highlights the importance of improving the business environment, increasing and diversifying the sources of FDI as well as reducing the pressures on foreign exchange reserves emanating from imports of staple products. The Government views FDI as critical to create jobs and benefit from the transfer of technological and commercial know-how to the domestic economy. Special economic and free trade zones have been established to attract investors, and a system of incentives to direct investment to less developed regions has been introduced. In 2018, a new Private Investment Law (PIL) has relaxed some of the restrictions on private investment, including FDI, across several sectors of the economy and simplified the entry and establishment process. The authorities have also approved, in October 2018, the Strategy for investment promotion and attraction (PROCIP) to channel investment to priority sectors, such as agriculture, agro-processing, fisheries, manufacturing and mining (Government of Angola, 2018c).

Several sectors of the economy remain closed to domestic and foreign private investment...

This is because they are State monopolies or can only be accessed via concession contracts (e.g. telecommunication, energy, transport infrastructure and services, extractive industries among others). With the aim to strengthen the private sector, a Commission on Privatization was created in 2018 to lead the restructuring and privatization of several public companies, including subsidiary State-owned enterprises (SOEs) as well as several companies providing public services.⁷ Progress has been limited to date partially due to the lack of institutional capacity to regulate, monitor and evaluate related concession contracts, as well as the need for an adequate competition regime to ensure a level playing field. Restrictions specific to FDI apply in other sectors (e.g. financial, consulting and in fisheries) and those on access to land by private investors often mean that developers seek out public-private partnership arrangements with SOEs.



...and operational constraints limit the competitiveness of the investment environment. The tax regime is complex to administer and burdensome for investors, including a proliferation of incentives and exemptions, generally negotiated on a case-by-case basis. While the transfer of investment-related funds is, in principle, free, the foreign exchange controls regime creates difficulties for the repatriation of funds and, consequently, can have a deterrent effect on investment. Despite ongoing efforts to boost education and reform the permitting and visa regime to facilitate the hiring of foreign workers in specific sectors, access to skills remains problematic. Furthermore, non-tariff barriers to trade, overly bureaucratic administrative procedures, customs delays and poor transport infrastructure are also potentially deterring investors. These issues are compounded by governance challenges, which are perceived among key impediments to private sector development. They are also reflected in the performance of Angola in international business climate rankings.⁸

The Government's actions also aim to spread the benefits of economic diversification beyond the capital, Luanda, where investment has been concentrated. During the civil war, Luanda drew migrants and refugees from the countryside. At the same time, agriculture production and exports contracted, and farming expertise was lost. Much of the countryside was also mined. Following extensive demining efforts, the Government is now prioritising agriculture development to reduce the country's dependence on food imports and boost food security, as well as increase commercial opportunities for farmers, of which 80 per cent are smallholders. As a share of GDP, agriculture, forestry and fisheries have been steadily growing from 5.85 per cent in 2011 to over 10 per cent in 2017. However, an outdated land tenure system dating back to Angola's colonial era persists, which creates uncertainty for investors and small-scale farmers. Further challenges include skills and knowledge gaps, poor access to credit and inadequate infrastructure in rural areas.

The country could benefit from trade opening, particularly vis-à-vis the large African regional market. Angola is in the process of ratifying the African continental free trade area (ACFTA) agreement, and the country is also a member of ECCAS and SADC. This could provide preferential access to a large market, which has the potential to increase the attractiveness for export and efficiency-seeking FDI, notably in agribusiness. Improving access to this market could also help address the loss of preferential treatment foreseen for 2021. As an LDC, Angola benefits from preferential access to the European Union (EU) market for selected products under the EBA – Everything But Arms initiative, and to the United States market under the AGOA – American Growth and Opportunities Act. The Government is participating in negotiations to join the SADC free trade area and selectively liberalise merchandise trade. Despite Angola being a signatory to the ECCAS since 1999, the agreement has been slow to foster liberalization and the ECCAS customs union has yet to be adopted (WTO, 2015).

The aim of the IPR is to support the efforts of the Government of Angola to improve the investment environment and leverage the full potential of FDI for sustainable development. Prepared in the context of a wider technical assistance project – Train for Trade II (box 1) – the IPR focuses on the reforms required to create an enabling legal and institutional environment for business and investment, in line with the PDN 2018–2022 (chapter 1). It also addresses FDI diversification, including through the attraction of FDI in the agriculture value chain (chapter 2). The success of these reforms will require a solid engagement across Government entities to ensure that the recommendations are implemented and result in greater clarity of the regulatory environment for investment. The Government is fully committed to this process, and UNCTAD can provide support to assist with the economic reform agenda and its implementation. The recommendations of this IPR are summarized in annex 1 and presented, whenever relevant, with indicative timelines for implementation in three phases: 0–18 months (short-term), 18–36 months (medium-term) and above 36 months (longer-term).



Box 1. Ongoing UNCTAD's assistance project to Angola

UNCTAD is working on two main projects with Angola to facilitate trade and to help the country better exploit its economic opportunities. The Train for Trade II, which is part of the Trade Support Project financed by the EU, is aimed at building capacity of Angolan stakeholders, from the public, private and academic sectors, to draw on best practices, explore new opportunities to diversify their activities and design more sustainable ways to harness the country's potential. The seven components of the programme – commercial diplomacy, trade facilitation, trade logistics, micro, small and medium-sized enterprises (MSME) development, investment, green exports and creative economy – will be delivered over a five-year period and address the main constraints to development in Angola.

The investment component focuses on improving the business climate, and on attracting and benefiting from FDI beyond the extractive industries. It provides concrete policy recommendations to foster economic diversification, private sector development and institutional capacity. In this regard, it completes the efforts aimed at strengthening capacities for the formulation and implementation of trade policies and trade negotiation positions through the commercial diplomacy component and those to enhance competitiveness and growth through trade facilitation and trade logistics. Experiences and studies showed that to reap the full benefits of FDI, a country needs a vibrant local private sector. Through Empretec (an UNCTAD programme to promote sustainable, innovative and competitive MSMEs), Train for Trade II promotes the development of entrepreneurship skills and capacity to start and grow businesses. Moving towards the SDGs also requires advancing the production and trade of green sectors and products. The component on green exports aims at identifying strategies towards this end while strengthening capacity, efficiency and competitiveness. Another way to diversify the country's economy and promote social development is through greater dynamism and scale up of creative industries.

UNCTAD is also working on a programme to streamline customs procedures through the introduction of the automated system for customs data (ASYCUDA). In early 2019, Angola completed the implementation of ASYCUDA World in Lobito and Luanda, the main ports of the country. This has enabled the customs administration and traders to handle most of their transactions online, from customs declarations to transit documents. Through these improvements, the import and export border compliance time has been reduced to 72 and 164 hours respectively, an average decrease of 26 hours. Import and export documentary compliance was reduced by 180 and 169 hours to 96 hours. Also, the upgrading of the port community system streamlined trade through the electronic information exchange between different parties involved in the import/export process. According to the Ministry of Trade (MINCO), products are released by customs in 24 hours and the main bottleneck is clearance procedures at warehouses, which can take between five to 10 days.

Source: UNCTAD





Chapter

1

The investment framework





Since 2017, the Government of Angola has intensified the implementation of reforms aimed at improving the business climate. These include investment facilitation, business establishment, property registration, taxation as well as governance. The reform efforts have positively influenced the perception of the private sector and lay the foundation for improved investment attractiveness, including in non-oil related activities. However, entry restrictions limiting access to several sectors remain in place, and operational constraints continue to affect the cost of operating businesses in the country, thus reducing the impact of reforms. This chapter aims to support the ongoing efforts to diversify the economy through FDI and non-equity investments by making recommendations to improve investment policies and address remaining gaps. Based on the IPFSD – the UNCTAD’s Investment Policy Framework for Sustainable Development, this chapter analyses the regulatory and institutional framework for investment in Angola (UNCTAD, 2015a). It then proposes a series of concrete recommendations to be implemented over the short, medium and longer term to assist the Government achieve the objectives of the PDN 2018–2022 and sustainable development.

A. FDI-SPECIFIC REGULATORY FRAMEWORK

1. Domestic investment legislation

The legal and regulatory framework for investment was reformed in 2018 to cover all investors.

The Private Investment Law 10/18 (hereafter referred to as the PIL 2018) sets the legal framework for private investment and repeals Law 14/15 (PIL 2015). Unlike the previous instrument, which only applied to foreign investors and large domestic investors (above about \$450,000), the PIL 2018 is applicable to foreign and Angolan investments independently of their size, including enterprises with State ownership of up to 49 per cent. Although the PIL 2018 distinguishes between direct and portfolio investment, it does not indicate what is the threshold of foreign ownership for an investment to qualify as FDI. In addition to the PIL 2018, priority areas for investment promotion and attraction in the country are also defined in the PROCIP – the programme for the promotion and attraction of private investment, whose objectives are aligned to those of PRODESI – the programme to support production, export diversification and import substitution.

The PIL 2018 removed several joint-venture requirements and other entry limitations to FDI...

The mandatory minimum local capital participation of 35 per cent required by the PIL 2015 in several sectors (i.e. electricity and water, tourism and hospitality, transportation and logistics, construction, telecommunications, information technology and media) was removed. In addition, foreign and local investors are also no longer required to request prior authorization to the Government to implement modifications in the structure of the company, such as increases in share capital, the broadening of the articles of incorporation and the transfer of shares. According to the Presidential Decree 250/18, which regulates the PIL 2018, these modifications only need to be notified to AIPEX within 15 days of implementation (art. 2), unless they involve capital imports, in which case authorization from AIPEX is still required.

...but several restrictions to FDI are contained in the sectoral legislation. Some sectors are closed to all private investors. Law 5/02 on the Delimitation of Economic Activities lists the sectors of the economy which are a monopoly of the State. These include activities that are commonly closed to foreign investment in other jurisdictions, such as for example investments in defence. Certain activities, such as basic telecommunications and postal services are reserved for SOEs. Other services, such as water and waste management, electricity, port and airport, rail and air transport, as well as higher value-added telecommunications (e.g. internet services) and postal services (e.g. express courier), are accessible to Angolans and foreign private investors through concession contracts. As to the restrictions specific to foreign investment, some fishing activities and several port and shipping services are fully closed to FDI, while air transport, environmental consulting, the financial sector, certain fishing and mining activities are partially closed to FDI. Finally, exploitation of oil and mineral resources are subject to mandatory concession and partnerships with the respective national concessionaire. Exceptions to FDI entry restrictions in several of the mentioned activities can be authorized by presidential decree. Annex 2 provides more details on entry conditions.

Additional *de facto* barriers affect investors' entry, but reforms are underway. The Government is adopting a series of reforms aimed at fostering competition (see section G) and encouraging private investment in the economy. A Commission on Privatization, under the supervision of the Ministry of Finance, was created in 2018 to lead the restructuring and privatization of several SOEs.



The entry process has been simplified, but AIPEX can still conduct comprehensive screening of all FDI projects. The PIL 2018 removed the mandatory registration of investors with AIPEX. Additionally, the application process has been streamlined, including through the introduction of an online tool – the Electronic System of Investment Application. However, the investment licence, called the Private Investment Registration Certificate (CRIP), is still in place for foreign and domestic investors, and it remains an essential step in the FDI entry process. It is required to import capital, obtain land concessions (which are the only way to access title in rural areas – see section C), access fiscal incentives, transfer funds abroad, and obtain other permits, as discussed in the following sections. In addition, while the new investment legislation reduces the discretion of AIPEX by limiting criteria for the denial of the CRIP, it opens the door for broad-based screening.⁹ For instance, it requires AIPEX to confirm that investment projects contribute to the development of the country, without providing specific assessment criteria (art. 5). The obtention of the CRIP adds an extra level of bureaucracy to the establishment procedure, which could also contribute to a regulatory bias towards controlling and sanctioning rather than facilitating investment. The regulatory functions of AIPEX associated with the CRIP conflict with its promotional role and may lead to conflicts of interest, which goes against good governance practice, as highlighted in IPFSD (UNCTAD, 2015a).

The PIL 2018 also streamlined the process to access fiscal incentives. According to the new law, two different incentive schemes are available: (i) the prior declaration regime and (ii) the special contractual regime. Under the prior declaration regime, after company incorporation under Angolan law, investors can register their investment proposal with AIPEX and request the automatic application of incentives and benefits granted under the law. In both cases, the award of fiscal incentives is automatic. The introduction of a set of pre-defined and timebound incentives is a welcome departure from the previous regime, under which all incentives and their duration were negotiated on a case-by-case basis (see section F for additional details).

National treatment (NT) is not explicitly guaranteed in the law and differences in the treatment of foreign investors exist. The PIL 2018 does not explicitly mention NT or non-discrimination, which are broadly accepted standards of treatment of foreign investors in the post-establishment phase. Nevertheless, the Guidelines of the National Policy on Private Investment (Presidential Decree 181/15), which pre-date the introduction of the PIL 2018, guarantee “equality of treatment between nationals and foreigners.” However, departures from national treatment exist. For instance, there are differentiated rules for access to financial incentives, namely credit from public programmes, for access to land (see section C) and for obtaining licences (see section B). Submission of the CRIP is also an additional requirement for foreign investors in the application for several licences, such as the currency import licence from BNA – the National Bank of Angola.

Limitations on the transfer of funds persist. Though the PIL 2018 provides guarantees concerning the free transfer of funds, foreign investors can only transfer funds abroad after implementation of the investment project and by providing evidence of its execution (art. 19 of PIL). The new law removed the penalty tax on early repatriation of dividends and profits (ranging from 15 to 50 per cent), which was imposed in the PIL 2015.¹⁰ The new law also allows the repatriation of capital in the event of a termination of the investment, which effectively repeals an additional penalty of the PIL 2015 for investors who failed to implement their scheduled investment project. Restrictions on access to foreign exchange imposed since 2014 complicate the payment of imported goods and services and the repatriation of profits. The implementation of the managed float regime by the BNA in 2017 eased this situation. The definition of a clear priority list for accessing foreign currency at the official exchange rate also increased transparency and improved the predictability of transactions, according to investors. But remaining exchange restrictions (as of 2019), including limits on foreign exchange for invisible transactions and unrequited transfers abroad, as well as the operation of the priority list, still limit the transfer of funds (IMF, 2018a).



Guarantees against expropriation differ for investors in the oil and non-oil sectors. Expropriation is generally allowed in cases of public interest upon prompt payment of fair compensation.¹¹ According to art. 14.2 of the Expropriation Law 2030 (dating from the colonial era, i.e. 1948), the compensation considers the value of the expropriated good or property (referred to as “real value” in the law), determined by common agreement between the Government and the expropriated investor. According to the Ministry of Justice and Human Rights (MJDH), the value of the property is defined in accordance with the fair market value at the time of the expropriation, which takes into account the improvements on the land, as assessed by the authorities. If the parties fail to reach an agreement, the amount of compensation will be determined by arbitration. The expropriation regime has fallen behind modern practice, and lacks guarantees accepted internationally, such as non-discrimination or prompt, adequate and effective compensation. The Government has recently created a commission to review and update the Law 2030.¹² Expropriation of land rights in the oil sector is regulated by a specific regime, Decree no. 120/08, which provides higher protection guarantees and more stringent criteria to justify the expropriation. These include the observance of the principles of necessity, proportionality, equity, non-discrimination, public interest, public consultations as well as the exhaustion of all means of negotiation. The criteria to calculate due compensation in this case are clearly defined, and include fair market value, depreciation and damages to the property.¹³ The difference between the two regimes risks creating undue discrimination in the treatment of investors in non-oil activities.

Investor-State dispute settlement (ISDS) is available at the national and international level. In addition to access to domestic courts, the PIL 2018 provides domestic and foreign investors with access to alternative dispute resolution (ADR) mechanisms, such as mediation, conciliation and arbitration.¹⁴ Angolan law does not discriminate investors based on nationality for access to justice nor does it mandate recourse to arbitration or local courts. However, it indicates that specific sectoral laws can prioritize judicial resolution or resort to arbitration (art. 15.2). The entry into force of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 2017 has facilitated the enforcement of international arbitration decisions (see section H). Furthermore, investment contracts may also contain additional provisions on ISDS. Finally, investors from countries with which Angola has ratified bilateral investment treaties (BITs) have access to international arbitration under the terms specified in the BIT (see the section below). Angola is not a signatory country of the International Centre for Settlement of Investment Disputes (ICSID) Convention. To date, there were no ISDS cases brought against Angola.

The PIL 2018 also lists investor obligations. These include requiring investors to comply with the laws and regulations of the country, observe environmental, health and safety standards, pay taxes, comply with accounting rules and fiscal regulation, create and/or contribute to funds established by legislation, obey deadlines to import capital and implement the investment project, employ Angolan nationals and promote the transfers of skills. Finally, the law also details the types of infringements and specifies penalties for non-compliance with the legislation (art. 47 and 48).

2. International investment agreements

Angola has signed BITs with 14 countries, out of which five are in force. The country also signed seven treaties with investment provisions (TIPs), out of which six are in force (annex 3). Angola has a relatively low number of BITs compared to most LDCs, which have generally concluded between 20 and 30 BITs.¹⁵ Seven BITs were signed with developed and developing economies respectively and one with an economy in transition. Most of Angola’s BIT partners are from Europe (46 per cent), followed by Africa (23 per cent), Asia (15 per cent) and South America (7 per cent). Angola concluded

its first TIP during the 1980s, and continued to conclude TIPs every decade, with two TIPs in the 1990s and four TIPs in the 2000s. Angola's most recent TIP was signed in 2016 with the EU.

Most BITs signed by Angola have a broad asset-based definition of investment, which covers any or every kind of asset. This approach may cover economic transactions not contemplated by the Parties or other assets, such as commercial contracts and portfolio investment (which can include speculative investments). Nearly all Angolan BITs under review also contain a broad-based definition of investors, covering all legal or natural persons investing in the territory of the other contracting party and complying with its domestic laws. The only exception is the Cooperation and Facilitation Investment Agreement (CFIA) with Brazil, which does not define investment and instead provides for its definition in accordance with the legal systems of the respective contracting parties.

All BITs provide for NT or most-favoured nation (MFN) treatment at the post-establishment phase of the investment. The CFIA with Brazil guarantees NT in both the pre-establishment and post-establishment phases. It is important to note that the BIT with Germany excludes from the scope of the MFN treatment all measures taken on the grounds of public safety and order and public health and morality. All the MFN and NT clauses provide exceptions to the clause on measures relating to international agreements establishing common markets, free trade areas and customs unions and taxation agreements. The BIT with South Africa additionally provides for an exception to the clauses if treatment relates to measures adopted to promote the achievement of equality in its territory in accordance with its domestic law. Finally, the BIT with the Russian Federation provides an exception for agreements made with the former Union of Soviet Socialist Republics, and explicitly mentions obligations under the World Trade Organization (WTO) agreements.

Other provisions also follow a traditional approach to BITs. Overall, the international investment agreement (IIA) network provides general and broad commitments to treat foreign investors/investments "fairly and equitably". Except for the CFIA with Brazil (2015), all BITs include a fair and equitable treatment (FET) provision. Three BITs combine the FET standard with the NT and MFN obligations, namely the BITs with Portugal, the Russian Federation and South Africa. The majority of the BITs include a clause on direct and indirect expropriation. The BIT with Brazil does not mention indirect takings or measures that are "equivalent" or "tantamount" to an expropriation. Of the BITs that cover indirect expropriations, none defines the factors to be considered by a tribunal analysing whether an indirect expropriation took place. Half of the BITs under review also include an umbrella clause, noting the host State's commitment to "observe any obligation it may have entered regarding investments of investors of the other Contracting Party;" these are the BITs with Germany, Spain, South Africa, the United Kingdom and the CFIA with Brazil. The BITs concluded by Angola also include the free transfer of funds provisions, with only two treaties including exceptions to this clause. Specifically, the CFIA with Brazil includes a balance of payments exception; whereas the BIT with South Africa provides that the transfer of funds provision does not apply to natural persons of Angola or South Africa that are permanent residents in either country.

Most BITs include a broad ISDS clause covering any dispute relating to investment. The Angolan BITs generally allow for the settlement of disputes under the United Nations Commission on International Trade Law (UNCITRAL) Rules, the ICSID or the ICSID Additional Facility Rules.¹⁶ The CFIA with Brazil establishes alternative mechanisms for the prevention of disputes.



Most of the reviewed Angolan BITs do not have a general or essential security exception. Such an exception would allow Angola to adopt, maintain or enforce any non-discriminatory measures designed for the protection of human, animal or plant life, health, environment, public order or the culture. Such exceptions make IIAs more conducive to sustainable development and reduce States' exposure to claims arising out of measures taken for the protection of public interest objectives.

The CFIA with Brazil is the only BIT to include an investment promotion or facilitation provision. The CFIA with Brazil provides for investment facilitation through the establishment of joint committees whose functions are to promote the implementation of the agreement, facilitate the exchange of information, promote private investments and act as the initial forum of dispute resolution. Additionally, ombudsmen act as focal points in each contracting party and work to implement the recommendations of the joint committees.

Angola is a party to a number of regional agreements with investment provisions. Among the most recent TIPs, the 2016 European Partnership Agreement between the EU and the SADC States includes provisions to avoid investment incentives that weaken or reduce domestic levels of labour and environmental protection and reconfirms the parties' commitment to enhance the contribution of investment to sustainable development. The parties also agreed to cooperate on trade-related aspects of investment and expressed their intention to consider in the future the negotiation of an agreement on investment in economic sectors other than services. The SADC Finance and Investment Protocol also includes several sustainable development-oriented provisions. It omits the FET provision and the ISDS mechanism, refines the definition of investment and investor, introduces exceptions to the expropriation provision and clarifies the NT provision. Moreover, the Protocol refers to investor responsibilities as well as the right of host countries to regulate.

3. Recommendations

a. Domestic investment legislation

Angola is implementing substantive reforms to facilitate investment, in line with its economic diversification objectives. The approval of the PIL in May 2018 was an important landmark towards the liberalization and simplification of the investment regime in the country. It broadened the scope of the law to cover all investors, repealed several restrictions on FDI, streamlined the establishment process and introduced explicit investor obligations. However, the new law has failed to consolidate existing conditions to private investment and FDI, as restrictions remain multiple and scattered across various sectoral regulations. It has also retained regulatory powers for the investment promotion agency (IPA), as well as a comprehensive investor screening. While good reasons could be invoked to have a screening mechanism for investment in sensitive sectors, an overly broad interpretation of national interests or public concerns can make the investment climate less predictable (UNCTAD, 2019a). Several common treatment and protection standards are also missing or incomplete and the legislation is biased towards the protection of investments in oil-related activities.

Building on the reforms that have already been undertaken and in order to improve the FDI specific policy framework, it is recommended that the Government:

Short-term

- Publishes an exhaustive list of restrictions to FDI in an official document. Such restrictions should be periodically reviewed to ensure that they are justified by legitimate national policy objectives.



- Clarifies the definitions of foreign investment and investor by providing an indication of the threshold of foreign ownership that is required for an investment to qualify as FDI.
- Removes the requirement to obtain the CRIP for procedures related to establishment, such as import of capital, access to land, transfer of funds abroad and obtaining licences.
- Introduces a statistical survey methodology for FDI-related data collection in preparation for the CRIP removal.
- Considers easing administrative conditions on the transfer of funds for foreign investors, subject to availability of foreign currency.
- Revises the expropriation regime and aligns it with international best practice.

Medium-term

Future amendments of the PIL 2018 and investment by-laws could:

- Introduce a reference to non-discrimination or NT in the post-establishment phase in the domestic legislation to grant this core standard of treatment and protection to foreign investors. This would send a clear message to foreign investors on expectations regarding minimal and guaranteed standards of treatment and protection.
- Remove the CRIP altogether, as it imposes an additional administrative burden for investors and APEX. The relevant regulatory purposes can be covered by existing establishment procedures, such as sectoral licences.
- Revise the investment law to separate APEX's promotional and regulatory functions (see chapter 2).

Longer-term

- Consider revising and harmonizing FDI restrictions present across sectoral laws and consolidate them in the PIL 2018.

b. International investment agreements

The review of Angola's IIAs shows that the majority of the country's treaty network consists of first generation IIAs, which do not feature many of the reform-oriented elements reflected in the UNCTAD's analytical framework for IIAs. The notable exception is the CFIA in force with Brazil. Looking forward, Angola could modernize the remaining treaty network, with a view to bringing it in line with today's sustainable development agenda and limiting exposure to ISDS claims. A reform of the existing network could be guided by the Reform Package for the International Investment Regime (UNCTAD, 2018a). These documents contain policy options for designing sustainable development-oriented BIT clauses, which would require undertaking a fact-based cost-benefit analysis to determine the most appropriate model for Angola. It is thus recommended that the Government:

- Focuses IIA treaty-making on the following key areas of reform, in line with the national development strategy:
 - ✓ Refining and clarifying key provisions (e.g. definition of investment, indirect expropriation and FET).
 - ✓ Safeguarding the right to regulate for public policy objectives, while maintaining effective investment protection.



- ✓ Improving the investment dispute settlement mechanisms.
- ✓ Strengthening the investment promotion and facilitation dimension.
- ✓ Promoting responsible investment.
- ✓ Ensuring coherence between the national investment regulations and international investment policymaking.
- Considers developing a model treaty that embodies the above-mentioned refinements and clarifications in line with modern practice.

UNCTAD stands ready to assist Angola in further elaborating both its domestic and international investment legal framework.

B. BUSINESS ESTABLISHMENT

Business establishment procedures have been simplified... A standard range of company types can be established, such as limited liability companies (LLCs), joint-stock companies (JSC), commercial partnerships, one person companies and cooperatives. The one-stop shop for enterprise creation (GUE) was introduced by Decree 7/00 to facilitate the establishment of LLCs, JSC and cooperatives. With the objective of formalizing companies, a one-stop shop for micro and small companies (BUE) was introduced by Presidential Decree 40/12, and implemented by the Joint Executive Decree 116/13. The BUE is dedicated to the creation and licensing of one person companies, and offers services related to entrepreneurship education and access to microcredit. Furthermore, reforms introduced in 2015, through Law 16/14 and Law 11/15, facilitated registration procedures and reduced registration costs. For example, some company acts are no longer subject to mandatory public deed,¹⁷ and the minimum capital requirement of Kz100,000 (about \$309)¹⁸ for LLCs was removed.¹⁹ LLCs and JSCs can now be created within two days at the GUE.

... but implementation gaps remain and setting up a business is still very burdensome. Angola still ranks 139 out of 190 countries in the “ease of starting a business” indicator of the Doing Business (World Bank, 2018a). According to the survey, it takes seven procedures and 36 days to establish a company, at a cost of 13.9 per cent of income per capita. While the number of procedures involved and the cost are below the regional average, the time required is well above and far from best practice (table 1.1). Presidential Decree 153/16 clarified the procedures required for online creation of companies, mentioned by Law 11/15. The regulation also mandated the creation of a web portal for company incorporation. However, legislation on electronic signature, required to operationalise the website, is still pending, and the company creation documents still need to be submitted physically at one of the three offices of the GUE in Luanda, where all information is inserted manually. Another challenge reported by GUE officials relates to the low level of entrepreneurial education in the country. The documentation submitted regularly needs to be amended and GUE officials are often requested to help and advice applicants on company’s matters, such as the selection of a name, preparation of business plans and articles of incorporation. In this context, according to GUE officials, the actual time to create an enterprise is between five and 15 days (without considering the time to obtain required licences). It is important to stress that the private sector reported a good degree of satisfaction for services provided by the GUE.

Table 1.1. Company establishment in Angola and selected comparators

Indicator	Angola	Congo, Republic of	Mauritius	Rwanda	Sub-Saharan Africa	OECD high income
Procedures (number)	7	10.5	4	5	7.4	4.9
Time (days)	36	49.5	5	4	23.3	9.3
Cost (per cent of income per capita)	13.9	75.5	0.9	14.8	44.4	3.1

Source: World Bank, 2018a.

Further reforms to streamline and expand online services are planned. The implementation of all measures required to operationalise the GUE platform is expected to be completed in 2019. The platform will then allow online establishment of LLCs and JSCs. Regulations concerning the procedures required to certify electronic



signatures and issue online registration and commercial certificates are being prepared by the Ministry of Telecommunications and Information Technology and the MJDH – the Ministry of Justice and Human Rights. The MJDH is also planning to convert some of BUE's offices into the GUE. The main challenge reported by the GUE relates to its limited capacity to cover the entire country and the high-technology investment required to make the system operational online. The reduction of company registration fees had a negative impact on GUE's budget, and the MJDH estimates that the fees for company creation are not set at cost-recovery level. The priority will thus be to focus on the offices in capitals of provinces with higher levels of economic activity.

The process for obtaining an operating licence has also been streamlined, though *ex-ante* controls are still the norm. Obtaining a licence requires prior inspections of industrial or commercial facilities, and additional steps are applicable for foreign investors, who are required to submit the CRIP and a currency import licence from the BNA. The number of documents requested for obtaining licences was reduced in 2018,²⁰ and single windows for both industrial and commercial permits, the System of Industrial Licensing (SILAI)²¹ and the System of Commercial Licences (SILAC), are in place.²² SILAI and SILAC offer entrepreneurs who have obtained an inspection certificate the opportunity to apply for issuance, renewal or modification of temporary and definitive licences, as well as report cease of activities online.²³ Investors can also apply for industrial licences at the GUE, the BUE or the offices of the National Directorate of Industry. At the provincial level, the SILAI is operational in the provinces of Benguela and Malanje, and the Ministry of Industry plans to expand the service to other provinces. Announced reforms to further streamline industrial licensing procedures include the revision of the Decree 44/05 and Executive Decree 293/17 on the Industrial Licensing Regulation and of the Law 5/04 on Industrial Activity. The goal is to reduce to 15 days the issuance of licences, which are now generally awarded within 20 to 45 days.

Despite recent improvements, access to electricity remains problematic. Since 2016, the improvement of Luanda's electrical grid reduced the time for the utility company to complete feasibility studies for new connections. Nevertheless, Angola ranks 152 in the global ranking of 190 economies on the ease of getting electricity by the World Bank. In Luanda, seven procedures are required, taking on average 121 days and costing nearly 800 per cent of the country's GDP per capita (World Bank, 2018a). The most burdensome procedure is the design of the external connection works by the electricity utility company, to be carried out by the electrical contractor. This takes 90 days to process and costs Kz5,114,457 (about \$15,830). The planned creation of a one-stop shop for electricity and the reduction of the number of procedures to access electricity (from seven to five) are expected to facilitate access and reduce the total time needed to connect to the grid from 121 days to 90 days.

The legal framework for bankruptcy and insolvency is outdated. Bankruptcy and insolvency procedures are still governed by Decree 44,129 of 28 December 1961, dating from the colonial time. A bill on company restructuring and insolvency is being prepared by the Government. Angola ranks 168 out of 190 countries in the Resolving Insolvency indicator of the 2019 Doing Business (World Bank, 2018a).

Recommendations

The Government has shown a strong commitment to improving business registration procedures. The efforts to streamline company establishment are acknowledged by the private sector. Future actions should focus on expanding this success to under-served regions of the country as well as improving other aspects of business operations, such as licensing, permitting and access to electricity. UNCTAD recommends that the Government:



Short-term

- Completes the digitalisation of business establishment procedures, including online company registration.
- Establishes a fully functional online system for industrial and commercial licensing.
- Moves towards an “*ex-ante* licensing-*ex-post* controls” system, thus reducing the time frame required to obtain operating licences.
- Publishes the mapping of all required steps to establish a business, with clearly defined deadlines as well as responsible offices to foster accountability.
- Modernizes the insolvency and bankruptcy law and engages stakeholders in the process through consultations and discussions of the draft reform.
- Adopts the required legal framework to certify electronic signatures, and issues online certificates.

Medium-term

- Expands further business establishment reforms to provinces and municipalities, and enables MJDH service centres in the provinces to provide GUE's services.
- Carries out a streamlining exercise in coordination with provincial offices to reduce the inefficiencies in establishment procedures, including licensing, inspections and access to electricity across the country.
- Conducts an economic assessment of total costs related to company establishment, in coordination with municipalities and all relevant ministries.

UNCTAD's Business Facilitation Programme, which includes the eRegulations and eRegistration systems, has assisted several countries in the adoption of eGovernment solutions.



C. ACCESSING LAND

The land tenure system in Angola involves various types of rights on the access to land and real estate by investors, communities and the State. In addition to the rules defined in the Constitution, the legal framework regarding land is provided by Law 9/04 (the “Land Law”) and Decree 58/07, which established the General Regulation on the Concession of Land. The Constitution vests the State with all land and associated resources but allows private ownership of urban land for Angolan natural persons (see section A). Communities can also hold customary rights to land use. Thus, three types of land tenure are recognized: i) privately-owned land; ii) State land; and iii) customary land. State land is subdivided into land under public domain and land under private domain of the State. The land under public domain of the State cannot be sold, mortgaged or alienated in any way.²⁴ Some State land under the private domain of the State (both urban and rural) can however be granted through concession (*terrenos concedíveis*) and surface rights can be mortgaged, but transfer of concessions of rural land is forbidden.

Foreigners can access land through concession contracts. Foreign companies and individuals can acquire surface rights of both urban and rural land, which is part of the private domain of the State.²⁵ These are granted through special concession contracts awarded for an initial period of up to five years, and can be renewed for up to 60 years if the goals on the effective use established in the contract are met. Furthermore, the Regulation on Land Concession prohibits the concession of traditional community land to foreign and domestic investors (art. 34), even if the concession of customary land is exceptionally allowed under the Land Law if the community has left the land voluntarily (art. 37). Because the State remains the owner of communal land, changes to land use and arbitrary transfers of State rural land to individuals and private companies have allegedly affected the interests of communities, both in Luanda’s peri-urban areas and in the provinces (Human Rights Watch, 2017) (see chapter 2).

Obtaining a concession contract is a complex endeavour. Investors file an application package at the relevant sectoral ministry (i.e. agriculture, housing, industry, mining, oil and tourism).²⁶ If complete, the sectoral ministry will forward the application to the Institute of Geography and Cadastre of Angola (IGCA), which assesses the technical elements of the project, including the value of the land and the proposed fee. Based on the recommendation of IGCA, the sectoral ministry will then authorize or reject the concession. In the case of agriculture land, for surfaces above 10,000 hectares, a special concession contract should be authorized by the Council of Ministers, and governors of provinces can authorize concessions up to 1,000 hectares (see chapter 2). Feedback gathered during the fact-finding mission revealed that, in practice, provincial governments and ministries often bypass IGCA, which results in overlapping concessions on the same land plot. Moreover, since the IGCA system does not specify the geographical coordinates of the plot, the same area could be part of several concessions. The fact that the CRIP, which is delivered by AIPEX as discussed in section A, is required to access land through a concession contract, is problematic, as it assigns one more gatekeeping function to the agency.

In addition, the procedure to register real estate and land titles is lengthy, and title security is a concern. Angola ranks 170 of 190 countries on the registering property indicator of the Doing Business 2019, with procedures taking an average of 190 days at a cost of 2.8 per cent of the property value in Luanda (World Bank, 2018a). Obtaining the updated cadastral certificate of the property (*certidão matricial*) from the local tax authority, which is only the first step of the process, can take up to five months by itself. However, the certificate may be outdated or incomplete, for instance, due to land parcels confiscations, which were not recorded in

a systematic way. In those cases, buyers will need to search the records of the Official Gazette (*Diário da República*) to confirm that the seller of the parcel is the real owner. An inspection will also be needed in cases where the Tax Authority does not have any record of the property to set its value before a *certidão matricial* can be issued (see chapter 2 for issues specific to rural land). Afterwards, the investor needs to obtain a property registration certificate (*certidão predial*) from the Real Estate Registry, and pay several fees, including stamp duty, justice fees, notary fees and other fees. After fees are paid, the Tax Authority (AGT) will inspect the property to confirm its value so that the investor can pay the real estate transfer tax (*imposto de Sisa*, see section F) and execute the deed of transfer before a public notary, which will be registered at the Municipal Real Estate Registry. Finally, the investor will apply for final registration at AGT (World Bank, 2018a).

Title security is particularly problematic in rural areas. The lack of an updated cadastre and registry, combined with the fact that the last agriculture census was undertaken before independence, precludes access to precise information on rural land right-holding. Lack of titling in rural areas has led to increasing concerns about infringements by State authorities and conflict with investors. Private investors interviewed during the fact finding-mission have expressed concern that lack of titling in rural areas leaves them exposed to arbitrary claims by rural dwellers, who may or may not have proof of land-holding rights in a given parcel. This situation often leads to iterated informal negotiations between investors and communal authorities (the *Sobas*) to settle land use issues. Indeed, any disputes arising from land rights contracts are subject to mediation and conciliation procedures and disputes regarding transfer or acquisition of land rights should undergo arbitration before the dispute is brought to a tribunal.

Reforms to improve title registration and security have started. A technical inter-ministerial commission led by the Ministry of Land Management and Habitation (MINOTH) is coordinating land-related reforms. The Land Law is currently being revised and a law on land management is expected by the end of 2019. Reducing the time required to obtain the cadastral certificate (*certidão matricial*) and the property registration certificate (*certidão predial*) are among the priority measures announced by the Government to improve the business climate in the country (Government of Angola, 2018a). MJDH has created the urban property one-stop shop to provide all services for registering urban property in Luanda. E-services are also being established, with the property registration certificate expected to be available online by the end of 2019. The services of the one stop shop are also scheduled to be extended at the provincial level, by using the infrastructure of the 54 decentralised service centres of MJDH. MJDH also informed that 325 local officials will be trained on property registry as part of efforts to decentralize services from Luanda. In parallel, MINOTH and IGCA are currently updating the cadastre. Actions are focused on mapping plots using drone georeferencing, and on collecting and updating information on concessions granted by governmental institutions. These actions will be implemented through pilots and phases, as available funds and personnel are not sufficient to complete the mapping of the entire country. Regularisation of community titles is also being implemented by MINOTH, with two municipalities fully covered to date (see chapter 2).

Recommendations

Security of real estate and land tenure is a pre-requisite for private sector development and the successful attraction of investment. The Angolan strategy of diversification, which puts priority on sectors such as tourism and agribusiness that require intensive use of land, makes the need for a clear and inclusive land tenure system more compelling. Notwithstanding recent reform initiatives, the procedures to access title to land by foreign companies remain burdensome, and title registration and security are problematic. In particular, the Government could:



Short-term

- Set up a bank of available land plots for access to investors. With a view to facilitate foreign investment in priority sectors, such as agribusiness and tourism, a land bank of available State-owned plots could be set up under the remit of AIPEX. Such initiative could improve access to land procedures until the registry is complete, but also minimise conflicts with rural communities.
- Promote awareness of land rights in rural areas. This would entail advocacy activities aimed at raising awareness of local communities regarding their available land rights vis-à-vis the undertaking of investment projects, resettlement and compensation mechanisms, as well as emphasizing the advantages of registering land titles, creation of cooperatives and the use of land titles as collateral, among others (see chapter 2).

Medium-term

- Move forward with reforms to map and zone land resources, and ensure alignment of use with the national development objectives to establish secure, effective and timely land and real estate registration procedures, including through eGovernment tools.
- Build capacities of IGCA staff to collect, update and maintain cadastral information.
- Adopt clearer and more efficient coordination mechanisms between IGCA, the ministries and other local institutions, such as the Planning and Urban Management Institute of Luanda (IPGUL), in order to improve transparency, reduce conflict over land tenure rights and minimize opportunities for corruption in the real estate market.

Longer-term

- Reconsider the restrictions on access to land by foreign investors (except agriculture land and land for mineral exploitation) and promote the development of a functioning land market in which investors can readily purchase and encumber titles from others without the need to obtain prior approval from the State.

D. LABOUR

1. *General regime*

The labour legislation aims to balance workers' rights and labour market flexibility. Labour relations in Angola are regulated by the General Labour Law 7/15 of 2015, which repealed Law 2/00. According to its preamble, the objective of the new labour law is to foster job creation and its stability, while guaranteeing the dignity of the person and social justice. The law provides the legal framework for all contractual work relations except the employment of foreign workers. Certain sectors or contractual relationships, including domestic work, port and maritime activities and special economic zones (SEZs), are governed by specific legislation.²⁷ The regime introduced in 2015 contributed to lower labour costs through reductions in mandatory severance payments and certain premiums, and introduced a special regime for MSMEs.²⁸ It also removed the possibility for employers to apply disciplinary measures such as temporary transfer, wage reduction and demotion (World Bank, 2016). According to the Ministry of Public Administration, Labour and Social Security (MAPTSS), the law resulted from a negotiation between unions, the private sector and the Government to better adjust to the economic crisis. Following the approval of the 2015 law, labour disputes have increased, which the Government associates with the economic crisis that started in 2014.

A range of workers' rights are guaranteed by the law. Angola has signed 34 International Labour Organization (ILO) conventions, out of which 32 are in force, including all eight core ones. The Labour Law provides a range of guarantees to workers, such as stability at work, accident and occupational illness insurance, access to dispute settlement as well as dignity and integrity. All forms of forced or compulsory labour are prohibited. The normal period of work may not exceed eight hours a day and 44 hours a week. Paid annual leave days for employees is equal to 22 days, with a bonus of 50 per cent over the base salary. Freedom of association, collective bargaining, right to strike and maternity leave are provided for in other laws.²⁹ The universal monthly minimum wage was revised in February 2019 to Kz21,454 (about \$66), with different rates applying to sectors.³⁰ The ILO's Committee of Experts on the Application of Conventions and Recommendations noted the need to harmonize the legislation on trade unions and strike rights with ILO Conventions. For instance, under Angolan law, the organizers of a strike that is prohibited or illegal or has been suspended by law are liable to prison sentences or fines, which is at odds with ILO norms. Finally, the ILO recommended revising the General Labour Law and the Trade Union Law to strengthen protection against acts of anti-union and government interference in unions.³¹ During the fact-finding mission, MAPTSS indicated that the revision process of the union, strike and collective bargaining laws has been initiated. MAPTSS is awaiting feedback from social partners, notably unions, association of employers as well as other members of the Government.

The 2015 Labour Law clarified the formalism applicable to contracts. The Law provides for two main types of employment contracts: fixed-term and open-ended. As a rule, open-ended employment contracts can be written or oral, while fixed-term contracts should always be written. Certain types of employment, such as temporary work, employment of foreign workers (see section below), traineeship agreements, work on vessels and domestic workers, always require a written agreement. According to MAPTSS, in the absence of a written contract, Angolan labour courts consider that open-ended contracts are the rule. Fixed-term contracts can contain a fixed date for termination or a termination date subject to the need of the

company. Large companies can extend fixed-term contracts up to five years and MSMEs up to 10 years. The prior notice of dismissal of open-ended contracts has been standardised for all the categories of employees to 30 days. A notice period of 15 working days is applicable to contracts with a duration equal to or below three months (art. 15).

A special labour regime for MSMEs was added to the one already in place for SEZs... The 2015 legal framework introduced differentiated standards aimed at fostering job creation by MSMEs. It decreased the wage premium for overtime and night work based on the size of the company. Wage premium for overtime work, previously fixed at 50 per cent, can now vary from 10 to 50 per cent. The night work premium, previously fixed at 25 per cent, now ranges from 5 to 20 per cent. Specific standards for severance payments depending on the size of the company were also introduced. For more details on applicable standards for MSMEs, see the annex 4. Work relations in SEZs are regulated by Presidential Legislative Decree 6/2015. The main differences from the general labour legislation are longer trial periods, more flexible working hours, increased thresholds for overtime work, the possibility to work on rest days and holidays and broader circumstances for dismissal on fair grounds.³²

...and the range of lawful grounds for contract termination was broadened. Previously, dismissal was largely limited to fair grounds, namely disciplinary breaches. The 2015 Labour law admits lawful contract termination in the following cases: objective grounds, such as force majeure and death, mutual agreement and unilateral decision.³³ Furthermore, unilateral dismissal on objective grounds due to economic, technological or structural reasons (which implies restructure, resizing or cease of activities) was introduced as long as the number of affected employees does not exceed 20. In case it affects more than 20 employees, the applicable procedure is the collective dismissal, which requires a 60-day notice period. According to MAPTSS, unions need to be informed about the dismissal, but their approval is not mandatory. The employee can also terminate an employment contract with a written 30-day notice, or without a notice in case of fair grounds. Severance payments generally amount to one base salary for each year of service, up to a limit of five years, plus 50 per cent base salary multiplied by the number of years employed beyond this period, though different formula applies in case of compensation due to non-reintegration, bankruptcy, or unlawful termination and for MSMEs.³⁴ As a result of the 2015 revisions, the labour regime in Angola, previously considered highly burdensome, has become relatively favourable to employers vis-à-vis other comparator countries (table 1.2).

Gender discrimination is forbidden by law, but inequalities persist. Women are entitled to equal and non-discriminatory treatment, for instance, with regards to access to employment, training, salary and promotion conditions. As a rule, night work for women is forbidden.³⁵ Additional breaks during working hours, paid absences and additional vacation days are applicable for mothers and pregnant women. Paternity leave is not recognized by the law and only one day of absence from work is granted. Stability of employment is guaranteed during pregnancy and one year after giving birth. Furthermore, some activities are expressly forbidden for women and minors, such as certain mining and chemical activities. Despite a high participation in the labour force, lower access to education and conditions regarding working hours and activities make women less employable than men. Women are thus more prone to work in the informal sector and have low-skilled jobs in agriculture, commerce and services, with reduced access to social security and decent wages.³⁶ It is estimated that 8 per cent of women workers are skilled, and only 2 per cent are technicians or managers, against 26 per cent and 18 per cent for men respectively (Government of Angola, 2017a). Encouragingly, in politics, the public administration and the security forces, women are generally well represented, as Angola made efforts to promote women in these areas (Bertelsmann Stiftung, 2018).

Table 1.2. Labour regulations in Angola compared to other oil-producing countries in Africa

Categories	Angola	Algeria	Congo, Republic of	Equatorial Guinea	Gabon	Nigeria
Difficulty of hiring						
Fixed-term contracts prohibited for permanent tasks	No	Yes	Yes	Yes	No	No
Maximum length of fixed-term contracts, including renewals (months)	120	No limit	24	24	48	No limit
Rigidity of hours						
Premium for overtime work (per cent of hourly pay)	20	50	13.7	25	10	0
Premium for night work (per cent of hourly pay)	10	0	0	25	0	0
Premium work for weekly rest day (per cent of hourly pay)	75	0	0	50	0	0
Average paid annual leave for workers (days)	22	22	29.7	22	24	6
Difficulty of redundancy						
Retraining or reassignment obligation before redundancy	No	Yes	No	No	No	No
Priority rules for redundancy	No	Yes	Yes	Yes	Yes	Yes
Priority rules for re-employment	Yes	No	Yes	Yes	Yes	No
Redundancy costs (weeks of salary)						
Average notice period for redundancy dismissal	4.3	4.3	8.7	4.3	14.4	3.2
Average severance pay for redundancy dismissal	13.6	13	6.9	34.3	4.3	0

Source: World Bank, 2018a.

Note: Whenever an average is reported, it is taken from the simple mean of what would apply for a worker with 1.5 and 10 years of tenure.

The labour court is the last resort for labour-related disputes. All employment disputes must go through conciliation, mediation or voluntary arbitration before they can be heard in a labour court (art. 274). Arbitral decisions can be cancelled by the court on request of the Public Prosecutor. According to the law, the mediation meeting should take place within 10 days from the request. Due to the high demand, the General Labour Inspectorate (IGT) estimates that it takes an average of 30 days to schedule the mediation in the provinces and 60–90 days in Luanda. Collective disputes are now preferentially settled through arbitration. The average timescale for first-instance proceedings is two years (Global Legal Group, 2016).

Personnel and financial constraints limit the capacity to inspect work conditions. IGT lacks resources and staff to fully implement its mandate. Provincial representatives are present in all 18 provinces, but there are only three IGT offices at the municipality level in the entire country.³⁷ During the fact-finding mission, IGT indicated that the inspections scheduled within the institution's annual work plan are generally completed. However, the institution lacks personnel to address external inspection requests, especially in the provinces. Lack of equipment and technical training of staff to conduct inspections create additional challenges.



2. *Employing foreigners and accessing skills*

Angola faces severe skills shortages, notably technical skills. According to investors, skills are very limited at all levels (basic, technical and higher education). It affects, in particular, the agriculture sector, where illiteracy rates are higher. During the fact-finding mission, the National Institute for Employment and Vocational Training (INEFOP) pointed to outdated curricula, limited offer in vocational and engineering courses, scarce financial resources, lack of qualified trainers and little engagement of the private sector in educational and vocational planning as the main reasons for the skills gap in the country. As part of the Government's efforts to address skills' scarcity, a National Strategy for Training and the National Training Plan (PNFQ) 2013–2020 was launched in 2012. The PNFQ aims at expanding and improving the education provided to Angolans at all levels. It also aims to provide training in entrepreneurship and enterprise development, public support to scholarships and professional job training (Curimemha, 2017). As part of the PNFQ, a labour market assessment was foreseen to assess the skills' requirements and monitor the impact of the Plan. However, it has never been implemented and evidence suggests that the impact of the PNFQ has been limited. According to the Global Competitiveness Report 2018, the quality of vocational training and the skillset of graduates are poor, and Angola ranks 138 out of 140 countries in overall access to skills – the second lowest performance in SADC region and the third lowest in sub-Saharan Africa (World Economic Forum – WEF, 2018).

Reforms introduced recently eased the regime for foreign hire. In situations of severe skills shortages, access to international labour markets and skills' transfer policies become crucial ingredients of economic development. The rules for the employment of foreigners were revised in 2017 through Presidential Decree 43/17 and Presidential Decree 79/17. Investors have access to a privileged visa throughout the duration of the investment project. No automatic quota of work permit for key positions exist, but companies are entitled to recruit non-resident workers up to 30 per cent of their total workforce, in a non-discriminatory manner. The simplification of procedures for granting work visas to foreigners implemented in 2019 reduced the time required to obtain them to 15 days. According to the Immigration and Foreigners Services, companies can request sectoral ministries to authorize the employment of foreign workers beyond the 30 per cent legal quota. In practice, since a labour market assessment has not been conducted, the relevant ministry will define if there is a skills' shortage in the market, which justifies the exceptional hiring of foreigners. If the ministry approves the hiring of foreigners beyond the 30 per cent quota, a memorandum is sent to the Immigration and Foreigners Service recommending the authorization of work visa issuance. For companies installed in SEZs, the SEZ management office will submit a memorandum requesting the authorization of work visas for foreign workers beyond the 30 per cent quota. The 2017 Decrees also lifted some restrictions on transfer of wage payments to bank accounts held abroad and on the timeframe of contracts. Accordingly, the wage of non-resident workers can now be agreed and paid for in foreign currency.

Despite improvements, several rigidities continue discouraging foreign hire. There is no specific legal framework regarding the recruitment procedures for foreign workers. However, once a foreigner is selected for a position, the employer must register the employment contract at the employment centre (*centro de emprego*) within 30 days from the beginning of activities. The contract can only be fixed term and the job description must be approved by IGT, which must also certify the human resources structure of the company. The contract must include a commitment by the worker to leave the country upon expiry of the contract. A one-off registration fee equivalent to 5 per cent of the total monthly salary is due. According to INEFOP,

the resources of the registration fee are used for skill training programmes. Although Presidential Decree 43/17 allows to renew the contract two times for non-residents, i.e. foreigners with temporary work visa, their employment can only take place through fixed-term contracts, which limits their maximum duration to five years or 10 years in the case of MSMEs (see duration limits above in section D). This term is short, particularly for long-term projects and certain key positions within a company. According to the Immigration and Foreigners Services, foreigners are entitled to apply for residence permits after working for five years in Angola, but the result of the application process is not automatic. In addition, spouses and dependents of foreign workers are not allowed to work in the country, as work and residence permits are not combined, and they are holders of temporary stay visa. Finally, the legislation requires parity of salary, position and responsibilities between local and non-resident workers, which further limits the attraction of foreign skilled employees.

The recruitment of non-resident workers in the oil and gas sector follows a different regime.

Under Decree 20/82, the hiring of foreigners by companies in the oil sector requires authorization from the Ministry of Mineral Resources and Petroleum. Additionally, Decree-Law 17/09 introduced specific rules for majority foreign-owned companies in the sector. According to article 4, companies must first open a call for application for the job offer with a description of the function and provide a proof of the recruitment process, attaching documents such as curricula or any evidence submitted by national and foreign candidates. If no resident worker with the required skills can be found, the company can request an authorization from the Ministry of Mineral Resources and Petroleum to recruit an expatriate worker. The authorizations can be awarded in group or on a case-by-case basis, depending on the factual situation (art. 4). In practice, according to MAPTSS, companies must provide proof to the employment centre that Angolan nationals could not meet the position requirements. The recruitment proof is similar to the procedure defined in Decree Law 17/09.

3. Recommendations

a. General labour regime

The reforms of the labour regime focused on providing a greater balance between workers' protection, job creation and competitiveness of local companies. However, the provisions governing freedom of association, collective bargaining, the right to strike and labour regime in SEZs are still not aligned with international standards. In addition, insufficient capacity at IGT hinders the implementation of existing legislation. To address these issues, it is recommended that the Government:

Medium-term

- Harmonizes national legislation with ILO standards, such as the right to strike, collective bargaining and freedom of association.
- Aligns the special labour regime for SEZs with the general one to avoid reducing the protection standards in the zones.
- Strengthens efforts to reduce gender disparities in labour legislation by, among other things, extending paternity leave or introducing parental leave, and promoting the formalization of "grey work" in occupations where gender disparities are the largest, such as domestic work, as well as removing restrictions on women's work.



Longer-term

- Strengthens the resources of IGT to allow it to implement its mandate. The Government should consider providing training to inspectors, further expanding the IGT representations in provinces and municipalities, as well as adopting a risk-based approach for inspections.
 - b. Employing foreigners and accessing skills

While accessing skills locally remains difficult, and despite recent reforms, the labour regime still discourages the attraction, retention and transfer of foreign skills. Discretionary intervention of multiple institutions in the definition of exceptional quota for hiring of foreigners could give rise to rent-seeking behaviour. A clear strategy to facilitate access to skills in priority sectors has not been defined, and investors confirm that finding skilled employees is a major challenge. In light of this situation, the Government should consider to:

Short-term

- Establish a dialogue with the private sector and vocational training institutions to define priority areas for training and for proactive scarce skills' attraction policies.

Medium-term

- Adopt formalized coordination mechanisms between the private sector, vocational training and higher education institutions to update and design relevant curricula.
- Promote a tripartite dialogue in the design and update of employment and skill development policies, such as the PNFQ.
- Improve the policy on foreign hire by adopting a targeted approach to attract skills where they are most needed. This could be done by:
 - ✓ Gradually replacing the quota system by a scarce-skills list approach. The list, initially based on a labour market skills assessment, could determine categories of workers who would be granted employee permits subject to economic needs and allow for a fast-track application process.
 - ✓ Establishing a tripartite commission to determine and review the list of scarce skills based on the requirements of different sectors of the economy.
 - ✓ Introducing an automatic foreign hire quota for key positions (e.g. managers or highly skilled professionals), which would allow investors to recruit for a select number of positions without the requirement to justify foreign hire. The allowance could increase based on the invested amount.
 - ✓ Harmonizing all legislation related to work and residence permit of foreigners to reflect the modifications introduced by Presidential Decree 43/17.
 - ✓ Aligning work and residence permits for foreigners.
 - ✓ Harmonizing work visa and residence permits for foreigners and their spouses.
 - ✓ Extending the permits renewals possibilities.
 - ✓ Strengthening inspections of firms that request work permits for foreigners.
- Establishing a skills-transfer programme in priority sectors, such as agriculture and manufacturing. The Government could adopt programmes to foster the transfer of skills from qualified foreigners to local workers in priority sectors, such as work shadowing or training requirements.



E. ENVIRONMENT

Angola's general environmental framework is broadly in line with international practice, but implementation is weak. It is defined by Law 5/98 on Environment Framework, which provides for protection, preservation and conservation of the environment, promotion of quality of life as well as sustainable use of natural resources. Angola adopted and ratified several relevant international environmental conventions, including on biodiversity preservation and climate change. Regarding environmental impact assessments (EIAs), the current regulatory framework comprises the relevant principles and best practices, such as public consultation and participation, monitoring and licensing procedures. However, inadequate budget and insufficient staff, especially in the provinces, affect the capacity of the Ministry of Environment (MINAMB) to enforce the legislation. In addition, the absence of clear guidelines on the preparation of EIAs for different projects contributes to regulatory delays in the environmental permitting process.

EIAs are mandatory for certain projects, which may have an impact on the balance and wellbeing of the environment and society. Undertaking an EIA prior to environmental licensing is mandatory for projects in agriculture, fisheries, forestry, extractive industries, energy, manufacturing, infrastructure, waste management, cemeteries, storage, distribution and destruction of explosives, running and test tracks of motor vehicles (Decree 51/04 on EIAs, art. 4 and annex). The Decree defines the EIA procedure, including elements to be included in the environmental impact study (EIS), administrative procedures and monitoring process. However, neither the legislation nor the guidelines on the preparation of EIAs differentiate EIA requirements based on the type of activity or their environmental risk. The required study for the EIA is submitted by the investor to the sectoral ministry in charge of the activity concerned by the investment project. The sectoral ministry then forwards the application to MINAMB. Once the EIA request is submitted, MINAMB should issue a decision within 30 days. This is short given the requirement to conduct public consultations, but these are not always completed due to personnel constraints.³⁸ In practice, MINAMB reports that the procedure takes 90 days. The decisions of MINAMB are binding, but administrative appeals are accepted (art. 13). However, since the administrative appeal procedure is not detailed in the law, in practice investors are forced to restart the EIA procedure. All costs related to the EIS and EIA are borne by the investor, including public consultations, transport and daily costs of MINAMB inspectors (Decree 51/04 and Joint Executive Decree 130/09).

All projects also undergo environmental licensing, which is costly and time consuming. Environmental licensing is governed by Decree 59/04. Two licences are required for economic activities in the country: an environmental installation licence, which authorizes the setting out and change of works, in accordance with the specifications contained in the project plan, and an environmental operations licence, which enables companies to start operations (art. 1). Licences are valid for three years and their renewal requires an environmental inspection conducted by a certified consulting firm. Licensing fees range from 0.18 to 0.6 per cent of the total amount of the investment project (Joint Executive Decree 130/09). According to MINAMB, the licensing procedure also generally takes 90 days. For projects requiring mandatory EIA, the licensing procedure is only initiated after approval of the EIA. In this context, a total of 180 days is required to complete the EIA and obtain required licences. Excessive fees and lengthy procedures for environmental permitting are among the main concerns raised by investors (Government of Angola, 2019a).



The capacity of MINAMB to implement the regime is limited, which poses significant environmental risks. MINAMB indicated during the fact-finding mission that inadequate budget and insufficient staff, especially in the provinces, affect its capacity to fully implement its mandate. For example, due to personnel constraints, public consultations are not conducted for all projects, and only two random inspections were conducted so far. Budget constraints also affect the purchase of the required auditing equipment. Moreover, there is no information management system in place and coordination among ministries is deficient. For agriculture projects, MINAMB is cooperating with the Ministry of Agriculture and Forests (MINAGRIF), but both ministries face technical capacity issues, which affect their ability to inspect and monitor the extent of environmental damages resulting from agriculture projects and impose effective restorative measures. A recent study showed that several mega investment projects in agriculture contributed to deforestation, water contamination and soil impoverishment due to poor agriculture techniques (Tump and Cassinda, 2019). The study also highlighted that the majority of public consultations with rural communities did not follow the procedure established by the law.

Reforms are being implemented to streamline environmental licensing. As part of the Government's agenda to improve the business environment, a new legislation will replace the Law 5/98 on the Environmental Framework and streamline licensing procedures. During the fact-finding mission, MINAMB also reported plans to train provincial administration to allow them to licence some activities. The transfer of competence to the local authorities will be detailed in the upcoming regulation. The overall goal of the Government is to reduce the EIA procedure from 90 to 30 days and environmental licensing from 90 to 10 days. MINAMB and AIPEX also signed an agreement to establish a fast-track procedure for environmental licensing and EIAs for projects forwarded by AIPEX, known as "green channel" (*canal verde*). Additionally, incentives provided by investment by-laws can include simplified procedures for environmental licensing, although access criteria for these incentives is not clearly defined in the legislation. Imposing tight deadlines on such important regulatory functions or adopting indiscriminate fast-tracking mechanisms for environmental permitting risks reducing due diligence in environmental protection in the name of efficiency.

Recommendations

The Government is deploying efforts to streamline EIAs and environmental licensing procedures, which are currently burdensome due to the absence of clear guidelines on project differentiation and the limited resources available to the line ministry. It will be important to ensure that the planned reforms allow sufficient time and resources for MINAMB to perform its regulatory functions and implement its mandate. In light of this, the Government should consider to:

Short-term

- Adopt risk-based criteria for EIAs and the granting of environmental licences, by establishing different categories of EIAs based on the potential risk and impact of the activities on the environment.
- Adopt guidelines for the preparation of the different EIAs, so as to reduce the number of iterations and procedures and increase the efficiency of the regime.
- Create synergies between the EIA and licensing procedures.
- Define criteria for administrative appeal in case of the EIA rejection.



- Limit fast-track channels to low risk projects selected on the basis of predetermined criteria.
- Review target deadlines for approving EIAs to take into account the risk and complexity profile of the projects.
- Strengthen public consultations procedures in investment projects undergoing EIAs.

Medium-term

- Allocate sufficient staff to MINAMB to implement its mandate.
- Decentralise the services of MINAMB from Luanda to provinces and municipalities.
- Conduct risk-based ex-post inspections after licences are granted.
- Raise awareness of public institutions about the importance of EIAs and environmental licensing.



F. TAXATION

1. General regime

The tax regime is burdensome.³⁹ A corporate income tax (CIT) is levied on profits arising from commercial and industrial activities carried out in Angola by resident and non-resident companies with a permanent establishment in the country (Law 19/14 on CIT, art. 2 and 4). Worldwide profits of companies with headquarters and effective management and control in Angola are also taxable (art. 3). The general corporate income tax rate applied in the country is 30 per cent, which is close to the SADC average (table 1.3). However, the tax burden as measured by the “total tax and contribution rate” in Angola is high in comparison to other economies in sub-Saharan Africa, and affects the diversification prospects and development of sectors, such as food processing. Reduced fiscal sustainability associated with the oil crisis has delayed much needed reforms to improve tax competitiveness.

A multiplicity of sectoral CIT rates adds complexity to the regime. A reduced tax rate of 15 per cent is applicable to certain activities, such as agriculture, livestock breeding, aquaculture, forestry and fisheries (art. 64.2). Other rates are in place as part of the special tax regimes applying to the oil and gas industry and to the mining industry.⁴⁰ Capital gains on profits derived from the sale of fixed assets are also subject to CIT at the official rate.⁴¹ Deductions from CIT ranging from 4 to 33 per cent are applicable for expenses considered essential to the generation of income and the maintenance of a production unit. The CIT Law defines non-deductible expenses, which need to be added back to taxable income for CIT purposes.⁴² Tax losses may be carried forward for three years but carry-back of tax losses is not allowed (EY, 2018).

Interests, dividends, royalties and other income of similar nature are taxed separately through the investment income tax (IAC). IAC rates range between 5 and 15 per cent, depending on the type and nature of the income. The tax rate is 10 per cent for dividends and repatriation of profits, bond interest, interest from shareholder loans, capital gains and royalties. It is 5 per cent for interest and capital gains on bonds, securities or other financial instruments issued by any company, government bonds and central bank securities (when traded on a regulated market and with a maturity equal to or above three years). The same 5 per cent rate also applies to dividends and capital gains on shares when traded in a regulated market.⁴³ Some income is exempt from the IAC, including interest on deferred payments regarding commercial transactions, payment of dividends to Angolan CIT payers that hold a participation higher than 25 per cent for more than one year as well as certain interest accrued from financial products (upon approval by the Ministry of Finance).

A withholding tax of 6.5 per cent is applicable to all companies in Angola, with some sectoral exceptions. The tax is due on payments received for services rendered in the country by resident and non-resident entities. For Angolan taxpayers, this is regarded as an advance payment of the CIT due at the year-end (however, the tax credit is limited to a period of five years). For non-resident companies, this is a final tax. Some services, such as educational, health, transport, telecommunications and payments for raw materials are exempted.

A new value-added tax (VAT) will be introduced in 2019 and replace the existing consumption tax. The VAT will be introduced at a single rate of 14 per cent, which is slightly below the SADC average of 15.5 per cent. It will replace the consumption tax, which is levied on the production, import and sale



of goods and certain services, and currently ranges from 2 per cent on basic products to 30 per cent on luxury goods. The new VAT system, which is expected to enlarge the tax base, will be introduced in a phased manner, applying first to large taxpayers (starting in October 2019). MSMEs will be subject to a transitional regime until 2021, when the VAT will be compulsory to all taxpayers. Technical constraints related to the implementation of the new invoicing system may, however, alter or delay the VAT implementation schedules.

Table 1.3. Corporate tax burden indicators in Angola and selected comparators, 2019

Country	CIT rate	Total tax and contribution rate* (per cent of profit)	Number of payments (per year)	Time pay taxes (hours per year)
Angola	30	49.1	31	287
Congo, Republic of	30	54.3	50	60
Congo, Democratic Republic of	35	54.1	52	346
Ghana	25	32.4	31	224
Mozambique	32	36.1	37	200
Nigeria	30	34.8	48	347
South Africa	28	29.1	7	210
Zambia	35	15.6	11	164
SADC	28	43.8	31.4	201.5

Source: World Bank, 2018a and EY, 2018.

Note: * The total tax rate measures the amount of taxes and mandatory contributions payable by the business in the second year of operation, expressed as a share of commercial profits.

Payroll and social security contributions are subject to progressive rates. Individuals earning income from employment sourced in Angola are taxed monthly for their income at a progressive rate (from 0 to 17 per cent). The employment income tax is withheld at source by the employer. Social security contributions are due on the gross income of employees at rates of 3 per cent for the employee and 8 per cent for the employer. Social contributions can cover family, pension and unemployment protection allowances.

Group taxation is only possible for certain companies and transfer pricing rules have been recently adopted. A special regime for “major taxpayers” applies to firms that have registered annual profits higher than Kz7 billion (\$21.6 million), as identified by the Ministry of Finance. These companies can apply for the tax regime of group taxation. The option is also available for groups in which the parent company holds over 90 per cent of the share capital of other companies (controlled entities) and more than 50 per cent of the voting rights. Major taxpayers have additional reporting obligations, namely an audit of accounts to prepare special transfer pricing documentation. In order to ensure and control compliance, AGT established the Transfer Pricing Unit which integrates the Large Taxpayers Directorate (Order 678/17, on 25 September 2017). There are no rules on thin capitalization nor rules on controlled foreign companies. Angola approved the ratification of double taxation treaties with Portugal and the United Arab Emirates in August 2019. They are expected to enter into force in 2020. Angola also signed a tax treaty with Cabo Verde and one with China, and is negotiating one with Germany and one with Morocco.⁴⁴



Other taxes include custom duties, real estate tax, real estate property transfer tax, stamp duties and special contributions. Custom duties range from 2 to 70 per cent. Higher duties are levied on goods which are produced nationally. For instance, a 70 per cent rate applies for bottled water, 60 per cent for beer, alcoholic beverages and juices, and 50 per cent on fruits and vegetables. A real estate income tax (IPU) of 15 per cent is levied on real estate assets and is due both for rental income earned by individuals or companies owning real estate assets for commercial or residential purposes.⁴⁵ In addition, a real estate property transfer tax (*imposto de Sisa*) of 2 per cent on the acquisition value of the property is due. A stamp tax with rates ranging from 0.1 to 1 per cent is levied on the value of acts, agreements, documents, titles, operations and others. In addition, a Special Contribution applies to payments to non-residents under Foreign Technical Assistance and Management Contracts governed by the Presidential Decree 273/11. This regime adds a cost to the payment for technical assistance and management services to foreign entities by imposing a 10 per cent tax rate on the amount of the transfer due by the entity requesting the transfer of funds abroad. The regime applies to both private and public companies, except for oil-related activities. Some of the above taxes, such as the stamp duties, have a cumulative effect, which reduces the competitiveness of local producers vis-à-vis importers, and may be inconsistent with policy initiatives such as PRODESI, the programme, which aims at promoting import substitution.

2. Incentives

To counterbalance the burdensome general regime, fiscal incentives have proliferated, but rationalization reforms have started. A multiplicity of incentives schemes has been introduced over time through sectoral regulations, SEZs regulations and specific laws.⁴⁶ With the approval of the PIL 2018 and the setting up of a new SEZ regime, efforts have been made to centralize the authority to grant all incentives at the Ministry of Economy and Planning (MEP). Within MEP, AIPEX has become the competent body to grant fiscal incentives and to conduct the cost-benefit analysis of incentives covered by the PIL 2018. The SEZ administrator, reporting to MEP, is authorized to grant incentives to SEZ companies.

Under the PIL 2018, two fiscal incentives schemes are available. A “prior declaration regime” is applicable to all investment projects, which are not included in priority sectors of activity defined in art. 28 of the PIL 2018.⁴⁷ Benefits of the prior declaration regime involve reductions in CIT, stamp duty and capital gains tax. They are granted for two years maximum (table 1.4). A “special regime” is applicable for investment projects in the priority sectors listed in art. 28, which vary depending on the location of the investment project (i.e. Development Areas) provided by the Law (table 1.5).⁴⁸ If the investment project is implemented in several locations, the incentives will be granted based on the location with the largest operations (art. 12.4 of Presidential Decree 250/18). Renewal of incentives can be granted for reinvestment, after proof of completion of the initial investment project. The establishment of clearer, predetermined and objective indicators to award incentives under the PIL 2018 is an important departure from the former, more discretionary system.

Non-fiscal incentives are also available, but not clearly defined by the PIL. Financial and administrative incentives are also applicable under the special regime, but these should be negotiated with the Commission on the Negotiation of Investment Contracts of AIPEX and approved by the Board of Administration of AIPEX (art. 20 of the PIL 2018).⁴⁹ These incentives are timebound for periods ranging from two to eight years. Incentives are also applicable in the case of acquisitions of companies and shares. However, the procedure to access these incentives has not been made explicit in the law and requires further regulation.



Special legislation also provides fiscal incentives for MSMEs. Law 30/11 on MSMEs defines incentive mechanisms applicable to MSMEs, with a view to foster national enterprises, promote job creation, self-employment and formality, and reduce poverty. Among these incentives, a simplified fiscal regime is applicable. During the first two to five years of activity, micro-enterprises can benefit from a special CIT rate of 2 per cent on gross sales, and MSMEs can benefit from a CIT rate reduction between 10 to 50 per cent (EY, 2018). The MSME Law also provides for exemption of stamp duties (art. 28), consumption tax on raw materials and other inputs (art. 20.9) and differentiated taxes and charges on labour (art. 29 and see section D).

Table 1.4. Prior declaration regime benefits

Type of tax	Applicable reduction (per cent)	Duration
CIT	20	2 years
Stamp duty	50	
IAC	25	

Source: Article 38 of the PIL 2018

Table 1.5. Special regime benefits

Zone	Duration (years)	Applicable reduction per type of tax (per cent)				
		CIT	IAC	IPU	Sisa	Other benefits
A	2	20	25	N/A	50	N/A
B	4	60	60	50	75	50 per cent reduction of depreciation and amortisation for 4 years
C	8	80	80	75	85	
D	8	90	90	82.5	92.5	

Source: Article 39 of the PIL 2018

Multifacility economic zones offer some advantages to investors. Excessive bureaucracy, infrastructure and hurdles regarding access to land are major investment obstacles (see section C and chapter 2). Companies can have access to better infrastructure and simplified administrative procedures by establishing in SEZs, industrial development zones (IDZs) and rural industrial parks. Currently, there is one operational SEZ in Luanda and two operational IDZs, Viana and Catumbela. The SEZ in Luanda is particularly advantageous to investors, as it provides infrastructure (i.e. water, electricity, telecommunications, proximity to the airport) and some business facilitation (i.e. licensing and permitting, work visa services) in exchange for rental fees. It also includes a differentiated labour regime (see section D) and, in the future, will also include a specific fiscal regime.⁵⁰

Policy inconsistencies affect the incentives' effectiveness. Some of the challenges stem for the fact that the PIL definition of priority sectors does not coincide with the Classification of Economic Activities approved by Resolution 06/14.⁵¹ While the PIL provides for incentives for agriculture, food and agroindustry as a unified category, the CIT Law establishes differentiated incentives for agriculture and fisheries only. Thus, an investment project that qualifies for agroindustry incentives under the PIL, would not be able to benefit from the reduced CIT rate under the CIT law applicable to agriculture. This generates uncertainty for potential investors as well as administrative burdens for the taxation authorities in charge of monitoring companies operating in the agribusiness sector. In addition, the private sector reports that the starting



date for which the incentives' timeframe is calculated is the date of issuance of the CRIP, rather than the effective start of the taxable event, which would make better sense. They have also voiced the concern that geographically based incentives by themselves will not suffice to attract investment in less developed areas, due to lack of infrastructure needed to ensure market access. On the other hand, AGT informed that several companies operating in the SEZ are not aware of incentives-related legislation and that the lack of clarity about applicable incentive schemes generates confusion.

Reforms to improve the competitiveness of the tax regime are being considered. The tax reform agenda focuses on the following areas: VAT, customs, CIT and MSMEs. Concerning corporate income, the AGT's Centre on Tax Studies undertook a benchmarking study that will inform the reform and a draft law should be completed by the end of 2019. A revised CIT will likely unify the current CIT, IAC and IPU. New rates for VAT for medium enterprises and customs duties will also be announced in the course of 2019. Taxes on property are also in the reform pipeline for 2022. The goal is to unify the real estate property transfer tax, IPU and donation taxes, establishing a single tax on property. With regards to MSMEs, AGT is conducting studies with the goal to introduce a simplified single tax for small business by 2020, which will facilitate tax payments and formalise companies in the informal sector.

3. Paying taxes

Efforts to simplify tax payments and reduce fraud are under way. According to the Doing Business 2019, an average manufacturing enterprise makes 31 payments and spends 287 hours paying taxes per year in Angola, the bulk of which is spent on dealing with three taxes: CIT, consumption tax and social contributions (World Bank, 2018a). This places Angola above the average for sub-Saharan Africa. To address this challenge, AGT introduced eGovernment systems to ease the time and number of filings required to pay taxes (table 1.3). In 2017, AGT implemented the Integrated System for Tax Management, with the aim to improve control and planning of revenues and reduce fraud and tax evasion. Accordingly, tax payments can be done in banks, through online payments and automatic teller machines. Regulations on electronic invoicing and accounting data were also approved in 2019 to operationalize the VAT collection. By 2020, AGT expects to complete the implementation of the Integrated System for Tax Administration, which will automatize all administrative procedures to further streamline tax procedures. Nevertheless, low access to electricity and internet services limit the impact of automatization efforts (WEF, 2018).

4. Recommendations

Despite significant efforts to simplify tax payments and rationalize fiscal incentives, the tax regime remains burdensome for the investors and the tax administration. In order to compensate for the lack of competitiveness of the general income tax regime, several parallel regimes and incentives schemes have been introduced over time. The announced reforms go in the right direction of consolidating the number of parallel regimes, rationalizing incentives and improving overall tax competitiveness. In this context, the IPR recommends a series of additional measures to be implemented in the short and medium term for the Government to consider:

Short-term

- Proceed with ongoing reforms to streamline corporate taxation. The focus should be on rationalizing the number of taxes, rates and payments.



- Review the efficiency of the existing incentives schemes, including through a cost/benefit analysis. As a rule, incentives should be granted based on predetermined, objective, clear and transparent criteria. They should be offered on a non-discriminatory basis to projects fulfilling them. Investment incentives, in any form (fiscal, financial, customs), should be carefully assessed in terms of long-term costs and benefits, giving due consideration to potential distortion effects, for instance by having a phase-out period built in the incentive structure. They should also be aligned to the strategies to develop specific sectors, as for instance those highlighted by the PDN and PRODESI. Protocols should also be established for institutional coordination required to conduct *ex-ante* and *ex-post* cost/benefit analysis of incentives among all ministries and agencies involved.
- Implement further reforms to promote the use of e-declaration and e-payments. These efforts should ensure the universal reach of these services to areas suffering the most of infrastructure bottlenecks (i.e. electricity and access to internet).

Medium-term

- Develop indicators to incorporate sustainable development considerations (i.e. social and environmental performance) in the assessment of incentives schemes, including in SEZs (see also chapter 2).
- Amend investment by-laws to avoid conflict of interests for AIPEX as both IPA and incentives' administrator (see section A and chapter 2). In practice, this would mean that all decisions regarding incentives are taken by an entity or ministry that does not have conflicting objectives or performance targets for investment attraction.
- Work with the AGT to improve training of accountants, especially on the VAT and new tax regulations after they are finalised.
- Reconsider the purpose and nature of SEZs. In order to promote regional development, operationalising multi facility zones by improving infrastructure and investment facilitation in priority regions (i.e. zones B, C and D), could have a greater impact on investment attraction in these areas than generous fiscal incentives.

G. COMPETITION REGIME

The competition regime is a key bottleneck for private sector development in Angola. The market is highly concentrated across several sectors, and characterized by the dominant position of several SOEs, large conglomerates and anticompetitive business practices (Bertelsmann Stiftung, 2018). The Institute for State Asset and Holdings Management (IGAPE) listed some 270 companies owned or partially controlled by the Government in sectors such as agriculture, aviation, banking, catering, health, hospitality, insurance, logistics, manufacturing, mining, oil and gas and real estate (Government of Angola, 2017b). Investors perceive that several SOEs have unfair advantages in accessing credit and contracts, which leads to *de facto* barriers to the entry of domestic and foreign investors on the market and the establishment of a vibrant business sector. Angola ranks 139 out of 140 in the extent of market dominance index, and it is last (140) in the effectiveness of anti-monopoly policy index (WEF, 2018).

Efforts are being deployed to address the situation. In 2018, the Commission on Privatization was created to lead the restructuring and privatization of several SOEs, including companies in telecommunications, oil, mining, agriculture, banking and insurance sectors.⁵² The Ministry of Finance will oversee the privatization programme, which will be conducted by IGAPE. The regulatory authorities for mining, petroleum products and oil and gas were created with the aim to tackle conflicts of interest arising from the regulatory power of SOEs and avoid market distortions. Recent regulations on the commercialisation of diamonds⁵³ and the revision of fossil fuels contracts provided more transparency in the sector.⁵⁴ This led to the elimination of monopolies in rough diamond and supply of diesel, gasoline and liquefied petroleum gas. Measures were also adopted to eliminate *de facto* monopolies of cement, media, import certification and telecommunications (United States Department of State, 2018).

A new legal framework to promote competition was recently established. The Competition Law, Law 5/18, approved in May 2018, regulates business practices (for legal and *de facto* companies), cooperatives and SOEs. The implementing regulation of the Competition Law, Presidential Decree 240/18, was issued in October 2018, and the Competition Regulatory Authority (ARC) was created in December 2018 by Presidential Decree 313/18. The ARC succeeds the Institute of Pricing and Competition. It has administrative, financial, patrimonial and regulatory autonomy, with broad regulatory, oversight and sanctioning powers. These include proposing laws, issuing regulation, initiating procedures, conducting investigations, carrying out inspections, monitoring prices, imposing penalties, adopting interim safeguard measures, and issuing decisions regarding competition procedures. The competition legal framework became enforceable in February 2019, after the appointment of the Board of the ARC by the Ministry of Finance. The effectiveness of the ARC will depend on the quality and capacity of its staff. In this regard, there is a need to support the Authority through capacity-building for the implementation of its mandate.

In line with international good practice, the Competition Law forbids acts which restrict competition and create market concentration affecting fair competition. Prohibitions include abuse of dominant position and economic dependence, competition-restricting agreements (both horizontal and vertical), decisions of associations of undertakings and concerted practices targeted at restricting competition. Regarding control of companies' concentration, the Law introduced measures to assess acts that have an influence on the market. These include mergers, acquisition of share capital, property rights and acquisition of rights or contracts which confer a decisive influence on the composition, voting or decisions of the organs of a company's statutory board. These acts are subject to prior approval of the ARC in case the thresholds for notification are met.⁵⁵ Failure to comply with prior notification will result in penalties ranging from one to



five per cent of the annual turnover of the infringing companies. Sanctions in case of non-compliance with the competition rules vary from one to 10 per cent of the annual turnover of concerned companies.

The Competition Regulation clarified some administrative proceedings, but improvements could be introduced. Presidential Decree 240/18 clarified the concepts of dominant position and the criteria to define market share and volume of operations. In case of significant barriers to market entry, the regulation recognizes a dominant position even if the company's market share is less than 50 per cent. Regarding market concentration, it detailed the operations subject to mandatory prior notification to the ARC, and the operations which are not subject to merger control. Furthermore, the regulation also clarified some administrative procedures such as deadlines for administrative consideration, which were not mentioned in the Competition Law. Nevertheless, it did not provide the required details regarding administrative appeals procedures.

Recommendations

High levels of market concentration and distortions hinder the development of a vibrant private sector in Angola. The competition regime is essential to avoid abuse of monopoly positions and other anti-competitive business practices. Furthermore, a framework aligned to international good practices will potentially develop efficient markets, reduce inequalities and increase the benefits from FDI in the country. The Government has started reforms to enable more competition, and a modern competition regime has recently been enacted. Beyond providing further clarity and certainty to the enforcement of competition rules, as well as ensuring more transparency in administrative procedures, it is recommended that the Government:

Short-term

- Amends the competition regulation to establish clear administrative procedures and deadlines.
- Fosters coordination between the ARC and the Privatization Commission to avoid replacement of State monopolies by private ones, and to ensure unbundling of SOEs and access to essential facilities so as to promote competition.
- Move forward with the planned restructuring and privatization of SOEs, and promote a level playing field with the private sector.

Medium-term

- Concludes memoranda of understanding between ARC, sectoral ministries and regulatory authorities.
- Builds capacity of the ARC and sectoral authorities' staff to ensure that they have the skills and tools required to implement the Competition Law.
- Pursues efforts to enable competition in sectors under concession contracts, such as telecommunications.

Longer-term

- Engages further in international and regional cooperation initiatives on competition, such as the Lusophone Competition Network of the Community of Portuguese Speaking Countries (CPLP).

Using its Model Competition Law and Handbook on competition legislation, UNCTAD has acquired extensive experience in providing assistance and capacity-building on competition policies in several countries. It stands ready to further support the efforts of the Government of Angola in this area.



H. GOVERNANCE

Investors are concerned by governance challenges in Angola. Feedback from investors, during the fact-finding mission, indicates that the most common corruption practices relate to government services (licensing), conflicts of interest, nepotism, clientelism, which are compounded by barriers to access markets, such as *de facto* monopolies and excessive State intervention (see section G). These practices add risk and cost of doing business in the country. Angola ranks 138 out of 140 in the incidence of corruption indicator of the WEF Global Competitiveness Index (WEF, 2018). The challenges related to governance are also reflected in the Transparency International Corruption Perception Index. In spite of a four-point improvement since 2015, Angola is still among the 20 weakest global performers and the last in the SADC region (with a score of 19 where 100 is perceived as the least corrupt).

The fight against corruption is one of the main priorities of the new Government. Actions adopted by the administration include the dismissal and arrest of high-ranking officials and SOEs executives, announcement of upcoming restructuring and privatization of SOEs, rescission of public contracts, cancellation of concessions and the enactment of competition rules (see section G). Investigations about irregularities in the management of Angola's Sovereign Wealth Fund resulted in the recovery of \$3.3 billion.⁵⁶ At the end of 2018, the Government announced the Strategic Plan to Prevent and Combat Corruption. The plan includes the adoption of a stricter legislation and more stringent processes, completed by social and ethical programmes and training of officials.⁵⁷ Angola has also adhered to international anti-corruption guidelines, including SADC Protocol Against Corruption, the African Union Convention on Preventing and Combating Corruption and the UN Convention against Corruption. Finally, the Government announced new efforts to strengthen the anti-money laundering (AML) framework through capacity-building of officials in the fight against corruption and economic crimes, and the creation of a specialized anti-corruption agency under the Ministry of Interior (Government of Angola, 2018a; IMF, 2018b). As a result, in 2019, the country was removed from the Financial Action Task Force's list of countries with strategic AML deficiencies of the International Monetary Fund (IMF).

Important policy initiatives also exist to improve commercial justice... The 2018–2022 PDN foresees the creation of specialized intellectual property and commercial justice institutions to improve the resolution of commercial disputes (Government of Angola, 2018a). The Government also aims at improving contract enforcement by strengthening the use of ADR. As part of these efforts, Angola became the 157th Contracting State to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (entered into force in June 2017). Reforms also include the revision of the Arbitration Law (Law 16/03), which will be aligned to international best practices, using the example of Mauritius as a benchmark.

...and a Roadmap for State reform was recently launched. The Roadmap, adopted through Presidential Decree 105/19, aims to improve the efficiency of the public administration through seven major plans of reform: i) public administration; ii) justice and rule of law; iii) land management and planning; iv) national security and defence; v) business environment, competition and market reform; vi) public finance and fiscal regime; and vii) global position and country image. These reforms are discussed by technical inter-ministerial committees, coordinated by relevant sectoral ministries. During the UNCTAD interviews, ministries indicated that the cost/benefit analysis of these reforms was not yet complete. They shared concerns about their ability to effectively carry them out as several of them do not have the financial means nor the human resource capacity to implement for instance the required infrastructure and proceed with the automatization of public services.



Weak institutions and a strong presence of the State hinder efficient policy implementation and predictability. A heavy presence of the State in economic activity, high levels of public debt, limited financial resources and insufficient skills of public officials affect governance in Angola. Low auditing and reporting standards, the centralization of services in Luanda and political interference are additional sources of concern.⁵⁸ Private sector and civil society reported a lack of consultation on the part of the Government prior to reforming the regulatory framework, which is often done by decree. Another issue is the lack of information management systems. For instance, there is no official consolidated database of laws and regulations, and multiple enactment of laws and decrees create uncertainty about the regulatory regime. Finally, monitoring and evaluation mechanisms are weak, which increases opportunities for corruption, thus undermining effective policy implementation.⁵⁹

The judiciary is weak and contract enforcement ineffective. Angola's judicial system is perceived as unreliable, and this affects commercial justice (Bertelsmann Stiftung, 2018). Angola ranks 186 out of 190 countries in the enforcing contracts indicator of the Doing Business 2019 (World Bank, 2018a). ADR mechanisms were recently introduced. The Centre for Extrajudicial Resolution of Conflicts (CREL), under the MJDH, is the public institution authorized to provide ADR services at the State level. In 2018, the CREL received 641 requests for mediation, involving 1,195 nationals and 40 foreigners. Nearly 40 per cent of the disputes concerned commercial contracts. CREL estimates that it takes an average of two months to reach an agreement under ADR mechanisms, whereas it takes some 1,296 days on average to enforce contracts through the courts system (World Bank, 2018a). However, the CREL is understaffed and lacks financial resources to expand services beyond Luanda.

Recommendations

Governance issues are among the main disincentives to investment in Angola. Improved governance would create a better playing field for business, and therefore support the development of a more vibrant private sector. The Government has shown political willingness to fight corruption and improve governance in the country. To move forward with the planned reforms, the Government could thus consider the following measures:

- Prioritize planned governance reforms to ensure that the most urgent ones are allocated sufficient resources for effective implementation.
- Make laws and regulations, as well as their planned and forthcoming amendments freely accessible to the public. This would provide more certainty regarding the applicable regulatory framework. The system used in Brazil (*Portal da Legislação* or Legislation Portal) could serve as a model.
- Create a public-private dialogue mechanism to involve the private sector and civil society in the policymaking process and in the implementation phase, notably through raising awareness.
- Implement information management systems for the public administration.
- Promote arbitration, mediation and conciliation, through strengthening the capacity of CREL and raising awareness about ADR mechanisms. This could contribute to reducing the backlog of judicial cases and strengthen contract enforcement.
- Join international transparency initiatives such as the Extractive Industries Transparency Initiative to further improve transparency of Government's contracts, licences and revenue allocation in the extractive sector.





Chapter

2

Promoting sustainable investment in agribusiness





The Government of Angola is implementing reforms to promote economic diversification and reduce the country's dependency on the extractive sector. Attracting FDI to productive sectors, such as agriculture and food processing, is a key objective of several government programmes, such as the PDN and PRODESI. Subsistence farming produces most of the agriculture outputs, but the expansion of the agriculture sector is hindered by limited access to finance, seeds and fertilizers, as well as a lack of skills and the use of obsolete technologies (Government of Angola, 2018a). Agriculture productivity is further affected by weak infrastructures, low connectivity, inefficient input markets, a lack of market information and the absence of food processing facilities (World Bank, 2018b). Therefore, despite its potential for agribusiness, the country remains a net importer of food (see context). Shifting from subsistence to commercial farming is essential to increase productivity, address food security and promote economic diversification. This chapter highlights the main opportunities for FDI in agribusiness and, building on the Principles for Responsible Agriculture Investment (PRAI) and UNCTAD's experience on investment policy, investment promotion, enterprise development and business facilitation, it proposes an approach to attract investment in agriculture and mitigate associated risks.

A. OPPORTUNITIES, CHALLENGES AND GOVERNMENT OBJECTIVES FOR INVESTMENT IN AGRIBUSINESS

Conditions for agriculture in Angola are exceptionally favourable ... Abundant arable land, ample water resources, long coastal area, different landforms, variety of microclimates and types of soil could help address food security challenges and make the country a key producer of agrifood products (ACOM, 2018). It is estimated that 58 million hectares of land are available for agriculture development, including 35 million hectares of arable land, out of which only about 16 per cent are used, mainly for subsistence farming (Government of Angola, 2019b). The country, therefore, has a solid basis for agriculture production, livestock farming and fisheries. Indeed, prior to independence, Angola was a major world producer of several products, including cassava, coffee, cotton, livestock, maize and fish (World Bank, 2018b).

... in a context of increasing local and foreign demand for agrifood products. Angola is the third largest economy in sub-Saharan Africa (see context) and local food consumption is rapidly expanding. In recent years, all consumer goods categories, including packaged food and beverages, have recorded significant growth. Driven mainly by rising income and urbanization, demand for food products and non-alcoholic beverages is expected to reach \$21 billion by 2021, up from \$15 billion in 2017. This opens new opportunities for production, transformation and distribution of agrifood products (World Bank, 2019). Furthermore, Angola's adherence to regional free trade agreements, such as the ACFTA and SADC, can provide access to a market of over 1.2 billion consumers, where demand for agrifood products is also on the rise.

The State is an important player in the agriculture sector. The Government of Angola has undertaken large investments to expand agriculture production and processing. These investments have taken the form of development of infrastructures, such as the Caxito Irrigated Perimeter in Bengo, and rural industrial parks, such as the Agroindustrial Pole of Capanda in Malanje. These areas and parks are generally managed by SOEs under the supervision of MINAGRIF or MEP. Private investors, domestic and foreign, can access these parks through concession contracts granted by the relevant ministry or managing SOEs. The Government has also invested in large farms through the Angolan Sovereign Wealth Fund. In these cases, farming activities are conducted by SOEs or private companies under management contracts, which are granted through public procurement. In these farms, the activities focus mainly on the production of cereals, such as maize, rice and soy for the domestic market (World Bank, 2019). However, a lack of sustained funding for projects as well as the recognition of the need to build additional capacity for agriculture production and transformation have led the Government to announce in 2018 the privatization of SOEs in the sector. This opens opportunities for domestic and foreign investors.

International investors are present in specific segments... Though FDI data limitations preclude precise assessments of the involvement of foreigners in agribusiness (see the context), desk research and interviews with stakeholders during the UNCTAD fact-finding mission point towards mounting interest by foreign investors in selected sectors (annex 5). Already, investors from Argentina, Brazil, Israel, Portugal and South Africa are investing in agriculture production. The most important commercial crops include coffee, tropical fruits, horticulture, maize, soy and sugarcane. They have also invested in livestock farming, poultry

and dairy production. Other investors, in particular from France, Italy, Switzerland and the United Kingdom, are operating in beverages and food processing activities. Driven by changes in consumer profile due to increasing urbanization, the Angolan retail market is also attracting foreign players. While the activities of multinational enterprises in agriculture production and processing target primarily the domestic market, exports of banana, beverages, coffee and ethanol have also started recently.

...often in association with local players from the private and public sectors. These partnerships and joint ventures have facilitated the entry of FDI to the Angolan market, including by providing access to relatively large plots of land (annex 5). During UNCTAD's fact-finding mission, several stakeholders reported that, in several cases, the land allocated for large agriculture projects remains underutilized or has been used for other purposes. This raises concerns about land grabbing for speculative purposes. Also, evidence shows that the allocation of the land did not comply with established procedures (Tump and Cassinda, 2019), which has created tensions with local communities and slowed down project implementation. On the other hand, foreign investors have contributed to building the capacity of local farmers through skills-transfer and training programmes (box 2.5).

Despite the sector's potential, most of it remains underutilized... During the war period, violence against civilians forced farmers to reduce their activities, and many families fled to the cities. This and the high use of landmines halted the development of agriculture. Since peace was restored in 2002, rural communities have gradually resettled. At present, employment in agriculture represents about 44 per cent of the Angolan workforce. However, only about 5.7 million hectares are being cultivated and about 70 per cent of the employment in the sector is concentrated in few provinces (i.e. Kwanza Sul, Huíla, Benguela, Huambo, Bié, Uíge and Malanje). The total contribution of agriculture, forestry and fisheries to GDP accounts for about 10 per cent of total GDP.⁶⁰

...and several challenges hamper further expansion. Infrastructure is a major constraint, with only 0.2 per cent of cultivated land area being irrigated. Energy, roads, railways and distribution networks are also in poor conditions. Access to skills is a challenge, as overall capacities in the sector remain limited and training needs are dire. Additional constraints include limited access to finance, insecure land tenure and insufficient support services, such as for agriculture extension and entrepreneurship (World Bank, 2019). In this context, production costs are higher than in neighbouring SADC countries, and subsistence farming represents the bulk of production (ACOM, 2018; Government of Angola, 2018d). These challenges have led some retail and food processing investors to seek downstream vertical integration in some value chains (annex 5).

Tapping the agriculture potential is a cornerstone of Angola's development strategy. For the period 2018–2022, the Government forecasts key increases in average production of cereals, fruits, vegetables and oilseeds, with agriculture production geared towards satisfying the needs of the population. Overall, the average annual growth for the sector is expected to reach 8.9 per cent between 2018 and 2022 (Government of Angola, 2018a). The PDN emphasizes the role of agribusiness as a pillar for the strategy of economic diversification, whose ultimate goal is to expand the contribution of non-oil activities to 77.9 per cent of GDP by 2022. Regional integration organizations, of which Angola is a party such as SADC, have also recently updated their priorities to emphasize the need of promoting higher value-added economic activities and private sector development in regional integration processes to foster industrialization (SADC, 2017). This would enable Angola to also tap on the export market to reach its ambitious development goals.



The PDN 2018–2022 includes specific programmes to foster agriculture production with ambitious targets... The programmes seek to boost productivity by promoting the sustainable transformation of subsistence agriculture towards market-oriented production. The programmes have the following goals: 1) increase the production of basic food for consumption in subsistence and commercial farms; 2) increase the production and yield of industrial crops and livestock production; 3) improve the monitoring and eradication of animal diseases and zoonoses; 4) improve the availability of and access to inputs as well as the capacity of rural extension and development services to support agriculture production of family farmers (Government of Angola, 2018a). Some of the programme’s quantitative targets are listed in table 2.1.

Table 2.1. Programmes to foster agriculture productivity in Angola: Targets for 2018–2022

Production targets	Percentage increase
Cereals (maize, millet, sorghum and rice)	105
Legumes and oilseeds (beans, peanuts and soybeans)	116
Fruits (citrus, pineapple, banana, mango and avocado)	53
Coffee	31
Sugar cane	101
Meat	53
Dairy	201
Eggs	164
Honey	436

Source: Government of Angola, 2018a.

...and a series of priority policy actions. Planned actions include the provision of inputs, such as fertilizers and seeds, the promotion of agriculture technologies, such as soil correction and the use of machinery, the expansion of agriculture extension services, investment in agriculture research and development (R&D) and innovation, the implementation of agriculture statistics systems, the creation of a land bank for investment, the improvement of transportation and distribution networks and the establishment of skills-transfer programmes (Government of Angola, 2018a). Additional measures to foster domestic agrifood production take the form of tariffs applied on food and beverages competing with local products which are relatively high, ranging between 50 and 60 per cent. Other import substitution measures, adopted through Presidential Decree 23/19, restrict the imports of agriculture and food products which are available locally. From 2022, a quota system will be introduced to further limit the import of certain products.⁶¹ Box 2.1 provides additional information about ongoing programmes and initiatives.

The IPR proposes an approach to attract and benefit from FDI in agribusiness. Attracting and benefitting from FDI has been highlighted as a priority in national and regional initiatives. The PDN 2018–2022 estimates that, in addition to significant public investment, private investment of \$22.8 billion will be required to diversify the Angolan economy and increase exports. These needs are expected to be met through FDI, public private partnerships (PPPs) as well as microcredit schemes financed by development partners. Whereas Government policies point to many benefits that could result from FDI and other non-equity modes to bolster agriculture development, the impact in terms of sustainable development can vary depending on the model chosen and accompanying measures put in place. The analysis presented in this IPR could lead to more comprehensive and coherent policy guidance to attract investors as well as to device mechanisms to monitor the impact of investments.



Box 2.1. Selected initiatives for the development of agriculture in Angola

Capacity Development for Agricultural Innovation Systems (CDAIS). The Government partnered with the Food and Agriculture Organization (FAO) and the EU to promote innovation in agriculture. The programme's goals are to improve capacity for joint innovation, strengthen the country's capacity at policy and organizational/institutional level as well as its ability to develop partnerships, through an iterative process with the different stakeholders concerned. The project involves three CDAIS innovation niche partnerships: innovative rice production, seeds cooperatives and entrepreneurship. Financing is provided by the Angolan Development Bank as well as international partners, such as the EU.

Cabinda Province Agriculture Value Chains Development Project. The African Development Bank (AfDB) is supporting the development of agriculture value chains in Cabinda through development and improvement of rural infrastructure, such as irrigation systems, rural energy, roads, distribution centres, schools and community health centres. The project will also develop technical and managerial skills of value chain actors, support adaptive research, improve agriculture extension services, and introduce mechanization for land preparation. A credit facility, managed by World Vision International, will facilitate access to productive resources, such as seeds, fertilizers and crop protection chemicals. The project will be implemented by MINAGRIF between 2018 and 2022, at a total cost of \$123.15 million.

Smallholder Agriculture Development and Commercialization Project (SADCP). The Government has partnered with the International Fund for Agricultural Development (IFAD) and the World Bank to implement a project to increase institutional capacity, upgrade smallholder agriculture production and improve market linkages for rural development. The project will tackle critical bottlenecks in the agriculture supply and value chains, including extension, irrigation, productivity enhancement, conservation agriculture and climate change adaptation, post-harvest management and value addition. SADCP will be implemented in five provinces and reach a minimum of 235,000 farm families with women representing at least 50 per cent and youth 30 per cent of the participants.

Programme to foster small agroindustry (PROFIR). With a total investment of \$61.8 million, PROFIR aims at fostering integration between agriculture and food processing activities. Specific targets included the creation of 117 small industries until 2017 and rehabilitation of 139 small industries. To date, the programme has led to the creation of 15 small industries in three rural industrial parks, namely in Benguela (Canjala), Malanje (Cacuso) and Zaire (Tomboco).

Other initiatives include the development of infrastructure and improved access to finance for agriculture projects. Regarding infrastructure, dams were built to better manage floods and drought, including through partnerships with foreign governments (e.g. Brazil and China). Moreover, rural industrial parks were created in areas with abundant water and energy potential to support the development of regional value chains in agriculture, such as the Agroindustrial Pole of Capanda. As for access to finance for smallholder farmers, a new poverty reduction programme, known as the Integrated Programme for Local Development and Poverty Alleviation, also contemplates measures to improve access to finance for local rural communities (Decree 140/18).

Source: IFAD ifad.org/web/operations/project/id/2000001142/country/angola (accessed 10 July 2018); CDAIS cdais.net/home/pilots-countries/angola/ (accessed 10 May 2019); AfDB, 2017; and sodepacangola.com/ (accessed 10 July 2018).



B. A DYNAMIC APPROACH TO PROMOTE RESPONSIBLE INVESTMENT IN AGRIBUSINESS

Experience from other countries shows that FDI in agribusiness can contribute to achieving food security and economic diversification. FDI and non-equity modes of international production can help fill economic gaps in the agriculture sector and increase productivity. According to recent studies, FDI can contribute to improve agriculture yields, increase export earnings and value addition, diversify crops, as well as transfer agriculture technologies and skills. Through contract farming and out-grower schemes, local producers who interact with foreign investors may improve knowledge and management techniques (UNCTAD, 2009 and 2011a). In some cases, foreign investors have contributed to the adoption of certification and higher standards of production (FAO, 2013 and 2014). Analyses have also shown, however, that the impact of FDI in a sector as sensitive to development as agriculture is largely dependent on the model of agriculture promoted and the regulatory, institutional and economic framework of host countries (FAO, 2013; UNCTAD, 2009). The following sections are devoted to exploring strategies to attract FDI in agribusiness, through policies that support the efforts of the Government to diversify the Angolan economy, promote poverty reduction and food security.

Selecting the right mode of engagement with foreign investors in agrifood industries will be key to the success of Angola's economic diversification strategy. In light of experiences of other developing countries and considering some characteristics of the Angolan rural sector – including the prevalence of smallholder farms with low productivity and quality of produce, poor connectivity, lack of certification schemes, low levels of skills and limited marketing capacities – the Government need to prioritize investments that could fill in gaps and create synergies with the country's rural fabric. Although the Government of Angola has rightly assessed that attracting foreign investment in agro-industrial complexes should be a pillar of its development strategy, an approach that does not prioritize investments likely to produce sustainable outcomes may fail in the long run. Indeed, local large-scale farming has so far performed poorly in terms of job creation and social impact. Stakeholders consulted during the fact-finding mission consider that large plots have been granted to well-connected businesses and individuals, who often left the lands idle or used them inefficiently, thus failing to spur commercial activity and development outcomes.

Inclusive agriculture investments can maximize benefits and spill-over effects of FDI, while avoiding detrimental impacts. Looking forward, investment promotion should aim at projects that can best contribute to achieving food security and transferring knowledge and skills, while minimizing externalities associated with population displacements, so that they best help achieve SDGs. The Government may wish to incorporate lessons learned from business models that were successfully adopted elsewhere and produced significant results in the promotion of inclusive agriculture. Such type of investments can adopt various modalities, for instance, contract farming, out-grower schemes or joint ventures with local communities. Often, these interactions involve leasing or concessions rather than purchases of land parcels, and in some cases (e.g. joint ventures) they can incorporate innovative ways for sharing both risks and rewards between foreign investors and domestic stakeholders (UNCTAD, 2009 and 2011a). The choice of the most suitable model depends on the availability of local resources, skills and aspects of the policy and institutional frameworks in place.

The approach presented in this IPR draws on the PRAI... Development partners, including IFAD, FAO, UNCTAD and the World Bank, have developed a set of principles for responsible agricultural investments that respect rights, livelihoods and resources. They could orient government authorities in developing countries on appropriate policy options (box 2.2). Since the launching of PRAI, field work in selected countries has been done to assess the impact of various agriculture investments in different countries (World Bank and UNCTAD, 2018). In addition, guidance on investment policy at the national and international level has been developed to inform the broader policy direction on such areas as building public infrastructure, upgrading skills and monitoring the impact of investment projects (UNCTAD, 2015a).

Box 2.2. Principles for responsible international investment in agriculture

In response to a request made at the G-20 in 2010, UNCTAD, FAO, IFAD and the World Bank have jointly developed a set of principles for responsible agricultural investment that respect rights, livelihoods and resources. The seven principles cover all types of investment in agriculture and are based on a detailed study of the nature, extent and impact of private sector investment and best practices in law and policy. They are intended to disseminate lessons learned and provide a framework for national regulations, IIAs, global corporate social responsibility initiatives and individual contracts with investors. The Principles set that:

- 1) Existing rights to land and associated natural resources are recognized and respected.
- 2) Investments do not jeopardize food security but rather strengthen it.
- 3) Processes relating to investment in agriculture are transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal and regulatory environment.
- 4) All those materially affected are consulted, and agreements from consultations are recorded and enforced.
- 5) Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically, and result in durable shared value.
- 6) Investments generate desirable social and distributional impacts and do not increase vulnerability.
- 7) Environmental impacts of a project are quantified and measures are taken to encourage sustainable resource use, while minimizing the risk/magnitude of negative impacts and mitigating them.

Source: Adapted from World Bank, UNCTAD, FAO and IFAD, 2011.

... promotes policy coherence... While in the Government strategies and programmes aim at increasing agrifood production for domestic consumption, some of the policy statements also target the export market. While the two objectives can go hand in hand, it will be important to ensure that the Government policies are consistent with a dual objective. For instance, while some import substitution measures can help enhance the development of a local industry, they may, at the same time, negatively impact the competitiveness of local producers and thus reduce their ability to tap on the external markets for their products. The approach proposed in this IPR could complement these strategies by encouraging consistent and coherent actions.

...and encourages multi-stakeholder coordination. The involvement of a wide range of stakeholders at the national, regional, sub regional and international level is essential to foster the sector's development in an inclusive and sustainable manner. Coordination among AIPEX, MINAGRIF, MINCO, local governments, non-governmental organizations, smallholder farmers and investors could leverage government policies



and investment projects, and thus contribute to enhanced impact. Fostering public-private consultations could better respond to local needs, while tapping profitable business opportunities. Some efforts have been made to improve ministerial coordination, but feedback gathered during the fact-finding mission suggests that the involvement of relevant ministries (i.e. MINAGRIF and Ministry of Industry) in investment promotion efforts targeting agribusiness remains limited. Engagement with the private sector was also reported as insufficient, despite recent efforts from AIPEX to improve dialogue with investors.

It is also customized to Angola's development needs and objectives. The approach consists of four elements that should help remove constraints to develop the agribusiness sector. Each of the strategic elements addresses specific aspects of investment policy, as follows: 1) clarifying land rights and promoting inclusive approaches; 2) improving public infrastructure in the agriculture sector; 3) setting up enterprise development and linkages policies; and 4) enhancing human capital development in the rural sector. The approach is completed by strategies to better promote and monitor investment in agribusiness.

1. Clarifying land rights and promoting inclusive approaches

The poor coordination of multiple institutions granting access to land, combined with an outdated cadastre make land tenure insecure. Chapter 1 (see section C) describes the current legal and institutional setup for access to land, including the different types of rights to land available to various types of legal persons. In the case of agricultural land, concessions can be granted by multiple institutions, such as provincial governments, MINAGRIF and managing companies of SEZs, under the supervision of MEP.⁶² Land for industrial purposes, such as food processing, is granted by the Ministry of Industry and managing companies of SEZs, IDZs and rural industrial parks.⁶³ AIPEX is also involved in the process through its role in the granting of the CRIP. As a rule, all land concessions should be coordinated with IGCA (see chapter 1). However, coordination between these institutions is not always smooth, and the requirement to inform and coordinate with IGCA is often ignored. This is further complicated by the outdated cadastre system, which is still based on records from before independence, and does not specify the geographical coordinates of the plots. This situation is compounded by the limited technical and financial capacity of the local administrations, which makes land tenure insecure and increases the potential for overlapping concessions on the same land plots.

In addition, awareness about customary land rights is limited. Although the Land Law (Law 9/04) and the Law of Spatial Planning (Law 3/04) grant citizens certain rights to information and participation in the access and management of land, these rights are not exercised in practice. Estimates by FAO signal that very few rural dwellers have access to recognized customary rights (i.e. less than 100 communities), which could allow them to engage in concession contracts and protect them against arbitrary displacements by private investors or the State. Indeed, most farmers do not have any legal title and make tacit use of the land. There is also a gender dimension, as high illiteracy rates among rural women, estimated at 75 per cent, increases their vulnerability by limiting access to information about their land rights (FAO, 2014).

Conflicts over land use rights are common and made worse by "land-grabbing". Conflicts among landholders, State and communal authorities have proliferated over time. These include: a) land disputes over the delimitation of communal lands, b) land disputes over inheritances of displaced persons during the war period (i.e. because people may have died while displaced from their original lands), c) disputes linked to lack of titling in peri-urban areas, where dwellers may have bought land in good faith from sellers who were illegally occupying it, and d) conflicts with authorities that may have acquired land for public



buildings or the construction of roads. In this context, agriculture mega projects may have exacerbated the situation (CAHF, 2016; Foley, 2007; USAID, 2005).⁶⁴ Because of the lack of transparency in the allocation of State land to investors, “land-grabbing” is an issue. For instance, it is estimated that more than one million hectares of land in the whole country have been granted to 48 agriculture and forestry mega projects, but many plots remain unused. The total productive area of these projects is deemed at about 80,000 hectares (Tump and Cassinda, 2019). Furthermore, because of the rapid urban growth that accompanied the oil boom during the last two decades, increased demand for land parcels in peri-urban areas led to the rapid appreciation of the value of some plots. These plots have been targeted by foreign investors. In some cases, individuals who had the right connections pushed for expropriations, some of which allegedly did not follow due process and resulted in forced evictions of local communities.⁶⁵

Arbitrariness in administrative procedures to access land also increases the risk that land use be altered in *ad hoc* manners, especially if legal frameworks include restrictions to direct transfers of land from title holders to foreign investors (World Bank and UNCTAD, 2018). In Angola, the lack of clear records and procedures to access land precludes direct negotiations between potential investors and right holders. Instead, it creates incentives for speculative purchases and raises concerns about fair compensation for domestic landholders. Neglecting these rights can result in the disruption of livelihoods and the dislocation of communities.

Information campaigns have been ongoing to improve awareness about land rights and titling. In the province of Benguela, the local Government conducted consultations in 2015 with investors, civil society and communities to clarify land rights and procedures about access to land. Based on the recommendations of these consultations, land use plans were completed for most municipalities of the province. Furthermore, civil society organizations have played an important role in creating public awareness on land rights, for example by disseminating information on customary rights and the importance of registration of land rights.⁶⁶ Additionally, in collaboration with FAO, MINOTH is piloting a project to recognize communities’ titles. So far, plot delimitation and titling were completed in two municipalities. The project will be piloted in one municipality in each province. This could be a first step to generate cooperatives that could engage in commercial agriculture and/or land concessions. During the fact-finding mission, MINOTH also informed that regularisation of titles will facilitate access to credit for communities, future cooperatives and farmers’ association. However, additional funds and personnel will be required to complete the mapping of the entire country.

The introduction of an electronic cadastre at the national level remains a priority. This would strengthen the respect for property rights, especially since clarification of the related procedures are indispensable to minimize corruption and arbitrariness in the allocation of land. An updated record of buildings is important not only to bolster spatial planning policies, but also as a reference point for access to mortgage financing. MJDH is currently collaborating with MINOTH to integrate the databases of the Real Estate Registry and IGCA to clarify land ownership.

Multifacility economic zones could facilitate tenure security in the short term. Despite higher prices, obtaining agriculture land in SEZs and IDZs could mitigate risks to investors, since the concerned ministries and managing companies can secure titling over plots with proper limits and help manage potential conflicts with communities. Adopting the multifacility zone approach could nevertheless create friction with the objective of an inclusive model for the development of agriculture.



Recommendations

Angola should prioritize a development model of agribusiness that is beneficial to all stakeholders. In order to promote food security and ensure that local populations are not uprooted, the Government should encourage the adoption of land management systems, which provide tenure security and reduce conflicts between investors and local communities, essential to achieving sustainable outcomes in agriculture investments. In particular, the Government could consider:

- Re-assessing the model for accessing land with the goal that the acquisition and/or exploitation of farmlands by investors contributes to sustainable development. This may require:
 - ✓ Allocating State lands in a way that prioritizes smaller land parcels;
 - ✓ Clarifying the regime applicable to land and the securing of existing property titles, including customary rights. In particular, land and resource rights in areas with high potential should be identified before considering any major investment proposal;
 - ✓ Moving forward with the establishment of an electronic cadastre at the national level;
 - ✓ When agriculture land is already being exploited by local people, encouraging investors to integrate them through an inclusive approach, from the negotiation stage to the holding of consultations when business operations may affect their livelihoods.
- Ensuring that contracts for State lands provide for provisions linking the duration of concessions or their renewal to the exploitation of the land allocated, in order to limit the risk of acquiring land for speculative purposes. Support and expand existing initiatives by civil society to undertake communication campaigns to raise awareness on land rights in order to ensure the enforceability of land tenure in practice.

2. Improving infrastructure in the agriculture sector through FDI and PPPs

The quality of infrastructure has a major impact on agribusiness activities. Without better quality infrastructure, the agriculture value chain will remain fragmented, with high production and transaction costs both for the local and export market. The measures announced by Presidential Decree 40/16 to reduce economic dependence on oil called for investment in infrastructure in rural areas. They include the improvement of access to energy and water, as well as investment in transport, logistics and construction. Their implementation is a pre-condition to the development of agriculture and the related value chains.

Infrastructure challenges affect particularly the rural areas. Interviews during the UNCTAD fact-finding mission highlighted that grid transmission and electricity distribution is either deficient or non-existent in the rural areas, and the installed capacity of power plants is not enough to meet demand. Nearly all agribusiness projects depend on self-generating power supply, such as diesel generators. This leads to uncertainty in access to energy, higher costs of production and increased carbon emissions. It also hampers the development of energy-intensive value chains, such as dairy and meat products, which notably depend on cold storage facilities. Poor quality and insufficiency of roads increase time and costs of connectivity from rural areas to local markets, consumption centres and ports. In this context, investors in agriculture are often required to build and maintain roads to market their production. Furthermore, maritime transport remains underused due to inadequate port structures and operational constraints, as well as weak rail and road hinterland connectivity (World Bank, 2019). The lack of a direct maritime route to Europe further affects costs and time of freight of food products, which hinders exports of fresh fruits according to investors (ACOM, 2018).



The lack of soft infrastructure hampers participation in value chains. Soft infrastructure deficits have an important impact on production costs. During the UNCTAD fact-finding mission, investors identified several soft infrastructure challenges affecting costs in agribusiness. These include limited distribution channels, unavailability of cold processing and storage, as well as a lack of export certification bodies. Indeed, certifications and standards are a major barrier to enter certain markets, especially regarding agrifood trade. The absence of laboratories to test and certify Angolan products hinders compliance with sanitary and phytosanitary measures. Thus, the range of intermediate and final local goods that can be commercialised is narrow, and the fuller development of regional and global value chains is inhibited (UNCTAD, 2019c).

Despite efforts, public investment in infrastructure has been insufficient.... Angola has invested in port facilities and road, energy and communications infrastructure with the support from multilateral development partners, including the AfDB and the World Bank, and bilateral partners, such as China (United States Department of State, 2018). So far, these investments have mainly been centred on the capital, Luanda, and on regions linked to the oil and gas industry, like Cabinda. Between 2002 and 2015, it is estimated that the Government invested \$87.5 billion in such infrastructure (Jensen, 2018). Nevertheless, the challenges remain acute and the country ranks low in international comparisons – 159 out of 160 for the World Bank’s Logistics Performance Index or 127 out of 140 for the WEF infrastructure pillar (WEF, 2018).⁶⁷ The poor management performance and dominance of SOEs in infrastructure and transportation is among the causes of connectivity and hard infrastructure deficiencies (Government of Angola, 2017b).

...and FDI could play a role, including through PPPs. Foreign participation can be a useful source of investment for infrastructure development (UNCTAD, 2014a). In particular, with a long-term investment horizon, foreign institutional investors, such as sovereign wealth funds, pension funds and investment companies, could play a role in infrastructures. Best practice shows that clearly established mechanisms for the planning, promotion and implementation of efforts to attract FDI in infrastructure are important (table 2.2). In specific circumstances, PPPs can provide an instrument for mobilizing external resources to finance infrastructure and leverage private sector experience and expertise. PPP contracts may include various agreements in connection with public works or services, such as concessions, long-term supply contracts, service agreements, management agreements and joint venture agreements in respect of already existing infrastructure. The use of zoning policies, especially in the agriculture sector, could replace fiscal benefits by providing required infrastructure.⁶⁸

The Government has taken steps to reinforce the legal framework to support the participation of the private sector in infrastructure development. The PPP legal framework was recently revised with the enactment of the Law 11/19 on PPPs in May 2019, which repealed Law 2/11. The objective of the law is to attract private investments to improve the quality of public services and reduce budget pressure on public expenditure. The PPP Law clarified risk mitigation and risk allocation criteria regarding project implementation, which should be primarily borne by private investors. However, it did not explicitly define the institutional arrangement concerning PPPs. Instead, it granted powers to the President to define and create the competent institutions. Currently, the PPP Office within MEP is defining a PPP strategy and leading efforts to build capacity of sectoral ministries, which will be responsible for the implementation of PPP contracts. Priority areas for development of PPPs include agriculture, power generation and distribution, construction and maintenance of roads and railroads, health services, telecommunications, water and waste management (Government of Angola, 2018e). These PPPs will be open to domestic and foreign investors. Sectoral ministries and AIPEX have yet to develop a coordinated approach to attract FDI to a list of commercially viable priority projects.



Table 2.2. Best practice lessons for FDI in infrastructure

Stage	Lesson
Laying the foundation for FDI in infrastructure	Develop a strong legal and regulatory framework prior to the entry of FDI
	Secure the capacity and skills to facilitate and regulate private investment in infrastructure
	Empower high-level task force to catalyze necessary reform
	Develop an integrated strategic infrastructure plan identifying key needs
	Proactively address community and stakeholder expectations
Promoting and facilitating the entry of FDI	Create a 'pipeline' of pre-assessed, commercially attractive projects that can be actively promoted
	Open the bidding stage to as many investors as possible
	Ensure that contracts take into account key issues over the project lifespan
	Help mitigate political and regulatory risks faced by foreign investors
Ensuring effective and efficient project implementation	Monitor and follow up on project implementation
	Understand and pay attention to competition issues
	Private and State-owned players can co-exist within a competitive framework

Source: UNCTAD, 2012a.

While the legal framework is in place, its implementation puts considerable pressures on the institutional capacities of the Government. Some PPP projects in areas such as hydropower generation, forestry, ports and health, were approved in the framework of Law 2/11, but institutional capacity in this area remains low (Government of Angola, 2018e). Indeed, the limited capacity of officials and lack of experience in the implementation of PPPs were the main challenges identified by stakeholders regarding PPP implementation in Angola (UNCTAD, 2019b). Building institutional capacity will be essential to operationalize PPPs in the country. International experience has shown that countries with successful PPP experience have established a dedicated PPP Unit, in charge of overseeing all concession functions (UNCTAD, 2016a). Additionally, despite significant measures undertaken by the current administration, corruption remains a substantial threat to business environment in Angola (chapter 1). Regarding PPPs, corruption investigations concerning contracts of the Angolan Sovereign Wealth Fund led to the annulment of PPP concessions, such as the Porto Caio project. The future institution overseeing PPPs will need to consider these challenges.

Access to infrastructure is facilitated in multifacility economic zones, but challenges hinder their use for investors. In countries with infrastructure and institutional challenges, such as Angola, the creation of zones concentrating administrative resources and infrastructure provision is a pragmatic solution to structural shortcomings. Indeed, adequate infrastructure can compensate for an adverse investment climate to a certain degree, as it reduces the costs and length for installing investment projects (UNCTAD, 2019a). Angola created natural resource-based zones with available plots for activities such as agriculture, agro-processing, mining and manufacturing. Two IDZs and one SEZ are operational, but underutilized. For instance, the Luanda-Bengo SEZ occupies an area of 8,434 hectares, with 76 installed industrial units, of which only 26 are operational (World Bank, 2019). During the fact-finding mission, stakeholders also pointed to other bottlenecks that affect the development and exploitation of zones in Angola. They mentioned deficient project selection processes as well as a lack of proper monitoring and evaluation mechanisms.



Recommendations

Infrastructures are essential to improve the livelihoods of the population, in particular in rural areas, and to unleash Angola's agribusiness potential. The Government announced that private investment, including FDI, will have a more prominent role in infrastructure development in coming years. The greater involvement of the private sector is a welcome approach to reduce pressure on public budget, but appropriate mechanisms need to be in place to ensure optimal outcomes. In this context, the Government is encouraged to:

- Build capacity of the PPP Office to coordinate the overall PPP strategy. In the short term, while waiting for sufficient local capacity to be in place, the Government could establish a working group of experts, including international consultants, to fill the gap and share knowledge. In the longer term, the Government could consider setting up a specialized agency to oversee the implementation of PPPs.
- Strengthen technical capacities of its departmental teams tasked with the selection of infrastructure projects, their execution and monitoring and evaluation, including developing expertise around protecting the public interest and facilitating the process of implementation of projects. UNCTAD's technical assistance in transport and logistics PPPs (box 2.3) is an important first step in this capacity-building process.
- Improve technical capacities to promoting institutional investment in infrastructure, focusing on the development of transport infrastructure to enhance value chain efficiency and access to domestic and foreign markets. UNCTAD's technical assistance in project preparation, investor targeting, investment facilitation and policy advocacy tailored to institutional investment could be explored as IPR follow-up activities.
- Support the development of soft infrastructure, including establishment of certifying laboratories and logistics support systems, such as cold storage and logistics distribution centres, as well as supporting the use of international food safety and quality standards, such as sanitary and phytosanitary measures, hazard analysis and critical control points.
- Improve governance and transparency of infrastructure investments during all project phases.

Box 2.3. Technical assistance to PPPs in trade logistics and transport infrastructure and services

As part of the EU funded Train for Trade II Project, UNCTAD has developed a project to foster an enabling environment for PPPs, with special emphasis on transportation (roads, railways, ports and logistics) and linkages to agribusiness value chain development.

Activities under this project are focused on capacity-building and training of Angolan officials in key governmental entities to design, develop and implement PPP projects in transport and logistics infrastructure and services to promote diversification, trade competitiveness and regional integration, and to unlock the full potential of key economic sectors, such as agriculture and agrobusiness. Capacity-building and training workshops focus on the design and implementation of PPPs, from the identification of the project to the management of the contract. UNCTAD's approach entails setting up a collaborative mechanism between key ministries as well as other relevant institutions, to achieve the mutual benefit of working together to identify, prioritize, prepare and implement a pipeline of PPP projects. An important guiding principle put forward by UNCTAD include the identification and implementation of PPPs that provide "value for money" and also "value for people".

Source: UNCTAD, 2019b.



3. Setting up enterprise development initiatives and linkages policies

a. Enterprise development

With a young population and a substantial informal sector, there is potential for significant economic gains through enterprise development in Angola... Angola's large young population has been severely affected by unemployment, estimated at 46 per cent in 2017 (Government of Angola, 2018a).⁶⁹ MSMEs could make a significant contribution to the country's development through employment creation, innovation, value addition and upgrading. Furthermore, economies with a solid network of MSMEs usually tend to have more stable growth and less unequal income distribution patterns (ILO, 2017; OECD, 2018). Implementation of adequate business development services, including entrepreneurship education, access to finance, incubation and acceleration programmes, can help foster the creation of domestic MSMEs (UNCTAD, 2015b).

... but several formal and informal barriers need to be removed. The business environment has been averse to private-led growth, with several regulatory challenges limiting the potential for scaling up MSMEs (see chapter 1). In addition, the concentration of activities in the oil and gas sector and high costs of inputs affected the competitiveness of industrial activities. The majority of local enterprises operate in the informal sector (estimations point to about 60 per cent), mainly in commerce and services. In sectors such as food retail, informal activity is estimated to be as high as 80 per cent (World Bank, 2018b). MSMEs face difficulties accessing credit from commercial banks and non-performing loans are an issue (WEF, 2018). During the UNCTAD fact-finding mission, several factors related to enterprise development in agribusiness were raised. These include the inability of firms to reach the required production and quality standards for exporting, insufficient buyer-supplier relationships, low entrepreneurial and management skills, especially in rural areas, as well as ineffective support systems. One consequence is that many products cannot reach consumer markets in good condition, reducing business opportunities for growers.

The Angolan authorities have long recognized the need to boost private sector growth through MSME development, but results have been limited. A key step was undertaken with the establishment of the Angolan National Institute of Small and Medium-sized Enterprises (INAPEM) in 1992. After the end of the civil war in 2002, the Government launched a series of policies, programmes and legislation targeted at fostering private sector growth. Such examples include Law 13/04 to Foster the Domestic Private Sector, local content rules for procurement in the oil and gas sector, the creation of the National Investment Promotion Agency in 2003 and investment laws of 2003, revised in 2011, 2015 and 2018. Furthermore, MEP launched a major credit programme (*Angola Investe*) in 2011 to provide credit guarantees and subsidized interest rates to MSMEs through commercial banks. Multilateral institutions also provided assistance, including through the Institutional Capacity-Building for Private Sector Development Project, supported by AfDB. The main objective of the project is to build the capacity of the various public services which support private sector development. However, as echoed by stakeholders during the UNCTAD fact-finding mission, while some initiatives linked to the oil sector showed positive results, a lack of monitoring and evaluation schemes, budgets constraints, institutional coordination and governance issues limited the efficiency of these efforts (World Bank, 2019).

New measures were announced recently to facilitate agribusiness development, but support in rural areas remains inadequate. The PDMPSA 2018–2022 includes a series of programmes specifically targeted at developing entrepreneurship in the sector. These include the Programme to Foster Agriculture Production, the Programme to Foster Livestock Production and the Programme to Strengthen MINAGRIF's



Strategical Planning and Capacities. In March 2019, the Credit Support Programme (PAC) was created to operationalize financing of projects in priority areas defined by PRODESI. PAC will provide \$434 million to support family farming as well as micro and small enterprises involved in the production of the 54 staple goods listed on the Decree 23/19. Efforts to boost productive activities in agribusiness delivered mixed results. For example, the Government has sought to improve outputs through loans and input subsidies, such as the provision of seeds and machinery. The Angolan Development Bank also provided credit to agriculture projects, but given the financing needs, these were insufficient. Low technical expertise of public officials in agriculture extension and entrepreneurship hampers the design of appropriate policies to foster commercial agriculture.

Tailored entrepreneurship development support and capacity-building are required. As part of the EU funded Train for Trade II Project, UNCTAD is building entrepreneurial skills in Angola through the EMPRETEC programme, which identifies and reinforces personal competencies through a process of self-assessment. The programme helps entrepreneurs to improve their core behaviours and the results of their businesses. Since 2018, Brazilian and Mozambican international master trainers completed several trainings in Angola for participants from diverse industries. The trainings have created impact through bolstering networking skills, and participants have already committed to establish an EMPRETEC Alumni network that will organize monthly meetings. A specific local centre, to which UNCTAD will transfer its entrepreneurship policy tools and assist in the planning of activities, is also expected to be set up. UNCTAD has also developed a specific training targeted at fostering entrepreneurship among smallholder farmers, as detailed in box 2.4.

Box 2.4. UNCTAD's Farming as a Business training

In order to scale up family agriculture and foster commercial agriculture, UNCTAD developed the Farming as a Business (FaaB) training. The objective is to promote the creation of surpluses and increase efficiencies, focusing on four main areas: i) impact of inputs and technology on production; ii) improvement of managerial skills and decision-making processes; iii) development of business relationships; and iv) financial planning. FaaB is based on the experience of UNCTAD's Business Linkages Programme to upgrade the supply capacity of small farmers and improve their access to agribusiness value chains.

In the United Republic of Tanzania, UNCTAD supported business linkages between agriculture producers, large processors and the tourism industry through combined EMPRETEC and FaaB training. This has improved the entrepreneurial and leadership skills of small local farmers, who reported a shift from a subsistence small-farming mindset to a more entrepreneurial one. For instance, the training helped 126 dairy farmers improving quality control protocols and sustainability of supply. As a result, the volume of milk supplied registered an increase of 110 per cent in the medium term. UNCTAD's intervention also raised awareness about other market linkages opportunities and fostered diversification of produce and income sources. Coffee farmers started to produce beans and maize, which contributed to better business performance, increased income between 50 to 70 per cent, and improved their livelihoods. Furthermore, UNCTAD's focus on women farmers in poor rural areas improved inclusiveness in agribusiness value chains in Tanzania.

UNCTAD's business linkages programme with the Investment Promotion Centre and Enterprise Mozambique supported backward production linkages between 150 local barley farmers and a major brewery. Mozambican farmers benefited from both Empretec and FaaB trainings. The programme facilitated the upgrading of production techniques and increased farmers' productivity by 150 per cent. As a result, farmers registered an average increase of 133 per cent in their annual income.

Source: UNCTAD, and United Nations Inter-Agency Programme on Trade and Productive Capacity, 2017 and 2016.



b. Linkages policies

Fostering business linkages should also be a priority. Technology transfer for agriculture and food processing is not systematic, and governments have a role to play in promoting it. Strategies to develop markets across the agribusiness value chains could include backward and forward linkages.⁷⁰ Given the lack of organization among rural producers in Angola, it is likely that the subcontracting systems, typical of the outgrower schemes,⁷¹ may be accessible to a minority of farmers. In this context, the Government will have a key role in identifying ways to maximize the benefits of FDI in agribusiness, including by fostering synergies between the interests of investors and those of the local community where the project will be set up. Providing model contracts and establishing programmes to stimulate business linkages and certification are examples of this type of interventions. Retail chains and food processing firms could be the driving force for such initiatives by creating demand, in addition to agriculture products, for a wide range of goods and services, such as packaging material, logistic services, business development, accounting and auditing. Moreover, the skills and capacities acquired in agribusiness could be transferred to other activities through horizontal linkages. The resulting rising incomes of farmers will also foster demand for goods and services produced by other sectors.

Ample opportunities exist for linkages development in traditional agriculture, but also for organic products. The privatization of SOEs in the agriculture sector could stimulate MSMEs to commercialize agriculture inputs, fostering backward linkages, i.e. those from suppliers to the privatized company (ACOM, 2018). Opportunities for forward production linkages, i.e. the sale of goods or services to domestic firms could also include development of partnerships with retail and food processing investors. As mentioned above (see section A), the country is endowed with a large variety of crops that offer opportunities for selling fresh produce to the retail sector. Active linkage policies could support economies of scales in the production of maize and wheat as well as quality improvements through encouraging branding for fruits and coffee. Organic farming is another area where export markets could become a demand-pull factor by consumers in advanced industrialized countries. Assistance to producers will be required in several areas, including contract compliance, quality controls, health and sanitary standards and certification. Cold storage facilities near farms would also need to be upgraded. Some major retail firms could become the target of linkages programmes with family farms, to assist the latter overcome these constraints.

Selected food and drink processing activities also have a high potential for linkages, if some bottlenecks are overcome. Processed food, such as sugar, flour and beverages, also has potential for linkages development. Indeed, some industrial activity had successfully been developed in the period before independence and could be rebuilt. During the UNCTAD fact-finding mission, food processing investors reported that they are expanding into agriculture due to the lack of sufficient and reliable supply from local producers. The development of linkages programmes and promotion of outgrower schemes could potentially integrate farmers into food processing value chains and thereby contribute to food security and poverty alleviation. However, for this to happen some hard infrastructure constraints need to be overcome, as described above. In addition, Angola would still need to improve “soft” aspects of its productive capacities (e.g. branding and marketing skills of firms) to be able to compete with imports that currently predominate in the food sector.

c. Recommendations

Structural and regulatory issues, as well as inconsistency in policy implementation, have hindered the development of the local private sector. Efforts to promote economic diversification and sustainable development will require policies aimed at further supporting and strengthening the private sector. To this



end, the design and implementation of appropriate entrepreneurship policies and linkages programmes will be instrumental to develop priority sectors identified by the PDN and PRODESI, such as agribusiness. Thus, it is recommended that the Government:

Short-term

- Formulates a national entrepreneurship strategy. The strategy should be aligned to Angola's PDN and take into account the need to promote entrepreneurship for economic diversification.
- Builds capacity of entrepreneurs. The impact of the EMPRETEC programme has already been felt in Luanda with the organization of successful training workshops. Looking forward, it will be key that an action plan is adopted in remote areas. It should also target specific groups, such as youth, women and rural entrepreneurs. The FaaB could train entrepreneurs in priority clusters from selected provinces.
- Identifies business linkages potential, with the support of INAPEM, in agribusiness value chains where local firms could best interact with foreign investors. Such an approach should ensure that national development objectives are prioritized and aimed at reducing regional inequalities. For instance, the development of the Lobito Corridor could open opportunities for the development of regional value chains.

Longer-term

- Considers setting up a business linkages programme to facilitate matchmaking between local suppliers and big retail and manufacturing investors in selected agribusiness segments. The programme would support backward linkages into the local economy and facilitate the participation and integration of local suppliers into local and regional value chains. AIPEX could be a host institution for such programme; its work should be coordinated with INAPEM and other stakeholders, such as MINAGRIF. UNCTAD's Business Linkages Programme could support one pilot case and carry out training and capacity-building activities for the staff assigned to business linkages promotion.⁷²

4. Enhancing human capital development in the rural sector

Low access to education in rural areas reduces agriculture productivity. The total number of enrolled school children in the national education system has tripled between 2002 and 2018, reaching 10 million. The total literacy rate has reached 75 per cent.⁷³ However, high rates of illiteracy persist in rural areas (59 per cent), and women are particularly affected (75 per cent) (Government of Angola, 2017a). This undermines the capacity to use modern technology and inputs such as fertilizers, as well as access to financial resources. Agricultural research and extension systems are also weak, which acts as a bottleneck to enhancing the use of technologies and practices all along the agribusiness value chains. Agribusiness investors perceive that the lack of skills has a negative impact on the sector's productivity, as several of them rely on foreigners for key managerial and technical positions (World Bank, 2019).

Skills development in agriculture remains a priority for the Government. The lack of sufficient human capital in rural areas is recognized in the PDN and the Mid-term Development Plan for the Agricultural Sector 2018–2022 (PDMPSA). Both programmes provide for the construction of training centres and farming field schools (ECA), and for the expansion of agriculture extension services. Furthermore, the FAO, ILO and World Bank are supporting the Government to assist smallholder farmers to internalize and



routinely apply new production technologies (box 2.1). For instance, between 2013–2017, the Angola Market Oriented Smallholder Agriculture programme build capacity of smallholder farmers and promoted investments in the agriculture value chain with a focus on the provinces of Bié, Huambo and Malanje (World Bank, 2019).⁷⁴ Farmers were taught to measure costs of different tasks (i.e. preparing the land, planting seeds, harvesting, weeding) to better calculate the price of their produce. Looking forward, particular attention will be paid to ensuring gender equity in ECA participation and to promoting the participation of farmers under the age of 25.

FDI could contribute to these initiatives by encouraging transfer of knowledge in agro-industrial complexes, but there are potential costs. Some skills have been successfully transferred through training to farmers and staff (box 2.5). Foreign investors could help build technology and expertise needed for local producers through training on how to meet the requirements of certification in export markets. Other examples include the provision of high growth seed varieties, technical advice on growing practices and disease control, land preparation and irrigation system maintenance (World Bank and UNCTAD, 2014). However, in the case of large farms, this may come with certain drawbacks, as large-scale farming may not result in more jobs per hectare and could create crowding out effects for small-scale farms (Zhan, Mirza and Speller, 2015; Nolte and Ostermaier, 2017). The development of supplier linkages could be another channel to transfer skills and knowledge to the sector, as discussed in the section above.

Including skill development in agribusiness investment attraction strategy could create value for the sector. IPAs can be a bridge between investors and domestic stakeholders to create demand-driven training programmes. Experience has shown that proactive engagement of IPAs in supporting skills development programmes resulted in greater competitiveness and expanded FDI opportunities in targeted sectors. Strategies include training local workers and bringing in trained workers from abroad. In the case of Angola, proactive engagement of AIPEx in policy design could facilitate transfer of skills targeted at the agribusiness sector (UNCTAD, 2014b).

Box 2.5. Transferring skills in agriculture

Recognizing Angola's high potential for agribusiness, a Portuguese investor established AgroLider in 2006. The company expanded from activities in construction, furniture production, logistics and trading services into agriculture. AgroLider implements innovative technologies to increase productivity and provides continued training to staff, with a focus on the transfer of skills from expatriates to national personnel. The 3,800 employees in the agriculture segment of the company all benefited from training on use of fertilizers and other technologies. Also, the company signed agreements with agricultural engineering schools in several provinces to facilitate experimental learning and sponsorship of 40 to 50 students per year.

Currently, the Group operates two farms (4,500 hectares in total size), three food processing factories and a logistic and distribution centre. It produces some 200,000 tons of 60 types of fruits, vegetables and processed food. AgroLider is the major player in Angola's fruit market, exporting 10 containers of bananas per week under the brand Angolanita. It also exports other tropical fruits, such as guava, lemon, mango, papaya, passion fruit and pitaya to European and Southern African markets. In the medium to long term, AgroLider plans to further diversify its activities into aquaculture, coffee, meat and dairy.

During the fact-finding mission, the company indicated that low access to education and lack of managerial skills in agriculture limit their ability to engage further with local farmers for instance in outgrower schemes.

Source: UNCTAD fact-finding mission and company websites (grupolider-ao.com/en/novagrolider and grupolider-ao.com/en/agrolider).



Inclusive farming models are potentially more beneficial and need to be encouraged. The landscape of millions of small-scale farmers in Angola's rural areas shows that there is a comparative advantage for contract farming or other outgrower schemes to maximize development impact. When local populations are involved as is the case with these models, the contribution of foreign investment to the development of human capital, technology transfer and the formation of inter-firm relations can be more significant in terms of sustainable development outcomes (see section above).

Recommendations

Building skills in agriculture will be instrumental to unleash the sector's potential. A key priority will be to focus on projects where foreign investors are willing to source locally as well as bring improved agriculture techniques, seeds, fertilizers, or otherwise enhance the competitiveness of smallholder farmers. The Government should consider:

- Adopting a proactive policy of attracting and disseminating missing skills in the agribusiness value chains, while protecting the local labour force from foreign competition. A survey could be undertaken by AIPEX, for instance, among existing investors to better assess existing gaps, so that it can contribute to creating a list of sector-specific scarce skills.
- Prioritizing projects where foreign investors can better interact with family farmers to support the development of the capacities of local people, including through the provision of extension services, transfer of technology and the creation of linkages between local producers and investors. Such an approach should build on existing initiatives with development partners that have proved successful. It should also be reflected in the investment promotion strategy and efforts, as discussed in the next section.



C. BOLSTERING THE PROMOTION OF RESPONSIBLE INVESTMENTS IN AGRIBUSINESS

1. *Investment strategies and institutional framework*

The Government of Angola has recently adopted an FDI promotion and attraction strategy... PROCIP was introduced in 2018 and could be instrumental to channel the private investment required to foster economic diversification and sustainable development. The strategy is aligned with the objectives of the PDN and PRODESI, and aims at targeting investments in key productive sectors, such as agriculture and fisheries, food processing, mining, wood, tourism, textiles and footwear, as well as in cross-cutting sectors, including education, health and infrastructure. The approach proposed in PROCIP is in line with international best practices, and it covers the full spectrum of core investment promotion activities.

... and AIPEX is expected to implement it. Created in 2018, this new agency has a mandate for investment and export promotion. It incorporated assets, liabilities and personnel of the former investment promotion institutions, and reports to MEP.⁷⁵ According to Presidential Decree 81/18, the agency can have up to 263 staff, out of which 9 are managerial positions. At the time of the UNCTAD fact-finding mission, AIPEX had 120 staff, mainly former employees of APIEX and UTIP. The agency is led by a President who acts as the Chairperson of the Board of Directors, which is composed of five members appointed by the President of the Republic based on the recommendation of MEP. The Board is supported by three consultative bodies dealing with fiscal, technical and supervisory affairs. In addition to the administrative support services, the President oversees the work of the executive services, which comprise five departments responsible for core activities, i.e. investment promotion and attraction, export promotion and international business, institutional support and networking, evaluation of investment proposals as well as research and monitoring of international investment and business.

The mandate of AIPEX covers the full range of modern investment promotion functions...The agency is responsible for undertaking investors targeting, building the image of Angola as an investment destination, facilitating the implementation of investment projects and providing aftercare services. AIPEX is also expected to conduct in-depth sectoral studies to identify priorities for private investment, and gather intelligence on national and international economic trends to better assess opportunities and risks for investment. To this end, it should create a database of potential investment projects in priority sectors and clusters, establish a mapping of potential and existing foreign and local investors, brand the country and undertake marketing campaigns.

...in addition to legacy regulatory functions. While the regulatory powers of the agency have been reduced compared to its predecessor, AIPEX can still conduct comprehensive screenings of all FDI projects as explained in chapter 1.A. For instance, though investors are no longer required to register with AIPEX nor obtain an investment licence, the CRIP is an essential step in the FDI entry process, and in practice registration with AIPEX remains mandatory. In accordance with investment bylaws, the financial capacity of investors and the potential of investment projects to foster sustainable development should be confirmed by AIPEX in the registration phase, but assessment criteria are not detailed. This provides AIPEX, in effect, with broad-based discretion in the screening process. Furthermore, the agency's role in the granting of financial incentives for national investors and reinvestments is not clear. Current investment

laws allow for AIPEX to negotiate financial incentives with investors, but specific competencies of the agency are not defined.

To effectively deliver on its mandate, AIPEX will need to focus its activities and strengthen its capacities. The current structure of AIPEX includes significant resources allocated to help build and promote Angola's image and undertake research activities to generate leads from targeted investors for priority sectors. However, due to the prominence of regulatory functions in the past and the traditional focus on the certification of large projects –particularly in oil and gas–, the staff capacity to deliver on key aspects of investment promotion needs to be strengthened. For instance, to effectively target investors, a better understanding of outreach is required, jointly with proactive promotion tailored to investors identified as being desirable and likely to invest in the country. Other functions, such as investment aftercare, understood as supporting and promoting enterprise growth in the post-establishment phase, were only introduced with the PIL 2018. Therefore, AIPEX's capacities in this area are yet to be developed. Finally, the lack of sectoral data for FDI statistics hampers the research effort and the evaluation of FDI projects.

Modern investment promotion tools could be instrumental to engage with foreign investors who could contribute to the development of agribusiness. Investment promotion in Angola has traditionally focussed on attracting investments in the extractive industries, a sector with peculiarities that differ substantially from the agribusiness sector. Agribusiness covers a wide spectrum of activities from low-margin production of commodities, to R&D-intensive production of inputs (e.g. seeds and fertilizers), requiring a different approach to investment promotion. The products involved can be quite diverse, ranging from crops to livestock, often with completely distinct value chains, making it difficult for an IPA to maintain an adequately knowledgeable staff for agriculture and agribusiness as a whole (World Bank, 2014). A sectoral strategy to promote investment in agribusiness in line with the objectives set by the PDN and PRODESI will also need to consider sustainable development outcomes and targeting strategies geared towards the attraction of the type of investors and projects most likely to achieve them, as stressed throughout this chapter.

Recommendations

The recent reforms of the investment legal framework and the additional ones recommended in this report, which are aimed at limiting the regulatory functions of AIPEX, allow for the reallocation of resources to key investment promotion and facilitation functions in priority sectors, such as agribusiness. Also, the design of PROCIP activities and PRODESI are good initiatives towards the formulation of an effective strategy for attracting investments to promote diversification and economic development. The following steps should integrate the recent efforts and inform investor targeting activities in agribusiness:

- **Determine the profile of the desired investors.** This profile is based on a set of criteria that the Government must define, while prioritizing the achievement of sustainable development outcomes, which include the targets of the PDN 2018–2022 and the PDMSA 2018–2022. This will take into account the desired operating model (i.e. contract farming, equity investments, joint ventures) depending on determinants, such as geographical region, potentialities and risks, past experience with foreign firms, the potential to integrate into regional or global value chains, the potential for value addition and for linkages. The diversification component of production is also a factor to be considered, as well as social (e.g. employment, gender empowerment) and environmental impact (e.g. linked to soil erosion in monoculture, water pollution or other negative externalities).



- **Identify attractive investment projects.** Initiatives must be targeted at concrete projects with potential already identified. A team should be trained and dedicated to the identification, definition and quantification of investment opportunities in agribusiness value chains with the goal of narrowing the scope for matchmaking. Coordination with the Research Department in AIPEX will be needed to ensure it is based on the competitive advantages of Angola, with realistic proposals that are based on empirical data and financially viable. Cooperation with relevant line ministries (i.e. MINAGRIF, MINCO) will be fundamental to ensure viability of projects and successful targeting. AIPEX should also develop and maintain a database to record and track existing and prospective investors.
- **Target and market interested and interesting investors.** This step requires more intensive work with the shortlisted investors, once the identification of attractive projects has been identified. Box 2.6 includes a list of potential investors that may be considered. AIPEX should work to inform the targeted investors about the opportunities in the country. To optimize efforts, AIPEX could create links with outward investment agencies to identify potential investors and better understand their needs.
- **Facilitate the installation and operations of investors.** This step is the responsibility of a facilitation team, trained and dedicated to the support and follow-up of the investor establishment. The role of the team is also to familiarize investors with the environment of Angola, particularly in view of the complexity of the legal system of investment as specified in chapter 1. AIPEX could also work to improve its policy advocacy functions to enable the Government to better identify the needs of investors and the priority reforms to be implemented to strengthen the business climate. It is important to present an ambitious but realistic picture of the situation on the ground and thus avoid potential disappointments. Examples in the past have shown that, even when significant efforts have been made to attract investors, the lack of information on local conditions, coupled with the constraints of the business climate, may have discouraged some investors.⁷⁶

Box 2.6. Potential targets for agribusiness

Angola's vast territory and variety of climatic, soil and ecosystems conditions offer potential for development of a wide range of agriculture and livestock production. Potential crops include tropical fruits, vegetables, cereals, tuber and roots, pulses and oilseeds. According to a recent study, the most competitive agriculture value chain in Angola is in the production of tropical fruits. This is also the cluster that has the highest presence of commercial farming, reaching 33 per cent. Another study identified the high potential of coffee, honey and wood value chains.

Angola can focus on investors from specific locations. In the SADC region, South African investors have already signalled their interest to invest in agriculture in Angola. The geographical and cultural proximity would be an advantage for them to understand the local business environment. Common language and colonial heritage could facilitate relations with investors from CPLP countries and communities, such as Brazil, Cabo Verde, Macau and Portugal. In this regard, Angola could benefit from Brazil's experience with agribusiness, especially regarding agriculture extension services and marketing. As for the international market, Angola could concentrate targeting efforts on countries with already established foreign investors, such as China, France, Italy, Norway and the United States.

In addition, investors from countries with solid experience in agribusiness, such as Argentina, Germany, Netherlands, Spain and Switzerland, could also be a potential target. Furthermore, as the poor are more affected by droughts, attracting investment on climate smart agriculture could bring substantial gains to alleviate poverty. In this regard, a focus on climate smart agriculture investors could be an alternative to strengthen the country's climate resilience in southern drylands, for instance, using examples from countries such as Australia and Chile.

Source: ACOM, 2018; Government of Angola, 2019b; UNCTAD, 2012b, 2018a, 2018b.



2. Monitor and evaluate projects to measure the impact

To better understand the impact of FDI, it is necessary to monitor and evaluate projects. Gathering information on investment projects can help improve the investment climate and provide guidance on the impact of FDI in agribusiness. This information can then be used to adjust policies to optimize the impact of FDI. As pointed out throughout this report, attracting FDI is not an end in itself, it is a means of supporting the host country in achieving its development objectives (job creation, infrastructure development, technology transfer, reduced pollution, poverty reduction). Thus, monitoring and evaluation should include not only the economic result of projects but also the social and environmental impacts.

Reliable statistics are needed to feed into a credible monitoring and evaluation system. Angola is ranked 136 of 154 developing countries in terms of statistical capacity, and data provided by government agencies do not meet international standards on statistics collection and comparability.⁷⁷ The data on FDI are also inadequate, and agribusiness is no exception. Not only is the information on the size and location of land plots incomplete, but data on the financial volumes of investments committed, on the projects implemented, and on the status of the projects which have started are also scarce. Without the capacity to collect and produce reliable and timely data, the Government will remain constrained in its ability to make accurate evidence-based policy decisions, and AIPEX will have challenges to assess the impact and effectiveness of its activities. Moreover, investors will not be able to make informed decisions about potential projects. The BNA began publishing quarterly figures on FDI since 2016, although these statistics remain limited in scope. The adoption of good measures to promote FDI in agribusiness will require specific FDI reliable data, a dashboard in the form of load specifications and monitoring/control of land transfers to investors.⁷⁸

Monitoring and evaluation systems can strengthen governance in agribusiness investment. As detailed in section B, agriculture mega investments, both public and private, have not always produced the expected impact (Tump and Cassinda, 2019). The results are often associated with a lack of infrastructure and poor management. However, the Government has not conducted thorough evaluations of these projects, which hinder a precise assessment (World Bank, 2019). Design of appropriate indicators and implementation of monitoring and evaluation schemes could also have a significant impact towards improving governance of agribusiness investment in Angola.

Key indicators can be used to monitor and evaluate the impact of FDI in the agribusiness sector. Concerned about the impact of value chains and foreign investment, a G-20-mandated working group has defined an approach that allows for quantitative measurement of the impact of investment projects. Table 2.3 proposes indicators to measure economic, social and environmental impact through value addition, job creation and sustainable development. The approach has been tested in several developing countries, and one of the conclusions reached is that to give interesting results and provide a solid basis for analysis, it must be based on a large set of statistical data that are reliable and regularly updated (UNCTAD, 2012b).

Capacity-building is also needed to analyze foreign investment flows and assess their economic, social and environmental impact. Such capacity-building involves MINAGRIF, AIPEX, BNA and the statistical agency. UNCTAD may provide technical assistance on the collection, processing and dissemination of FDI-related data. A good measurement of the progress of a project also helps to track whether the investor is fulfilling his commitments. A regular monitoring makes it possible to adapt the project. This is particularly important for long-term projects, as is the case for agriculture investment. As noted in section B, land that was allocated to agriculture projects is often not exploited. Ensuring a proper project follow-up helps reduce this type of problem and strengthens accountability towards the local population (World Bank and UNCTAD, 2018).



Table 2.3. Indicators for tracking and evaluating FDI attraction strategies

Areas	Indicators	Details and examples
Economic value added	1. Total value added	Gross output (GDP contribution) of the new/additional economic activity resulting from the investment (direct and induced)
	2. Value of capital formation	Contribution to gross fixed capital formation
	3. Total and net export generation	Total export generation; to some extent, net export generation (net of imports) is also captured by the local value-added indicator
	4. Number of formal business entities	Number of businesses in the value chain supported by the investment; this is a proxy for entrepreneurial development and expansion of the formal (tax-paying) economy
	5. Total fiscal revenues	Total fiscal take from the economic activity resulting from the investment, through all forms of taxation
Job creation	6. Employment (number)	Total number of jobs generated by the investment, both direct and induced (value chain view), dependent and self-employed
	7. Wages	Total household income generated, direct and induced
	8. Typologies of employee skill levels	Number of jobs generated, by ILO job type, as a proxy for job quality and technology levels (including technology dissemination)
Sustainable development	9. Labour impact indicators	Employment of women (and comparable pay) and of disadvantaged groups
		Skills upgrading, training provided
	10. Social impact indicators	Health and safety effects, occupational injuries
		Number of families lifted out of poverty, wages above subsistence level
11. Environmental impact indicators	Expansion of goods and services offered, access to and affordability of basic goods and services	
	Greenhouse gas emissions, carbon offset/credits, carbon credit revenues	
12. Development impact indicators	Energy and water consumption/efficiency hazardous materials	
	Enterprise development in green sectors	
		Development of local resources
		Technology dissemination

Source: UNCTAD, 2012b.

Monitoring and evaluation also help to better understand the problems investors face. This is particularly the case with regards to the financial viability of their projects. Evidence has shown that many agriculture investors face significant liquidity constraints (World Bank and UNCTAD, 2018). Some of the causes of these difficulties are overly ambitious feasibility studies and poor knowledge of the terrain before launching the project. Other reasons that undermine their financial position include problems with local



populations, including land disputes, bureaucracy or inadequate infrastructure. Furthermore, a rigorous monitoring and evaluation of the projects can be used to measure whether the policies in place are relevant or whether adjustments are necessary. By studying the impact of existing policies, a government can better identify the factors influencing investment decisions and, as a result, identify changes that could be made to improve the business climate and ability of investors to contribute to the development of the country.

Recommendations

Monitoring and evaluation of investment projects is key to ensure the achievement of sustainable outcomes from investment in agribusiness. Moreover, the adoption of adequate monitoring and evaluation mechanisms in countries with challenging business environments could strengthen governance and transparency, as it reduces corruption risks. Several agriculture large-scale investment projects in Angola have not produced the expected results, so monitoring and evaluation tools will be critical to move forward. In this context, it is recommended that the Government:

- Develops and regularly updates a series of development impact statistics and indicators that can be used to evaluate investment projects and public policies in the agribusiness sector.
- Publishes the statistics, data and the results of the evaluation of investment projects to ensure the transparency of their operations.
- Strengthens overall data collection capacity, particularly for FDI and other investment and business climate metrics.
- Re-evaluates existing public policies based on the results of these evaluations if they show that FDI does not contribute sufficiently to the set objectives.
- Designs clear reporting and monitoring requirements for concessions and agriculture land allotments to ensure that investment activities are reviewed and are consistent with the country's development objectives.
- Develops the capacity of public officials within relevant ministries to monitor implementation and compliance of investment projects.

The implementation of the recommendations proposed above could be carried out by a Monitoring and Implementation Committee led by MINAGRIF, and stakeholders could meet on a regular basis (two or three times a year) to discuss results.

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NOTES

- ¹ See bna.ao for additional information.
- ² Multidimensional incidence of poverty measured by the Oxford Poverty and Human Development Initiative with the UNDP's Human Development Report Office. It is available at ophi.org.uk/multidimensional-poverty-index/ for further details. Other measures of poverty are computed by the World Bank and according to their data, the poverty headcount ratio at national poverty lines, available for 2008, is 36.6 per cent. The measure also shows significant disparities between urban areas (18.7 per cent) and rural ones (58.3 per cent).
- ³ For 2014 for instance, FDI inflows, as reported to UNCTAD for the World Investment Report of 2015, were minus \$3.9 billion. The following year, the figure was revised to plus \$1.9 billion. In 2019, it became plus \$3.7 billion. Large revisions also affect FDI stock data. See also data.worldbank.org/indicator/IQ.SCI.OVRL?view=chart&year_high_desc=false for further details about statistical capacities.
- ⁴ See dn.pt/economia/interior/sonangol-anuncia-maior-descoberta-de-petroleo--3839339.html for further details.
- ⁵ See bna.ao for further details.
- ⁶ Since the oil price shock in mid-2014, the average nominal official exchange rate against the dollar depreciated by over 40 per cent. Meanwhile, the average nominal exchange rate in the parallel market depreciated by 73.5 per cent since September 2014, reflecting the existing restrictions and guided allocation of foreign exchange by the BNA. (IMF, 2018a).
- ⁷ See the programme for downsizing and restructuring SOEs – Programa de Redimensionamento e Reestruturação do Sector Empresarial Público.
- ⁸ For example, Angola is ranked 173 among 190 countries in the 2019 Doing Business (World Bank, 2018a).
- ⁹ According to art. 8 of Presidential Decree 250/18, the CRIP can be denied if the investment project is against the public order, for lack of financial capacity of the investor to implement the project, or if the investor is included in sanction lists of international organizations or is a fugitive.
- ¹⁰ Art. 26 of PIL 2015 – Law 14/15.
- ¹¹ Art. 37 of the Angolan Constitution, art. 1308 and 1310 of the Civil Code, art. 14.2 of the PIL, art. 12.1 of Law 9/04 on Land and art. 1 of Law 2030 of 1948 on Expropriation. If the goods or property are not used in the public interest which justified the expropriation, the expropriation can be reverted (art. 8 of Law 2030). Requisitioning of mining products is allowed under the Mining Code (Law 31/11) in case of commercial interest for the local industry. The Government can buy part or the entire ore production at market price (art. 12).
- ¹² The Commission was created by Presidential Order 63/18.
- ¹³ Art. 23-4 of Decree no. 120/08. Compensation is based on fair market value, damages caused to surrounding property, damages caused by noise emissions, a decrease of the aesthetic value of the land; damage to the environment, terrestrial and marine life; relocation difficulties; and any other damaged caused by the activity.
- ¹⁴ ADR is regulated by Law 16/03 on Voluntary Arbitration and Law 12/16 on Mediation and Conciliation. The Law 16/03 allows access to international arbitration.
- ¹⁵ For instance, Ethiopia (31), Mozambique (26), Senegal (26) or Sudan (29).
- ¹⁶ The ICSID Additional Facility Rules apply to arbitrations where one of the disputing parties is not an ICSID member State or a national of an ICSID member State (Angola is not an ICSID member).
- ¹⁷ Public deed for incorporation, alteration of articles of association, capital increase, modification of the headquarters or company objects, mergers, divisions and winding-up of commercial companies (art. 3 of Law 11/15).
- ¹⁸ Throughout this report, the exchange rate is applied as of 2 May 2019.
- ¹⁹ Minimum capital requirements depend on the number of partners and on requirements established in sectoral laws regarding certain activities. For instance, travel agencies and banks minimum capital requirements are defined respectively by Decree 54/97 on tourism and travel agencies activities and BNA Order 02/2018.
- ²⁰ For industrial licensing, the number of documents required was reduced from nine documents to four documents. Before, nine documents were required to support the industrial licensing application: architectural and structural drawings; the layout of the industrial unit; a map covering a radius of 1 kilometre around the industrial facilities, indicating protection areas and main buildings surrounding the area; proof of property title; copy of tax ID number; copy of the commercial certificate; the environmental impact assessment (EIA); and a copy of the applicant's identity. Currently, the four documents required are: industrial site plan; copy of the



commercial certificate; proof of property title; EIA (this is not mandatory for low risk activities). For food and beverage industries, a copy of the opinion of the Codex Alimentarius Commission needs to be attached to the application.

²¹ See silai.simind.org/silai/

²² See silac.minco.gov.ao

²³ Applicants must fill a form, specifying the goods to be produced by the industrial unit and its sector of activity. See silai.mind.gov.ao/silai/solicitarLicenciamento.action?idlicencaTipo=1 for details.

²⁴ All land not classified as land under public domain of the State, reserved land, customary land or private land falls under the category of land under the private domain of the State (art. 13 of Decree 58/07).

²⁵ Article 37 of the Land Law recognizes five types of land rights: ownership rights (direito de propriedade), surface rights (direito de superfície), right of civil domain (direito de domínio útil), occupational rights (direito de ocupação precária) and customary rights to land (direito de domínio útil consuetudinário) (art. 37). According to the law, surface rights are the main type of land right accessible to foreigners.

²⁶ The application must include: a basic description of the land parcel (localization, total area, any existing land titles), a description of the objective of the concession, the identity of applicant, the CRIP (which is delivered by AIPEX), the list of companies owned with shareholding above 50 per cent (including by spouse and children), the type of concession sought, the price offered and information about any other concessions under the name of the applicant (art. 137 and 138 of Decree 58/07). For land located in Luanda, the Urban Planning and Management Institute of Luanda (IPGUL) is in charge of maintaining the cadastral information.

²⁷ See Presidential Decree 155/16 and 43/17 (amended by Presidential Decree 79/17) and Legislative Decree 45968 and Decree 45969 – 1968 colonial law – under revision.

²⁸ MSMEs are classified based primarily on the number of employees and, secondarily, on the gross annual turnover. According to the article 5 of Law 30/11 on MSMEs the definition is: i) micro enterprises employ up to 10 workers and/or a turnover of up to \$250 thousand (in the amount equivalent in kwanzas); ii) small enterprises employ between 11 and 100 employees and/or have a turnover over \$250 thousand and equal to or less than \$3 million (in the amount equivalent in kwanzas); iii) medium-sized enterprises employ between 100–200 workers and/or have a turnover over \$3 million and equal to or less than \$10 million (in the amount equivalent in kwanzas).

²⁹ Including Law 20-A/92 on the Right to Collective Bargaining; Law 23/91 on Strike; Presidential Decree 8/11 on Maternity Leave and Law 21-D/92 on Trade Union. Article 50 of the Angolan Constitution recognizes the freedom to create trade unions to defend individual and collective interests of employees.

³⁰ Presidential Decree 89/19 on Minimum Wage Fixing, establishes the universal national minimum wage and the minimum wage due by economic sector as follows: i) universal minimum wage of Kz21,454 (\$66); ii) trade and extractive industries – Kz32,181 (\$99); iii) transport, services and manufacturing – Kz26,817 (\$83); iv) agriculture – Kz21,454.

³¹ ILO recommended the express prohibition of governmental interference in unions, the strengthen of penalties against anti-union acts in the General Labour Law. See ilo.org/dyn/normlex/en/f?p=1000:13100:0::NO:13100:P13100_COMMENT_ID:3344233

³² Dismissals are justified if the employee has shown reduced productivity, damage to equipment and risks to the safety and health of workers and others, not meeting targets set in contract that harm the activity of the company.

³³ In the case of dismissal on fair grounds, the employer must initiate a disciplinary procedure, with the participation of witnesses and trade union representatives, if requested by the employee (art. 47-55). If the Labour Court decides that the contract has been unlawfully terminated, reintegration and compensation are due (art. 209).

³⁴ In case of compensation due to non-reintegration, severance equals to 50 per cent of the base salary multiplied by the number of service years (art. 237). In case of bankruptcy, insolvency or extinction of the legal person, the compensation is calculated on 50 per cent of the base salary multiplied by the number of years employed (art. 238). The compensation due for individual dismissal in case of judicial decision declaring unlawful termination covers 50 per cent of the base salary multiplied by the number of service years (art. 239).

³⁵ The exception applies to executives, technicians, and women working in cleaning and food preparation (art. 245.4) and the exception must be authorized by public health institutions (art. 245.1.b).

³⁶ Statistics show that 58 per cent of Angolan women are literate compared to 83 per cent of men. In rural areas, 75 per cent of women are illiterate compared to 37 per cent for men. Also, 63 per cent of men have access to secondary and higher education compared to 43 per cent of women (Government of Angola, 2017a).

³⁷ There is an office in the city of Luanda and a second in the SEZ Luanda-Bengo. A third municipal office is located at Lobito (province of Benguela).

³⁸ Public consultations are not required for projects located in SEZs and IDZs.

³⁹ This section is based on information available in the legislation accessible to UNCTAD, as well as the EY (2018), PWC (2018) tax reports and IBFD database.



- ⁴⁰ The assessment of the special tax regimes applying to the oil and gas industry and the mining industry, which also include a customs regime with exemptions applicable for some listed equipment, is not covered in this chapter.
- ⁴¹ Capital gains on shares or other instruments generating investment income that is not taxable for industrial tax or personal income tax purposes are subject to the investment income tax at a rate of 10 per cent.
- ⁴² These include: provisions and depreciation deemed to be unlawful, excessive or unauthorized by the tax authorities; bad or irrecoverable debts; representation expenses, such as travel expenses, deemed to be unreasonable by the tax authorities; interest on shareholders loans; Angolan personal income tax, social security contributions due from the employer, investment income tax and urban property tax; costs associated with rented property; costs related to previous years; donations not covered by the Law of Patronage; non-documented expenses and improperly documented expenses; confidential expenses; fines and penalties.
- ⁴³ PWC Tax summary, available from taxsummaries.pwc.com/ID/Angola-Corporate-Taxes-on-corporate-income (accessed on 26 April 2019).
- ⁴⁴ IBFD. Tax Research Platform, available at research.ibfd.org accessed on 25 September 2019.
- ⁴⁵ Rate of 0.5 per cent is due on the amount that exceeds the asset value of Kz5 million (about \$15,475).
- ⁴⁶ For instance, Presidential Decree 84/19 introduced reduced tax rates on fuel for agriculture and fisheries. Special fiscal regimes are defined by the Ministry of Mineral Resources and Petroleum for the mining and oil and gas sectors. The MSME fiscal regime introduced by Law 30/11 is under the competence of MEP.
- ⁴⁷ Priority sectors and related activities eligible for incentives under the PIL 2018 special regime include: agriculture, food and agroindustry; forestry; textile, clothing and footwear; hotel, tourism and leisure; infrastructure, telecommunications and IT; energy and water; education, training and research; and health (PIL 2018, art. 28 and Annex II of the Investment Regulation).
- ⁴⁸ The new development areas are: Zone A: provinces of Luanda and the municipalities of the provincial capitals of Benguela and Huíla and the municipality of Lobito; Zone B: provinces of Bié, Bengo, Cuanza-Norte, Cuanza-Sul, Huambo, Namibe and the other municipalities of the provinces of Benguela and Huíla; Zone C: provinces of Cuando-Cubango, Cunene, Lunda-Norte, Lunda-Sul, Malange, Moxico, Uíge and Zaire; Zone D: province of Cabinda.
- ⁴⁹ Composed of the Chief of the Investment Project Evaluation Department and the Chief of the Legal Department of AIPEX, a representative from the tax authority – AGT – and a representative from the relevant ministry (art. 30 of Presidential Decree 81/18 on the Creation of AIPEX).
- ⁵⁰ Investors in the SEZ have access to incentives under the PIL 2018 but are required to apply for those with AIPEX. The legislation on the creation of the Luanda Bengo SEZ (Presidential Decree 57/09) mentions the adoption of a special fiscal regime. However, the regulation making it operational was not issued as of March 2019.
- ⁵¹ Resolution 06/14 applies for instance, to the CIT Law and sectoral legislation regarding incentives.
- ⁵² See macaubusiness.com/angolas-privatization-plan-involves-telecommunications-oil-banking-and-insurance/ for more details.
- ⁵³ Presidential Decree 35/19, which approved the Technical Regulation of the Commercialization of Rough Diamonds, eliminated the monopoly on the sale of rough diamonds.
- ⁵⁴ The Government terminated Tráfico's near-monopoly contract over the supply of fossil fuels in March 2018. See reuters.com/article/us-angola-oil-products/angola-drops-trafigura-as-glencore-and-total-win-major-fuel-tender-idUSKCN1GS2AX (accessed 12 July 2019). A new mechanism for the import of petroleum products was also announced by the Government, see mirempet.gov.ao/vernoticia.aspx?id=41686 (access 12 July 2019).
- ⁵⁵ Art. 10 of the Competition Regulation establishes three alternatives subject to mandatory filing to the ARC: i) acquisition, creation or reinforcement of a share equal to or higher than 50 per cent in the Angolan market or in a substantial part of it; ii) acquisition, creation or reinforcement of a share between 30 per cent and 50 per cent in the Angolan market or a substantial part of it, as long as the total turnover of at least two of the concerned companies achieved individually is higher than Kz450 million (about \$1.4 million) in Angola during the last financial year; iii) the combined companies participating in the concentration exceed a turnover of Kz3.5 billion (about \$10.8 million) in Angola.
- ⁵⁶ See africa21digital.com/2019/03/23/angola-recuperou-us-33-bilhoes-do-fundo-soberano/ (accessed 12 July 2019).
- ⁵⁷ See country.eiu.com/article.aspx?articleid=547644438&Country=Angola&topic=Politics&subtopic=Recent+developments (accessed 12 July 2019).
- ⁵⁸ See the analysis by of the Government of Angola (2017b), IMF (2018b), WEF (2018) and Bertelsmann Stiftung (2018).
- ⁵⁹ See country.eiu.com/FileHandler.ashx?issue_id=1656454149&mode=pdf (accessed 12 July 2019).
- ⁶⁰ See data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=AO for further details.



- ⁶¹ These include: sugar, poultry products, pork products, dried beef, rice, wheat flour, pasta, corn meal, milk, blue detergent, tilapia, honey, soybean oil, palm oil, sunflower oil and peanut oil.
- ⁶² Stakeholders reported that procedures are less cumbersome for land granted through provincial governments.
- ⁶³ IDZs and rural industrial parks are under the supervision of the Ministry of Industry.
- ⁶⁴ A survey of conflicts between investors and communities shows they may have affected some 33,000 people as part of 220 communities (Tump and Cassinda, 2019).
- ⁶⁵ It is reported that, in some cases, the Government provided evictees with little or no information about the purpose of their eviction and did not discuss possible alternative solutions to resettlement (Human Rights Watch, 2017). Compensation did not follow consistent procedures and was offered to residents after their property and belongings had been destroyed, without the possibility to negotiate the amount in question. A recent study found that a similar approach was followed in the allocation of agriculture mega projects (Tump and Cassinda, 2019). The full public consultation procedure, as mandated by the law, was not conducted in any of the investment projects evaluated by the study. The Government and investors reportedly provided unclear information about the dimension of land plots, which led to a misunderstanding of investment plans, and negotiated directly with the soba without including the community. These conflicts affected more than 220 communities and nearly 33,000 local farmers (CAHF, 2016; Foley, 2007).
- ⁶⁶ For instance, the Lutheran World Federation supports communities in Angola on land rights and against land-grabbing. Interventions include workshops on land rights, women's empowerment, schools and literacy classes for adults. See lutheranworld.org/content/screening-video-land-grabbing-angola-growing-threat for more information (accessed 1 September 2018).
- ⁶⁷ See ipi.worldbank.org/international/global?sort=asc&order=Timeliness#datatable for more information.
- ⁶⁸ See oecd.org/mena/competitiveness/47549084.pdf for more information.
- ⁶⁹ Population between 0-24 years old is estimated at 65 per cent (Government of Angola, 2018a).
- ⁷⁰ Linkage development occurs when investments indirectly create demand and supply of intermediate goods (e.g. food supplies, construction materials but also higher value activities such as IT services, accounting and auditing). Backward linkages happen when domestic firms sell goods and/or services to foreign affiliates, while forward linkages entail the supply of goods and/or services by foreign affiliates to domestic firms. The extent and depth of these linkages in a given national context will depend on the absorptive capacities of local firms, including potential technological and skills barriers (UNIDO, 2011; UNCTAD, 2011b and 2016a).
- ⁷¹ Outgrower schemes are business models in which crop cultivation and production takes place both on land owned or leased by the investor and in which outgrowers produce crops which are supplied to the estate operation, through a variety of contractual arrangements (World Bank and UNCTAD, 2014).
- ⁷² In the past, this programme helped many developing countries improve the performance, productivity and efficiency of local suppliers through training, mentoring, information exchange, quality improvements, innovation and technology transfer (UNCTAD, 2012c).
- ⁷³ The latest general population census showed that only 34 per cent of young people (18 to 24) have completed elementary school. In addition, more than 60 per cent of children who completed primary school do not enter secondary education. Almost half of the people aged between 12 and 17 are not adequately integrated into secondary education programmes corresponding to their age (Government of Angola, 2018a).
- ⁷⁴ See worldbank.org/en/news/feature/2017/farmers-field-schools-pave-the-way-to-better-agriculture-prospects-in-angola (accessed 12 December 2018).
- ⁷⁵ Before the creation of AIPEX, investment promotion and facilitation activities were carried out by the Agency for the Promotion of Investment and Exports of Angola (APIEX), the Technical Unit for Private Investment (UTIP), sectoral ministries and provincial governments. APIEX reported to MINCO and was mandated with investment promotion and attraction, image building, facilitating exports of Angolan goods and services and support to internationalization of Angolan companies. UTIP received and analyzed investment projects over \$10 million, which were approved by the President. UTIP supported the Presidency in the preparation, evaluation and negotiation of these projects approved. Investment projects below \$10 million, were received and approved by the relevant Ministerial Technical Support Unit for Private Investment. At the provincial level, the Provincial Government Technical Units provided support to investors in the various provinces of the country.
- ⁷⁶ See howwemadeitinafrica.com/commercial-farming-in-the-congo-not-for-the-faint-hearted/21576/ for more details.
- ⁷⁷ See data.worldbank.org/indicator/IQ.SCI.OVRL?view=chart&year_high_desc=false
- ⁷⁸ This recommendation was made by the Declaration of Peasant Organizations and civil society following the African Consultation on Responsible Agricultural Investment (Monrovia, September 2013) to implement the guidelines of the FAO on the governance of natural resources and land. It is also part of the framework and guidelines of the African Union. This dashboard should include the rights and duties of both investors and government (UNCTAD, 2014a).

ANNEX 1. Summary of recommendations

What to do?	Why?	How?
<p>1. Improve the FDI-specific regime</p>	<p>Recent reforms have been undertaken to streamline the investment regime in Angola. Key concepts are yet to be better defined and procedures remain challenging. The new regime put in place did not consolidate conditions to private investment and FDI, and restrictions remain scattered across various sectoral regulations. Also, APEX retain regulatory powers that are not considered good practice internationally. Several common treatment and protection standards are missing or incomplete, and the IIAs should be modernized to better integrate sustainable development elements and the national development objectives.</p>	<p>Measures affecting the national legal framework for FDI</p> <p>1.A.1 • Publish an exhaustive list of restrictions to FDI in an official document (ST)¹</p> <p>1.A.2 • Clarify the definitions of foreign investment and investor by providing indication of the threshold of foreign ownership that is required for an investment to qualify as FDI (ST)</p> <p>1.A.3 • Remove the requirement to obtain the CRIP for procedures related to establishment, such as import of capital, access to land, transfer of funds abroad and obtaining licences (ST)</p> <p>1.A.4 • Introduce a statistical survey methodology for FDI-related data collection in preparation for the CRIP removal (ST)</p> <p>1.A.5 • Ease administrative conditions on transfer of funds for foreign investors, subject to availability of foreign currency (ST)</p> <p>1.A.6 • Revise the expropriation regime and align it with international best practice (ST)</p> <p>1.A.7 • Introduce a reference to non-discrimination or NT in the post-establishment phase in the domestic legislation to grant the core standards of treatment and protection to foreign investors (MT)</p> <p>1.A.8 • Remove the CRIP altogether (MT)</p> <p>1.A.9 • Revise the investment law to separate APEX's promotional and regulatory functions (MT)</p> <p>1.A.10 • Revise and harmonize FDI restrictions present across sectoral laws and consolidate them in the PIL 2018 (LT)</p>
		<p>Measures affecting the international legal framework for FDI</p> <p>1.A.11 • Focus IIA treaty-making on key areas of reform, in line with the national development strategy</p> <p>1.A.12 • Consider developing a model treaty that embodies refinements and clarifications in line with modern practice</p>

¹ Wherever indicated, ST (short-term), MT (medium-term) and LT (longer-term) refer to recommended implementation timeframes of, respectively, 0-18 months, 18-36 months



What to do?	Why?	How?
<p>2. Consolidate business establishment reforms</p>	<p>The Government deployed significant efforts aimed at improving business registration procedures. Future actions should focus on expanding services to under-served regions of the country as well as improving aspects of business operations which remain challenging, such as licensing, permitting and access to electricity.</p>	<p>1.B.1</p> <ul style="list-style-type: none"> • Complete the digitalisation of business establishment procedures, including online company registration (ST) <p>1.B.2</p> <ul style="list-style-type: none"> • Establish a fully functional online system for industrial and commercial licensing (ST) <p>1.B.3</p> <ul style="list-style-type: none"> • Move towards an “<i>ex-ante</i> licensing-<i>ex-post</i> controls” system, thus reducing time frame required to obtain operating licences (ST) <p>1.B.4</p> <ul style="list-style-type: none"> • Publish the mapping of all required steps to establish a business, with clearly defined deadlines as well as responsible offices to foster accountability (ST) <p>1.B.5</p> <ul style="list-style-type: none"> • Modernize the insolvency and bankruptcy law and engage stakeholders in the process through consultations and discussions of the draft reform (ST) <p>1.B.6</p> <ul style="list-style-type: none"> • Adopt the required legal framework to certify electronic signatures and issue online certificates (ST) <p>1.B.7</p> <ul style="list-style-type: none"> • Expand further business establishment reforms to provinces and municipalities, and enable MJDH service centres in the provinces to provide GUE’s services (MT) <p>1.B.8</p> <ul style="list-style-type: none"> • Carry out a streamlining exercise in coordination with provincial offices to reduce the inefficiencies in establishment procedures (MT) <p>1.B.9</p> <ul style="list-style-type: none"> • Conduct an economic assessment of total costs related to company establishment, in coordination with municipalities and all relevant ministries (MT)
<p>3. Improve access to land</p>	<p>In the absence of a comprehensive and updated cadastre and registration system, securing land tenure remains a challenge and access to land is lengthy and costly, representing a deterrent to investment.</p>	<p>1.C.1</p> <ul style="list-style-type: none"> • Set up a bank of available land plots for access to investors (ST) <p>1.C.2</p> <ul style="list-style-type: none"> • Promote awareness of land rights in rural areas and emphasize the advantages of registering land titles (ST) <p>1.C.3</p> <ul style="list-style-type: none"> • Move forward with reforms to map and zone land resources, and ensure alignment of use with the national development objectives to establish secure, effective and timely land and real estate registration procedures, including through eGovernment tools (MT) <p>1.C.4</p> <ul style="list-style-type: none"> • Build capacities of IGCA staff to collect, update and maintain cadastral information (MT) <p>1.C.5</p> <ul style="list-style-type: none"> • Adopt clearer and more efficient coordination mechanisms between IGCA, the ministries and local institutions (MT) <p>1.C.6</p> <ul style="list-style-type: none"> • Reconsider restrictions on access to land by investors and promote a functioning land market (LT)

What to do?	Why?	How?
<p>4. Enhance labour policy and facilitate access to skills</p>	<p>The revision of the labour regime focused on providing a better balance between workers' protection, job creation and competitiveness of local companies. However, the provisions governing freedom of association, collective bargaining and the right to strike are still not aligned with international standards. In addition, insufficient capacity at IGT hinders implementation of existing legislation. Despite a significant skills' gap, the attraction, retention and diffusion of foreign skills is discouraged and a clear strategy to facilitate access to skills in priority sectors has not been defined yet.</p>	<p>General labour regime</p> <p>1.D.1 • Harmonize national legislation with ILO standards, such as the right to strike, collective bargaining and freedom of association (MT)</p> <p>1.D.2 • Align the SEZ labour regime with the general one to avoid reducing the protection standards in the zones (MT)</p> <p>1.D.3 • Strengthen efforts to reduce gender disparities in labour legislation (MT)</p> <p>1.D.4 • Strengthen the resources of the IGT to allow it to implement its mandate (LT)</p> <p>Employing foreigners and accessing skills</p> <p>1.D.5 • Establish a dialogue with the private sector and vocational training institutions to define priority areas for training and proactive scarce skills' attraction policies (ST)</p> <p>1.D.6 • Adopt formalized coordination mechanisms between the private sector, vocational training and higher education institutions to update and design relevant curricula (MT)</p> <p>1.D.7 • Promote a tripartite dialogue in the design and update of employment and skill development policies, such as the PNFQ (MT)</p> <p>1.D.8 • Improve the policy on foreign hire by adopting a targeted approach to attract skills where they are most needed (MT)</p> <p>1.D.9 • Establish a skills-transfer programme in priority sectors, such as agriculture and manufacturing (MT)</p>

What to do?	Why?	How?
<p>5. Strengthen the environmental protection regime</p>	<p>EIAs and environmental licensing procedures remain burdensome due to the absence of clear guidelines on project differentiation and the limited resources available to MINAMB. As the revision of business registration procedures foresees the streamlining of environmental licensing, it will be important to ensure a proper balance between environmental protection and simplification of environmental licensing.</p>	<p>How?</p> <ul style="list-style-type: none"> 1.E.1 • Adopt risk-based criteria for EIAs and the granting of environmental licences, by establishing different categories of EIAs based on the potential risk and impact of the activities on the environment (ST) 1.E.2 • Adopt guidelines for the preparation of the different EIAs, so as to reduce the number of iterations and procedures and increase the efficiency of the regime (ST) 1.E.3 • Create synergies between the EIA and licensing procedures (ST) 1.E.4 • Define criteria for administrative appeal in case of the EIA rejection (ST) 1.E.5 • Limit fast-track channels to low risk projects selected on the basis of predetermined criteria (ST) 1.E.6 • Review target deadlines for approving EIAs to take into account the risk and complexity profile of the projects (ST) 1.E.7 • Strengthen public consultations procedures in investment projects undergoing EIAs (ST) 1.E.8 • Allocate sufficient staff to MINAMB to implement its mandate (MT) 1.E.9 • Decentralise the services of MINAMB from Luanda to provinces and municipalities (MT) 1.E.10 • Conduct risk-based <i>ex-post</i> inspections after licences are granted (MT) 1.E.11 • Raise awareness of public institutions about the importance of EIAs and environmental licensing (MT)
<p>6. Streamline the taxation regime</p>	<p>To compensate for the lack of competitiveness of the general tax regime, several parallel regimes and incentive schemes have been introduced over time. The announced reforms go in the right direction of consolidating the number of parallel regimes, rationalizing incentives and improving the overall tax competitiveness.</p>	<ul style="list-style-type: none"> 1.F.1 • Proceed with ongoing reforms to streamline corporate taxation, with a focus on rationalizing the number of taxes, rates and payments (ST) 1.F.2 • Review the efficiency of the existing incentives schemes, including through cost/benefit analysis (ST) 1.F.3 • Implement further reforms to promote the use of e-declaration and e-payments (ST) 1.F.4 • Develop indicators to incorporate sustainable development considerations (i.e. social and environmental performance) in the assessment of incentives schemes, including in SEZs (MT) 1.F.5 • Amend investment by-laws to avoid conflict of interest for AIPEX (MT) 1.F.6 • Work with AGT to improve training of accountants, especially on the VAT and new tax regulations (MT) 1.F.7 • Reconsider the purpose and nature of SEZs. Improvement of infrastructure and investment facilitation in priority regions is likely to have greater impact on investment attraction in these areas than generous fiscal incentives (MT)

What to do?	Why?	How?
<p>7. Foster fair and effective competition</p>	<p>High levels of market concentration and distortions hinder the development of a buoyant, competitive private sector in Angola. The Government recently introduced a competition regime to enable a better level playing field. Providing further clarity and certainty to the enforcement of competition rules, as well as ensuring more transparency in administrative procedures could improve the country's competitiveness.</p>	<p>1.G.1 • Amend the Competition Regulation to establish clear administrative procedures and deadlines (ST)</p> <p>1.G.2 • Foster coordination between the ARC and the Privatization Commission to avoid replacement of State monopolies by private ones, and ensure unbundling of SOEs and access to essential facilities so as to promote competition (ST)</p> <p>1.G.3 • Move forward with the planned restructuring and privatization of SOEs, and promote a level playing field with the private sector (ST)</p> <p>1.G.4 • Conclude memoranda of understanding between the ARC, sectoral ministries and regulatory authorities (MT)</p> <p>1.G.5 • Build capacity of the ARC and sectoral authorities' staff to ensure that they have the skills and tools required to implement the Competition Law (MT)</p> <p>1.G.6 • Pursue efforts to enable competition in sectors under concession contracts, such as telecommunications (MT)</p> <p>1.G.7 • Engage further in international and regional cooperation initiatives on competition, such as the Lusophone Competition Network of CPLP (LT)</p>
<p>8. Improve governance and commercial justice</p>	<p>Governance issues are among the main disincentives to investment and development in Angola. Improved governance would support private sector development and foster sustainable development. Measures recently adopted by the Government have shown the political willingness to fight corruption and improve governance in the country. Political leadership to address governance challenges will need to be accompanied by changes in policy formulation, implementation and by a careful monitoring of impact to bring down costs and barriers related to governance challenges.</p>	<p>1.H.1 • Prioritize planned governance reforms to ensure that the most urgent ones are allocated sufficient resources for effective implementation</p> <p>1.H.2 • Make laws and regulations, as well as their planned and forthcoming amendments freely accessible to the public to provide more certainty regarding applicable regulatory framework</p> <p>1.H.3 • Create a public-private dialogue mechanism to involve the private sector and civil society in the law-making process and in the implementation phase, notably to raise awareness</p> <p>1.H.4 • Implement information management systems at the public administration</p> <p>1.H.5 • Promote arbitration, mediation and conciliation, by strengthening the capacity of CREL and raising awareness about ADR mechanisms</p> <p>1.H.6 • Join international transparency to further improve transparency of Government's contracts, licences and revenue allocation in the extractive sector</p>



What to do?	Why?	How?
<p>9. Maximize the sustainable development impact of FDI in agribusiness</p>	<p>Angola's strategic location, abundant natural resources and preferential access to regional and international markets provide favourable conditions for investment in agribusiness. Indeed, in the country's development strategy, the sector plays a pivotal to diversify the economy. To maximize sustainable development outcomes from FDI in agribusiness, either directly through investment or indirectly through linkages with domestic producers, the IPR calls for concrete measures to foster responsible investment and promote inclusive agriculture modes of production. To deliver that fully impact, the proposed measures will have to strike a balance between the Government's food security and export-led development objectives.</p>	<p>Access to agricultural land</p> <p>2.B.1 • Allocate State land in a way that prioritizes smaller land parcels</p> <p>2.B.2 • Clarify the regime applicable to land and the securing of existing property titles, including customary rights. In particular, land and resource rights in areas with high potential should be identified before considering any major investment proposal</p> <p>2.B.3 • Move forward with the establishment of an electronic cadastre at the national level</p> <p>2.B.4 • Encourage investors to integrate local communities through an inclusive approach, from the negotiation stage to the holding of consultations when business operations may affect their livelihoods</p> <p>2.B.5 • Ensure that contracts for State lands provide for provisions linking the duration of concessions or their renewal to the exploitation of the land allocated to limit the risk of acquiring land for speculative purposes</p> <p>2.B.6 • Support and expand existing initiatives by civil society to undertake communication campaigns to raise awareness on land rights in order to ensure the enforceability of land tenure in practice</p> <p>Infrastructure</p> <p>2.B.7 • Build capacity of the PPP Office to coordinate the overall PPP strategy</p> <p>2.B.8 • Establish a working group to improve institutional capacity on PPPs (ST)</p> <p>2.B.9 • Set up a specialized agency to oversee the implementation of PPPs (LT)</p> <p>2.B.10 • Strengthen technical capacities of ministries' departmental teams tasked with the selection of infrastructure projects, their execution and monitoring and evaluation</p> <p>2.B.11 • Improve technical capacities to promoting institutional investment in infrastructure, focusing on the development of transport infrastructure to enhance value chain efficiency and access to domestic and foreign markets</p> <p>2.B.12 • Support the development of soft infrastructure, including establishment of laboratories and logistics support systems</p> <p>2.B.13 • Improve governance and transparency of infrastructure investments during all project phases</p>

What to do?	Why?	How?
<p>9. Maximize the sustainable development impact of FDI in agribusiness</p>		<p>Entrepreneurship</p> <p>2.B.14 • Formulate a national entrepreneurship strategy aligned to the PDN (ST)</p> <p>2.B.15 • Build capacity of entrepreneurs, targeting specific groups such as youth, women and rural entrepreneurs (ST)</p>
		<p>Business linkages</p> <p>2.B.16 • Identify business linkages potential in agribusiness value chains where local firms could best interact with foreign investors with support of INAPEM and AIPEX (ST)</p> <p>2.B.17 • Set up a business linkages programme to facilitate matchmaking between local suppliers and big retail and manufacturing investors in selected agribusiness segments (LT)</p>
		<p>Skills development</p> <p>2.B.18 • Adopt a proactive policy of attracting and disseminating missing skills in the agribusiness value chains, while protecting the local labour force from foreign competition</p> <p>2.B.19 • Prioritize projects where foreign investors can better interact with family farmers to support the development of the capacities of local people, including through the provision of extension services, transfer of technology and the creation of linkages between local producers and investors</p>

What to do?	Why?	How?
<p>10. Attracting responsible investments in agribusiness</p>	<p>The implementation of an effective investment promotion strategy for agribusiness will support APEX to attract FDI conducive to the achievement of national development objectives.</p>	<p>FDI promotion</p> <ul style="list-style-type: none"> 2.C.1 • Build capacity of APEX personnel in specific areas such as investment promotion, image building and aftercare 2.C.2 • Determine the profile of desired investors while prioritizing the achievement of sustainable development outcomes 2.C.3 • Identify attractive investment projects 2.C.4 • Train a team which will be dedicated to the identification, definition and quantification of investment opportunities in agribusiness value chains to narrow the scope for matchmaking 2.C.5 • Coordinate with the Research Department in APEX to ensure that targeting is based on competitive advantages, with realistic proposals based on solid empirical data and financially viable 2.C.6 • Improve coordination between APEX and other ministries, such as MINAGRIF, MINCO, Ministry of Industry and Ministry of Fisheries and Sea, to promote and attract agribusiness investments 2.C.7 • Develop and maintain a database to record and track existing and prospective investors 2.C.8 • Target and market interested and interesting investors 2.C.9 • Inform the targeted investors about the opportunities in the country 2.C.10 • Facilitate the installation and operations of investors 2.C.11 • Train an Investment Facilitation Team to support and follow-up investor establishment 2.C.12 • Strengthen APEX's policy advocacy functions to better identify the needs of investors and the priority reforms to be implemented to improve the business climate <p>Monitoring and evaluation of investment projects</p> <ul style="list-style-type: none"> 2.C.13 • Develop and regularly update a series of development impact statistics and indicators that will enable an evaluation of investment projects and public policies in the agribusiness sector 2.C.14 • Publish the statistics, data and the results of the evaluations of the investment projects in order to ensure the transparency of their operations 2.C.15 • Strengthen data collection capacity in the country, particularly for FDI and other investment and business climate metrics 2.C.16 • Re-evaluate existing public policies based on the results of these evaluations if they show that FDI does not contribute sufficiently to the objectives set 2.C.17 • Design clear reporting and monitoring requirements for concessions and agricultural land allotments to ensure the control of investment activities and consistency with the country's development objectives 2.C.18 • Develop capacity of public officials within relevant ministries to monitor implementation and compliance of investment projects



ANNEX 2. FDI entry and establishment conditions in Angola

Field	Condition
Defence activities	Reserved to the State ^a
Basic postal services, telecommunications	Reserved for SOEs ^a
Banking and insurance	Acquisition of shares by foreigners are subject to prior authorization of the BNA ^b Pension funds management companies must have its headquarters in Angola ^c Maximum 50 per cent of FDI in insurance companies, with at least 60 per cent of ownership of foreign insurance and financial companies ^d Foreigners can only provide insurance and brokerage services if reciprocity for Angolan citizens is guaranteed at their country of origin ^e
Mining	Maximum 1/3 of foreign capital in concessions of mineral rights for civil construction, public works minerals and mineral-medicinal waters exploitation ^f Mandatory association with the national concessionaire for diamond exploration
Oil and gas	Maximum 49 per cent of FDI in oil exploration and production. Mandatory association with the national concessionaire ^g
Real estate	Foreigners cannot own any type of land. Urban land and real estate can be leased from private investors or the State, while rural land can be accessed through concession (see chapter 1) ^h
Environmental consulting	Mandatory association with Angolans ⁱ
Fisheries	Artisanal fishing reserved to Angolans ^j Fishing in international rivers and continental waters ^k Mandatory association with Angolan nationals for fishing activities in waters beyond 12 nautical miles ^k
Port and shipping services	Loading and unloading of bulk carriers; stowage, unstowage, transshipment and handling and stationing of merchandise; pilotage, towage and mooring of the ship; waste collection; operation of infrastructure for sport and leisure ships; operation of fishing ports; passenger transport; and water supply to vessels are reserved for Angolans ^l
Air transport	Foreigners cannot own more than 49 per cent of companies providing domestic air transport services ^m

Source: UNCTAD based on laws and regulations in Angola.

Notes: ^a Law 5/02 on the Delimitation of Economic Activities.

^b Art. 25.5 Law 12/15 on Financial Institutions.

^c Art. 6 of Decree 25/07.

^d Arts. 3 and 22.a and b of the General Law on Insurance Activities, Law 1/00.

^e Art. 41.3 of the General Law on Insurance Activities, Law 1/00.

^f Arts. 332 and 347 of the Mining Code, Law 31/11.

^g Art. 15 of Law 10/04 on Petroleum Activities.

^h Art. 98.3 of Constitution.

ⁱ Art. 31 of Decree 59/07 on Environmental Licensing.

^j Art. 31 of Law 6-A/04 on Aquatic Biological Resources.

^k Art. 32 of Law 6-A/04 on Aquatic Biological Resources.

^l Art. 117.3 of Law 27/12 on Shipping, Ports and Related Activities and art. 4 of Presidential Decree 50/14 on the Statute of Navigation Agents.

^m Arts. 11.3 and 13.1 of the Presidential Decree 217/16 on the Regulation for access to air transport services.



ANNEX 3. International investment agreements and treaties with investment provisions

	Parties	Date	Status
Bilateral investment treaties between Angola and...			
1	Brazil	2015	In force
2	Cabo Verde	1997	In force
3	France	2008	Not in force
4	Guinea Bissau	2007	Not in force
5	Germany	2003	In force
6	Italy	1997	In force
7	Mozambique	2015	Not in force
8	Namibia	2004	Not in force
9	Portugal	1997 and 2008	Not in force
10	Russian Federation	2009	In force
11	South Africa	2005	Not in force
12	Spain	2007	Not in force
13	United Arab Emirates	2017	Not in force
14	United Kingdom	2000	Not in force
treaties with investment provisions			
1	Angola – United States Trade and Investment Framework Agreement	2009	Not in force
2	African Union Treaty	1991	In force
3	Cotonou Agreement	2000	In force
4	ECCAS Treaty	1983	In force
5	EU – SADC European Partnership Agreement	2016	In force
6	SADC Treaty	1993	In force
7	SADC Investment Protocol	2006	In force

Source: UNCTAD's IIA Navigator, available at: investmentpolicy.unctad.org/international-investment-agreements.



ANNEX 4. Differentiated labour standards applied to enterprises

Overtime categories	Overtime premium per type of enterprise (percentages)			
	Micro	Small	Medium	Large (general regime)
Up to 30 hours per month	10	20	30	50
In excess of 30 hours per month	10	20	45	75
Night or shift work	5	10	15	20
Type of termination	Severance payments			
Individual dismissal by objective grounds and collective dismissal	2 salaries + (20% of base salary x number of years employed beyond 2 years)	1 salary per year up to 2 years + (30% of base salary x number of years employed beyond 2 years)	1 salary per year up to 3 years + (40% of base salary x number of years employed beyond 3 years)	1 salary per year up to 5 years + (50% of base salary x number of years employed beyond 5 years)
Non-reintegration	20% of base salary x number of years employed	20% of base salary x number of years employed	40% of base salary x number of years employed	50% of base salary x number of years employed
Bankruptcy, insolvency or extinction of the legal person	20% of base salary x number of years employed	30% of base salary x number of years employed	0.4 of base salary x number of years employed	0.5 of base salary x number of years employed
Judicial decision declaring wrongful termination	10% of base salary x number of years employed (minimum 1 salary)	20% of base salary x number of years employed (minimum 2 salaries)	30% of base salary x number of years employed (minimum 3 salaries)	50% of base salary x number of years employed (minimum 4 salaries)

Source: General Labour Law 7/15.



ANNEX 5. Foreign investments in agribusiness

Project	Investors	Area	Scope	Targeted market	Starting date
Agrolider and Novagrolider	Group Lider (Portugal and Angola)	4 500 hectares	Products: 60 types of fruits, vegetables and processed food Exports: banana and other tropical fruits, such as guava, lemon, mango, papaya, passion fruit, pitaya	Domestic market Exports: Europe, Southern Africa	2006
Angonabeiro	Nabeiro Group (Portugal)	Fazenda Cabuta: 17 000 hectares	Products: coffee, food packaging Brands: Delta, Delta Q, Ginga Outgrower schemes involving 20 thousand families Exports of Café Ginga started in 2016	Domestic market Exports: Cabo Verde, Portugal, Senegal, United States	2000
Aldeia Nova	Gesterra, Agriculture Development Institute and IGAPE (Government of Angola) 59 per cent; Vital Capital Fund (Israel) 41 per cent	10 000 hectares	Products: maize, beans, dairy, ice cream, eggs, chicken meat, corn meal, soybean oil, soy and animal feed 600 families are installed on the farm \$70 million investment 250 000 chicken layers and 750 heads of cattle for milk production Exports to Namibia: eggs, yoghurt, chicken, soy and animal feed	Domestic market Exports: Namibia	2012
Biocom	Odebrecht (Brazil) 40 per cent; Cochlan (Angola) 40 per cent; Sonangol (Angola SOE) 20 per cent	81 201 hectares; 70 106 for agriculture; 11 095 for forest reserve	Products: sugar, ethanol and biomass for energy Sugar for local market, electricity for the Angolan National Energy Company (RNT), hydrous ethanol for the beverage industry and cleaning products First export was done in May 2019: 8 500m ³ of ethanol to Europe Around 70 per cent of sugar cane from Biocom is turned into sugar. The remaining 30 per cent is used for ethanol and bioenergy	Domestic market Exports: Europe	2011
BSA Bovinos Sull Angola	Costa Negócios, Modolax (Brazil) LM Grupo (Portugal) Government of Angola	200 000 hectares	Products: beef, chicken and animal feed Implementation is delayed	Domestic market	2017
Castel	Castel Group (France)	3 000 hectares in cereal cultivation	Products: beverages Production of cereals to provide inputs for beverages production	Domestic market Exports: Democratic Republic of Congo, Mozambique, Namibia, Zambia	2017
Diref	Diageo (UK) 50 per cent Refriango (Angola) 50 per cent	42 hectares	Products: beverages and spirits Cans, packaging boxes, water and alcohol are produced locally	Domestic market Exports: Southern Africa	2018



Project	Investors	Area	Scope	Targeted market	Starting date
Kibabo	Group Kibabo (Angola and Portugal)	6 hectares of greenhouses for hydroponic agriculture	Retail and agricultural production (vertical integration) Hidrobem: hydroponic agriculture – vegetables.	Domestic market	NA
Maxi Cash and Carry	Teixeira Duarte Group (Portugal)	17 farms in 9 provinces: 7 000 hectares	Retail Vertical integration: investments in agriculture started in 2012. The Group's farming project, Fazenda Maxi, produces 46 types of vegetables and fruits. The Group partners with local producers in 17 farms in nine provinces to cut import dependency (from 65 per cent to 35 per cent in three years).	Domestic market	1996
Nestlé Angola Lda	Nestlé (Switzerland)	NA	Food packaging Coffee	Domestic market	2011
Peckinalca Project	Cremonini Group (Italy): subsidiary Inalca Angola Lda	192 000 m ²	Products: processing of meat, fish, grains, flour, oil, fruits, vegetables	Domestic market	2019
Quiminha Agroindustrial Project	Gesterra (Angola SOE) Management: Tahal Group (the Netherlands and Israel) 50 per cent ZRB Consulting Finance & Development Limited (Cyprus and Israel) 50 per cent	5 000 hectares 300 individual farms	Design and development of several farms, crop-growing farms, greenhouses and poultry farms, a logistics and agricultural centre, a system for product marketing and sales Seven-year contract for management and operation of the settlement Tahal and ZRB are entitled to all the proceeds from the sales of the settlement's agricultural output	Domestic market	2012
Projects in Cabinda, Huambo and Lunda Sul	Gesterra Management: Tahal Group (the Netherlands and Israel) 50 per cent ZRB Consulting Finance & Development Limited (Cyprus and Israel)	NA	Design and construction of several farms, irrigated and drip-irrigated cultivation areas, net houses and greenhouses, chicken hatcheries, chicken coops, a logistics centre and a training centre 32-month contract	Domestic market	2018
Shoprite and USave	Shoprite (South Africa)	NA	Retail Partnership with local farmers for supply of fruits and vegetables	Domestic market	2003

Source: World Bank (2019), landmatrix.org, fdimarkets.com





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