

Angola

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Angola	
Sanctions:	None
FAFT list of AML Deficient Countries	No longer on list
Higher Risk Areas:	<p>Non - Compliance with FATF 40 + 9 Recommendations</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p>
Medium Risk Areas:	US Dept of State Money Laundering Assessment
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>bananas, sugarcane, coffee, sisal, corn, cotton, cassava (manioc), tobacco, vegetables, plantains; livestock; forest products; fish</p> <p>Industries:</p> <p>petroleum; diamonds, iron ore, phosphates, feldspar, bauxite, uranium, and gold; cement; basic metal products; fish processing; food processing, brewing, tobacco products, sugar; textiles; ship repair</p> <p>Exports - commodities:</p> <p>crude oil, diamonds, refined petroleum products, coffee, sisal, fish and fish products, timber, cotton</p> <p>Exports - partners:</p> <p>China 45.8%, US 13.7%, India 11%, South Africa 4.1% (2012)</p> <p>Imports - commodities:</p> <p>machinery and electrical equipment, vehicles and spare parts; medicines, food, textiles, military goods</p>	

Imports - partners:

China 20.8%, Portugal 19.5%, US 7.7%, South Africa 7.1%, Brazil 5.9% (2012)

Investment Restrictions:

The business environment remains one of the most difficult in the world. Investors must factor in pervasive corruption, an underdeveloped financial system, poor infrastructure and extremely high on-the-ground costs. Surface transportation inside the country is slow and expensive, while bureaucracy and port inefficiencies complicate imports and raise costs.

Angola's private investment law expressly prohibits private investment in the areas of defense, internal public order, and state security; in banking activities relating to the operations of the Central Bank and the Treasury; in the administration of ports and airports; and in other areas where the law gives the state exclusive responsibility. However, it is common for Angolan companies to subcontract parts of or all of the project to foreign companies. Investment in the petroleum, diamond, and financial sectors is governed by sector-specific legislation.

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Section 1 - Background

Angola is still rebuilding its country since the end of a 27-year civil war in 2002. Fighting between the Popular Movement for the Liberation of Angola (MPLA), led by Jose Eduardo Dos Santos, and the National Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi, followed independence from Portugal in 1975. Peace seemed imminent in 1992 when Angola held national elections, but fighting picked up again in 1993. Up to 1.5 million lives may have been lost - and 4 million people displaced - during the more than a quarter century of fighting. Savimbi's death in 2002 ended UNITA's insurgency and cemented the MPLA's hold on power. President Dos Santos pushed through a new constitution in 2010; elections held in 2012 saw him installed as president.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Angola is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 19 February 2016

The FATF welcomes Angola's significant progress in improving its AML/CFT regime and notes that Angola has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2010 and February 2013. Angola is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Angola will work with ESAAMLG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Angola was undertaken by the Financial Action Task Force (FATF) in 2012. According to that Evaluation, Angola was deemed Compliant for 3 and Largely Compliant for 9 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 4 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2006):

Recently, Angola has undertaken significant efforts to establish the basic foundations of an AML regime. The legal and regulatory instruments adopted encompass in particular criminalization of ML, confiscation of proceeds of crime, preventive measures for the financial sector and DNFBPs, and suspicious transaction reporting. However, several key components of the system are not in line with international standards, as for example the criminalization of ML, and are not effectively implemented, as is the case for the preventative measures, with the exception of basic CDD. An additional problem is that CDD relies on documentation that is difficult to obtain by the majority of the population, which contributes to keeping a large amount of financial flows outside the financial sector and therefore limits the effectiveness of the preventative regime.

As regards the financing of terrorism, the recently enacted legislation fails to criminalize it in line with the FT Convention and competent authorities have not yet issued implementing

regulations for the recently adopted Law of Designation (Law 01/12) in order to apply the designation process and the freezing measures provided for in the UNSCRs 1267 and 1373. Mutual legal assistance, extradition and other forms of international cooperation are also very restricted and would benefit from the adoption of general laws on these matters.

The key components of the institutional framework for AML/CFT (FIU, law enforcement, prosecution, supervisory bodies) exist in Law but are not fully playing their role. The FIU is not yet fully operational, there is no evidence of investigations or prosecutions, and none of the supervisory authorities are fully enforcing the AML/CFT framework. All actors need more training and enhanced resources to effectively contribute to the AML regime. Fostering domestic coordination and raising awareness is also central to achieving greater impact.

The priority in the short run should be given to two main streams in parallel: 1) addressing the main gaps in the legislative and regulatory framework, with respect to compliance with international standards, such as the criminalization of ML/FT, the legal framework for freezing procedures, and 2) ensuring adequate implementation and effectiveness. This second stream would benefit from the issuance of implementing regulations and guidance by the supervisory authorities with regard to the application of the preventative measures by FIs and DNFBPs, and also on the application of the terrorist designation process. It is encouraging that the authorities are already taking steps to address some of the issues identified in the report.

US Department of State Money Laundering assessment (INCSR)

Angola was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Angola is not a regional financial center. It does not produce large quantities of narcotics but continues to be a transit point for drug trafficking, particularly for drugs from Brazil and other parts of South America destined for Europe. Increasingly, Angola is becoming a destination point as well, with a growing market for illicit drugs. Angola's borders are porous and vulnerable to general smuggling and trafficking in small arms, diamonds, humans, fuel, and motor vehicles. Angola has a high rate of U.S. dollar cash flow, although the government has implemented new financial policies to decrease use of all currencies except the Angolan kwanza. According to the Angolan Central Bank approximately \$17 billion has left the economy in the last five years alone, an amount significantly above foreign direct investment into the country.

The origin of this money is unclear. Additional value is transferred out of the country through abusive trade mis-invoicing. Widespread corruption in government and commerce facilitates money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Commercial and investment banks, microfinance institutions, financial groups, insurers, stock markets, casinos, lotteries, dealers in precious stones and metals, high-value goods merchants, currency exchange and remittance companies, paycheck issuers and managers, pension fund managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 127: January 1 – November 24, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Commercial and investment banks, microfinance institutions, financial groups, insurers, pension fund managers, casinos, lotteries, dealers in precious stones and metals, high-value goods merchants, currency exchange and remittance companies, paycheck issuers and managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: YES

Angola is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2015, Angola also passed mutual legal assistance legislation that provides for international cooperation on criminal matters, including AML/CFT.

Angolan law requires obligated entities to file suspicious transaction reports (STRs) with the financial intelligence unit (FIU) for transactions they know or believe may be related to

money laundering or the financing of terrorism. Angola's FIU has continued to focus on conducting outreach to covered entities, primarily financial institutions regulated by the central bank, with respect to the AML/CFT reporting requirements. Currently 22 of Angola's 29 banks are reporting suspicious transactions. The number of STRs filed with the FIU is very low; designated non-financial businesses and professions (DNFBPs) generally do not comply with the reporting requirements. Angolan politically exposed persons (PEPs) residing outside of the country are subject to due diligence requirements. The law prohibits the financial institutions or their employees from tipping off, but this legal prohibition does not appear to extend to citizens in their private capacity.

In 2015, Angola's FIU made no referrals to Angolan prosecutors for potential prosecution under the AML statutes. Angola's ability to investigate financial crimes is limited, but improving; corruption remains a problem.

The Government of Angola should take specific steps to combat pervasive corruption and should continue to implement and improve its AML/CFT regime. Angolan law enforcement authorities should not rely on referrals from the FIU to initiate money laundering investigations. Angola should adequately criminalize money laundering and terrorist financing; establish and implement an adequate legal framework for the confiscation of funds related to money laundering; implement an adequate supervisory framework; enforce reporting requirements for DNFBPs; and ensure appropriate laws and procedures are in place to provide mutual legal assistance.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Angola does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Cooperates with International Law Enforcement - By law or regulation, banks are permitted/required to cooperate with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data.

EU White list of Equivalent Jurisdictions

Angola is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Angola is not considered an Offshore Financial Centre

Reports**US State Dept Narcotics Report 2012 (introduction):**

Angola produces marijuana, known locally as liamba, and is a transit point for cocaine. Alcohol, liamba and cocaine are the most abused substances in the country. Though alcohol abuse occurs nationwide, it is particularly prevalent in the provinces, where there is a serious health problem with the abuse of homemade alcoholic concoctions that are at times laced with exotic herbs or battery acid. Officials reported that the majority of marijuana users are between the ages of 18 and 48 years old and either students or unemployed. Cocaine is largely consumed in the night-clubs of Luanda by the wealthy elite.

As a matter of government policy, the Government of Angola does not encourage or facilitate illicit production or distribution of narcotics and psychotropic substances, nor does it encourage or facilitate the laundering of proceeds from illegal drug transactions. The USG is not aware of any senior officials engaged in drug trafficking. Angolan officials have demonstrated a concern for the corrosive effects of narcotics trafficking and are improving their ability to control trafficking through the Luanda International Airport. However, seaports continue to serve as entry points for narcotics from abroad and trafficking from neighboring countries via the road network remains a challenge.

There is no indication that Angola produces synthetic drugs. Angolan officials have no capacity to classify and control dual-use chemicals, which could be diverted in Angola or elsewhere for illicit drug production. Among the most pressing challenges facing authorities is providing public health services to drug addicts, and educating youth on the dangers of drug abuse and addiction. Angola is a party to the 1988 UN Drug Convention. Angola is a party to the UN Convention Against Corruption.

The National Directorate for Criminal Investigation (DNIC) reported the following drug-related crimes from January to September 2011:

- Detained for drug consumption: 1,115 individuals
- Detained for drug trafficking: 115 individuals
- Official statistics for seizures of powder cocaine: 13.5 kg
- Official statistics for seizures for crack cocaine: 2.008 kg

No data was provided for seizures of marijuana or heroin.

DNIC also reported that most detained traffickers in 2011 were Angolan, but some Brazilian, South African, Nigerian, Portuguese and Congolese (DRC) nationals were also detained for trafficking in narcotics.

The Inter-Ministerial Committee to Fight Drugs (Comité Interministerial de Luta Anti-Droga, CILAD) is charged with coordinating the activities of government ministries to suppress narcotics trafficking and to warn the population about the dangers of drug abuse. The

Ministries of Interior and Justice have indicated a strong interest in upgrading their equipment, and have added new canine units to their counternarcotics strategy.

Angolan officials have made regular public statements noting their commitment to antidrug efforts. There are numerous billboards in Luanda and other towns carrying a drug awareness message, although no active, national media campaign exists. Some NGOs engage in prevention, demand reduction, and rehabilitation programs. One of the largest is the Christian Centre for Help and Rehabilitation, which provides drug abuse treatment and rehabilitation services, though its capacity is far less than the demand.

Angola sends government staff to workshops and meetings in order to train officials involved in the fight against drug trafficking. Angolan authorities have established contacts with INTERPOL and now make use of the I-24/7 INTERPOL tool that allows for the exchange of real-time intelligence on drug trafficking activities. Angola's police work closely with their Brazilian and Portuguese counterparts in combating drug trafficking. Angola participates in the Southern African Regional Police Chiefs Cooperation Organization (SARPPCO), which is currently organizing a joint project with other southern African countries and South American officials to enhance cooperative efforts against drug trafficking.

US State Dept Trafficking in Persons Report 2014:

Angola is classified a Tier 2 (watch list) country - A country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Angola is a source and destination country for men, women, and children subjected to sex trafficking and forced labor. Angolans are forced to labor in the agriculture, fishing, construction, domestic service, and artisanal diamond mining sectors within the country. Chinese nationals in Angola exploit Angolan children in brick-making factories, construction, and rice farming. Girls as young as 13-years-old are prostituted. Angolan adults use children under the age of 12 for forced criminal activity, as children cannot be criminally prosecuted. Some Angolan boys are taken to Namibia for forced labor in cattle herding. Angolan women and children are subjected to domestic servitude and sex slavery in South Africa, Namibia, and European countries, including the Netherlands and Portugal. During the year, two Zimbabwean child sex trafficking victims were identified in Luanda.

Vietnamese and Brazilian women in prostitution in Angola may be victims of sex trafficking. Chinese women are recruited by Chinese gangs and construction companies with promises of work, but later are deprived of their passports, kept in walled compounds with armed guards, and forced to pay back the costs of their travel by engaging in prostitution. Chinese, Southeast Asian, Namibian, and possibly Congolese migrants are subjected to forced labor in Angola's construction industry; conditions include the withholding of passports, threats of violence, denial of food, and confinement. Chinese workers are brought to Angola by Chinese companies that have large construction or mining contracts; the companies do not disclose the terms and conditions of the work at the time of their recruitment. Undocumented Congolese migrants, including children, enter Angola for work in diamond-mining districts, where some experience conditions of forced labor or forced prostitution in mining camps. Trafficking networks recruit and transport Congolese girls as young as 12-

years-old from the Kasai Occidental province of the Democratic Republic of Congo (DRC) to Angola for various forms of exploitation.

The Government of Angola does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The Government of Angola has not shown increasing efforts to address human trafficking compared to the previous year; therefore, Angola is placed on Tier 2 Watch List for a fourth consecutive year. Angola was granted a waiver from an otherwise required downgrade to Tier 3 because its government has a written plan that, if implemented, would constitute making significant efforts to bring itself into compliance with the minimum standards for the elimination of trafficking, and it has committed to devoting sufficient resources to implement that plan. During the reporting period, the government amended its penal code to include anti-trafficking prohibitions—a noteworthy accomplishment—and investigated two suspected trafficking cases. Nonetheless, the government failed to vigorously prosecute trafficking offenses in 2013, including those identified in previous reporting periods involving allegedly complicit government officials. The Angolan government has never convicted a trafficking offender. It failed to systematically investigate abuses in the Angolan construction sector or prosecute and hold accountable companies allegedly responsible for forced labor of both Angolan and foreign nationals, despite years of ongoing reports of construction companies engaged in forced labor. During the reporting period, the government developed a manual to assist law enforcement officials in identifying victims of trafficking among vulnerable populations; however, victim identification efforts remain inadequate, and the government failed to provide victims with protective services.

US State Dept Terrorism Report 2009

Angola's borders remained porous and vulnerable to movements of small arms, diamonds, and other possible sources of terrorist financing. That said, there is no evidence of a terrorist presence in Angola. Angola's high rate of U.S. dollar cash flow made its financial system an attractive site for money laundering, and the government's capacity to detect financial crimes remained limited. On December 14, however, the government agreed to allow for the placement of an advisor from the U.S. Treasury Department in the Angolan Ministry of Finance and Central Bank. This advisor will help Angola promote transparency in its financial system. Corruption, lack of infrastructure, and insufficient capacity continued to hinder Angola's border control and law enforcement capacities. The government's limited law enforcement resources were directed towards border control and stemming the flow of illegal immigrants into the country. In May, the U.S. Treasury Department designated Kassim Tajideen, an important financial contributor to Hizballah with extensive business interests in Angola, as a Specially Designated Global Terrorist under Executive Order 13224.

International Sanctions

Angola was subject to UN sanctions from 1993 to 2002, during its civil war.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	18
World Governance Indicator – Control of Corruption	4

US State Department

Corruption, including bribery, raises the costs and risks of doing business and can create an uneven playing field for foreign investors. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the sector in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both Angola and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies and the U.S. Embassy in Luanda.

Corruption and Government Transparency - Report by Global Security

Political Climate

The Angolan government has committed itself to attracting foreign investors by adopting a range of business-friendly measures and investing large amounts of its oil revenues into improving the war-torn infrastructure. However, the substantial revenues from the booming economy have yet to bring economic and social development to the country, and the wealth has not been shared equally, with over 40% of the population living below the poverty line. According to a 2012 article by the BBC News, as Africa's second largest oil producer, Angola has witnessed an economic boom; however, the opposition says the wealth has only benefited a small group of elites. Moreover, corruption remains widespread, including in government bodies, and accountability is limited due to a lack of checks and balances, lack of institutional capacity, and a culture of impunity.

President José Eduardo dos Santos had not been seen in public for an extended period of time in 2013, according to a 2013 article by *The Economist*. It goes on to say that the President, who has travelled to Barcelona in the past for medical treatment, is widely rumoured to have suffered from serious health problems—fuelling speculation about his succession. As leader of the Popular Movement for the Liberation of Angola (MPLA), President dos Santos has held the Angolan presidency since 1979. The MPLA manifesto identified 'good and transparent governance' as one of the five principal aspirations of Angolans. In December 2009, President dos Santos declared a policy of zero tolerance towards corruption. According to Freedom House 2011, a public probity law was passed in 2010, criminalising the theft of state resources and forcing state employees to declare their assets. That same year also saw the adoption of a new constitution that strengthened the President's grip on power. Despite dos Santos' pledge of 'zero-tolerance' towards corruption, the US Department of State 2012 states that corrupt officials do not always face prosecution, and this, coupled with an absence of effective checks and balances and institutional capacity, creates a culture of impunity among officials and pervasive government corruption. Recently, a fraud and money laundering investigation against Vice President Manuel Vicente and other high-ranking officials has been opened by the Attorney General in Portugal, which involves illicit business dealings between companies owned by Angolan officials and a Portuguese bank, Banco Espírito Santo, in 2010, reports the US Department of State 2012.

According to the US Department of State 2012, petty corruption is widespread in Angola, and public servants frequently demand bribes in return for public services, thus spreading corruption to virtually all sectors and levels of society. The State remains heavily centralised around the executive branch, which allegedly governs through an extensive patronage network of friends, MPLA allies, and relatives, which is popularly known as the *Futungo*. Members of this network have been provided with attractive positions in the political administration of Angola. High-level figures enjoy virtually unchecked access to state funds and are widely accused of exploiting sources of government income through secret and complex accounting procedures for personal gain. Each year, large amounts of oil revenue disappear from the state budget through clandestine channels to high-ranking figures and top politicians. According to Human Rights Watch's *Transparency and Accountability in Angola 2010*, while the government has introduced some important reforms in oil sector transparency in recent years, far more needs to be done to curb corruption and give citizens the tools necessary to hold the government accountable for its actions. On a positive note, the government has taken significant steps, under pressure from the international community, towards greater transparency by publishing financial information and preventing extra-budgetary expenditures. Despite this, several sources, such as the Bertelsmann Foundation 2012, argue that the government's anti-corruption efforts often remain more rhetorical than effective. For instance, the President has used accusations of abuse of office as a political tool against political rivals.

Business and Corruption

According to the US Department of State 2013, the Angolan business environment is one of the most difficult in the world, aggravated by pervasive corruption, cumbersome bureaucratic procedures, and an underdeveloped financial system. This perception is supported by the World Economic Forum's *Global Competitiveness Report 2013-2014*,

according to which, corruption is ranked as the greatest constraint on foreign companies operating in Angola. The country performs poorly across most institutional indicators covered by the report. Companies investing in most sectors in Angola have to deal with highly corrupt and inefficient government institutions, often favouring local companies through patronage networks. Corruption and maladministration work as a disincentive for foreign investment in sectors outside oil and mining. Companies operating in the formal sector risk facing uncompetitive practices, costly bureaucratic procedures, and vested interests. In the World Bank & IFC Enterprise Surveys 2010, over 41% of service companies report that they must compete against unregistered or informal companies. The use of petty bribes, locally known as *gasosas*, penetrates most business activities in both rural and urban areas. Thus, according to the World Bank & IFC Enterprise Surveys 2010, over 49% of the surveyed companies expect to make informal payments to 'get things done', and 76% identify corruption as a major constraint on their business operations in the country.

The government has set up several state credit funds to support small Angolan companies, such as the (now-liquidated) Agricultural and Fisheries Credit Bank (CAP) and the Development Bank of Angola (BDA). However, these institutions have been rife with poor governance and misappropriation of funds. Public procurement is a corruption-prone area, and it is occasionally reported that high-level government officials receive substantial kickbacks from private companies in exchange for lucrative government contracts, according to the US Department of State 2012. Angola also performs poorly in relation to the ethical behaviour of companies in interactions with public officials, politicians, and other companies, as well as in favouritism of government officials when deciding upon policies and contracts, as assessed by the World Economic Forum's Global Competitiveness Report 2013-2014. According to the report, public funds are commonly diverted to companies, individuals, or groups due to corruption. For these reasons, companies are recommended to use a specialised public procurement due diligence tool in order to help mitigate the costs and risks of corruption involving public procurement processes in Angola.

According to an April 2012 article published by Global Witness 2012, it is common for government officials and civil servants to hold positions in private companies alongside their official posts, often resulting in conflicts of interest. This phenomenon is problematic for international companies, as foreign investors are often required, or at least encouraged, to partner with Angolan companies, many of which turn out to be front organisations for government officials whose integrity and accountability are frequently questioned by observers. For these reasons, companies are generally advised to consult with experienced attorneys, to develop and implement integrity systems, and to carry out extensive due diligence before committing funds or when already doing business in the country.

Regulatory Environment

According to the World Bank & IFC's Doing Business 2013, a company wanting to start business in Angola can expect to go through 8 procedures, using 68 days and costing 105.4% of income per capita. Cumbersome bureaucracy is a major constraint on business operations in Angola. This perception is, among others, emphasised by the US Department of State 2013, according to which, low civil-service salaries and a proliferation of bureaucracy and regulations present opportunities for rent-seeking and encourage corruption. Complicated procedures and long bureaucratic delays could eventually tempt companies to seek faster service and approval by paying gratuities and facilitation payments.

Companies surveyed in the World Economic Forum Global Competitiveness Report 2013-2014 perceive government administrative requirements to be burdensome—with inefficient government bureaucracy identified as the third largest constraint on foreign companies operating in Angola. Moreover, companies also report that government policy-making is fairly opaque and that government officials usually favour well-connected companies and individuals when deciding on policies and contracts. Commercial regulations can be ambiguous and inconsistent, and the lack of transparency increases start-up and overall operational costs. However, according to the World Bank & IFC Doing Business 2013, Angola is ranked as one of the top 25 most improved economies in the world since 2005. Among its biggest achievements, Angola cut the cost of property transfer from 11.5% of property value to 3.2%. This places Angola among the top ten countries in the world that have improved property registration since 2005. Although, it still has the tenth slowest process in the world, taking 184 days.

The government has established the National Private Investment Agency (ANIP), an investment promotion agency mandated to assist investors and facilitate new investment in Angola. Further, the government has instituted additional reforms in recent years to ease doing business in Angola, including eliminating authorisation requirements when applying for an electricity connection, improving cross-border trade by investing in port infrastructure and administration, and easing tax payments through e-filing, according to the World Bank & IFC Doing Business 2013. Since 2003, the Ministry of Justice has operated a companies' portal, Guichê Único da Empresa (Single Booth Company) (in Portuguese), a one-stop shop to simplify and reduce the time for starting companies; although, the process remains slow and still requires separate contact with additional ministries, according to the US Department of State 2013.

Enforcement of contracts is highly problematic in Angola, as illustrated by the World Bank & IFC Doing Business 2013. The settlement of commercial disputes through Angolan courts is time-consuming and unreliable due to inefficiencies and a highly politicised and corrupt judiciary. As a result, most companies avoid taking commercial disputes to court, according to the US Department of State 2013. Furthermore, court rulings often favour local companies. Companies surveyed in the World Economic Forum Global Competitiveness Report 2013-2014 report that the judiciary is not independent from political influences of members of government, citizens, or companies. In relation to legal options for resolving commercial and investment disputes, companies should note that Angola is not a member to some of the largest conventions in that area, such as the New York Convention 1958, the International Centre for Settlement of Investment Disputes (ICSID), and the United Nations Convention on the International Sale of Goods (CISG). However, the government has approved the Voluntary Arbitration Law, which provides the legal framework for non-judicial resolution of commercial disputes and is a member of the Multilateral Investment Guarantee Agency (MIGA), which provides dispute settlement assistance. Access the Lexadin World Law Guide for a collection of legislation in Angola.

Section 3 - Economy

Angola's high growth rate in recent years was driven by high international prices for its oil. Angola became a member of OPEC in late 2006 and its current assigned a production quota of 1.65 million barrels a day (bbl/day). Oil production and its supporting activities contribute about 85% of GDP. Diamond exports contribute an additional 5%. Subsistence agriculture provides the main livelihood for most of the people, but half of the country's food is still imported. Increased oil production supported growth averaging more than 17% per year from 2004 to 2008. A postwar reconstruction boom and resettlement of displaced persons has led to high rates of growth in construction and agriculture as well. Much of the country's infrastructure is still damaged or undeveloped from the 27-year-long civil war. Land mines left from the war still mar the countryside, even though peace was established after the death of rebel leader Jonas SAVIMBI in February 2002. Since 2005, the government has used billions of dollars in credit lines from China, Brazil, Portugal, Germany, Spain, and the EU to rebuild Angola's public infrastructure. The global recession that started in 2008 temporarily stalled economic growth. Lower prices for oil and diamonds during the global recession slowed GDP growth to 2.4% in 2009, and many construction projects stopped because Luanda accrued \$9 billion in arrears to foreign construction companies when government revenue fell in 2008 and 2009. Angola abandoned its currency peg in 2009, and in November 2009 signed onto an IMF Stand-By Arrangement loan of \$1.4 billion to rebuild international reserves. Consumer inflation declined from 325% in 2000 to about 10% in 2012. Higher oil prices have helped Angola turn a budget deficit of 8.6% of GDP in 2009 into an surplus of 12% of GDP in 2012. Corruption, especially in the extractive sectors, also is a major challenge.

Agriculture - products:

bananas, sugarcane, coffee, sisal, corn, cotton, cassava (manioc), tobacco, vegetables, plantains; livestock; forest products; fish

Industries:

petroleum; diamonds, iron ore, phosphates, feldspar, bauxite, uranium, and gold; cement; basic metal products; fish processing; food processing, brewing, tobacco products, sugar; textiles; ship repair

Exports - commodities:

crude oil, diamonds, refined petroleum products, coffee, sisal, fish and fish products, timber, cotton

Exports - partners:

China 45.8%, US 13.7%, India 11%, South Africa 4.1% (2012)

Imports - commodities:

machinery and electrical equipment, vehicles and spare parts; medicines, food, textiles, military goods

Imports - partners:

China 20.8%, Portugal 19.5%, US 7.7%, South Africa 7.1%, Brazil 5.9% (2012)

Section 4 - Investment Climate

Executive Summary

In April 2014 Angola celebrated the twelfth anniversary of the peace agreement that brought its devastating 27 year civil war to an end and inaugurated a period of rapid and sustained economic growth driven by oil production and exports. Angola ranks as one of the fastest growing economies in the world.

Much of this growth is directly attributable to the development of the oil and gas sector. Angola has emerged as Sub-Saharan Africa's second largest oil producer after Nigeria, producing approximately 1.7 million barrels per day. The Kwanza basin is regarded as one of the world's richest untapped reservoirs of crude with the potential to significantly increase Angola's production capacity. Angola also has the second largest natural gas reserves in Africa. The diamond industry is Angola's second largest export commodity after oil. However, other minerals such as gold, iron, copper, granite and marble are also abundant. The move to diversify Angola's mining base away from diamonds is already underway driven by improvements in rail and road networks and vital changes to the mining law that confer greater protection to investors.

The Angolan financial system has also improved. Credit to the private sector has increased and the penetration rate has improved. However, there is no stock market. The money market has very few tradable instruments. Penetration of microfinance institutions remains low, and regional disparities remain high. Enhancing the capacity of the financial sector to intermediate funds into productive investment will be crucial for driving non-oil growth in the private sector.

The future of Angola hinges on the further successful diversification of its economic activity.

1. Openness to, and Restrictions Upon, Foreign Investment

Angola offers both high returns and great risks to investors and exporters. The oil and diamond industries and intensive infrastructure rebuilding following the end of civil war in 2002 create business opportunities. Future opportunities may develop in new areas such as agriculture and mining. The IMF forecasts 5.1 percent real GDP growth in 2014 in comparison to 4.1 percent growth in 2013. The business environment remains one of the most difficult in the world. Investors must factor in pervasive corruption, an underdeveloped financial system, poor infrastructure, and extremely high on-the-ground costs. Surface transportation inside the country is slow and expensive, while bureaucracy and port inefficiencies complicate imports and raise costs.

A new private investment law, passed in May 2011, altered the benefits and incentives available for investors. The minimum size requirement to qualify for incentives was increased from US\$100,000 to US\$1 million under the new law. Investors must enter into an investment contract with the Angolan state, represented by the National Agency for Private Investment (ANIP), which will establish the conditions for the investments as well as the incentives granted. The incentives and benefits, which include repatriation of funds for foreign investments, tax deductions, and exemption from certain taxes and duties, will be negotiated with ANIP and other ministries of the Angolan government on a case-by-case basis. In determining whether to grant incentives, consideration will be given to the economic and social impact of the investment according to the economic development

strategy set by the Angolan executive. The most generous benefits are offered to companies investing outside of the petroleum industry and in geographic areas which are least-developed. In addition to the process described above, investments with a value between US\$10 million and US\$50 million must be approved by the Council of Ministers, and investments above US\$50 million require the approval of an ad-hoc Presidential committee. By law, the Council of Ministers has 30 days to review an application, although in practice decisions by the Council of Ministers are often subject to lengthy delays.

Angola's private investment law expressly prohibits private investment in the areas of defense, internal public order, and state security; in banking activities relating to the operations of the Central Bank and the Treasury; in the administration of ports and airports; and in other areas where the law gives the state exclusive responsibility. However, it is common for Angolan companies to subcontract parts of or the entire project to foreign companies. Investment in the petroleum, diamond, and financial sectors is governed by sector-specific legislation.

In November 2011, the government passed a new foreign exchange law requiring oil companies operating in Angola to make all payments through local (Angola-domiciled) banks as opposed to normal procedures wherein proceeds would be sent to and kept in overseas banks. This law aims to strengthen demand for the kwanza and build up the capacity of Angola's underdeveloped financial sector. The new law will be implemented in phases. Under the first phase, which came into force in early 2012, oil companies are required to pay their taxes owed to the Angolan treasury through a local bank. Under the final phase, which came into force in July 2013, oil companies operating in Angola must use local banks to make all payments, including payments to suppliers and contractors located outside of Angola.

Obtaining the proper permits and business licenses to operate in Angola can be time-consuming. The World Bank *Doing Business in 2014* report identified Angola as one of the most time-consuming countries surveyed for starting a business (ranked 178 out of 189 in the survey). Launching a business typically requires 184 days, compared with a regional average of 80 days. In 2003, the government established the "Guichê Único," or one-stop shop, under the Ministry of Justice, bringing together representatives of various ministries in one place in an effort to simplify and speed up company registration time. However, the Ministry of Justice lacks authority over the other government ministries and the process remains slow. For example, after visiting the Guichê Único, new business owners must also complete processes at the Ministry of Commerce, the tax office, and a provincial court where the business is headquartered. In 2012, the government opened about twenty "Balcões Únicos do Empreendedor" to serve a similar role as the Guichê for micro, small and medium-size enterprises.

While no formal discrimination against foreign investment exists, Angolan or other companies familiar with the bureaucratic and legal complexities of the business environment hold an advantage over newcomers. The Promotion of Angolan Private Entrepreneurs Law gives Angolan-owned companies preferential treatment in tendering for government contracts for goods, services, and public works. Furthermore, only firms with a majority Angolan stake can benefit from the loan guarantees, generous terms, and subsidized interest rates of the newly implemented US\$1.6 billion fund to support micro, small, and medium-sized businesses.

Measure	Year	Index/Ranking
TI Corruption Perception Index	2013	153 of 177
Heritage Foundation's Economic Freedom Index	2014	160 of 178
World Bank's <i>Doing Business in 2013</i> Report	2014	178 of 189
Global Innovation Index	2013	135 of 142
World Bank GNI per capita	2014	USD \$ 4,580

2. Conversion and Transfer Policies

Economic and financial reform measures in recent years have improved local access to foreign exchange and facilitated the remittance and transfer of funds. However, during the recent global financial crisis, when Angola's oil revenues declined by over 60 percent, the government sharply reduced the amount of U.S. dollars made available to the commercial banking system. An investment law passed in May 2011 guarantees the repatriation of profits for officially approved foreign investments, and investors can remit funds through local commercial banks. However, a handful of American businesses have reported difficulties repatriating profits out of Angola. Transfers above a certain amount require Central Bank (Banco Nacional de Angola or BNA) approval and commercial banks may be reluctant to go through the required bureaucratic process. Transfers of funds out of Angola to purchase merchandise for future sale/use in Angola that can be supported by pro-forma invoices are considerably easier to process. In addition, the Central Bank can temporarily suspend repatriation of dividends or require that repatriation take place in installments if immediate repatriation would have an adverse effect on the country's balance of payments. In the aftermath of its 2009 temporary suspension of wire transfers, the BNA is requiring much more detailed information from the transferring entity, including copies of employment contracts for any individuals paid off-shore with U.S. dollars. These new documentation requirements are expected to be permanent and have significantly increased the BNA's approval time for transfers. In turn, retail banks cannot process transfers automatically as is customary in countries like the United States.

As part of the due diligence process, U.S. banks can at times delay transfers from Angola to the U.S. All transfers from Angola to the U.S. are currently processed through correspondent banks, as Angolan banks have yet to establish direct relationships any U.S. banks.

3. Expropriation and Compensation

The government of Angola is unlikely to expropriate the assets of foreign investors directly. In 2009 and 2010, however, the government fell far behind in payments to foreign companies working on government contracts, eventually running up arrears totaling at least 6.8 billion dollars. As of December 2011, the government completed payment of all arrears.

Changes in legislation and enforcement of existing laws pose some risk of reducing company profits. This is especially true in the petroleum sector, which has been subject to revised local content regulations and continues to be impacted by the new foreign exchange law. The

legislative process is generally secretive and closed to public review, though the government increasingly consults with major companies and industries on the drafting of legislation that will affect them, as was the case with foreign exchange law.

4. Dispute Settlement

The Angolan justice system is slow, arduous, and not always impartial. Legal fees are high, and most businesses avoid taking commercial disputes to court. The World Bank's *Doing Business in 2014* survey ranks Angola at 187 out of 189 on contract enforcement, and estimates that commercial contract enforcement, measured by time elapsed between filing a complaint and receiving restitution, takes an average of 1,296 days, at an average cost of 44.4 percent of the claim. While a law adopted in 2003 introduced the concept of domestic and international arbitration, the practice of arbitration law is still not widely implemented.

In 2008, the Attorney General ruled that Angola's specialized tax courts were unconstitutional. This effectively left businesses with no legal recourse to dispute taxes levied by the Ministry of Finance, as the general courts consistently rule that they have no authority to hear tax dispute cases and refer all cases back to the Ministry of Finance for resolution.

Angola is not a signatory to the United Nations New York Convention, the World Bank's International Center for Settlement of Investment Disputes (ICSID), or the United Nations Convention on the International Sale of Goods (CISG). Angola is a member of the Multilateral Investment Guarantee Agency (MIGA), which can provide dispute settlement assistance as part of its political risk insurance products.

The average length of local investment/commercial dispute resolution proceeding is 4 years.

5. Performance Requirements and Incentives

Angola's investment law gives foreign and domestic investors equal access to investment incentives. Incentives for such high-priority sectors as agriculture, manufacturing, energy, water, and housing include exemption from industrial and capital gains taxes for up to 10 years and from customs duties for up to 6 years. Many foreign companies now operating in Angola enjoy some form of tax or duty waiver. Companies need to apply for such incentives when submitting an investment application to ANIP.

The government encourages "Angolanization" of companies' work force and urges use of Angolan suppliers of goods and services. Presidential Decrees 5/95 and 6/01 limit expatriate staffing of local companies set up in Angola by national or foreign investors to 30 percent of the workforce and require Angolan and expatriate staff with the same jobs and responsibilities to receive the same salaries and social benefits. Enforcement of these laws is inconsistent. A 2008 decree requires oil companies to first seek Angolan employees to fill any vacant position prior to seeking expatriate appointment, which must first be authorized by the Ministry of Petroleum. International oil companies are working with the government on a new local-content initiative that will establish more explicit sourcing requirements for the petroleum sector. At this time, local content regulations offer only guidelines that are loosely enforced and companies lack clarity as to how much is enough to satisfy the Angolan government. While this situation may make it easier for foreign companies to comply with local content regulations, it makes it difficult for one company to ascertain its competitive position relative to a competitor when competing for lucrative concessions and licenses from the government.

While foreign investors can set up fully-owned subsidiaries in many sectors on their own, they are frequently encouraged, but not required, to take on local partners.

In recent years, the government has in some ways enforced Decree 5/95 more strictly. Expatriate employees typically receive no more than three renewals to their one-year work visas, for a total of three to four years in country. Approval for the fourth year is contingent upon the company's identifying the Angolan employee who will take over the position after the expatriate leaves. After multiple renewals, some expatriate workers get around these limits by asking for residency or starting a new process.

In the oil and diamond sectors, contracts with the government spell out the commitments companies make to invest in infrastructure and social services to benefit local communities, such as building schools, equipping hospitals, or funding microcredit programs. To win concessions, companies offer one-time social benefit bonuses that can be in excess of US\$80 million. The government also encourages downstream investments in facilities such as refineries and diamond-processing plants. Some examples include Angola LNG plant and the proposed oil refinery in Lobito.

The Angolan government requires an Environmental Impact Study for investments in petroleum, mining, road construction, or power stations. The Ministry of Environment must approve all Environmental Impact Studies before projects can be licensed.

6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish, acquire, and dispose of interests in business enterprises. Public enterprises hold some practical advantages in access to markets and credit as the Ministry of Finance offers credit guarantees for projects that intend to benefit the public good. Under the new constitution, which took effect in February 2010, all non-urban and some urban land is declared to be under state ownership, but can be leased to private entities. Oil and diamond production and exploration rights are granted for limited periods of time and only as partnerships between private companies and the resource owners, Sonangol and Endiama, respectively. Recent changes to the mining code have allowed for the possibility of a single contract for exploration, mining, and commercialization of diamonds, processes that were once governed by separate contracts. Oil exploration concessions normally last for ten years. The government allows and encourages public-private partnerships and participation of private investors in public utilities such as electricity and water. Private companies have concessions to operate hydroelectric dams and shipping terminals in the port of Luanda.

7. Protection of Property Rights

Intellectual Property

Angolan law recognizes the protection of intellectual property rights. Angola's National Assembly adopted the Paris Convention for the Protection of Industrial Intellectual Property in August 2005, incorporating the 1979 text and the patent cooperation treaty concluded in 1970 and amended in 1979 and 1984. The Ministry of Industry administers intellectual property rights for trademarks, patents and designs under Industrial Property Law 3/92. The Ministry of Culture regulates authorship, literary, and artistic rights under Copyright Law 4/90. However, no court case involving U.S. intellectual property has ever tested the strength of these laws. Angola is a member of the World Intellectual Property Organization (WIPO) and follows

international patent classifications of patents, products, and services to identify and codify requests for patents and trademark registration.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Marcus R. Jackson JacksonMR2@state.gov

Local lawyers list: <http://angola.usembassy.gov/arrest-and-detention.html>

Real Estate

Angola's Law on Land and Urban Planning affirms that all land ultimately belongs to the State but permits most urban and some non-urban land to become effectively privately owned through long-term renewable leases, often for 60 years, from the Angolan government. Registering parcels of land over 10,000 hectares must be approved by the Council of Ministers. Registering property takes 191 days on average, according to the World Bank's *Doing Business in 2014* survey, with fees averaging three percent of property value. Owners must also wait five years after purchasing before selling land. Implementing regulations, once written, are expected to set out guidelines defining different forms of land occupation, including commercial use, traditional communal use, leasing, and private homes.

8. Transparency of Regulatory System

The regulatory system has been complex, vague, and inconsistently enforced. In many sectors, no effective regulatory system exists, due to lack of capacity. The Angolan Communications Institute (INACOM) sets prices for telecommunications services and is the regulatory authority for the telecommunications sector. Revised energy-sector licensing regulations have improved legal protection for investors to attract more private investment in electrical infrastructure, such as dams, power plants and distribution grids.

9. Efficient Capital Markets and Portfolio Investment

Angola's financial sector, though still underdeveloped, has grown rapidly and key indicators have improved in recent years. As of December 2013, the latest figures available, total customer deposits with the Angolan commercial banks stood at AKZ 3,9 trillion (US\$39 billion), an increase of 12.74 percent over 2012. Most banks focus their operations on such short-term commission-related activities as currency trading and trade finance. Foreign investors do not normally access credit locally, and local investors either self-finance or seek financing from non-Angolan banks and investment funds. Subsidized government loan programs to promote economic development, like the new US\$1.6 billion fund to support micro, small and medium-sized enterprises, are available only to majority-owned Angolan companies.

In the past triple-digit inflation resulted in a high level of dollarization in the economy and banking system with the majority of banking assets held in dollars. Since the end of the civil war in 2002, the Central Bank has devoted considerable effort to rebuilding trust in the *kwanza*, bringing inflation down to 9.1 percent in 2013. Given that the *kwanza* continues to be more stable, the Central Bank established a new monetary policy framework in October 2012. A newly-created Monetary Policy Committee implements monetary policy that is guided by two new concepts published daily by the Central Bank—a Base Interest Rate and a Luanda Interbank Offered Rate (LUIBOR). The mandatory reserve requirement for non-

government deposits in kwanzas is 20 percent, and in foreign currency is 15 percent. The reserve requirement for government deposits is 100 percent, a measure that seriously limits lending by state-owned banks.

The number of private banks has been growing since the end of the civil war, transforming a sector previously dominated by state-owned banks. As of late 2013, Angola had 23 operating commercial banks, only three of which are state-owned. While every provincial capital has at least three bank branches, as of December 2012, only 23 percent of the population uses banks, and few businesses apply for loans. Yet the credit sector continues to grow. In 2012, aggregate loans grew by 25 percent as compared to 17 percent in 2011 to AKZ 3.018 trillion .

Angolan banks extend little unsecured credit, instead requiring significant amounts of collateral in the form of property or dollar deposits from the borrower. Commercial credit in Angola remains tight. Unclear land titles and ill-defined property rights may, in some instances, complicate and lengthen the process of applying for a mortgage.

While the Central Bank tries to limit foreign currency risk, some loans are denominated in foreign currencies but are consequently weighted at 130 percent for the calculation of risk-weighted assets. The Angolan government hopes that the US\$1.6 billion credit line mentioned above will encourage more lending to promising Angolan entrepreneurs. An estimated US\$36.5 million has already been disbursed across two programs.

Banks profit largely from transactional banking, short-term trade financing, foreign exchange, and investments in high-interest government bonds, though increasingly also from loans, especially to the construction sector. In the past, state and state-affiliated companies enjoyed privileged access to loans, often at concessionary rates without regard to risk, leading to several bank failures.

The Central Bank has developed a market for short-term bonds, called *Titulos do Banco Central*, and long-term bonds, called *Obrigações do Tesouro*. Most of these bonds are bought and held by local Angolan banks. The *Obrigações* have maturities ranging from one to 7.5 years, whereas the *Titulos* have maturities of 91 to 182 days. For information on current rates, see <http://www.bna.ao/>.

In August 2012, Russia's second-largest bank, VTB, managed the sale of Angola's first international bond, a US\$1 billion, 7-year paper with a seven percent yield through private placement. The bank is currently in talks with the government to manage the sovereign debt issuance of US\$2 billion. If the deal is successful, it would be Angola's first public Eurobond issuance.

In December 2005, the government announced plans to develop a stock market and appointed a commission to oversee its creation. In 2012, President dos Santos appointed a commission to oversee the project for a third time, but no visible progress has been made.

10. Competition from State-Owned Enterprises (SOEs)

In Angola certain SOEs exercise delegated governmental powers, especially in the mining sector where the government is the sole concessionaire. Foreign investors may sometimes find demands made by SOEs excessive, and under such conditions, SOEs have easier access to credit and government contracts. There is no law mandating preferential treatment to

SOEs, but in practice they have access to inside information and credit. Currently, SOEs are not subject to budgetary constraints and quite often exceed their capital limits.

SOEs—often benefitting from a government mandate—operate mostly in the extractive sectors, transportation, commerce, banking, and construction. All SOEs in Angola are required to have boards of directors, and most board members are affiliated with the government. SOEs are not explicitly required to consult with government officials before making decisions. By law SOEs must publish annual financial reports for the previous year in the national daily newspaper by April 1. Such reports are not subject to external auditing. The standards used are often questioned. Although not all SOEs fulfill their legal obligations, few are sanctioned.

In October 2012, President dos Santos established a petroleum-funded US\$5 billion sovereign wealth fund that has an expressed purpose of profit maximization with a special emphasis on investing in domestic projects that have a social component. While this fund may offer business opportunities for foreign investors in the future, some Angolans are concerned that the fund is fraught with nepotism and corruption as the President has appointed his son to run the sovereign wealth fund.

11. Corporate Social Responsibility (CSR)

There is an awareness of corporate social responsibility among foreign companies and some of the larger local companies. Many foreign companies and a few local ones share concern for the environment and support community projects. Most multinationals from the extractive sector invest significant funds in CSR projects through social benefit bonuses that are a requisite part of the negotiation process for concessions.

12. Political Violence

Political violence is not a substantial risk in most of Angola. The most significant incident of political violence since the end of the civil war was the January 2010 attack on the Togolese national soccer team by FLEC-PM (Front for the Liberation of the Enclave of Cabinda—Military Position), an offshoot of the longstanding FLEC separatist group in the northern province of Cabinda. The team was traveling through Cabinda by road to take part in a soccer tournament when it was ambushed by FLEC operatives. Three people were killed and nine people injured in the attack.

13. Corruption

Corruption, including bribery, raises the costs and risks of doing business and can create an uneven playing field for foreign investors. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the sector in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both Angola and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies and the U.S. Embassy in Luanda.

14. Bilateral Investment Agreements

Angola and the United States do not have a bilateral investment agreement. Angola has bilateral investment agreements in force with Cape Verde, Germany, Italy, and Russia. Angola has also signed agreements with Portugal, South Africa, Spain and the United Kingdom, but these agreements have not yet entered into force. A list of current bilateral investment treaties and their status can be found on the United Nations Conference on Trade and Development (UNCTAD) [website](#).

In May 2009, Angola signed a Trade and Investment Framework Agreement (TIFA) with the United States, intended to provide a forum to address trade issues and to help enhance trade and investment relations between the two countries. The first meeting of the TIFA Council under this agreement took place in June 2010. The second meeting took place in April 2014 as part of a work-plan to guide the work of the TIFA Council.

In July 2010, the United States and Angola signed a Memorandum of Understanding establishing a bilateral Strategic Partnership Dialogue, which commits the two parties to increased bilateral partnership.

15. OPIC and Other Investment Insurance Programs

Since 1994, the Overseas Private Investment Corporation (OPIC) has provided investment insurance to projects in Angola. U.S. investors can apply for OPIC insurance, including coverage under its "Quick Cover" program for projects valued at less than US\$50 million in certain sectors. OPIC's portfolio in Angola currently totals US\$20.1 million. Since 1996, OPIC has committed more than US\$321 million in financing and insurance across 14 projects in Angola. OPIC's support has helped facilitate critical investments in the energy, services, manufacturing, and financial services sectors.

Angola is a member of the Multilateral Investment Guarantee Agency (MIGA), which provides insurance to foreign investors against such risks as expropriation, non-convertibility, and war or civil disturbance. MIGA also provides investment dispute resolution on a case-by-case basis.

16. Labor

Angola's General Labor Law (Law No. 2/00) provides significant protection and benefits to workers, including the right to strike and bargain collectively. The law spells out proper procedures for hiring workers. For work contracts of indefinite duration, the law provides for a basic probationary period of up to six months, during which the worker or employer can terminate the contract without notice or justification. After the probationary period ends, dismissed workers have the right to appeal to a Labor Court. Many employers prefer to reach a monetary settlement with workers when a dispute arises, rather than bring cases before the Labor Court. The World Bank Group's *Doing Business in 2014* report placed the average cost

of firing a worker in Angola at 26.7 weeks of salary weighting for workers with 1 year, 5 years, and 10 years of tenure. The notice period before dismissing a worker is 4.3 weeks.

The Angolan labor force has limited technical skills, English language ability, and managerial ability. Many employers find it necessary to invest heavily in educating and training their Angolan staff.

The government conducts annual surveys of the oil industry to implement a requirement that oil companies hire Angolan nationals when qualified applicants are available. If no qualified nationals apply for the position, then the companies may request the government's permission to hire expatriates. Outside of the petroleum sector, policies to encourage "Angolanization" of the labor force discourage bringing in expatriate labor. As a result, visa delays for essential technicians are common.

The constitution grants the right to engage in union activities and labor strikes, but the government may intervene in labor disputes that affect national security, particularly strikes in the oil sector.

17. Foreign-Trade Zones/Free Ports

Angola is a signatory to the Southern African Development Community (SADC) Free Trade Protocol that seeks to harmonize and reduce tariffs and establish regional policies on trade, customs, and methodology; however, Angola has not yet begun to implement the protocol. A new tariff schedule came into force in September 2008 that removed duties on the import of raw materials, equipment, and intermediate goods for industries and reduced tariffs on 58 categories of basic goods. In March 2014, a new tariff schedule entered into force. The new schedule raises import taxes on items such as beverages and waters, whose rates exceed 30 to 50 percent, in an attempt to protect domestic production. Luxury goods, such as tobacco, gold jewelry, and perfumes are also included and are taxed with a maximum rate of 81 percent. Duties for the import of raw materials used in industrial production are exempted.

Angola has signed customs cooperation agreements with the Democratic Republic of Congo, Namibia, Portugal, São Tomé and Príncipe, and Zambia.

In 2009, Angola established a Special Economic Zone (ZEE) outside of Luanda with a principal objective of reducing Angola's dependence on imports. To that end, the zone offers companies a conveniently-located area to base their operations and guarantees a steady supply of water and energy. While the ZEE does not currently offer tax incentives to its twenty resident companies, the management reports that the Ministries of Economy and Finance are currently reviewing proposals to offer such incentives.

18. Foreign Direct Investment Statistics

The UN Conference on Trade and Development's (UNCTAD) 2013 *World Investment Report* states that in 2012, Angola had a total Foreign Direct Investment (FDI) inward stock of US\$1.9 billion, and outward stock of US\$9.8 billion. In terms of 2012 flows, UNCTAD reported that while Angola attracted FDI inflows worth US\$2.7 billion, divestments and repatriated income left its inflows at -US\$6.89 billion. Net outflows in 2011 amounted to US\$2.74 billion. While UNCTAD does not provide data on the countries of origin or destination for FDI, Angolan and Portuguese media frequently cover stories of increasing Angolan investment in Portugal. Angola's National Private Investment Agency (ANIP) has released some figures on FDI for

2011 but limits its figures to the non-extractive sectors of the economy, thereby leaving out the diamond and oil sectors, which are the primary source of FDI for Angola.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

civil legal system based on Portuguese civil law; no judicial review of legislation

International organization participation:

ACP, AfDB, AU, CPLP, FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), MIGA, NAM, OAS (observer), OPEC, SADC, UN, UNCTAD, UNESCO, UNIDO, Union Latina, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

There are no exchange controls in effect.

Treaty and non-treaty withholding tax rates

Angola has not concluded tax treaties with any other jurisdiction.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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