Angola and China:

Building bridges across the new frontier

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Programme

CHAPTER I

Angola & China

Some background

1980 - MPLA and Chinese Communist Party establish relations

1983 - Official diplomatic relations between PRC and Angola

Beijing, CHINA

Relations intensified in the new Mellinnium

Elite status of diplomatic affairs:

2006 - Wen Jiabao (Premier) visits Angola
2008 - Eduardo dos Santos visits China twice (August & Dec)
2010 - Xi Jinpeng (Vice President) visits Angola

Luanda, ANGOLA

Photograph by Carine Kiala

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ANGOLA

BACK - Train station at Malanje.

Photograph is courtesy of China Railway 20

CIF Fábrica de Cimento

Production rate at the cement factory is estimated at **250,000** bags per day.

Approximately **50** trucks are despatched per day.

Cement is Angola's **largest import product**. The local industry simply does not produce enough to meet the growing demand, taking account the country's recontruction and development agenda.

In 2010 Angola imported more than 14 tonnes of goods, of which cement accounted for **over 19%.**

CSG Automóveis - ZZNissan

The CSG car assembly plant produces **32,000** vehicles per year.

CSG is regarded as a model for Chinese investment in Angola, contributing towards

- industrialisation,
- technology transfer, and
- skills development

The factory employs over 600 poeople, of which 500 are Angolan.

The factory is situated in Special Economic Zone (ZEE- *Zona Económica Especial*) of Luanda-Bengo.

Industrialisation and Economic Diversification

Photograph is courtesy of ANGOP

Technology transfer and skills development

New focus of Angola – China Cooperation

Angola is a net importer of food and agriculture products.

Subsistence farming (80%)

Occupy only 5% of arable land

Agriculture accounts for 9.6% of GDP.

National strategic programmes

MINADER has local and int. partners including FAO, etc.

China's involvement ???

Export credit, training
Agri demonstration centre

CHAPTER II

Doing Business in Angola

CONTENT

1. General principles of Investment Law 20/11
2. Development zones
3. Tax Exemptions in the Development Zones
4. Repatriation of funds
5. Sectors of investment
6. Submitting the Investment Proposal and Signing the Contract
7. Import of Equipment
8. Immigration
9. Salary payments abroad

Quick facts about Angola

Total area: 1,246,700 Km^2

Coastline: 1,650 km (Atlantic Ocean)

GDP: 116.3 billion USD (2011)

Growth rate: 3.9% (2011)

Population: 18 million

Official language: Portuguese

Neighbors: Namibia, Congo (Brazzaville), Democratic Republic of Congo and Zambia

Main imports: Machinery, Electric Equipment, vehicles and parts, medicines, food products, textiles, military goods.

Main exports: Oil, diamonds, sisal, fish, timber, cotton

安哥拉

Investment legislation and regulations

The National Private Investment Agency
(*Agência Nacional para o Investimento Privado* – ANIP)

www.anip-angola-us.org

The **Private Investment Law** **(Lei 20/11)**

- Came into force in 2011;
- Incorporates former Private Investment Law (PIL - Law 11/03, Law 15/94 & 10/79),
- Incorporates former Tax and Customs Incentives Law (Law 17/03, 25 July 2003)

Other legislation to study:

• The **Company Law** (**Lei 1/04**, 13 February 2004), which specifies rules governing the incorporation of companies in Angola.

1. Article 5: General principles of Law 20/11

In order to enjoy the benefits of tax exemptions, repatriation of funds and other incentives, one must make a minimal investment of USD 1 million. This is a contractual scheme with the state as a partner.

The granting of incentives and facilities shall comply with 7 principles:

- Respect for private property;
- Respect for the rules of **free trade** and **fair competition** amongst economic players;
- Respect for free enterprises, except in areas defined by law as **reserved** for the State (Law 5/02);
- Guarantees of **security** and **protection** of investment;
- Equal treatment of national and foreign investors and protection of rights of economic citizenship of nationals;
- Promotion of the **free** and full movement of goods and capital within Angola, according to the legal terms and limits;
- Respect for international treaties and agreements.

2. Development zones (Article 35)

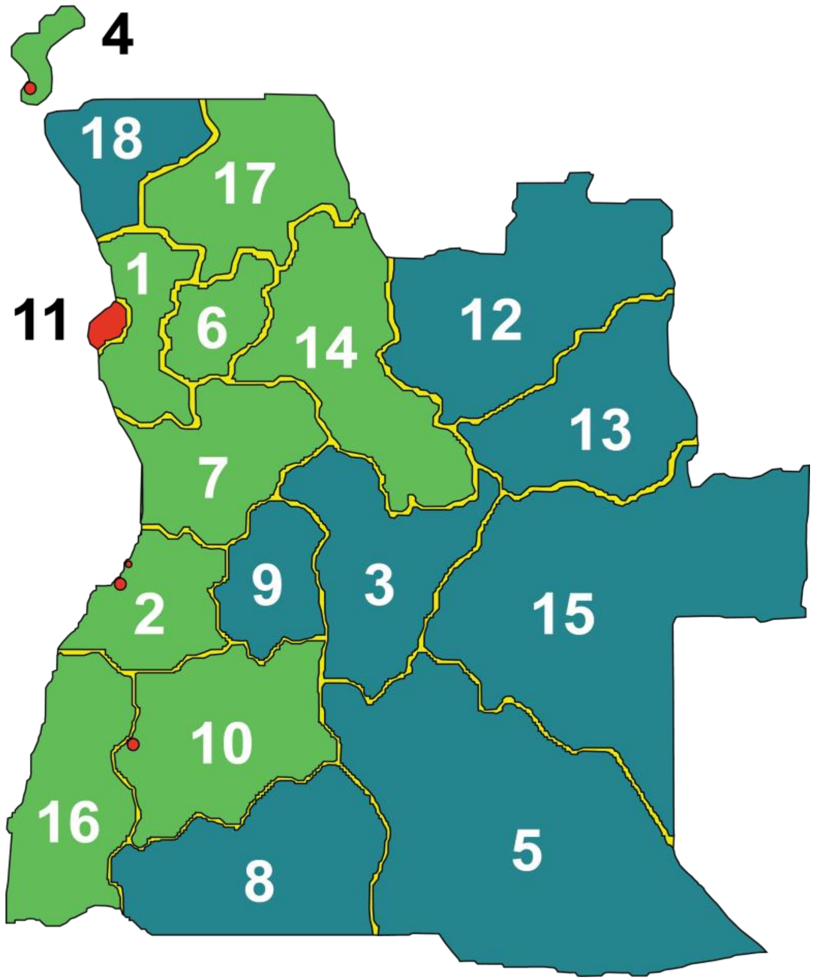
Categorised …

Zone A

Zone B

Zone C

… according to the 18 provinces.



The 18 Provinces of Angola

1. Bengo
2. Benguela (M. Lobito)
3. Bié
4. Cabinda (M. Cabinda)
5. Kuando-Kubango
6. Kwanza Norte
7. Kwanza Sul
8. Cunene
9. Huambo
10. Huìla (M. Lubango)
11. Luanda
12. Lunda Norte
13. Lunda Sul
14. Malanje
15. Moxico
16. Namibe
17. Uìge
18. Zaire

3. Tax Exemptions in the Development Zones

Profits from private investment are eligible for exemption or reduction in percentage rate of tax, accordingly:

	Industrial Tax (Article 38)	Capital Investment Tax (Article 40)	Maximum Limit for Incentives (Article 42)
Zone A	1 – 5 years	Up to 3 years	Above USD 50 Million or 500 direct jobs for Angolans
Zone B	1 – 8 years	Up to 6 years	Above USD 20 Million or 500 direct jobs for Angolans
Zone C	1 – 10 years	7 – 9 years	Above USD 20 Million or 500 direct jobs for Angolans

4.1 Article 18: Repatriation of Funds

What does this include?

• Dividends or profits (after tax , bearing in mind initial capital investment and its proportion to the company's actual capital)

• Proceeds from liquidation of the investment (after tax , but including capital gains)

• Indemnity proceeds

• Royalties or other income from remuneration of indirect investment linked to technology transfer

4.2 Article 18: Repatriation of Funds

What are the variables?

- Amount invested
- Period of the concession
- Size of tax , customs incentives and benefits
- Term of the investment
- Profits effectively realised
- Socio-economic impact of the investment
- Effect on reducing regional imbalances
- Impact of the repatriation of profits/dividends on the country’s balance of payments

Percentage proportions and evaluation of the funds are negotiated on a case-by-case basis according to objective data and after submitting proof of tax payments.

4.3 Articles 19 & 20: Repatriation of Funds

Bearing in mind the respective development zones, one's right to repatriate profits and dividends is made in **increments on a percentage basis** under the terms of Article 18 (paragraph 1).

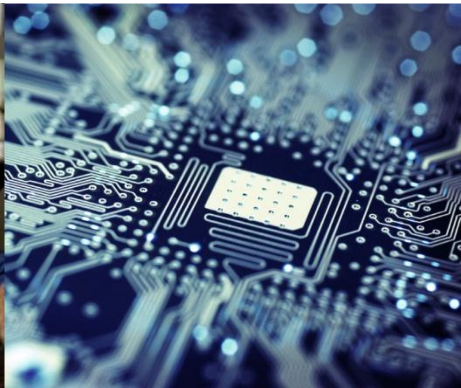
	Investment Value (USD)	Implementation Period
Zone A	< USD 10 million	After 3 years
Zone A	> USD 10 million < USD 50 million	After 2 years
Zone B	< USD 5 million	After 2 years
Zone C	1 million	Y/Y

5. Article 21: Sectoral Incentives

1. Agriculture and cattle breeding;
2. Manufacturing industry, notably the manufacture of packages, production of machinery, equipment, tools and accessories, recycling of ferrous and non-ferrous materials, textile, clothing and footwear production, wood and wood by-products processing, food production, construction materials, information technologies;
3. Roads, railway, sea port and airport infrastructure;
4. Telecommunications and information technologies;
5. Fishing industry and by-products, including the construction of boats and fishing nets;
6. Energy and waters;
7. Social housing;
8. Health and education;
9. Hotel and tourism industry.







Target areas for investment

- Renewed focus on **agriculture** and the manufacturing sector
  - ✓ Food security
  - ✓ Job creation & skills development
  - ✓ Technology transfer

- Manufacturing contributes only 9.6% to GDP

- Social cooperation with strategic development partners – i.e. China, Brazil, Portugal and USA.

Public Private Partnerships (Lei 02/11)

The State has identified 4 key areas for public private partnerships (PPPs):

Road infrastructure – build and manage the maintenance. Over 3,000 km was built in last few years, with another 8,000 km planned ahead.

Sanitation Equipment and Systems – build equipment and establish systems for water supply and sanitation in priority areas across the country.

Energy – expand the electricity grid, build new dams and power stations.

Other Infrastructure and Utility Services – the state is undergoing extensive rehabilitation and construction of basic infrastructure. PPPs are encouraged in the construction, modernisation and management of various public services.

Public Private Partnerships (Lei 02/11)

The objective of PPPs is to improve the quality and vigour of public service delivery.

Distinctive elements:

- Association with private entities to meet public needs, as defined by the State;
- Long-term partnership, i.e. sometimes even decades;
- Results-oriented, where the obligations for the private partner are clear;
- Financing and responsibility of the investment lies with private partner.

Commission set to review PPP proposals consists of the Ministries of Economy, Finance, Planning and any relevant Ministry responsible.

Preparing the paperwork

By-laws (company) → Shareholders of an existing company

Individual investor → Certified bank statements & Police clearance

Required documents:

- ✓ Completed application form (description, inventory, etc)
- ✓ Draft articles of incorporation of the new company
- ✓ Certificate from GUE authorising the name of the company
- ✓ Annual financial reports (last 3 years)
- ✓ Power of attorney, if necessary

There are various agency, law firms and ANIP officials that can accompany the investor through this process.

6.1 Process after submitting the proposal

Timeframe & process upon submission of the investment proposal to ANIP:

30 days	Commission for Negotiation of Facilities and Incentives (CNFI) will evaluate the proposal and negotiate incentives with investor. CNFI includes experts from BNA, Tax Office, Customs Office and relevant Ministries. *During the first 15 days, ANIP may contact you if application is incomplete or requires any corrections*
10 days	After the negotiations CNFI shall present final opinion.
5 days	ANIP reviews the agreed terms and conditions before approval. It has the authority to approve investments up to USD 10 million; all proposals above this figure are redirected to the more supreme authority – i.e. The Council of Ministers.
Total: 45 days	**Period to consider & negotiate an investment proposal**

6.2 Approved investment proposal

If the authoritative agency approves the proposal, it will be returned to ANIP to make arrangements for the signature of the contract.

- Certificado de Registo de Investimento Privado (CRIP),
- Licence of Import of Capital (LIC),
- Publication in the Diário da República

If the proposal is **not approved**, this decision will be communicated by ANIP to the applicant with the precise motivations for the rejection. The applicant may choose challenge or appeal the decision according to the rules and procedures of litigation.

6.3 Article 53: Scope of Investment Contract

1. Identify all the parties
2. Define the nature and purpose of the contract
3. Term of the contract
4. Define and quantify the objectives to be achieved by the private investor
5. Define the conditions of operations, management, association and deadlines
6. Provision of facilities, tax benefits and other incentives granted by the State
7. Location of investment and legal regime
8. Mechanism of ANIP's monitoring of the steps carried out on the investment
9. Outline of the means of dispute resolution, with details on the chosen forums and arbitration procedures if necessary.
10. Economic, social and environmental impact studies.

7. Article 68: Import of Equipment

Machinery, equipment and components (new and/or used) imported must be reviewed and valued according to value of cost, insurance and freight (**CIF value**) in the foreign currency, then converted using BNA exchange rate of the day that customs declaration is presented.

The prices of equipment are verified, especially during the inspection prior to shipping.

8. SME – Serviços de Migração e Estrangeiros

All visitors to Angola must apply for the appropriate visa from an Embassy or Consulate of the Republic of Angola from their country of origin / residence.

- Do not work in Angola with a Visitor's Visa
- Multiple entries into the country will be noted by MININT (Ministry of Interior), and may jeopardise any future application for work visa

As a foreign citizen in Angola, one can live in the country with one of the following:

- Work Visa
- Privilege Visa
- Residence Card

Labour contracts for expatriate staff must be approved by relevant stakeholders, in consultation with MAPESS (Ministry of Public Administration, Employment and Social Security).

9.1 Banking in Angola for Non-Residents

Non-residents may open and operate checking accounts in national or **foreign currency** at financial institutions based in Angola (Article 9.3 of Law N°5/97), according to the terms & conditions set forth by the BNA. Further guidelines in Aviso Nº 03/09.

ACCOUNT IN **FOREIGN** CURRENCY

CREDIT

- To import capital from abroad for means of payment
- To deposit receivables from work done in-country, with prior authorisation from BNA
- To receive interest negotiated

DEBIT

- To withdraw or sell foreign currency
- To pay for expenses to resident and non-resident entities
- To repatriate funds, only with prior authorisation from BNA

9.2 Banking in Angola for Non-Residents

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ACCOUNT IN **LOCAL / NATIONAL** CURRENCY

CREDIT

- To buy Kwanza, by selling currency from the foreign currency account
- To deposit receivables from work done in-country, with prior authorisation from BNA
- To receive interest negotiated

DEBIT

- To make cash withdrawals
- To pay for local expenses

9.3 Salary Payments Abroad

Investors with non-resident accounts may also make salary payments abroad:

- Contracts must be approved by MAPESS
- Salaries above USD 300,000 (including bonus) must be authorised by BNA
- Salaries below USD 300,000 can be done to one's discretion

If one chooses to recieve **one's salary in a current account in Angola**, even after the regulation of the working permit, one still is only allowed to transfer USD 60,000 abroad per year.

FINAL REMARKS

1. The majority of investment in Angola remains state-driven.

2. Foreign investors are required for skills development and technology transfer.

3. The New Investment Law (20/11) is directed towards diversifying industry and developing the manufacturing sector.

4. Visit Angola to learn more about the market.

Thank you for your attention

www.consuladogeral-angola.hk