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UNLOCKING OPPORTUNITIES IN ANGOLA - THE ANGOLA PRIVATISATION PROGRAMME (PROPRIV)

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Angola's economy has been heavily dependent on the international trade of oil. As

the oil price dropped and the income obtained from oil exports was drastically reduced, the Angolan government was forced to undertake reforms aiming at transforming Angola into a more modern, competitive and diversified country for investments. Recent reforms include the introduction of a

more "investor-friendly" Private Investment Law, approval of the Competition Law, simplification of the incorporation process of commercial companies and the relaunching of the initiative to privatise public companies.

Angola had long been considering the privatisation of a number of state-owned

companies to limit financial exposure and make public services more efficient. The Angolan Privatisation Programme (“PROPRIV”), approved by Presidential Decree no. 250/19 of 5 August 2019, aims at restructuring the Angolan public business sector, diversifying the economy and ensure the public finance sustainability policy. The PROPRIV identifies 195 state-owned enterprises to be privatised during a period of 4 years (2019-2022), covering diverse sectors such as oil and mineral resources, telecommunications, finance, transport, hospitality, tourism and agricultures. Of the 195 Angolan companies to be privatised by 2022, 175 will be sold by public tender, 11 by public auction and nine by initial public.

PROPRIV is attractive for investors not only because it targets strategic national companies in prime sectors, such as the national oil company (Sonangol), diamond company (Endiama) and Angolan Airlines (TAAG), but also because the potential for return on investments is high given that the difficulties which most of the targeted companies are facing relate to a shortage of qualified management or capital, something investors have the ability to turn around with skilled staff and capital investments.

The first phase of the privatisation process, held in 2019, was completed with the sale of five manufacturing

units that exist in the Luanda/Bengo Special Economic Zone (SEZ) with the State raising US\$16 million from those sales. At the beginning of 2020, an international public tender was launched for the sale of 13 industrial units in the Exclusive Economic Zone.

Further, the President of the Republic, through four Presidential Orders passed in May and June of this year, has recently determined the following state transactions:

1. Sale of the stake of 25% of SONANGOL-E.P's in Banco Caixa Geral Angola (B.C.G.A.), by way of Limited Tender by Prior Qualification;
2. Sale of the 8.5% stake of Sonangol Holdings, Limitada, and 1.5% of ENDIAMA, E.P., in BAI - Banco Angolano de Investimentos, S.A., in aggregate (10% in total), by way of Limited Tender by Prior Qualification;
3. Privatization of Banco de Comércio e Indústria (BCI), through a Stock Exchange Auction procedure for specially qualified candidates;
4. Privatization of ENSA - Seguros de Angola, S.A.'s shareholdings, to be done in a phased manner, the first via Limited Tender by Prior Qualification, and the second via an Initial Public Offering (IPO) on the Stock Exchange.

The ambitious privatisation programme paired with the fact that protection and

incentives to investments have been enhanced through the introduction of the 2018 Private Investment Law (Law no. 10/18, of 26 June 2018), which establishes that there is no obligation for investors to seek Angolan partnerships for any type of investment project and that no minimum threshold for internal / external investment is required to benefit from the incentives and benefits established by this Law. Notwithstanding this, there are certain Sectors that do foresee specific obligations in terms of local content / mandatory partnerships which investors need to bear in mind in their decision-making process.

Despite concerns that some investors may have due to the existing high level of bureaucracy and low levels of liquidity in the Angolan financial system (lack of foreign currency; difficulties in making transfers abroad), the Government has consistently continued in its efforts to increase the Country's appeal to foreign investors and avoid further delays in the compliance with the PROPRIV schedule. This year will, however, continue to be a challenge given the coronavirus pandemic bringing production in many core industries in Angola, such as oil, to a halt.