European Commission

Angola

Private Sector Support Programme: Assessment of the use of EU External Investment Plan (EIP); Structured dialogue mechanisms; Value Chains support.

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About the TPSD/E Facility

The TPSD/E Facility is an advisory service of the European Commission (EC) managed by the Unit C4 in charge of Trade and Private Sector Development and Engagement within the Directorate General for International Cooperation and Development (DEVCO).
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Disclaimer

This report was drawn up by Yves Speeckaert, an expert deployed by the TPSD Facility at the request of the European Union Delegation in Angola. The contents of this publication do not necessarily reflect the official position or opinion of the European Commission. The European Commission, or any other person acting on behalf of the Commission, may not be held liable for the use which might be made of the information contained in this report.

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ACRONYMS AND ABBREVIATIONS –

AAPCIL	Associacao Agro-Pecuaria, Commercial e Industrial de Huila
ADB	African Development Bank
ADRA	Action for Rural and Environmental Development
AEL	Enterprise Associations of Luanda
AFD	French Development Agency
AIPEX	Agency of Private Investment and Export Promotion
BAI	Banco Angolano de Investimento
CBWAS	Central Bank of West African States
CEA	Confederation of Angolan Enterprises
DEVCO	General Directorate for International Cooperation and Development
EBOWWN	European Business Organization Worldwide Network
EDC	Enterprise Development Centre
EC	European Commission
ECWAS	Economic Community of West African States
EDF	European Development Fund
EFSD	European Fund for Sustainable Development
EIP	External Investment Plan
EPA	Economic Partnership Agreements
EPA	Export Promotion Agency
EU	European Union
EUBFE	European Business Forum to Ethiopia
EUBG	EU Business Groups
EUD	European Union Delegation
FACRA	Angolan Active Fund of Risk Capital (Fundo Activo de Capital de Risk Angolano)
FPSAD	Framework Programme for the Support of Agricultural Diversification
GDP	Gross Domestic Product
GNP	Gross National Product
GTNIP	Technical Group for the Negotiation and Implementation of Commercial Exch. Of SADC
ICP	Industrial and Commercial Profit
ICT	Information and Communication Technologies
IDA	International Development Association
IANOQ	Instituto Angolano de Normalizacao e Qualildade
IFC	International Finance Company
LDC	Less Developed Country
MFE	Microfinance Establishment
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MFSP	Meso-finance Support Project
MAF	Ministry of Agriculture and Forestry
MIFI	Ministry of Finance
MoP	Ministry of Fisheries (Pescas)
MiT	Ministry of Tourism
MSME	Micro Small and Medium-Sized Enterprise
NICT	New Information and Communication Technologies
NIP	National Indicative Programme
NPL	Non-Performing Loan Rate
OHADA	Organisation for the Harmonisation of Business Law in Africa
PPD	Public-Private Dialogue
PSDSP	Private Sector Development Support Programme
RES	Real Estate Securities
RIP	Regional Indicative Programme
SADC	Southern Africa Development Community

SB4A	Sustainable Business for Africa
SE4All	Sustainable Energy for All
SME	Small and Medium-Sized Enterprises
TPSD/E	Trade and Private Sector Development and Engagement
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY - PRIVATE SECTOR SUPPORT

Background and justification

The Private sector in Angola, has been almost annihilated by three factors: a) a 27 year pro-acted civil war which destroyed much of the industrial infrastructures and productive companies that were still thriving up till 1975 (including a vibrant agro-industry, and thriving commercial coffee , cotton and textile production companies, among others) and b) the discovery and predominance of the Oil & Gas sector since the 1990s, which flooded the economy with hard currency and budget liberalities, maintained the Kwanza currency at artificially high parity level with the dollar (making the cost structure of local goods un-competitive vis a vis other SADC countries and internationally), and hence discouraged many of the private or foreign initiatives to diversify the economy in sectors other that Oil and diamonds; and c) a planned economy which relied mostly on public initiatives and relatively inefficient public institutions for industrialisation, instead of encouraging Private sector initiatives or PPPs, as seen in many other Sub-Saharan African countries.

Clearly, the new Government of Mr Joao Lourenço is reform minded and its National Plan of Development 2018-2022 supports the Private Sector and sectorial diversification in order to revive the economy and lower the dependency on the price volatile Oil commodity sector. As we can see in the Socio-economic context and Business climate analysis sections, the challenges are enormous, as Angola needs truly a cultural change (from cheap money, imports and spending mentality, to hard working entrepreneurial one, local production, and import substitution) and a long term grooming of a new generation of Millennium entrepreneurs and managers, which will take time. This is the very object of this report:

What initiatives could start / initiate this change of mindset of a new generation of Angolan entrepreneurs and foster Private sector and job growth. In our view, along with reviving the Agriculture and small manufacturing sectors, this is the main challenge of Angola today and for the incoming years.

The strategy of the European Union (EU) in Angola, encapsulated in the National Indicative Programme (NIP- for the period 2014-2020 is based on three priorities: (i) setting up and implementation of a solid system of education and technical-professional training, along with specific facility focusing on higher education; (ii) promotion of sustainable agriculture and reinforcement of small farmers; (iii) investing in the basic infrastructure needs of the population , such as water, water treatment and also food security. To these three axes, the revised NIP has added Economic Governance , including Public Finance Management, structured dialogue mechanisms and foremost private sector development that support to the development of relevant, sustainable value chains (and related infrastructure), including strengthening the sustainable management of natural resources, support Angola's capacity to comply with safety and quality standards (including on sanitary and phytosanitary issues), promoting regulatory reforms to improve the business and investment environment.

The identification of potential value chains, including and mostly in the agricultural sector and also strengthening the access to finance of SMEs though the EIP funding facility are the two main analytical sections of this report. To this we also made specific suggestions on ways to improve the business climate of Angola and also mechanisms to nurture a structured dialogue between the EU and the GoA and the Private sector, which includes the set up of a European Business organization.

Regarding ways to improve the Business Climate of Angola, we performed a Benchmarking of Angola's Legal and Regulatory framework (and particularly the Private Equity and capital markets environment) with best practices countries (such as Brazil, Jamaica, South Africa) and we identified a number of Gaps and hence suggested the support to two proposed business environment interventions.

As can be seen from our business climate analysis, and in spite of some improvement on enacting the SMEs law (Law N 30/11 of September 2011 on Micro, Small and Medium size enterprises), the recently passed competition Law and also Investment Law, the overall legal and regulatory framework of Angola still has some large "holes" and deficiencies on providing a conducive legal and reassuring legal framework for investors and entrepreneurs. Principally our assessment is that Angola has passed a number of laws (Investment law, Competition law, and PPP Law) but is still very weak on enforcing these laws, which is usually done through the set up and capacity building of efficient and independent Regulator or Supervision Agency – such as the one suggested below.

Action recommendation N1 (Private Sector Support Programme): We recommend TA Support for the set up and capacity building of the new **Competition Regulatory Agency**, as an independent (or quasi independent) Supervision Agency will be key to arbiter the many incoming conflicts and dismantling of the special interests (and very un-competitive behaviours) that have seeded much of the demise of the private sector in Angola. Possibly as well, setting up and capacity building of a specific Agency that will oversee the **PPP and the Privatisation of state owned companies and assets**, is deemed particularly timely.

Also, the set up and implementation of a well-functioning securities market and Private Equity market is an incremental process, which requires both legal reform, the set up of Financial Services regulatory agencies, and capacitating all these institutions with well-trained civil servants. However, given the huge development potential and capital investment needs of Angola, we believe that modernising the Stock Market and the Financial service regulations institutional set up is also an important priority.

Action Recommendation N2 *(Private Sector Support EU) : analyse with the GoA the priority and possibility of drafting (or modernising) the* ***Stock Exchange Act and Capital & Securities Market laws*** *of Angola, in order to create a viable alternative to capital formation and capitalisation in promising and innovative Angolan companies and SMEs. Also study the possibility of setting up a* ***Junior (Equity) market*** *as part of the Luanda based Stock Exchange.*

Support to implementation of the External Investment Plan (EIP) in Angola

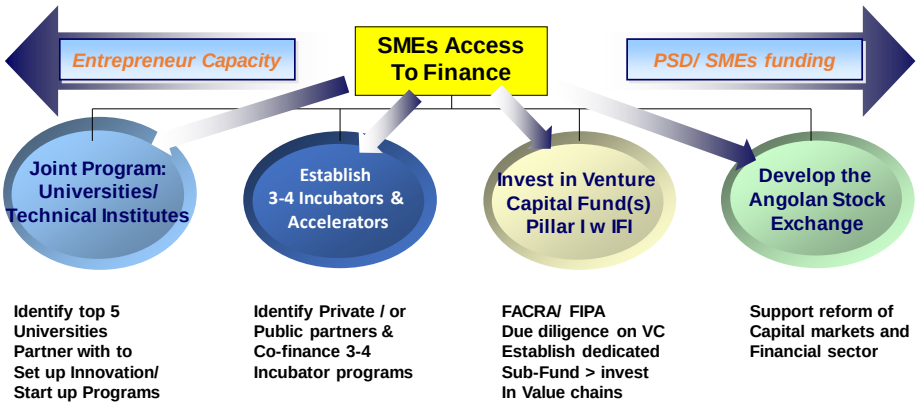
In 2017, the European Union adopted the External Investment Plan (EIP) to invest more in its partner countries in Africa and the Neighbourhood to support inclusive growth and combat (illegal) migration. The EIP is based on three pillars: the European Fund for Sustainable Development (EFSD), technical assistance and promoting an investment-friendly climate. The European Commission provides an envelope of EUR 4.1 bn to fund the EFSD, and aims to use it as a lever to mobilise more than EUR 44 bn of additional public and private funding.

This report starts by detailing the modalities for implementing the EU's External Investment Plan (EIP) in Angola, and includes a selection of investment opportunities identified during the mission on the ground, based on the EIP's investment windows.

Although, up to now, in Angola, the EIP facility has not been implemented yet or connected to specific thematic development schemes (as it is very recent still), in this initial identification mission, we found several windows that could clearly match the EFSD Guarantee facility, among these: a) access to finance and funding SMEs; b) infrastructures, c)sustainable agriculture, rural entrepreneurs and agribusiness; and d) support to innovation and entrepreneurship.

As part of the PSD Support programme, TPSDE consultant is recommending delving into two PSD support windows for the EIP facility: Access to Finance for SMEs through VC/PE funds and incubators, and investing into sustainable agriculture value chains (which will be developed in the VC chapter).

The two EIP Pillar I and Pillar II opportunities identified relates to the following "Entrepreneurship Life Cycle" and aims at supporting two important links of this value chain:



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Angola – through its adverse history and planned economy – does not have yet any proper Entreprise Incubator network, even though INAPEM does have an embryo of one and ISPTEC also a co-working space – that may deserved to be further supported.

***Action Recommendation N3 of the PS Support Programme**: Use EIP Pillar I funding facility to finance and truly develop at least **2 privately run Enterprise incubators in Angola**, possibly linked to the best (or acceptable level) Universities and Engineering schools, such as ISPTEC and Universidade Augustino Neto, or linked (but then made independent) to INAPEM, in order to provide to Angolan entrepreneurs a conduit through which they can develop their business, receive peer-to-peer and professional business coaching, and also lead to the initial equity funding of their business; and b) use the EIP Pillar II Technical Assistance facility to provide training of trainer and expert lead coaching of these Incubators and Accelerators – possibly through the **partnership with Europe's best run incubators** such as the Estonia based Mektory, the Business and Innovation Centre of Tallinn University of Technology (TTÜ)[1], or Portugal based Creative Hub of Beato[2], among others.*

***Action Opportunity N.4**: the another tangible private sector support opportunity for the EIP Pillar I and II is : a) making an **equity/ grant investment directly into the fund**, albeit managed by a partner International Finance Institution (IFI) such as the African Development Bank, or a bi-lateral Devt bank (Proparco), who are both active in Angola, and b) **provide Technical Assistance to the funds** to help coach the portfolio managers and also provide direct Management skills to the companies invested in.*

Identification of Value Chain Opportunities in the Agricultural sector

In our analysis of the National Development Strategy of the GoA, and following subsequent meetings with the Ministry of Agriculture, Fisheries, and industry, the following "all encompassing" segments and agricultural value chains were mentioned as being a priority for development.

[1] See Estonia Incubators and business angels Hub: https://singularityhub.com/2018/04/04/an-innovators-city-guide-to-tallinn-estonia/#sm.00014notzpvh7eenxa01g5sy072kw

[2] https://www.morningfuture.com/en/article/2017/10/20/incubator-hub-do-beato-startup-portugal-record/119/

Much of the focus at the level of the Government has been on re-launching agricultural value chains that were thriving during the colonial times (such as Coffee, Wheat, Cotton, Soybean, Rice, Corn, etc) and developing national production and transformation units, more evenly distributed throughout the country (not just Luanda and Benguela). The following agri-segments were mentioned as being priorities by the Ministry of Agriculture and also listed by the PRODESI Programme:

- Corn, Rice, beans (feijao), soybean, and wheat ("Cesta basica"/ main component of national dishes/ nutrition basic products); are a priority for import substitution;
- Cattle production and meat (goat, beef, pork) and aviculture (chicken);
- Fruits (banana, pineapple, etc) and horticulture and vegetables (tomatoes, cabbage, onions) should be encouraged for both local consumption and also transformation (Tomato pulp..)
- 400,000 tons of Rice imported; and 960,000 tons of wheat: partial or total substitution and conditioning of rice and wheat in Angola is a clear goal for the GoA, as part of their import substitution national policy and priority;
- Development and investment in smaller, decentralised Grain crushing mills around the main production Provinces and centers; some needs retrofit, other just new Units;
- The revival of former export agricultural crops are also supported by the GoA , such as Coffee production, in the Province of Uige, Kwanza sul, Cabinda, Huila, and Malanje.
- Roots (Manioc and Potatoes (white/ reina potatoes, sweet potatoes)
- Leguminous (beans) and oil producing fruits/varieties such as palm oil
- Honey, and honey derived products
- Fishes and fish related transformation products (fish flour, oil, canned fishes)
- Production of juices, beer, and alcoholic and non-alcoholic beverages

We had to make a selection among the many opportunities and priorities to revive agricultural products and segments in Angola. First of all, we took into consideration the programmes already developed by the various Multilateral donors as well as bi-laterals donors. The summary list of all interventions completed, under way and planned (courtesy of Mr Bastien Fromonteil from the AFD) can be found in annex N.X. and also in summary form below.

The second criteria was to choose to support agricultural segments that would contribute to food self-sufficiency and nutrition safety (such as the regional production of wheat, rice, corn, etc) and finally reduce the Import-Export large imbalances. An example of such imbalance is the fact that Angola – who produced more wheat than Portugal in the 1970s – is importing close to 500,000 tons of wheat per year through the ports of Luanda and Lobito.

We identified the following three Value chain corresponding to the above mentioned criterias:

- **Wheat production and Transformation**
- **Reviving Coffee production and also Branding/ distribution** (including for export)
- **Encourage commercial timber and sustainable tropical forestry** and especially the transformation of wood products – for pulp, paper, agglomerate, boards, and building material production

The first Value chain opportunity that we would like to recommend for the Private Sector Support Programme of the 11th EDF is the support to the entire production to transformation **value chain of wheat**, a staple consumption product used by all bakeries and also retail and local store chains, that make available wheat flour and derivative products to the end consumer.

As far as our research is concerned, besides some GoA initiatives to revive local production, none of the Multilateral donors have focused on this essential crop, which used to be produced and exported during colonial times. Official figures indicate that in 2015 alone, the Angolan government spent 320 million dollars (272 million euros) to import 510 thousand tons of wheat flour. It is estimated that, by 2020, the consumption of wheat flour in Angola will be, on average, 730 thousand tons per year.

Value Chain Opportunity/ Recommendation N5: *Provide grant support at three levels of the **Wheat production and transformation value chain**; a) contribute to the research, production and distribution of quality seeds of wheat in the provinces of Huambo, Bié and Huila (all prime wheat production regions, and close by in the Center region), by strengthening (and monitoring) the IIA Agronomic Research programme in wheat production in Huambo, b) support and encourage wheat production at Cooperative level, in these Provinces , that are close or at range of a small or medium size wheat Mill; and c) invest in the retrofit/ grant support to 2-3 small wheat crushing mills in these Provinces, making them self sufficient in Wheat floor production and consumption (using European made crushing mills equipment, in preference)*

The second Value chain opportunity that we would like to recommend to the attention of DEVCO is the support to be given in the **Coffee production, transformation and also Branding** / distribution (for both local consumption and also for Export) in the Provinces around Luanda ((Uige, Malanje, Kwanza norte and Kwanza sul) with the aim to develop a branded , quality, fair trade Angolan coffee that could be diversifying the export earnings and also incentivize Commercial farming of the coffee.

Vigorous action is needed in order re-vamp, at least partially the Coffee productive sector in Angola[3], and this requires coordinated intervention from both the Government of Angola and also budget and TA support from Donors + Mobilisation of the Private Sector (which is under way, as apparently there are already 9 Commercial producers of coffee in Angola – and there is interest from a number of national and foreign investors in re-vamping this segment.

As far as the Private Sector Support Programme is concerned, we strongly believe that supporting the Coffee value chain is very important for Angola who used to be one of the top 5 Coffee producers in the world, as it is could support both sustainable and profitable business and job anchor in the country side for a large population of farmers and cooperatives. For instance in Tanzania,, Coffee which is its third largest export crop, is supporting more than 450,000 farm families and 110 estates derive their livelihood from growing coffee with about 2 Million additional people employed directly or indirectly in the industry. In a country like Angola, which has chronic unemployment reaching 30% of the total population, this value chain, if well revamped, can generate jobs, profits and export earnings for the country.

***Action Recommendation N.6**: The second agricultural Value chain opportunity that we would like to recommend to the attention of DEVCO is the support to be given in **the Coffee production, transformation and also Branding / distribution** (for both local consumption and also for Export) in the Provinces around Luanda ((Uige, Malanje, Kwanza norte and Kwanza sul) with the aim to develop a branded , quality (and possibly fair trade) Angolan (Robusta) coffee that could be diversifying the export earnings and also **incentivize Commercial farming of the coffee**. Special emphasis should be given on supporting the re-vamping of old commercial estate, which still have coffee trees which may be revived through stumping/ or new planting, as well as supporting and simplifying the **certification of quality coffee, and branding** it for export and also national consumption.*

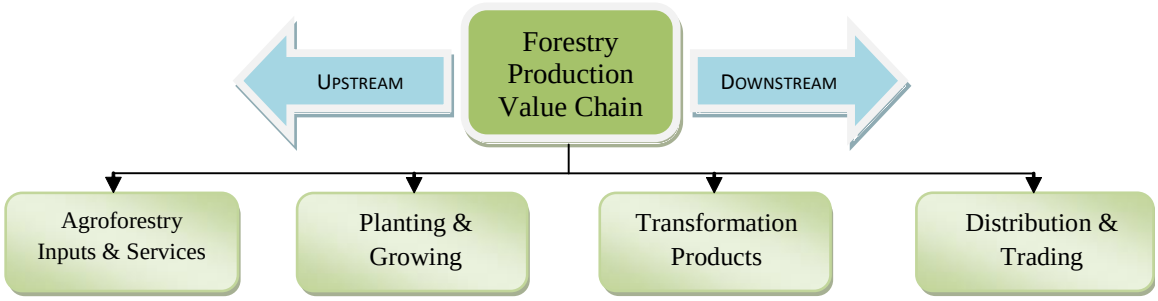
[3] Odour, G. 2005. Rehabilitating the coffee sector in Angola. http://www.new.ag.info/pdf/rehabilitating-the-coffee-sector-in-angola.pdf

The third Value chain which we would like to recommend to the attention of EUD and Devco is sustainable forestry and also commercial timber, and particularly supporting its transformation and value added products . Angola , with its 1.2Million Km2 in Equatorial and tropical region, possess immense resources of native (primary forest) wood and also commercial forestry potential. At the level of the forest resources of Angola (native forests), the statistics are as follows:

- The area of native forests is estimated at approximately 70 million hectares;
- Only 2.4 million hectares can been considered as productive forests at present time – the potential is enormous, but needs to be done according the FSC and sustainable logging and certified ways;

Our proposition focuses on the 3rd and 4rth segments of the Timber / Wood production value chain below:

Graphic N XXXX: Forestry and Wood production Value Chain[4]



Action Recommendation N. 7 *for the PSS Programme: Provide support and Technical Assistance to the commercial forestry sector, focusing on the* ***transformation units of the Wood and value added products*** *in the following segments: Industry of derivatives of wood and pulp, such as MDF, agglomerate boards, semi-transformation (planks, poles, etc) and finished products such as doors, windows, and all carpentry products) for both the consumption within Angola and also export of tropical woods semi-finished products to the EU and the world. This programme should focus also on reforming the Angolan byzantine certification process, encouraging FDI investment into the forestry sector (including European Timber and forestry players) and also on TA for certification (FSC certified) of tropical woods for exports.*

We think also that the Agricultural value chain – such as sustainable forestry and fair trade coffee production could also contribute to the pursuit of Sustainable Development Objectives in view of their social and environmental impact, as well as making Angola a more self-sufficient country and lesser dependent on costly imports.

Angola is clearly at the ontset/ beginning of its Entrepreneurial and Private Sector development journey, but one with actualy a great past – and a great future (as well as a challenging present). With a real political will for economic and PPP reform, and focused support from the Donors and the private sector, we believe Angola can renew with much higher level of economic growth and a more balanced (sector wise and social wise) prosperity.

[4] SLB Brazil Econology Fund, Luxembourg 2014

1. BACKGROUND, OBJECTIVES AND BUSINESS CLIMATE

1.1. Justification of the assignment

The Private sector in Angola, has been almost annihilated by three factors: a) a 27 year pro-acted civil war which destroyed much of the industrial infrastructures and productive companies that were still thriving up till 1975 (including a vibrant agro-industry, and thriving commercial coffee , cotton and textile production companies, among others) and b) the discovery and predominance of the Oil & Gas sector since the 1990s, which flooded the economy with hard currency and budget liberalities, maintained the Kwanza currency at artificially high parity level with the dollar (making the cost structure of local goods un-competitive vis a vis other SADC countries and internationally), and hence discouraged many of the private or foreign initiatives to diversify the economy in sectors other that Oil and diamonds (the so called "Dutch disease" applies very much to Angola); and c) a planned economy which relied mostly on public initiatives and relatively inefficient public institutions for industrialisation, instead of encouraging Private sector initiatives or PPPs, as seen in many other Sub-Saharan African countries.

The economic slowdown and recession that started with the drop in oil prices in Mid-2014 has lead Angola and its Government to a "Reality Check" after the period of 2002 to 2010 where the country registered average annual GDP growth rates at >8-10%. The Government, which drew 70% of its fiscal revenues from the oil industry, was bound to apply austerity measures (including end of subsidies in fuel, and also some agro-industry key inputs, freezing employment from the public sector, etc) and reduce public investment by 50%, which triggered an economic slowdown, including in the construction sector, largely dependent from public procurement work.

Even if the growth resumed in 2017, macro-economic imbalances remained. The inflation has stayed at high level (31% in 2017), undermining the purchasing power of households,. Budget deficits reached 6% of the GDP and public debt grew to 65% of the GDP. Exchange reserves deteriorated after the central bank intervened to defend the anchor of Kwanza to the dollar.

Clearly, the new Government of Mr Joao Lourenço is reform minded and its National Plan of Development 2018-2022 support very much the Private Sector and sectorial diversification in order to re-ignate the economy and lower the dependency on the price volatile Oil commodity sector. As we can see in the Socio-economic context and Business climate analysis sections, the challenges are enormous, as Angola needs truly a cultural change (from cheap money, imports and spending mentality, to hard working entrepreneurial one, local production, and import substitution) and a long term grooming of a new generation of Millennium entrepreneurs and managers, which will take time. This is the very object of this report:

What initiatives could start / initiate this change of mindset of a new generation of Angolan entrepreneurs and foster Private sector and job growth. In our view, along with reviving the Agriculture and small manufacturing sectors, this is the main challenge of Angola today and for the incoming years.

The European Union (EU) considers the development of the private sector, trade and regional economic integration to be powerful levers with which to reduce poverty. Its strategy of engagement with the private sector aims to stimulate growth and investment, create jobs and generate tax receipts to finance public services. With the objective of boosting development of its commercial partnerships, the EU has set up the Trade and Private Sector Development & Engagement (TPSD/E) Facility within Unit C4 of DEVCO, as the unit in charge of trade and private sector development. In parallel, the EU's External Investment Plan (EIP) adopted in 2017 has the objectives of increasing investment in partner countries in Africa and the Neighbourhood, thus contributing to inclusive growth, decent job creation and sustainable development whilst curbing the causes of irregular immigration to Europe. Implementation of the EIP in Angola, with structured support from the main International Finance Institutions (IFI) present in Luanda, mainly the African Bank of Development and bi-lateral development banks, would enable the EU to follow its objectives of developing the

private sector through the three pillars, namely the European Fund for Sustainable Development (EFSD), technical assistance (TA) and the promotion of a favourable investment climate.

This report is divided into 5 chapters:

- Chapter 1 presents the **socio-economic situation of Angola** as well as the strategies of development of the Government (main axis of the "Plano de Desenvolvimento Nacional 2018-2022) , the EU and the other stakeholders in terms of strengthening the private sector. It also contains an analysis of the main priorities in terms of **Business Climate improvement**.
- Chapter 2 proposes the terms for implementing the EIP in Angola and assessment in particular of the potential to use the EFSD (EIP) guarantee facility, on the basis of the EIP investment windows. This will focus first and foremost on **strengthening the Access to Finance for SMEs** – through Private Equity and VC Funds - and also reinforcing the Management skills of entrepreneurs through incubators and accelerators.
- Chapter 3 focuses on the **Value Chain opportunities** identified during the assignment in Angola, and in particular the agricultural value chains that will revive a selected number of specific crops having a strong import substitution impact as well as export potential. This analysis will take into account synergies and complementarities with other donors;
- Chapter 4 will develop on the **structured dialogue opportunities** with the Government of Angola (GoA) and outline Options proposed for the set up of an EU Business Organisation in Angola, whilst taking into consideration the need for its sustainability and integration of best practices in line with the Sustainable Business for Africa (SB4A) platform.
- Chapter 5 provides a set of conclusions and recommendations.

Objectives and expected results of this report[5]:

Objective of the assignment: To support the Delegation in the pre-identification of the 11th EDF Private Sector Development programme.

- Expected outputs:

1. Detailed mapping of the Private Sector in Angola:

- Detailed mapping of the private sector in Angola (a mission for a preliminary mapping of private sector actors has already taken place; its outputs (which are under review by EUD) are expected to provide useful background and guidance for this mission). The mapping should include local private sector actors as well as a cross-section of European businesses that have invested or are actively trading in Angola.
- Assessment of the potential to use of the EFSD (EIP) guarantee in Angola.

2. Pre-identification study of the future programme, which will include the main axes of the intervention, including:

1) identification of potential value chains to be supported;
2) identification of the potential to support the creation/strengthening of structured dialogue mechanisms;
3) identification of areas and instruments to support the improvement of the business environment (also covering the issue of good governance which has prompted a series of

[5] Cf. Appendix 1 Terms of Reference

high-level changes recently in Angola and which could provide elements for EU-Angola dialogue) ;

4) assess the possibility of setting-up an EBO, its main features and membership options (organizational arrangements, structure, staffing, financing of operations, definition of services and their cost etc.) This assignment is expected to indicate various options for EU support for such initiative, if deemed feasible.

5) identification of support measures to improve Angola´s access to EFSD (EIP) and future similar instruments

Our understanding of the terms of reference is that these outputs can be re-grouped into three output clusters:

i) To make an analysis of investment opportunities, technical assistance support and business climate support (Pilar I, II, and III) within the framework of the EIP in Angola, including improvement in the Business environment (Pilar III) and Access to Finance for SMEs (Pilar I and II)

ii) To identify and propose a selected number of Value Chains that could be supported and strengthen through the Private Sector support programme of the EUD (11th EDF)

iii) Structured Dialogue Mechanism, of which one of the modalities is to analyse the options for setting up an EBO in Angola – and benchmark these against other African EBOs and EUCC experiences, as well as support to civil societies and business associations.

1.2.Socio-economic context and impact on Private Sector Development

Angola is the second oil producer in Africa, and its GDP is the third largest in Sub-Saharan Africa, after Nigeria and South Africa. Angola is a net producer of natural gas and 4rth world producer of diamonds. After a long civil war, the country experienced one of the highest economic growth rate in the World, driven by its oil wealth. Angola was since severally hit by the drop in oil prices and the fall in global demand, including from his main trading partner, China.

The economic slowdown and recession that started with the drop in oil prices in Mid-2014 has lead Angola and its Government to a "Reality Check" after the period of 2002 to 2010 where the country registered average annual GDP growth rates at >8-10%. The Government, which draws 70% of its fiscal revenues from the oil industry, was bound to apply austerity measures (including end of subsidies in fuel, and also some agro-industry key inputs, frost of employment from the public sector, etc) and reduce public investment by 50%, which triggered an economic slowdown, including in the construction sector, largely dependent from public procurement work.

In the IMF Economic outlook of Angola, below, a number of key economic indicators are worth stressing out: a) a marked slowdown in GDP growth from the high 8-10% level of the years 2000s to almost OECD growth levels of 1-1.5% per annum. These conservative GDP growth numbers by the IMF can be contrasted with the more optimist macroeconomic projections in the "*National Development Plan* 2018-2022) developed by the Ministry of Economy and planning – whereby economic growth will pick up at 2.5 to 3.6% level from 2019 onwards; b) the inflation rate which has reached >30% level in 2016 and 2017 will remain in double digits onwards, albeit receding somewhat; c) public debt level remain >60% of GDP, and as we know, Angola has accumulated sizeable amounts of debt vis a vis foreign lenders (especially the PRC) , having to dedicate >50% of its public treasury for the servicing or reimbursement of its debt.

Table N1: Main economic indicators of Angola – 2015-2018 (IMF, World Economic Outlook)[6]

A	2015	2016	2017	2018 (e)	2019 (e)
GDP *(billions USD)*	102.96	95.34e	124.03	138.24	140.28
GDP *(Constant Prices, Annual % Change)*	3.0	-0.7	1.5e	1.6	1.4
GDP per Capita *(USD)*	3,876	3,485	4,401e	4,763	4,692
General Government Gross Debt *(in % of GDP)*	65.4	75.8e	65.1e	66.0	67.1
Inflation Rate *(%)*	10.3	32.4	30.9	20.6	14.0
Current Account *(billions USD)*	-10.27	-4.90	-5.92e	-6.24	-6.60
Current Account *(in % of GDP)*	-10.0	-5.1e	-4.8	-4.5	-4.7

Source: IMF – World Economic Outlook Database, 2016

It is interesting to contrast these GDP and economic figures with the projections of the National Development plan, which are, to a large extend , dependent on diversifying the Angolan economy, away from the Oil and Gas sector, including through incentives for the growth of the Private Sector in various vertical segments.

Table N2: National Development Plan of Angola, 2018-2022, Projections pp IV[7]

Indicadores	Unidade	Preliminar	Projecções					
		2017	2018	2019	2020	2021	2022	Média 2018-2022
PIB (Valor Nominal)	Mil Milhões Akz	16.387,0	23.274,5	29.220,6	33.673,9	37.784,0	42.191,4	33.228,9
Taxa de Crescimento Real	%	-2,5	2,3	3,6	2,4	2,6	4,1	3,0
Sector de Petróleo e Gás	%	0,7	2,0	1,7	-3,1	-5,8	-4,9	-2,0
Sector Petrolífero	%	-4,5	0,8	0,6	-3,6	-2,5	-4,5	-1,8
Sector do Gás	%	410,7	18,5	14,0	1,8	-36,0	-10,8	-2,5
Sector Não Petrolífero	%	-2,6	2,4	4,4	5,0	6,2	7,5	5,1

Fonte: Ministério da Economia e Planeamento (MEP) | * Estimado | Preços Constantes de 2002.

[6] IMF, Angola, the Road towards Economic Reform, https://www.imf.org/en/News/Articles/2018/06/07/NA061118-Angola-The-Road-to-Economic-Reform

[7] Plano Nacional de Desenvolvimento, 2018-2022, Angola, https://www.info-angola.com/attachments/article/4867/PDN%202018-2022_MASTER_vf_Volume%201_13052018.pdf

On the positive side, Angola made significant strides in reducing the poverty rate from 54% in 2000 to the current 37%, but the economic slowdown driven by weaker oil prices requires structural reforms to support diversification. The government is allocating nearly $5.5 billion to finance private sector projects in areas with high import-substitution and export-promotion potential—in particular, food production, fishery and agro-industry, oil and gas, mining, tourism, transport, and logistics. New electricity projects[8], approved prior to the oil shock—notably, the 960 MW Cambambe hydropower station, the 480 MW combined-cycle gas power station in Soyo, and the 2,070 MW Laúca hydropower station—will increase electricity supply. In transport, 2,725 km of railway network and 13,000 km of roads— including regional corridors connecting to the Democratic Republic of Congo, Namibia, and Zambia—have been rehabilitated. Construction of a new international airport in Luanda is ongoing, and a new commercial port north of Luanda with 44 logistical platforms to connect to railway lines and trunk roads nationwide has been planned.

Even if the growth resumed in 2017, macro-economic imbalances remained. The inflation has stayed at high level (31% in 2017), undermining the purchasing power of households. Budget deficits reached 6% of the GDP and public debt grew to 65% of the GDP. Exchange reserves deteriorated after the central bank intervened to defend the anchor of Kwanza to the dollar.

In the 2018-2020 National Development Plan, and through voluntary reforms measures taken by the new President Joao Lourenço, that introduced measures to balance the budget, and improve the flexibility of the exchange rate. Moreover he took upon courageous measure to fight head and nails the rampant corruption of the public sector and former government PEPs, leading to the imprisonment of some key figures of the former Government, such as the ex-Minister of transport and a number of Provincial key figures.

Nevertheless, following almost 20 years of "**Growth without Development**" , our field work in three Provinces of Angola in the fall of 2018 could only witness the fragile status of the Private Sector – with many national producers and companies going into bankruptcy/ or dormant status

The systemic impact of 20 years of sole focus on the Oil & Gas sector, lack of investment in social and logistic infrastructures and economic diversification and massive appropriation of public assets by a few, cannot be overstated- among these:

1. Lack of Investment into public utilities and infrastructure – outside of the main urban centers – leading to the paradox of Angola having one of the highest GDP per capita in Africa (USD4,763) but with more than 50% fo the population lacking access to water, electricity, decent roads, etc
2. Drastic reduction (50%) in public investment , including into public work, construction , which lead also to the non-payment of contracts already delivered upon by private sector companies (for instance an ornamental rocks and pavement company is still waiting (3 years) for the payment of public works already done – leading to potential default on 40% of their earning streams.
3. The prohibitive cost of Credit and lending by commercial banks. As the central bank Interest rates are at 16.5%, the commercial bank lending to companies, levy 25% interest rates, with strong collateral conditions, making it "out of reach" for most small and medium size companies, who need to rely on equity capital for their investment. The Banking sector includes too many players (>30 banks) for a relatively small credit market. A deep reform of the banking sector and capital markets (including the set up of a true Stock Market for equities and IPO) need to take place.

[8] AFDB, Angola Economic outlook https://www.afdb.org/en/countries/southern-africa/angola/angola-economic-outlook/

4. Foreign investor community discouraged to enter into the country or make further investment due to a freeze in hard currency liquidity, rendering very difficult both the import of dollar denominated goods and also remittance of dividends on a legally earned revenues and industrial activity, along with a still challenging business climate and import/ export procedures.

1.3.Political Context and Donor Actions on Development

1.3.1. National Development Plan 2018-2022

Under the leadership of the new President of the Republic of Angola, Mr Joao Lourenço, the Ministry of Economy and planning drafted the extensive and quite detailed "***Plano de Desenvolvimento Nacional 2018-2022***" (National Development Plan, or "NDP") in order to promote the social and economic development of the country, as well as the territorial cohesion of the country, and finally the progressive integration into the SADC regional market, of which Angola is a full member – but one that has not yet ratified the Free Trade Agreement.

The NDP Development strategy is articulated around six strategic axes, each of which are further detailed into 25 strategic policies and a total of 83 specific actions. The 6 axes are as follows:

1. **Human Development and well being of the population** – which includes eight policies: population, education, technical training and higher education; human resources development; health care; social protection and social assistance; housing; culture; and sports
2. **Economic Development (and sustainable development):** management of public finance; business climate improvement; competitiveness and productivity (of industry); Incentives to national production, import substitution, and diversification of exports; sustainability of the environment; job creation and labour conditions;
3. **Infrastructures needed for the Development**: Transport and logistics; electricity production; water and water treatment; telecommunications;
4. **Reinforcement of Democracy / Good Governance**: strengthening of the foundation of the democracy and the civil society; Better governance, reform of the government, and modernising of the public administration; Decentralisation of power and empowering of local and provincial powers;
5. **Harmonious Development of the National Territory**: Land development; and better management of the land asset and territory and urban management;
6. **Stability and integrity of the national territory** and strengthening Angola's role in the regional and international instances and forum: National defence; national security and also security of the citizens; deepening of SADC and Angola role in African and international forums.

With regards to Private Sector Development (mostly Axis 2, but also conditioned by the achievement of the objectives of Axis 1 and 3), we should outline the following sectorial priorities (which includes development of industrial and agricultural value chain leading to import substitutions and exports):

Table N XX: Economic Development Policies and programmes (NDP 2018-22)

N.x	Policy	Action Programmes and priorities
2.1	Management of public finance;	Improving Macro-economic framework and the management of public finances
2.2	business climate improvement; competitiveness and productivity	• Improving "Doing Business" rating of Angola and business climate and competition climate • Increasing Competitiveness (of national industries) and productivity levels

		• Improve the national standards and procedures related to quality • Promotion of innovation and transfer of technology
2.3	Incentives to national production, import substitution, and diversification of exports	• Support by the GoA to industrial production, substitution of imports and diversification of the exports • Incentives to Agricultural production • Incentives to increase in cattle production • Promotion and incentives for the sustainable exploration and exploitation of the forestry assets • Improving on food security and nutrition • Sustainable exploitation of fisheries and salt • Sustainable development of Aquaculture • Modernisation and exploitation of geological and mining activities • Development and consolidation of the Oil & Gas industry • Development of the transformation industry (going further in the value chain , downstream towards finished goods , packaging and distribution • Development of the defense industry and weaponry • Development of the Tourism and Hotel industry.
2.4	sustainability of the environment;	• Fight against climate change • Promotion and protection of biodiversity and areas of nature conservations • Territorial planning of the marine space and promoting the health of marine eco-systems • Risk prevention and Environmental protection
2.5	job creation and labour conditions	• Re-conversion (formalisation) of the informal economy • Promotion of employment and job growth • Improving on Labour conditions and organisation of work

Clearly the implementation of these policies in the current recessionary context of Angola and the budgetary constraints of the GoA, is going to be a tall order and one where priorities will need to be established, as well as reaching out for private capital and PPP solutions for substituting scarce public financing.

The two most relevant interviews were done with respectively the Ministry of Agriculture and the Ministry of Industry, which provided further details on a) the conditions and feasibility of implementing the NDP and b) the priorities in terms of value chain development.

The Ministry of Agriculture, represented by its Director, Mr Jose Manuel Bettencourt[9] pointed out to the following challenges facing agriculture in Angola, and four bottlenecks in particular:

1. **Bottleneck N1**: very few true Agri-business entrepreneurs; lack of hard-working farm managers, with experience of running farms – Brain drain of the few qualified agronomists/ technicians from Angola; the only real farming entrepreneurs are to be found in subsistence, family farming "*os Camponeses*" – who never stopped farming, and are resilient;

[9] Interview with Mr J.M. Bettencourt, Director with the Ministry of Agriculture, on 10/09/2018

2. **Bottleneck N2**: Access to Finance – Working capital for farmers (financing of next year inputs, fertilisers, diesel, seeds, etc) – to be repaid with proceeds of crops.
3. **Bottleneck N3**: Infrastructure, roads, logistics , dry ports; Stockage points (Spanish financing of 8 Storage units, with mixed results, as the issues is upstream in the production organisation and the right conditioning of the products (and organisation of coooperatives)
4. **Bottleneck N4**: Land registry and reliability of the agricultural land concession system – there is a need for a National land census, seizing and re-distributing "false farms" which are not being put to use and wasting valuable agricultural assets.

In terms of the national priorities for re-launching and developing national production, the following agri-segments were mentioned as being priorities:

- **Main cereals**: Corn, Rice, Soybean, and wheat ("Cesta basica"/ main component of national dishes/ nutrition basic products); are a priority for development
- **Cattle production and meat** (goat, beef, pork) and aviculture (chicken);
- **Fruits** (banana, pineapple, etc) and horticulture and vegetables (tomatoes, cabbage, onions) should be encouraged for both local consumption and also transformation (Tomato pulp..)
- 400,000 tons of Rice imported/ same for Corn/ wheat (almost 1 Million tons imported) – this needs to be reverted and ended; partial substitution and conditioning of rice in Angola is a clear goal for the GoA, as part of their import substitution national policy and priority;
- Mr Bettencourt even recommends progressive adoption of radical measures – for instance, to stop the imports of wheat (refined flour) and obligate the importer to import raw cereals that would be then grinded/ crushed and transformed in Angola -through existing or new Mills. Then progressive resuming of wheat production in the country;
- **Roots:** Manioc and Potatoes (white/ reina potatoes, sweet potatoes);
- **Leguminous** (beans/ feijao) and oil producing fruits/varieties such as palm oil;
- The revival of former **export agricultural crops** are also supported by the GoA , such as Coffee production, in the Province of Uige, Kwanza sul, Cabinda, Huila, and Malanje.

On the basis of the above priorities, the European Union, who is already supporting the sustainable agriculture of Angola with a EUR85M facility (support to small farmers, cooperatives, and increasing the resilience of rural communities, as part of the NIP[10]) should further select out a number of agricultural value chains, that have the greatest impact in terms of import substitution and a good potential also for transformation, and in some cases, export through certification of the end products.

This already applies to Agrolider who is already producing and exporting fruits and fruit juice (Tutti) to the UE and for the Angolan consumption markets. The following crops and agricultural value chain have also this potential and will be developed further in the Value Chain identification section: **wheat** (trigo) which is the basis for all the bread and floor related bakery products in Angola and is entirely imported; **Coffee**, especially the Robusta variety which is still being cultivated on a subsistence basis in the above mentioned Province, along with the "fair trade" and branding of an "made in Angola" product; and finally **Hops ("Cevada")** and malt, which are the key ingredients for the sizeable beer industry in Angola – which are 90% imported at the present time (Castel Beer Group has resumed some hops/ "Cevada" production).

Another segment which used to be largely cultivated in Angola is the commercial grooming and production of **timber for cellulose, paper and construction** applications. Some Provinces of Central and Southern Angola have very similar soil and rain pattern as Southern Brazil (state of Parana, Santa Catarina) and some regions of Australia, and are propicious for the commercial exploitation of Eucalyptus and pine varieties. Huila and Benguela for instance used to produce , process, transform and export quantities of logs and also cellulose and paper to Portugal in colonial time. The revival of medium to large scale timber production (planted) and also sustainable exploitation of primary forest is another interesting Segment, with great potential for Angola.

[10] National Indicative Programme 2014-2020, of the European Union with the Republic of Angola, 2013

On the industrial side , we met with the National Director of the Ministry of Industry, Mr José Gama Sala, who commented to the slow but hopeful retake of activity in the transformation industries in Angola. In spite of strong "headwind" factors such as the lack of infrastructure, the high costs of supplies and machineries, that are mostly imported, Angola managed to set up two running Industry clusters: a) the **Viana industrial pole** (nearby Luanda) which runs on 2000 Ha, and already host 60 companies, including 25% transformation industries, in the sectors of mettalurgy, construction material, plastics , food and feedstock, as well as agriculture machinery and tools, and b) the **Katumbela (Benguela) industrial park** which host 200 SMEs companies, which are mostly from the service industry and not transformation, but is well deserve by a train connection and proximity with the Lobito Seaport, which is (potentially) the main export hub in Austral Africa.

Now in the view of the Ministry of Industry, the true challenge for Angola is to bring back the transformative industries into the rural municipalities and the other Provinces outside Luanda and Benguela (and in the interior of these two Provinces as well). According to the Ministry, the following steps should be taken to incentivize rural industries:

- Segmentation of Angola into 90 rural and small urban municipalities – with potential for agro-industry transformation;
- In each pole (starting by selecting out a few at the beginning and then increase the pace) – creation of a Technical/ Engineering school in each Pole – which is planned by the GoA, but not implemented;
- Programme of development of Rural small industry: the goal is to create small centers of technical education and then transformation in several key Municipalities
- ***"Parques industrial rurais"*** (rural industrial parks) should set apart 14 Ha for each municipality. - currently 3 rural parks are functioning, on the basis of the relation with the local farmers and providing them with transformation capabilities;
- Transforming the agricultural commodities into products create value chain opportunities and add value for the farmers;
- **Parque de Cacuzo** – small farmers mobilized by the local Soba (traditional Village leader) – who then federate the paysans and provide the Maize/ Corn to the rural industrial park. In rural areas, the dialogue with the traditional chiefs is key;
- World bank has a programme to strengthen 90 Municipalities – to organise the agriculture
- In the view of the ministry, it should be the private sector who should lead this rural transformation process, but the Ministry recognise the current obstacles, which are access to finance, the also an inneficient logistics and distribution value chain.
- Angola should also see the return and incentivize investment by larger, commercial farming and agri-business leaders, to create economies of scale and competition.

In conclusion, we should also mention the PRODESI[11] Programme (Support Programme for Production, Export diversification, and import substitution), which aims to accelerate the diversification of the national economy, through the development of value chain in sectors that are not oil & gas related, and that are all with strong import substitution potential. PRODESI prioritises sectors that value, transform feedstock produced locally, and to add value to these feedstock or commodities, along the transformation value chain (Ex: agro-industry for consumption purpose, transformation and packaging). In the context of PRODESI the value chain selected includes goods that are part of the basic food basket in Angola, including:

- ✓ Banana, Coffee, horticulture and roots (Manioc and Potatoes (white/ reina potatoes)
- ✓ Leguminous (beans) and oil producing fruits/varieties such as palm oil
- ✓ Honey, salt
- ✓ Fishes and fish related transformation products (fish flour, oil,

[11] PRODESI – Programa de Apoio a Produçao , Diversificaçao das Exportaçoes e Subsitutuçao de Importaçoes.

- ✓ Alcoholic and non-alcoholic beverages
- ✓ Iron ore, copper ore, gold, quartz
- ✓ Forestry products and commercial forestry (which correspond also to a strong need, for construction industry and also furniture industry);
- ✓ Ornamental rocks and granites
- ✓ Cement and other construction material
- ✓ Products and supplies for the petrochemical industry
- ✓ Services and Telecommunications hardware and software
- ✓ Tourism related infrastructure.

In the value chain section of this report, we have identified 4 potential value chains, which have all strong import substitution and job creation potential, that are submitted for potential budgetary support and/ or technical assistance.

1.3.2. National Indicative Programme (NIP) 2014-2020 – Republic of Angola / European Union

The strategy of the European Union (EU) in Angola, encapsulated in the National Indicative Programme (NIP- for the period 2014-2020 is based on three priorities: (i) setting up and implementation of a solid system of education and technical-professional training, along with specific facility focusing on higher education; (ii) promotion of sustainable agriculture and reinforcement of small farmers; (iii) investing in the basic infrastructure needs of the population , such as water, water treatment and also food security.

Table XY: National Indicative Programme EU-Angola – main budget allocations

Technical and Professional Education and training '("Ensino e formação técnico-profissional e ensino superior")	*45 milhões de EUR*	*21,4 %*
Sustainable Agriculture ("Agricultura sustentável")	*84 milhões de EUR*	*40 %*
Water and water treatment and utilities networks ("Água e saneamento básico")	*65 milhões de EUR*	*31 %*
Support to Civil Society entities ("Medidas de favorecimento da sociedade civil")	*6 milhões de EUR*	*2,8 %*
Support Measures ("Medidas de apoio")	*10 milhões de EUR*	*4,8 %*
TOTAL	***210 milhões de EUR***	***100 %***

In the revised Angola's NIP - which added "**Economic Governance**" as focal sector to the bilateral cooperation – the facilities provide a window of opportunity for the EU to position itself as a more relevant and active partner in Angola's diversification process and job creation efforts.

Under the Economic Governance focal sector of the 11th EDF Angola's NIP, support will be mobilised to contribute to:

- ✓ *Financial sector resilience:* the EU will respond to Angola's requests for technical assistance in strengthening bank supervision, addressing deficiencies in the regime for anti-money laundering and combating the financing of terrorism (AML/CFT) to better mitigate the risks from and address the drivers of the loss of correspondent banking relationships. This new support to the country in combatting illicit financial flows would be additional and

complementary to the regional 10th EDF PALOP programme PACED that is helping reinforce the legal and regulatory framework, capacitate the relevant institutions and promoting international cooperation and coordination.

- ✓ *Public Finance Management and Domestic Revenue Mobilisation:* support will be provided to the implementation of Angola's plans to strengthen its PFM system, namely through the adoption of a Medium Term Fiscal Framework and a Fiscal Responsibility Law, and in the improvement of Fiscal Transparency. On domestic revenue mobilization, support could be channeled to the broadening of the taxation base, namely through the implementation of the VAT, improvement of tax inspections and enforcement of real estate taxation. More concretely, technical assistance could be mobilized to strengthen the tax authority's institutional capacity and train its staff; support the implementation and testing of new IT systems for customs and domestic tax administration; and help improve communication with taxpayers and other stakeholders.
- ✓ *Private sector and VCs development*: support to the development of relevant sustainable value chains (and related infrastructure), including strengthening the sustainable management of natural resources, support Angola's capacity to comply with safety and quality standards (including on sanitary and phytosanitary issues), promoting regulatory reforms to improve the business and investment environment, and strengthening private sector actors in those value chains (including in facilitating access to EU technical facilities and funds). The selection of the value chains and/or sectors to be supported should result from further strategic analysis to determine which value chains are worth supporting.
- ✓ *Structured dialogue mechanisms* between with the private sector, national authorities, European companies and other relevant stakeholders on business environment, selected VCs and strategic sectors (e.g. infrastructures).

1.3.3. Current EU Funded Private Sector Development Programmes

In congruence with the National Indicative Programmes and the 10th and 11th EDF facilities, several EU-funded support programmes are under ways and contributing to the development of specific value chains and strategic sectors for job creation and economic activity in Angola:

- ✓ **The 10th EDF Trade Support Programme (ACOM)** is currently mapping and identifying products where Angola has export potential for neighbouring countries of Zambia, DRC and Namibia. It is also assessing Angola's potential to develop value chains in the sectors of fisheries, timber and ornamental rocks as well as on incentives to strengthen Angola's agriculture sector competitiveness in the SADC Free Trade Area.
- ✓ ACOM will also be conducting a **National Green Export Review (NGER)** to assist Angola to develop and implement green economy policies and establish regulatory and institutional frameworks in promising sectors in the Angola economy.
- ✓ **ACOM will implement UNCTAD's EMPRETEC**, an entrepreneurship capacity/building programme for the promotion of entrepreneurship and micro, small and medium sized enterprises (MSMEs).
- ✓ ACOM is also assisting authorities in conducting a **trade logistics review** and drafting strategies and policies on logistics infrastructures, supply chain management and commercial platforms and hubs along intra-regional corridors.
- ✓ **The 11th EDF Vocational Training Programme** will contribute to reinforce Angola's human capital that is crucial for the development of strategic VCs and sectors (agro food, fisheries, animal healthcare, transports and logistics, environment, water and waste management).
- ✓ **The 11th EDF Higher Education programme**, currently under preparation, will be reinforcing the sector to produce a specialized and competitive graduated workforce and capacitate Angola HE's and research and innovation institutions to conduct relevant research and produce knowledge and technology to feed strategic VCs and sectors.

- ✓ **The 10th EDF local development programme (FAS IV)** includes a local economic development component aimed at improving local business development skills and participation of smallholder producers in local markets. This programme has also conducted mappings of several value chains (tomato, potatoes, fisheries, pork meat and sausage, corn, bananas, dried meat, livestock (goat), coffee, pineapple) and is supporting smallholder producers along the productive process.
- ✓ **The 11th EDF Sustainable Agriculture project (FRESAN)** is considered one of the most relevant programme in support of family agriculture in the south of Angola, a region prone to adverse climate change events. It will support, among others, the development and implementation of farmer field schools, introduction of adapted varieties of crop and support to community seed production and seed banks, testing and adoption of sustainable agriculture technologies suitable for the agro climatic conditions of the focal provinces, development of techniques for the rehabilitation, conservation and sustainable use of soils and pasture, support the creation and the development of farmers associations and cooperatives in the areas of management, organisation and commercialization; support (with investment, capacity building and technical assistance) local initiatives for food processing and preservation of agricultural products and support food producers in establishing commercialisation channels and networks.

Both the Economic Governance (revised NIP) actions , along with the above Private Sector support programmes are coherent with the Country Agenda 2017 and its three top priorities (i) to help strengthening Angola's long term stability by enhancing the capacity of the State to deliver good governance, democracy and rule of law including developing anti-corruption policies and encouraging planning and mobilisation of domestic resources; (ii) to support job creation, encouraging regional economic integration and enhanced trade and investment relations with Europe, striving for a level playing field for European businesses and engaging in economic diplomacy; (iii) to support the steps forward taken by Angola in its transformation to a resilient and diversified economy able to overcome its dependency on oil revenues.

As part of this specific (11th EDF) Private Sector support programme, with an earmarked budget of EUR8M, the challenge is to : a) identify a few and specific value chains that can be partially or entirely supported by a specific PSD programme; b) that does create a lasting effect on the agricultural or manufacturing production and translating into sustainable job creation; and c) that supports value chains that are complementary to those already funded by other donor initiatives.

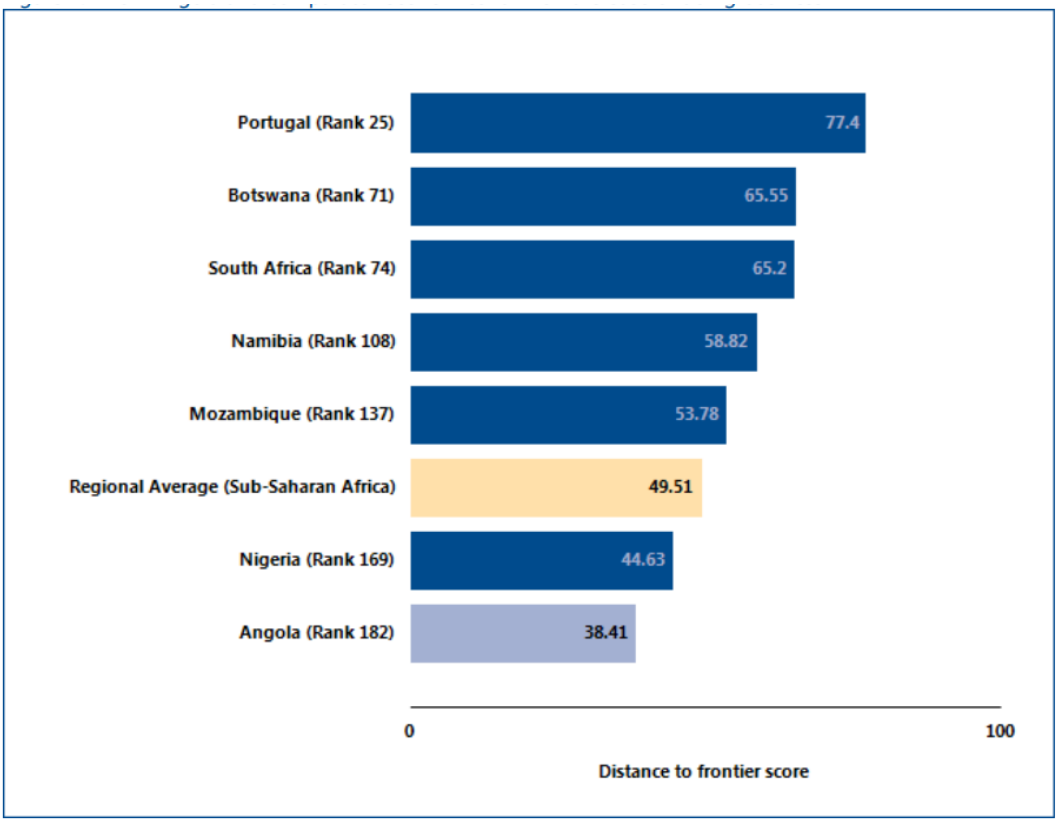
*We propose three specific PSD workstreams to be analysed further as part of this Private Sector Support Programme: a) In the context of the European Investment Plan (EIP) facility, support be given to strengthen the "**SMEs and Entrepreneurship" value chain**" – through targeted support to existing Venture Capital funds and also the creation/ strengthening of two Incubator & Accelerator of entreprise; b) and further analysing of targeted support to the following agricultural value chain and agro-industry transformation VC: **Coffee, Wheat, Forestry, and Hops**, each corresponding to a strong domestic consumption demand, and also having export and certification potential for the European Union market (and involvement of European companies and investors) and c) as part of the support given to **civil society and business organisation**, (structured dialogue) analysing the opportunity to provide budgetary support to efficient non profit organisation that could represent the interest of the Private Sector vis a vis the GoA, and also reinforce the private sector at local level, especially in rural or small urban settings.*

1.4. Business Environment in Angola: regulatory framework and improvement opportunities

1.4.1. Business Climate in Angola

As Angola has the legacy of a long civil war, followed by a centrally planned economy and a strong public sector dominance, private sector development has been long neglected and many legal and administrative hurdles have been put in the way of local entrepreneurs, which were not part of the political elite of the country. This adverse business environment is translated in the overall and detailed rating of the "Doing Business[12]" scorecard of the World Bank.

Graphic N X1: How Angola and comparative countries rank on the ease of doing business



As can be seen Angola is among peer African countries, still the worse performing business environment as with regards to the whole life cycle of starting, running and closing a business. Even if from 2017 to 2018, the ranking of the country progressed from 182 to 175, it is still in the lowest quintile of all countries. A couple of specific features of the Doing business methodology are worth mentioning with regards to Angola. In terms of starting a business, Angola distance to the frontier score has improved and is now at 77 on a scale of 0 to 100 (99 being New Zealand). It still takes 8 procedures and about 36 days to start a business in Angola and costs 27.5% of the income per capita on average.

Nevertheless, Angola made starting a business easier by improving registration procedures and reducing the fees to register the company. Also the GoA eliminated the paid-in minimum capital requirements and also recently (through the Investment law) eliminated the need for Foreign

[12] Doing Business 2017, economy profile Angola, World Bank, 2017

investors to have a minority Angolan partner (min 35%) as part of the shareholder capital of the company.

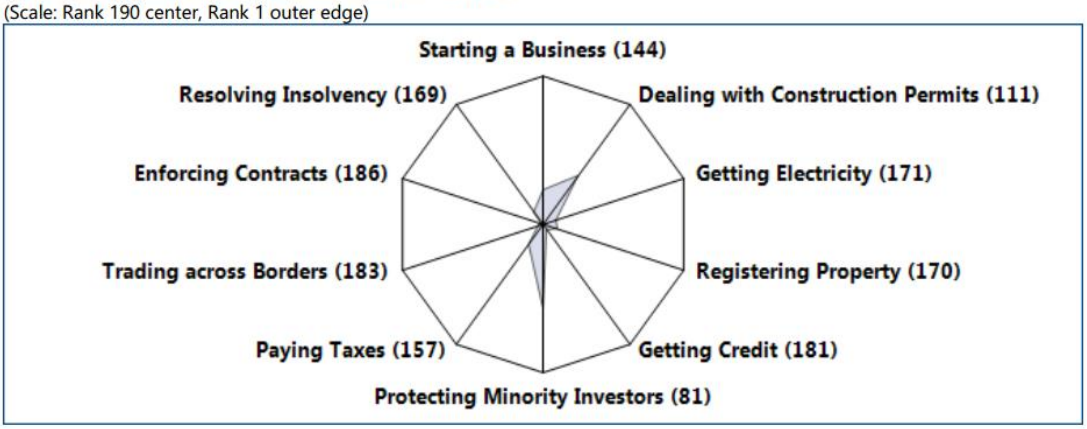
On the other hand, and these need to be improved upon, "Dealing with construction permits" requires a total of 203 days and the building quality control index is low (6 for GoA and 15 for Luxembourg). Similarly on the infrastructure side, Angola stands as the 171th rank, out of 190; on registering a property, it is rank 170, compared to Botswana 70. The Time delay for registering a property is 190 days, compared to 23 days in South Africa, or 1 day in Portugal. Similarly the conditions for Angolan entrepreneurs to obtain credit are extremely challenging, Angola ranking 5 on a scale of 100. Banks impose very stringent credit contract conditions and collateral, and yet impose interest rates of >25%, which often discourage any business person or entity to borrow money. Historically, the level of credit to the private sector has been relatively low, with banks channelling to the private sector less than a half of their domestic assets. As economic growth slows, banks are further tightening lending standards.

The Banking sector of Angola is over-crowded and under-lending. The reform of the banking and insurance sector is long overdue. The Angolan financial sector remains highly concentrated, with weak links to the rest of the economy and failing to act as a catalyst for diversification. About half of the 28 banks in the system failed the stress tests (capital requirements and liquidity coverage ratio under stress conditions)[13], increasing the needs of the Central Bank to strengthen bank regulation and supervision to prevent systemic crisis and address the loss of correspondent banking relationships, which has significantly curtailed cross-border payments, trade finance, and remittances.

In summary, the Gartner graphic below summarises the current challenges of the Business Environment in Angola – with most of the key indicators of a normally functioning business climate remaining in the red.

Graphic X2: Rankings on Doing Business topics and specific indicators – Angola

Figure 1.3 Rankings on *Doing Business* topics - Angola
(Scale: Rank 190 center, Rank 1 outer edge)



The private sector in Angola is for the most part informal and made up of family run businesses. The latter face a lack of management skills, poor quality of products and services offered which are reflected in non-compliance with standards limiting their access to regional and international markets, and a lack of qualified manpower and poor ability to identify their own needs as well as

[13] Bank Stress Test definition: A bank stress test is a simulation based on an examination of the balance sheet of that institution. In 1996, the Basel Capital Accord was amended to require banks and investment firms to conduct stress tests to determine their ability to respond to market events. https://www.investopedia.com/terms/b/bank-stress-test.asp

those of providers or clients. Perhaps the biggest constraints on business is the lack of professional skills of the work force, at both blue collar and white collar level, due to the low level of the education system and also cheer lack of "training & coaching" opportunities, which a competitive market would provide.

As an example, we interviewed the company "**Primavera**", a Portuguese headquartered company providing custom made ERP (Enterprise Resources planning) and business support system softwares (BSS) for middle size and large scale companies (with over 80 clients locally). Upon interviewing the Managing Director, he commented on the huge challenge to procure skilled or even debutant software programmer or system implementer, most of which need to be "imported" from Portugal and staying for a long period of time to provide sufficient traineeship for local recruits. His three main comments on the Business Climate of Angola, were:

- **Lack of transparency and clear regulatory framework for business**, including taxes, land title Concession, and licences,
- **Education/ training of entry level and middle level consultants and workers** – in his evaluation (based on advising over 80 companies) the current University and technical training institutions do not prepare well their licensees to the real world. Current Angolan alumni and managers are "*not minimally prepared for the challenges of running a company*".
- Vocational training: there is a **lack of professors/ lack of "training of trainer" teachers** – the quality of technical education left to desire. Primavera, hence is investing a fair amount to educate and train their employees – it is also planning to establish an incubator.
- **FOREX and hard currency liquidity**: this is a huge problem for both Angolan and foreign companies, making impossible to repatriate hard currencies and dividends -

The same comments could be heard from French and Spanish companies, as well as local companies being interviewed in Field work. The current set of constraints on repatriating legally earned profits and dividends, are putting a freeze on the Foreign Direct Investment (FDI) in the country. As a result of this change of business conditions to the worse, FDI in Angola, which used to peak at an annual average of USD11.6 Billion per year (mostly in oil and petrochemical infrastructure, and mining) has been reduced to USD8 Billion in 2016 and less than USD3 Billion in 2017, largely due to the systemic issues related to restriction on dollar and Kwanza liquidity and chronic Public Finance un-balances.

The resolve brought by the new Administration of President Lourenço is welcomed by both the civil society and the business community of Angola and foreign investor community, but the changes brought by his anti-corruption campaign, and macroeconomic stability programme, will be progressive. This needs clearly to be supported by the European Union and peer Donors, as it is a one chance in 40 years for Angola to take back its destiny into its own hand.

1.4.2. Analysis of Legal and Regulatory framework of Angola and main recommendations for improvement areas

We also made a survey, among the ministries and also the private sector to gauge the current Regulatory framework of Angola, as related to Private sector "*would be*" legal ecosystem and also conditions needed to encouraging a more liquid capital and securities market in the country. The result is almost a "Business Climate reform" agenda in itself, which would deserve further attention from both the EU and also other donors (World Bank and AFBD).

In order to move forward the country and provide a conducive entrepreneurial eco-system , Angola will need to set up, draft and implement a series of Laws and implementation decree which characterise a modern Business Legal and Regulatory framework. These include basic Laws related to the "***enterprise life-cycle***" , such as an Investment Law, Competition law, and laws related to

SMEs, which Angola has already enacted and partially implemented. But it includes also more advanced acts and regulations on setting up a well-functioning ***capital and securities markets*** (see second Table on Private Equity / Capital market scorecard) and also laws that permits mixed PPP (Public Private Partnerships) investment projects in the country, which are currently missing in Angola, and put the regulatory framework of the country at odd with the reform and privatisation agenda of the current administration.

Please find below a list of "best practice Laws" and our assessment of the current status of Angola regulatory eco-system and strength/ weaknesses level on each of the Laws.

Table N XX: Business legal and regulatory framework

Business Laws and Regulatory framework Angola (*)	Yes/ No	Strength 1=Low; 5=High	Evolution / Recent Laws
1. Banking Act and Insurance sector regulations?	yes	1	In need of Reform
2. Is there a local Stock Market?	Yes	1	Very limited, Only Govt bonds
3. Is there an Investment Law and Policy?	Yes	3	New Law is promissing
4. Does Angola have a Bankrupcy law?	No	1	No Bankrupcy Law
5. Does Angola have a PPP (Public Private Partnership) Law and policy?	Yes	2	PPP Law drafted in 2011
6. Does Angola have a Labour law and policy?	Yes	2	
7. Does Angola has passed Laws that protect Land and building property?	No	1	Need upgrading, deficient
8. Does Angola have a competition law and policy?	Yes	2	Yes, but need a regulatory body
9. Does Angola have the equivalent of "Small Business Administration (US)?	Yes	2	INAPEM, but few resources
10. Is there some Tax incentives and fiscal systems supportive to SMEs ?	Yes	2	On Paper, but not applied
11. Conformity of Angolan Accounting GAAP w/ international standards (IFRS)?	No	1	Not yet compliant IFRS
12. Capital Market Act and Securities regulations	No	1	Need to create equity Mkt
13. Protection of Minority shareholder rights	Yes	1	To what extend are they protected
14. Legal and regulatory framework for SMEs	Yes	3	Yes, but need implementation
15. Intellectual Property Rights Laws	No	1	IPR is important for R&D
(*) Emergy Capital Markets/ TPSDE/ Ministry of Finance of the GoA analysis, 2018			

NB: The Semantic scale from 1 (low) to 5 (strong regulation) scale the relative strength and implementation of the Laws in Angola. For instance, the Competition Law has been passed recently (2018) , but the application decree and the regulatory body to supervise its implementation, have not yet been created, hence the rating is = 2 out of 5. A full Policy and Law requires not only a legal text, but also an Agency or an entity which can oversight the application of the law, which is where Angola has significant institutional weaknesses.

As can be seen from this analysis, and in spite of some improvement on enacting the SMEs law (Law N 30/11 of September 2011 on Micro, Small and Medium size enterprises), the recently passed competition Law and also Investment Law, the overall legal and regulatory framework of Angola still has some large "holes" and deficiencies on providing a conducive legal and re-assuring legal framework for investors and entrepreneurs.

Action recommendation N1 (Private Sector Support Programme):, we recommend TA Support for the set up and capacity building of the new **Competition Regulatory Agency**, as an independent (or quasi independent) Supervision Agency will be key to arbiter the many incoming conflicts and dismantling of the special interests (and very un-competitive behaviours) that have seeded much of the demise of the private sector in Angola. Possibly also, in the wake of the privatisation of some of its Utilities and state-owned companies setting up and capacity building of a specific Agency that will oversee the **Privatisation of state owned companies and assests**, is deemed particularly timely.

As will be analysed in the "Access to Finance"/ EIP implementation chapter, another way to provide financing to promising SMEs is to encourage the creation of Venture Capital, and Private Equity funds who could provide both Equity capital and also subordinated debt financing to SMEs, and accompany them from start up stage to maturity and IPO. In spite of the odd of doing business in Angola, there are two VC funds already in operations in the country, which should retain all the attention of the European Union and donors. However, based on the interviews with both the FACRA fund and also FIPA VC Fund, we quickly realise that their biggest challenge was their limited option for exit of their Portfolio of company investment. This is largely due to a largely inexistent "Private Equity/Capital market Ecosystem" and regulatory framework.

Please find below a second, more detailed Benchmarking of Angola's legal and regulatory framework, based on the LAVCA (Latin American Private Equity and Venture Capital Associations) annual Scorecard of VC eco-system in 30+ countries of Latin and Central America and the Caribbean.

Table N XY: Capital Markets/ Private Equity Business and Legal Scorecard.

Benchmarking of Angola vs Other countries	*Scoring on a scale from 1 (Lowest) to 4 (Highest*			
Private Equity/ Capital Markets/ Business Climate Scorecard	**Brazil**	**Angola (*)**	**Jamaica**	**UK**
1. Laws on PE/VC fund formation and operation	4	1	2	4
2. Tax treatment of PE/VC funds and investments	3	2	2	4
3. Protection of minority shareholder rights	3	1	2	4
4. Restrictions on local institutional investors investing in PE/VC	2	2	2	4
5. Protection of intellectual property rights	2	1	2	4
6. Bankruptcy regulation (encompassing bankruptcy procedures/creditor rights/partner)	3	1	2	3
7. Capital market development and feasibility of local exits	3	1	2	4
8. Registration/reserve requirements on inward investments	3	2	3	3
9. Corporate governance requirements	3	1	2	4
10. Strength of the judicial system	2	1	2	4
11. Perceived corruption	1	1	1	4
12. Quality of local accounting/use of international standards	4	2	3	4
13. Entrepreneurship	3	1	2	3
(*) Benchmarking of Angola Business and Entrepreneurship Framework based on Interviews with Ministries and Private sector, 2				
(**) LAVCA 2017/2018 Scorecard - The Private Equity and Venture Capital in Latin America.				

This private equity scorecards provide an eagle view on the distance that still separate Angola from a well-functioning capital and securities market such as Brazil and/ or a fast developing stock market environment such as Jamaica, which has increased by 20x the size of its local Stock Exchange and has successfully launched a Junior market for allowing capitalisation and listing of SMEs. This is feasible in emerging markets and liquid stock markets and junior markets, provides a welcome alternative to : a) bank based lending ; b) a fresh source of capital/ equity investment into SMEs and larger companies and c) an viable exit for Funds of investors into SMEs in the form of IPOs (Initial Public Offering) or listing.

Clearly the set up and implementation of a well-functioning securities market and Private Equity market is an incremental process, which requires both legal reform, the set up of Financial Services regulatory agencies, and capacitating all these institutions with well trained civil servants. However, given the huge development potential and capital investment needs of Angola, we believe that modernising the Stock Market and the Financial service regulations institutional set up is also an important priority.

Action Recommendation N2 *(Private Sector Support EU) : analyse with the GoA the priority and possibility of drafting (or modernising) the* ***Stock Exchange Act and Capital & Securities Market laws*** *of Angola, in order to create a viable alternative to capital formation and capitalisation in promising and innovative Angolan companies and SMEs. Also study the possibility of setting up a* ***Junior (Equity) market*** *as part of the Luanda based Stock Exchange.*

2. STRENGTHENING THE SMES ACCESS TO FINANCE: POTENTIAL USE OF EU'S EXTERNAL INVESTMENT PLAN AND EFSD GUARANTEE IN ANGOLA

2.1. The EU's External Investment Plan (EIP)

In 2017, the European Union adopted the External Investment Plan (EIP) to invest more in its partner countries in Africa and the Neighbourhood to support inclusive growth and combat (illegal) migration. The EIP is based on three pillars: the European Fund for Sustainable Development (EFSD), technical assistance and promoting an investment-friendly climate. The European Commission provides an envelope of EUR 4.1 bn to fund the EFSD, and aims to use it as a lever to mobilise more than EUR 44 bn of additional public and private funding. Some details of these three pillars are set out below[14]:

A- *EFSD*: consists of two components, existing investment facilities (EUR 2.6 bn) and the **EFSD guarantee instrument** (EUR 1.5 bn). This guarantee instrument is new and will be used to provide partial guarantees to issue- or area-based investment packages covering public or private investors' risks. These guarantees can cover a huge range of financial instruments: loans (including in local currencies), guarantees and counter-guarantees, acquiring holdings and other financial instruments (quasi-equity, etc.)[15]. The EFSD aims to be a one-stop shop for applications from development financial institutions and other public or private investors.

B- *Technical assistance:* this must serve first to improve the quantity and bankability of projects proposed in partner countries to facilitate more finance at local and international level and second to strengthen the abilities of players in the private sector (particularly chambers of commerce) to improve the regulatory and political framework for business. This second pillar should therefore reinforce pillars one (EFSD) and 3 (promoting an investment-favourable climate)

C- *Promoting an investment-favourable climate:* particularly via the EU Delegations in partner countries. This pillar is about supporting structured dialogue with businesses (at local, strategic, civil society and sector level), political dialogues with partner Governments and supporting adopting reforms to improve the business climate, allowing for a match between the EU's policies and those of the partner countries.

Operationally speaking, EFSD guarantee instruments may be applied for by eligible counterparties (multilateral development banks like BEI, BERD; bilateral development banks like KfW or AFD; European financial development institutions like BIO, Proparco and FMO; other regional or international development banks like the African Development Bank (ABD))[16] via investment windows. To be eligible for EFSD guarantees, counterparties must submit investment proposals based on investment windows and comply with criteria like the additionality principle (no competition with the local private sector, for example), neutrality (no competition or distorting the market), measurable impact and complying with social, environmental and tax standards.

Although, up to now, in Angola, the EIP facility has not been implemented yet or connected to specific thematic development schemes (as it is very recent still), in this initial identification mission, we found several windows that could clearly match the EFSD Guarantee facility, among these: a) access to finance and funding SMEs; b) infrastructures, c)sustainable agriculture, rural entrepreneurs and agribusiness; and d) support to innovation and entrepreneurship.

As part of the PSD Support programme, TPSDE consultant is recommending delving into two PSD support windows for the EIP facility: Access to Finance for SMEs through VC/PE funds and incubators, and investing into sustainable agriculture value chains (which will be developed in the VC chapter).

[14] European Union, EU External Investment Plan (Factsheet), https://ec.europa.eu/commission/sites/beta-political/files/factsheet_on_the_eu_external_investment_plan_fr.pdf

[15] It should be noted that guarantees to Seed Capital, VC and Private Equity funds are eligible for the EIP.

[16] European Commission, Your Guide to the External Investment Plan, Release No 1, November 2017, p. 15

2.2. Modalities for implementing the External Investment Plan in Angola

This part of the report presents recommendations for implementing the EIP in Angola based on the first and second pillars (EFSD and technical assistance) in the context of the initial 2 investment windows above mentioned (Access to Finance for SMEs and Sustainable Agriculture).

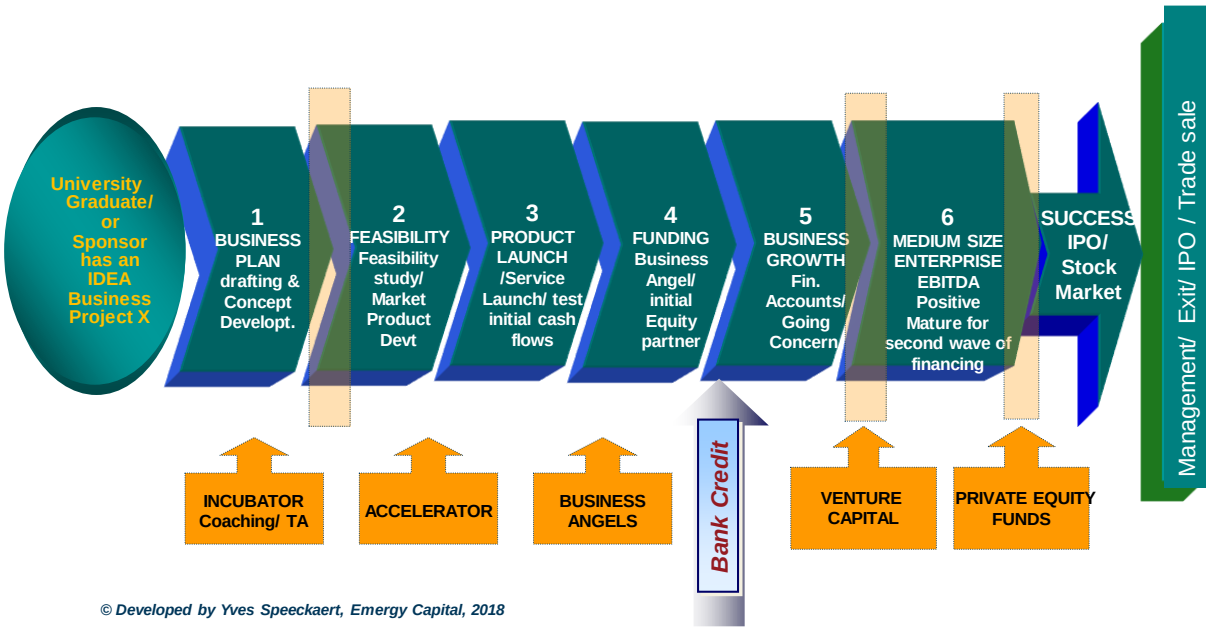
2.2.1. Access to Finance for SMEs – Investing into the Entrepreneur value chain

As part of our field mission, we surveyed the limited but existing Venture Capital funds and interviewed their respective Directors: a) FACRA a publicly supported VC funds that was started in 2013 and already invested in a half dozen SMEs in a diversified portfolio and b) FIPA I and FIPA II Venture Capital Fund, which is privately run and mostly supported by large Development banks and institutions, including the EIB and Norwegian Pension fund. This was the beginning of a larger reflexion on finding alternative ways to finance SMEs (Pillar I) and in particular the most promising start-ups (having a higher chance of survival in their first 3 years of operations, through more rigorous due diligence process) and going concern entreprises in Angola – and also strengthening their managerial capabilities (Technical Assistance – Pillar II).

Very much as seen in South Africa for instance where (about 80) VC/ PE funds have taken the relay on commercial debt and reduced the burden of redeeming conventional debt which commercial banks the EIP should encourage creating and operating Investment Capital Funds (Private Equity and VC Funds), via which investors buy some of unlisted company's shares for a fixed term. In return for the risks they take and for tying up their capital, investors expect to make higher returns than what the stock markets offer. The same applies to grooming entrepreneurs, earlier on the SME life-cycle.

As the evidence on the cheer lack of existing organisations, higher education and business incubators/ coaching institutions to support and groom the next generation of Angola entrepreneurs and managers was accumulating, we elaborated a "**SMEs and Innovation Financing Life cycle" model**, as a way to identify the intervention nodes ("Shiatsu points") where the EIP grant, TA or equity money could make a difference. Please find below the Model and following this the options/ opportunities for the EU EIP Pillar I and Pillar II intervention in Angola.

Graphic N3: SMEs and Innovation Financing (and coaching) Life cycle (*)[17]



[17] © SMEs & Innovation Financing Life-Cycle, Emergy Capital Markets & Y. Speeckaert, 2018

The above SMEs & Start up financing cycle is universal in all economies as young (or more mature) entrepreneurs all need to find initial supports for implementing their business plans. It is usually found first in "friends and family" circles, which fund the initial Business case and feasibility (or prototyping of the business product or service). But quickly other, relay sources of funding needs to be sought and put at the disposition of promising entrepreneurs. This is where having a network of Incubators and accelerators (linked or not to the best public and private universities, or simply privately owned co-working spaces and incubators) is a key element helping to host, coach, and bring promising entrepreneurs to become 'market ready" and in many cases "management ready".

Angola – through its adverse history and planned economy – does not have yet any proper Entreprise Incubator network, even though INAPEM does have an embryo of one and ISPTEC – that may deserved to be further supported.

***Action Recommendation N3 of the PS Support Programme**: Use EIP Pillar I funding facility to finance and truly develop at least **2 privately run Enterprise incubators in Angola**, possibly linked to the best (or acceptable level) Universities and Engineering schools, such as ISPTEC and Universidade Augustino Neto, or linked (but then made independent) to INAPEM, in order to provide to Angolan entrepreneurs a conduit through which they can develop their business, receive peer-to-peer and professional business coaching, and also lead to the initial equity funding of their business; and b) use the EIP Pillar II Technical Assistance facility to provide training of trainer and expert lead coaching of these Incubators and Accelerators – possibly through the **partnership with Europe's best run incubators** such as the Estonia based Mektory, the Business and Innovation Centre of Tallinn University of Technology (TTÜ)[18], or Portugal based Creative Hub of Beato[19], among others.*

Other Sub-Saharan countries[20], have also successfully launched and nurtured home grown Incubators and business angels networks such as Kenya[21]'s Chandaria Incubation and Innovation Center (CIIC) and NAILAB, both based in Nairobi. CIIC for instance was launched on 2011 to support innovations from students and Graduate from Keynatta University and accommodates seventy percent Kenyatta University students and thirty percent of students from other universities. It aims at fully supporting one twenty start-ups per year, with a remarkable success and conversion rate.

In the same line of reasoning, and through several brain-storming session with the EU Delegation in Luanda, we also pinpointed two distinct potential perimeters of interventions , upstream and downstream with regards to supporting SMEs and Innovative entreprises in Angola. In the model below (Graphic N5, Options for the EU EIP), the Intervention clusters to the left (**upstream in the Innovation life-cycle**) focus on identifying, revealing, coaching and nurturing the existing and future entrepreneurs of the country, through joint partnership with Universities, and through the set up and Technical Assistance of 2 to 4 Incubators and accelerators of enterprises. The services that the Incubators can provide to entrepreneurs and company sponsor are numerous and described in detail in the "Incubator service model" below.

Among the services that can be provided by the Incubator & Accelerator, please find below an extended version, (created by Mr Vasily Ryshoukov), from the World Business Incubation forum. For the purpose of the Private Sector Support, technical Assistance should focus on the core services i.e. Infrastructure and co-working space, Business services, and Access to Finance, as well as Services cluster number 5 – Business education and access to knowledge.

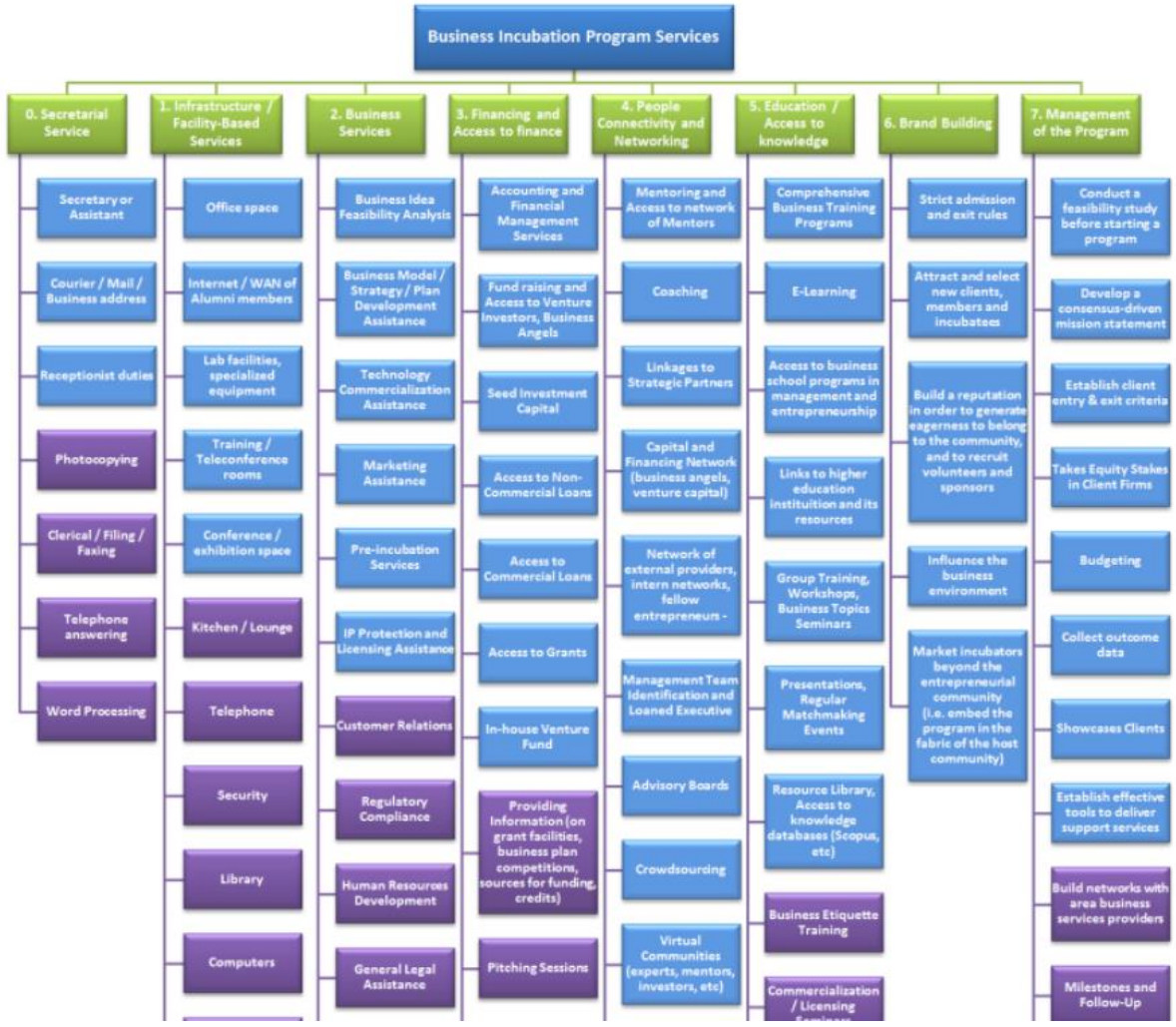
[18] See Estonia Incubators and business angels Hub: https://singularityhub.com/2018/04/04/an-innovators-city-guide-to-tallinn-estonia/#sm.00014notzpvh7eenxa01g5sy072kw

[19] https://www.morningfuture.com/en/article/2017/10/20/incubator-hub-do-beato-startup-portugal-record/119/

[20] For Kenyan Incubators and accelerator, see https://nailab.co.ke/our-programs/

[21] https://thefounder.co.ke/top-5-business-incubators-kenya/

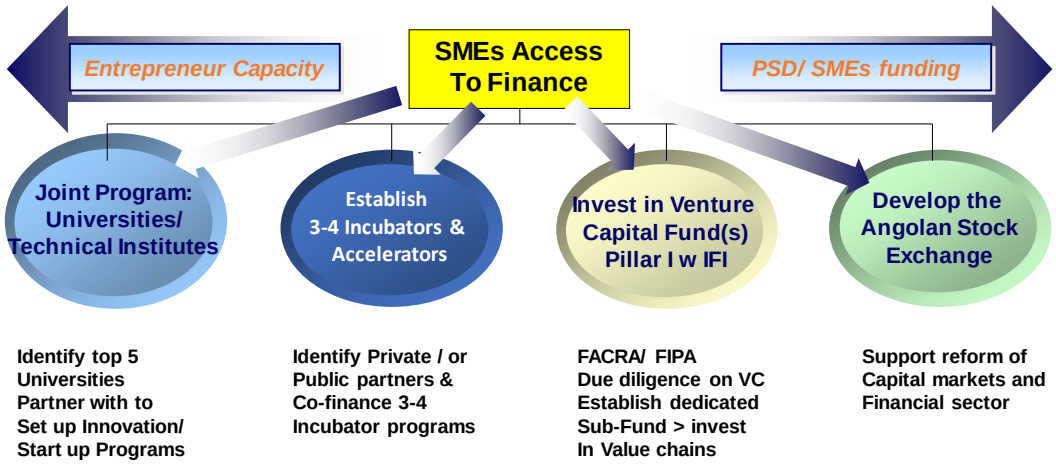
Graphic N.4: Business Incubator Services[22]



The Intervention clusters to the right (downstream in the Innovation life-cycle) of the following graphic (N5, Access to Finance and Skills) focus on creating opportunities for companies, and going concern **to get access to equity capital through Business Angels, Venture Capital and Private Equity funds or entities**, which provides : a) selective investment into promising SMEs through a rigorous selection and due diligence process and b) 3-5 years hand holding, entreprise coaching, and re-investment services to the selected portfolio of companies. As the purpose of a Private Equity or VC funds is to make a multiple of the initial capital equity (or multiple of the EBITDA valuation of the enterprise) through a successful Exit strategy, VC/ PE Funds often provide several rounds of financing to their portfolio companies.

Graphic N5: Options for EU EIP Pillar I and II funding intervention: Access to Finance and Skills

[22] Business Incubation services: https://worldbusinessincubation.wordpress.com/2013/04/14/key-services-of-business-incubation-program-part-2-of-3/



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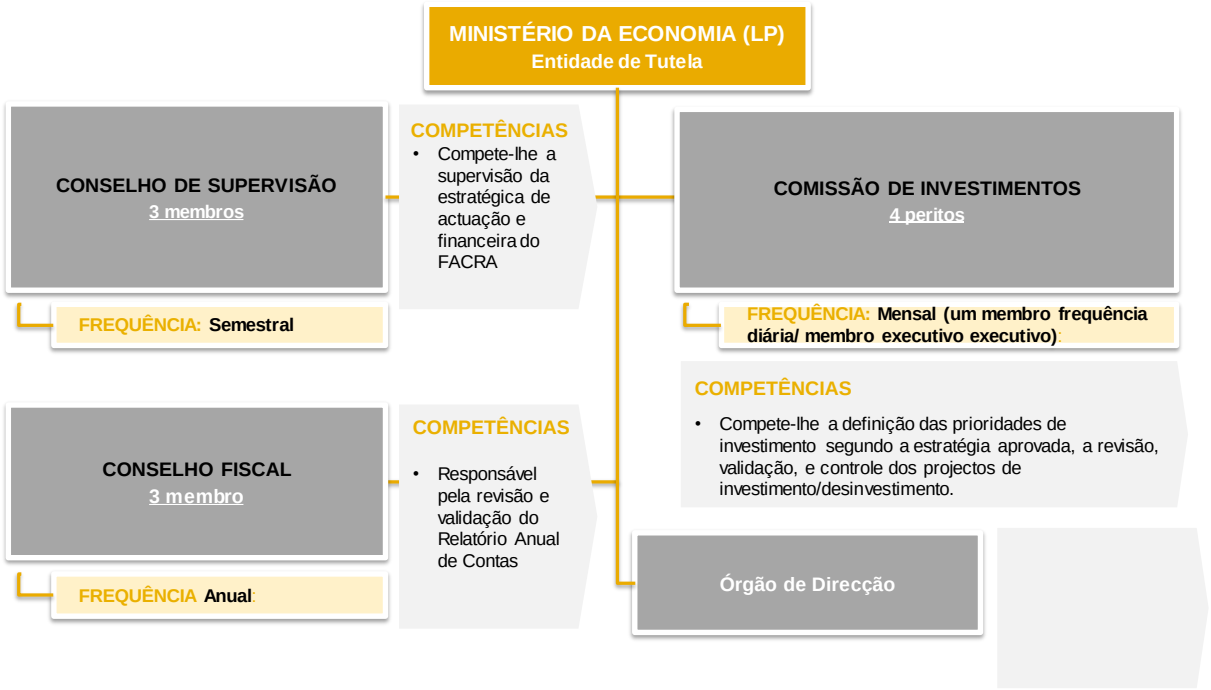
***Action Opportunity N.4**: the another tangible private sector support opportunity for the EIP Pillar I and II is : a) making an **equity/ grant investment directly into the fund**, albeit managed by a partner International Finance Institution (IFI) such as the African Development Bank, or a bi-lateral Devt bank (Proparco), who are both active in Angola, and b) **provide Technical Assistance to the funds** to help coach the portfolio managers and also provide direct Management skills to the companies invested in.*

A- Technical Assistance into the FACRA Venture Capital Fund

We conducted a structured interview with the Managing Director of the first public Venture Capital fund of Angola, called FACRA, Dr Poulson and his team, which is a VC Fund created by the Government of Angola, with government money and also capital from banks (the origin of the funds needs to be thoroughly investigated, to make sure that no PEP money is involved in it). It has the merit of being in existence for the last 5 years and having already build a small portfolio of due diligence companies. The main features of the FACRA VC Fund are summarised below.

- **FACRA - First public financed Venture Capital Fund – USD100M**
- FACRA Fund size: USD250M
- Capital Drawdown by Public treasury: USD100M
- Capital invested in 5 companies/ business: $60% (60%)
- Diversified (but small/ embryonic) portfolio of investment in companies such as Mobile financial transfer, Bakeries, Call centre (great job creator – 89 so far); Fertilizer production company, Moringa transformation plant;
- Performed a national roadshow and received > 670 application and business plan
- They invested in 5 and have a further pipeline of 4 other companies already due diligence (and another 12 in DD stage)
- They have a team of 23 dedicated employees/ analyst/ legal counsel – and hence have a credible operations (the quality and expertise of Fund personal needs to be DD)
- Even so, they are still young and a bit inexperienced– so some Portfolio selection and due diligence processes need to be reinforced (TA opportunity);
- They are not entirely clear on Exit strategy – as the Capital market of Angola is inexistent…

The Organisational structure of the Fund is that of a state-owned Private Equity entity, but with a clear separation (at least on paper, subject to further due diligence) between the Management/ Executive team and the Board of Director and Fiscal board. The Investment Committee (alike many Private Equity funds in Europe) gathers on a monthly basis and reviews the portfolio of Opportunities.



In Annex NX, you will find the current portfolio of companies in which FACRA has already invested and the pipeline of companies which are considered for investment. This is clearly a diversified portfolio with companies involved in Telecoms, consumption goods, agriculture inputs and fertilisers, and call centres – all economic segment that contribute to economic growth and job creation (especially call centres).

In terms of the modality of (potential) equity investment or technical assistance involvement with the FACRA Fund, the following elements needs to be taken into consideration, in line with the eligibility procedure for EFSD guarantees: counterparties must submit investment proposals based on investment windows and comply with criteria like the additionality principle (no competition with the local private sector, for example), neutrality (no competition or distorting the market), measurable impact and complying with social, environmental and tax standards.

In summary, and at a high level of analysis , the EIP related FACRA investment or TA would take the following form:

Table N XZ: Conditions & terms of EIP Investment or TA in VC Fund

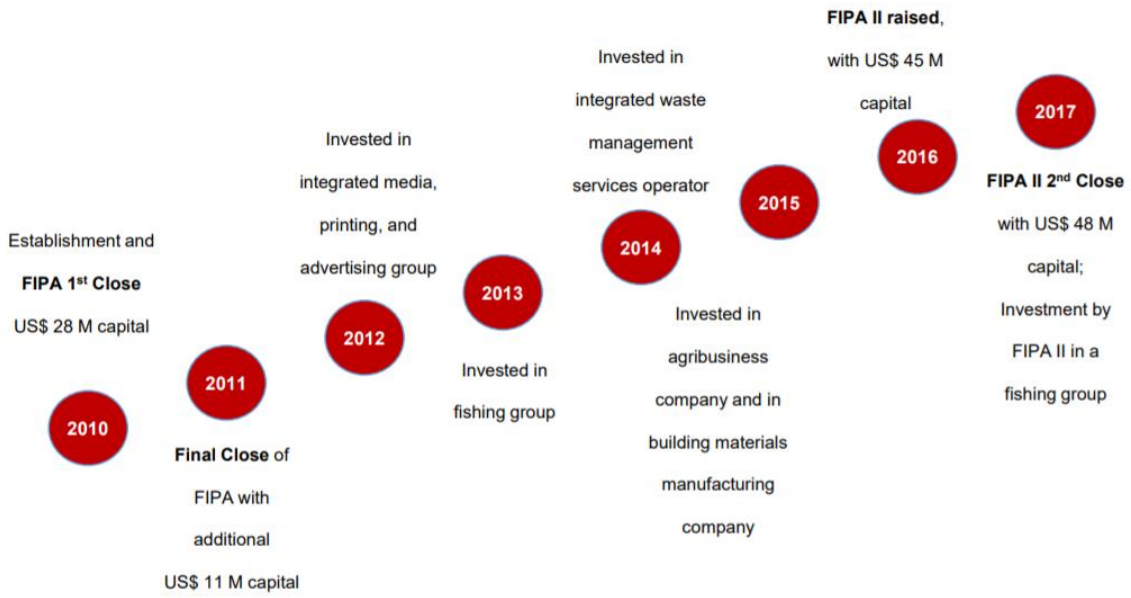
Investment in VC Fund (any)	EIP PSD Invest conditions
Modality of participation • Equity Investment vs Grant or Guarantee • Creation of separate sub-fund • Participation to Board • Access to all Portfolio and • Pipeline of project Info • Value Chain driven investments • No more than 15% Equity Participation in Fund capital	**Conditions/IFI partnership** • Partnership needed with IFI • African Development Bank, Proparco/ EIB, others? • Need to go tru EU EIP Eligibility Crit. • Agreed Financial Partners • EFSD Guarantee agreement • Due diligence led by IFI/ or advisor • VC Fund / Equity participation or TA • Managed also by IFI partner • Fund must be aware of long Process

B. EIP (Pillar I) Investment into the FIPA II Venture Capital Fund

In the last day of the field work, we held a conference call interview with Mr Tiago Laranjeiro, the Managing Director of FIPA SICAV-SIF domicilied in Luxembourg , and which managed , through the successful launch of FIPA I and FIPA II funds, to raise a total of USD 87M. FIPA Private Equity fund, stands out vis a vis Facra as being lead by top Fund professionals and having put in place sterling Governance, impact investment monitoring and portfolio selections structures. The overall features of the funds is described below.

- Established as SICAV SIF entity with General Partner and Limited Partners
- Fully regulated by Luxembourgish Capital Market Commission (CSSF)
- Tracking and reporting on development impact ; Diversified industry focus
- US$ 87 M raised for L-T financing of Angolan companies
- Growth capital, management buy-out or buy-in, privatisations
- US$ 2 to 12 M per transaction
- Equity (up to 49% plus minority protections), mezzanine and / or debt
- Target 5 years tenor

Graphic N6. FIPA VC Fund history and trackrecord from 2010 to now



FIPA I Fund has invested in diversified portfolio of Angolan companies, in the following segments: Fisheries, Sustainable agriculture (in the Fazenda Girassol, providing vegetables and fruits to many of the supermarkets of Angola), printing companies, integrated media, constructions material company, waste treatment, etc., all segment which are truly contributing to the economic and social development of the country and generating jobs.

In terms of the potential intervention angle of the EIP facility in FIPA, we propose the following: a) FIPA Executive Director was very much open to one additional institutional investor into the Fund (that is the Pillar I EIP investment, on a Fund of Fund basis, and monitored by EIB who has already performed a through due diligence on the fund) and b) providing further Technical Assistance to the Fund , in complement to the "light" technical assistance provided by the Norwegian Sovereign Fund (NorFund) and which could possibly delve on providing focused TA assistance to the Agricultural companies, utilities (infrastructure) and fishing companies, in line with the priority sector of the NIP/ GoA.

This level of intervention and mobilisation clearly need to be done with DEVCO and the team running the EIP in Brussels to test these options against the eligibility criteria and also checking on whether both the AFDB and Proparco may qualify also as potential IFI partners, in addition to the EIB.

2.2.2. Funding MSMEs through lines of Credit and Guarantees with local banks

The current commercial bank lending to the SMEs and MSMEs segment is down to a trickle due to the combination of high Central Bank interest rates (>16% per annum), low or questionable liquidity, and also a private sector markets and players who are being hurt by the economic recession that started in 2015 and continues up till now. Few small and middle size companies, with fragile balance sheet, are willing to take on further debt, at 25% interest rates, from Banks.

However, in the medium term, it is recommended to set up lines of credit and guarantees with local commercial banks, which also could be funded through the EIP Pilar I facility. This can be done by capitalising on past and present experience, particularly ADB line of credit and guarantee provided to the Banco Poupanca e Credit and the large (USD350M) line of credit to BAI Bank , also by the African Devt Bank.

As witnessed through our various interviews with Private Sector stakeholders, access to finance represents a major constraint on companies in Angola. The financial sector in Angola remains under-developed and vulnerable, and this limits its capacity to support the development of the private sector. Banks impose very stringent credit contract conditions and collateral, and yet impose interest rates of >25%, which often discourage any business person or entity to borrow money. Historically, the level of credit to the private sector has been relatively low, with banks channelling to the private sector less than a half of their domestic assets. As economic growth slows, banks are further tightening lending standards.

These conditions, including the lack of liquidity and also the terms given to the SMEs segments companies need to be improved upon and changed. The European Union, as the largest Development partner of Angola, should be at the forefront of the Banking sector reform, and ensure that banks play their role in fostering economic growth and funding. The change of guard at the Central Bank is clearly a step in the right direction, but much remain to be done to stabilise the economy and public finance – which is one of the vector of the "Economic Governance" pillar of the revised NIP.

However, at present time, the odds are not yet ready for such Lines of credit, as the recent experience with the ADB credit to the Banco Poupanca e Credito attest. The AFD has provided a line of credit >100M USD to this public bank , in order reinforce the liquidity ratio of the bank and also guarantee an extension of the credit to MSMEs and more fragile segment of the economy and also diversify the economy. The project which started early 2017 has yet to provide one line of credit to local companies. The main reasons being twofold: a) from the ADB side, the lending is being done in USD and from the Public bank in Kwanza – and hence the Kwanza lending is exposed to the FOREX risk which is very real, as the Kwanza, just in 2018 , lost more than 40% of its value vis a vis the dollar; and b) the Banco Poupança would still lend at very high interest rate level (>20%) partially to cover for the foreign exchange potential loss and also its cost structure. Hence to date neither the Credito Poupanca , **nor the BAI line of credit (totalling USD350M) have been used at all**.

Work in progress, as many things in Angola.

In the longer-term, it is recommended that the EIP helps entrepreneurs in Angola become more professional, and local commercial banks via the technical support pillar. In fact, this technical support could be used to fund programmes to strengthen managerial capacities (management training, access to finance, accounts and business planning) and professional and technical training programmes to meet the shortage of qualified local labour. Many businesses surveyed in Luanda and Benguela, believe the difficulty in finding qualified staff is a major obstacle to their growth: so we could envisage professional and technical training programmes of this kind in different strategic sectors in the Angola economy: industry, agriculture/food and farming, construction and the nascent tourism and hotel industry.

Strengthening the capacity of the banks is also a priority. Technical assistance could also be used to develop innovative financial instruments like leasing and factoring[23].

Leasing is a means of finance via which financial institutions provide businesses with assets against paying leases. When the term of the lease ends, the business usually has the option to buy those assets at an agreed price. Leases generally run for 24 months or more. Lease-back is the opposite of leasing, as it enables a business to keep on using its assets even after it has sold them. The advantage of leasing is that it enables companies to use assets without having to acquire them, that the company does not suffer the costs involved in those assets depreciating and becoming obsolete and that it keeps its cash flow to fund other activities.

Factoring enables companies to sell their invoices which are not yet due to finance companies. Unlike banks, which look at borrowers' solvency to decide whether to grant them loans, factoring companies are only interested in is whether their clients are able to repay. Factoring costs divide into two aspects, commission and interest. Commission generally varies from 0.5 to 3% of the value of an invoice, and interest is based on the funds provided. The benefits, which are only for companies which invoice large amounts (which reduces the cost of factoring commission) are as follows: with factoring, they can get their invoices paid quickly, it costs much less than the cash flow which the banks advance, they can minimise their credit risks, especially with foreign countries, and companies avoid diluting their capital and bad debt risks.

As a conclusion on the "Access to Finance" Axis, we believe that the three areas where the EIP Pillar I, II, and III can make the most difference is on (i) funding enterprise incubators (Pillar II) , (ii) funding and TA Venture Capital funds (Pillar I and II) after a thorough due diligence, and finally (iii) support a number of regulatory reforms (or Business Law creation) such as the PPP law and also setting up a proper and functioning Stock Exchange and Securities market for Angola (Pillar III).

[23] Leasing and Factoring analysis courtesy of Mr François Kacenelenbogen, the TPSDE expert that worked on the assessment of Benin – who did an excellent analysis of the Banking sector and access to finance in this West African country. The same conclusion do very much apply to Angola, which needs to find more creative ways to provide collateral against bank credits, and also stimulate export finance, being backed by receivables and not company tangible assets (which often do not exist or have only a residual value).

2.2.3. Reinforcing the ICT industries and Agriculture through the Incubators

Through discussion with the Ministry of Industry and also with Primavera Business Support System, the Portuguese ICT implementation company, we perceived a strong interest and need in developing new ICTs (information and communications technology) to reach many of the sustainable development aims in Angola such as agricultural development, light manufacturing the service segment. In recent years, there are an increasing number of new ICT applications in agriculture.

There are 4 clear levels of new ICT applications in agriculture (ICT4Ag)[24]: i) services for popularising and advising on agricultural production, such as agronomic consultancies (Farmerline in Ghana and m-Shamba in Kenya), livestock traceability (Daral Technologies in Senegal), tractor hire (Hello Tractor in Nigeria); ii) marketing and sales support services, such as via information about agricultural markets and online sales platforms for agricultural products (M-Farm in Kenya); iii) financial services to producers: mobile payments (M-Pesa in Kenya), micro-agricultural insurance (Kilimo Salama, Kenya); and iv) consumer services: still currently backward in Africa, we could cite Chowberry in Nigeria which is about recycling food for disadvantaged groups and combating food waste.

As previously pointed out, in our analysis of the Enterprise Life Cycle, the EIP should consider support such applications, whose channel to bridge ICT with agriculture would pass through creating SME incubators in ICTs in the medium to long term. SME incubators offer four functions:

A- Infrastructure: most incubators offer hosting and may charge beneficiaries rent in return. Beneficiaries then have a work space and access to telephones, photocopiers, meeting rooms and physical addresses. Some incubators can also provide industrial equipment such as agricultural food processors.

B- Services: the services SME incubators offer include: legal, accounts, marketing and sales support; export support services; help writing business plans; business creation support services (building a business model); company registration services (to know and support the regulatory processes involved in setting up a business; ITC training (to develop a website, for example); specific technical training for the sector; coaching and mentoring; training in business management, strategy and leadership; identifying technology and equipment and specific technical expertise.

C- Access to finance (which is more provided by Accelerators and Business Angels) : SME incubators and Accelerators help project developers access different funding sources. Depending on how mature a business is, an incubator can try to help its beneficiary entrepreneurs access funding from commercial banks, development banks and lenders and private equity and venture capital funds. The financial instruments available also vary and include capital finance, loans, guarantees, grants, seed capital, seed loans and grants).

D- Networking: incubators are good places to develop business networks: they enable project developers to meet customers and potential technical or commercial partners., potential investors, international experts to acquire experience and share best practices, share their problems and find solutions together with other beneficiaries. Being in a shared space with other entrepreneurs encourages emulation, motivation and pushes beneficiaries to excellence.

This growing link between ICT and Mobile telephony applications and smart and efficient agriculture and agro=forestry, strengthen the case for the creation of 2 to 3 capacitated incubators and accelerators in Angola. As in Estonia and Tel Aviv, incubators should be differentiated and specialise often in one or several vertical or industrial segments , such as ICT, Mobile telephony, agritech, or manufacturing.

[24] Analysis on ICT applications in Agriculture, courtesy of Mr Kacenelenbogen

One major initiative to capitalise on as far as incubators are concerned is the Boost Africa investment programme. Boost Africa is a project in the form of a partnership between the African Development Bank and the European Investment Bank which aims to support business and innovation in Africa through a mixed funding mechanism with the European Commission. The Boost Africa Investment Programme represents a joint investment agreement between the African Development Bank and the European Investment Bank worth an initial EUR 150 m, which aims to invest in start-up funds, Business Angel funds (providential investment funds), accelerator tracking funds and private equity (venture capital) funds which finance innovative start-ups and high-growth SMEs. It is important to mention that SME incubators are also eligible for Boost Africa funding to set up mechanisms to fund the businesses they house[25]. Boost Africa's three pillars are facilitating finance via financial intermediaries, reinforcing capacities and technical assistance for financial intermediaries and beneficiary start-ups, sharing information and promoting best practices[26].

The author of this report has lead the Technical Assistance for the preparation of the proposal on Access to Finance for MSMEs for Boost Caribbean, the offshoot from Boost Africa, which lead to the identification of 16 Private Equity and Venture Capital funds and the short listing of 5 VC Funds in different countries fo the Caribbean, ready for the initial EIB screening (initial due diligence) for Equity investment and TA through the Boost Blending finance facility. The Technical assistance leg of the same facility (lead by the EU) is considering supporting 6 incubators in Haiti, Dominican Republic , Trinidad & Tobago and Jamaica. The specific TA goes into setting up or capacity building of University related Incubators in the top technical and Management Universities of the Caribbean, as well as providing peer to peer coaching from best in class incubators and/ or Management schools in Europe and the USA (such as the Berkeley School of entrepreneurship, iNSEAD or Tel Aviv based incubators).

[25] African Development Bank, Boost Africa Initiative: frequently asked questions, p. 1

[26] www.eib.org/infocentre/press/releases/all/2016/2016-299-launch-of-boost-africa-initiative-a-new-integrated-approach-to-boost-young-innovative-entrepreneurs-across-africa.htm

3. IDENTIFICATION OF POTENTIAL VALUE CHAINS TO BE SUPPORTED

3.1. Agricultural Value chains

3.1.1. Introduction – Agricultural segments prioritised by the GoA/ Prodesi

In our analysis of the National Development Strategy of the GoA, and following subsequent meetings with the Ministry of Agriculture, Fisheries, and industry, the following "all encompassing" segments and agricultural value chains were mentioned as being a priority for development.

Much of the focus at the level of the Government has been on re-launching agricultural value chains that were thriving during the colonial times (such as Coffee, Wheat, Cotton, Soybean, Rice, Corn, etc) and developing national production and transformation units, more evenly distributed throughout the country (not just Luanda and Benguela). The following agri-segments were mentioned as being priorities by the Ministry of Agriculture and also listed by the PRODESI Programme:

- Corn, Rice, beans (feijao), soybean, and wheat ("Cesta basica"/ main component of national dishes/ nutrition basic products); are a priority for import substitution;
- Cattle production and meat (goat, beef, pork) and aviculture (chicken);
- Fruits (banana, pineapple, etc) and horticulture and vegetables (tomatoes, cabbage, onions) should be encouraged for both local consumption and also transformation (Tomato pulp..)
- 400,000 tons of Rice imported; and 960,000 tons of wheat: partial or total substitution and conditioning of rice and wheat in Angola is a clear goal for the GoA, as part of their import substitution national policy and priority;
- Development and investment in smaller, decentralised Grain crushing mills around the main production Provinces and centers; some needs retrofit, other just new Units;
- The revival of former export agricultural crops are also supported by the GoA , such as Coffee production, in the Province of Uige, Kwanza sul, Cabinda, Huila, and Malanje.
- Roots (Manioc and Potatoes (white/ reina potatoes, sweet potatoes)
- Leguminous (beans) and oil producing fruits/varieties such as palm oil
- Honey, and honey derived products
- Fishes and fish related transformation products (fish flour, oil, canned fishes)
- Production of juices, beer, and alcoholic and non-alcoholic beverages

We had to make a selection among the many opportunities and priorities to revive agricultural products and segments in Angola. First of all, we took into consideration the programmes already developed by the various Multilateral donors as well as bi-laterals donors. The summary list of all interventions completed, under way and planned (courtesy of Mr Bastien Fromonteil from the AFD) can be found in annex N.X. and also in summary form below.

The second criteria was to choose to support agricultural segments that would contribute to food self-sufficiency and nutrition safety (such as the regional production of wheat, rice, corn, etc) and finally reduce the Import-Export large imbalances. An example of such imbalance is the fact that Angola – who produced more wheat than Portugal in the 1970s – is importing close to 80,000 tons per month through the ports of Luanda and Lobito. Good business for the traders, but certainly not a good news for the end consumer, who pays a premium for its daily bread and depend on hard currency availability of the GoA to see if imports will occur or not. The third criteria (practicing Economic Diplomacy) is to promote "Filières"/ Value Chain, in which European suppliers and also leading European agronomy institute could contribute to the set up of the value chain (clearly as in the case of Wheat, on varieties and transformation, and also Coffee, in terms of branding and product differentiation, as well as Export promotion).

Table N XXY: Synthesis of Donor support programme for Agriculture

Institution	Project name	Status	CABINDA	NORTH *Zaire; Uíge; Luanda; Bengo; Cuanza Norte; Malanje*	CENTER / LOBITO CORRIDOR *Benguela; Cuanza Sul; Huambo; Bié; Moxico*	EAST *Lunda Norte; Lunda Sul*	SOUTH *Huíla; Namibe Cunene; Cuando Cubango*	Value chains
AFD	PDAC/CADP - Projecto para o Desenvolvimento da Agricultura Comercial	3. Signed		1st phase: KN, Malange 2nd phase: Luanda, Bengo	1st phase: KS 2nd phase: Huambo, Bie		2nd phase: Huíla	Corn, beans, soybeans, eggs, chicken, coffee
AFD	SREP - Smallholder Resilience Enhancement Project	1. Planned		Bengo, KN, Uíge, Zaire	Benguela		Cunene, Namibe	
AfDB	Bom Jesus Calenga Smallholder Agriculture Development Project	5. Completed			Huambo			--
AfDB	Cabinda Province Agriculture Value Chains Development Project	3. Signed	Cabinda					Cassava, banana, sweet potatoe, peanut, beans, coffee, cocoa, palm oil, fisheries, poultry, small ruminants, horticulture
AfDB	Support to Angola Sustainable Development and Growth - Angolan agriculture value chains development project	1. Planned		Zaire, Uige, Bengo, KN, Malange	Benguela, KS, Huambo, Bie, Moxico	LN, LS	Huila, Cunene, Namibe, CC	Cassava, vegetables, soybean, flour, livestock and others
EU	FRESAN - Fortalecimento da Resiliência e da Segurança Alimentar e Nutricional	3. Signed					Huila, Cunene, Namibe	
IFAD	MOSAP I - Market-Oriented Smallholder Agriculture Project	5. Completed		Malange	Huambo, Bie			
IFAD	ARP - Agricultural Recovery Project	3. Signed			Benguela		Cunene, Huíla	
IFAD	SAMAP - Smallholder Agriculture and Market Access Project	3. Signed			KS		Huíla	
IFAD	SREP - Smallholder Resilience Enhancement Project	1. Planned		Bengo, KN, Uíge, Zaire	Benguela		Cunene, Namibe	
JICA	Projecto de Desenvolvimento do Cultivo de Arroz em Angola	4. Under implementation			Huambo, Bie			Rice
World Bank	MOSAP I - Market-Oriented Smallholder Agriculture Project	5. Completed		Malanje	Huambo, Bie			
World Bank	PDAC/CADP - Projecto para o Desenvolvimento da Agricultura Comercial	3. Signed		1st phase: KN, Malange 2nd phase: Luanda, Bengo	1st phase: KS 2nd phase: Huambo, Bie		2nd phase: Huíla	Corn, beans, soybeans, eggs, chicken, coffee
World Bank	MOSAP II/SADCP - Smallholder Agriculture Development and Commercialization Project	2. Approved		Malanje	Huambo, Bie			

Interestingly , we can see that the largest programmes of support for agriculture (including the >EUR100M programme lead by the African Development bank, the AFD, and the World Bank), are mostly focused on developing / reviving and organising family agriculture and cooperatives, throughout the country, focusing on "Cesta basica"/ local nutrition products, such as manioc, sweet potatoes, irish potatoes, corn, beans, soybeans, meat, poultry and in the case of the Japanese donor, the revival of the rice value chain. A number also focuses on reviving the Coffee production in specific provinces (Cabinda, Huambo, and Huila), but not in others which have strong potential.

Hence please find below our proposition to support three agricultural and agro-forestry value chains.

3.1.2. Value Chain Opportunity N1: reviving Wheat production and transformation in Angola

The first Value chain opportunity that we would like to recommend for the Private Sector Support Programme of the 11th EDF is the support to the entire production to transformation value chain of wheat, a staple consumption product used by all bakeries and also retail and local store chains, that make available wheat flour and derivative products to the end consumer.

As far as our research is concerned, besides some GoA initiatives to revive local production, none of the Multilateral donors have focused on this essential crop, which used to be produced and exported during colonial times. Official figures indicate that in 2015 alone, the Angolan government spent 320 million dollars (272 million euros) to import 510 thousand tons of wheat flour. It is estimated that, by 2020, the consumption of wheat flour in Angola will be, on average, 730 thousand tons per year.

The economics of Wheat in Angola is simple. The Association of Bakeries and Pastry Industries of Angola (AIPPA), lead by its president, Mr Gilberto Simao, estimates that Angola (with 28 Million consumer market) needs on a monthly basis, 80,000 tons of wheat floor for its needs. Up till 2015, almost 100% of the wheat consumed was imported to Angola, either as grain or flour[27] . Since May of 2017, private investors have invested US$ 101 M to build up the largest Wheat crushing mill of Angola called "Grandes Moagens de Angola (GMA) set up in the port of Luanda, and with a monthly (theoretical) capacity of 30,000 tons per month. For this capacity of crushing to be attained, the whole value chain of wheat production, storage, logistics and transport to the Mill in Luanda, needs to be either revived, or more simply set up and invested into.

The AIPPA[28] is making simple but pertinent suggestions about ways to go about reviving the Wheat value chain:

- The key is to integrate the production of wheat with small and medium size farmer , close to an existing or planned rural crushing mill;
- There are at least 5 or 6 Provinces that are suitable for wheat production, including Huambo, Bié, Huila, Malanje, Cuanza sul and Benguela.
- AIPPA suggestion is to decentralise the intermediary steps of the value chain, closer to where small of medium size crushing mills exists or could be retrofitted – such as in the Municipality of Caala, in Huambo; and closer to the Provincial urban center where it is consumed;
- At present time 80-90% of the wheat floor is simply being imported from Europe, Latin America and the US;
- Alternatives exist for energy sources for the crushing mills, including water powered mills, which are easy to set up at the margins of the many rivers
- AIPPA point out that just in Luanda, there are over 1000 licenced bakeries, which could benefit from cheaper and locally produced wheat products and floor.

On the agronomic and agricultural side, the Institute of Research in Agronomy (IIA) in Huambo, points out that very few farmers have the means, the resources and the seed varieties to be able to sustainably cultivate the wheat . Most of the seeds are recycled many times over, making them weak and producing at most 700kg per ha, vs several tons / Ha in Europe or Argentina. The peasants also do not have support in technical assistance for the practice of this culture. Due to these factors low levels of yields are observed and there is still a lack of incentive in the production of wheat.

[27] http://novojornal.co.ao/economia/interior/angola-vai-importar-este-ano-mais-30-de-trigo-estima-o-departamento-de-estado-dos-eua-52776.html

[28] https://observador.pt/2017/05/26/panificadores-pedem-descentralizacao-da-producao-de-farinha-de-trigo-em-angola/

The production of seeds for any cereal culture, whether hybrid or seed of open pollinated varieties, involves specific and controlled production techniques that aim to assure their physical, physiological, genetic and health qualities. The use of quality seeds ensures the establishment of the correct stand (composition and homogeneous age) with high performance plants that will contribute to the increase of crop productivity.

Hence our first value chain identification and recommendation is as follows:

Value Chain Opportunity/ Recommendation N5: *Provide grant support at three levels of the* ***Wheat production and transformation value chain****; a) contribute to the research, production and distribution of quality seeds of wheat in the provinces of Huambo, Bié and Huila (all prime wheat production regions, and close by in the Center region), by strengthening (and monitoring) the IIA Agronomic Research programme in wheat production in Huambo, b) support and encourage wheat production at Cooperative level, in these Provinces , that are close or at range of a small or medium size wheat Mill; and c) invest in the retrofit/ grant support to 2-3 small wheat crushing mills in these Provinces, making them self sufficient in Wheat floor production and consumption (using European made crushing mills equipment, in preference)*

3.1.3. Value Chain Opportunity N2: reviving Coffee production and transformation in Uige, Malanje and Kwanza Sul.

The second Value chain opportunity that we would like to recommend to the attention of DEVCO is the support to be given in the Coffee production, transformation and also Branding / distribution (for both local consumption and also for Export) in the Provinces around Luanda ((Uige, Malanje, Kwanza norte and Kwanza sul) with the aim to develop a branded , quality, fair trade Angolan coffee that could be diversifying the export earnings and also incentivize Commercial farming of the coffee.

Coffee production and export has a long and glorious history in Angola. The first coffee plantation was established in 1837, in Cazengo, Province of the present Kuanza Norte, having in 1842 obtained the first harvest of 125 tonnes. From that date onwards, the production ofco ffee in Angola (colonial) with the creation of large land holdings with no less significant family holdings in the Cazengo. In 1890 the cultivation began in Amboim, Province of Cuanza Sul and in 1920 in the Uíge region.

In 1973, Angola won the position of 3rd largest coffee producer in the world (with 218 700 tons) and coffee is considered the second largest source of wealth for the country, after oil. The following graph shows the production of coffee in Angola from 1970 to 1975, with 1973 and 1974 with the highest levels of production. 218 700 and 223 800 tonnes respectively.

Table NXXU: Evolution of the Production of Coffee in Angola 1975-1985

Tab.6: Produção de café em Angola no período de 1975 a 1985

ANO	TON	ANO	TON
1975	159.900	1980	47.200
1976	83.700	1981	44.600
1977	62.360	1982	45.700
1978	77.800	1983	26.600
1979	57.800	1984	22.800
		1985	18.700

Fonte :INCA, Revista: Café Riqueza d'Angola.1995

The political and military situation that affected the country after 1975, caused the abandonment, by the producers, of the areas of exploitation and consequently the decrease of the production of the coffee to minimal levels compared to the ones of 1975. The coffee culture in Angola hibernated a lot during the war period and its current revitalization, has as its strength the exploitation of small and medium-sized properties under management of households, identified and established in the coffee zones. According to INCA reports, coffee production in Angola reached a cumulative total of 77,680 tonnes in the period 2010-2015.

Coffee is the most traded product in the world after oil. It generates annual revenue of approximately $ 95 billion and employs more than half a billion people. About 8% of the world population. Brazil is currently the (29%) followed by Vietnam (16%) and Colombia (11%). The USA, Europe and Japan are responsible for 58% of global consumption and depend on imports. Following then Africa, the Middle East, and South America. Italy and Germany are the largest exporters of processed coffee, that is, industrialized.

Many countries in Africa and Latin America have coffee as their largest source of income: Burundi (79%), Ethiopia (54%), Uganda (43%), Rwanda (31%) and Honduras (24%). Hence in a significant number of African countries, Coffee production, transformation and export is either the N1 or N2 sources of export and hard currency earnings. Given that the Oil & Gas sector accounts for >90% of all export earnings in Angola, Coffee offers a real alternative and diversification opportunity for a country that has a long tradition (and still some strong pockets of expertise) in the planting and harvest of coffee.

Table NXXY: Main African producers of Coffee during the period 2005-2015

País	2005/06	2008/09	2011/12	2014/015
Tânzania	48 264	71 177	32 666	61 800
Camarões	52 183	43 494	34 444	28 500
C. d'Ivoire	101 450	143 794	117 935	130 500
Etiópia	286 769	296 939	407 905	397 500
Quénia	39 608	32 465	45 439	51 000
Uganda	129 612	198 010	184 504	228 000
Outros	11 383	134 971	108 486	90 498
Total	**769 270**	**920 849**	**931 379**	**987 798**

Fonte: "Total prodution"- extraído de www.ico.org/pt/new_historical_p.asp.2015

1. Current Constraints on the Coffee production and commercialisation

A study made by the Inter-African Coffee Organisation (IACO)[29], Mrs Bayetta Bellachew, has made an assessment (June 2005) of the current coffee production in Angola, and suggested measures to revamp the Coffee sector development in Angola, including the following key constraints on the current production and development of Coffee in Angola.

[29] IACO, A brief account of Coffee production in Angola: an assessment report, June 2015

As indicated in Table on the evolution of Coffee production 1975-85 above, even after the end of the civil war in 2002, the production did not show significant recovery over a decade because of numerous constraints, some of which were noticeable during the survey as bottlenecks to coffee rehabilitation effort in Angola, as indicated below.

1. Lack of access to finance and other incentives – The commercial plantations and small coffee farms that have been neglected for more than 4 decades have been changed to bushes and fallow lands (Fig.2). Rehabilitation of such farms requires land clearing, uprooting the old coffee plants and shade trees and ploughing the land before replanting. These activities require high capital investment which is not affordable by the small scale farmers and medium scale plantation owners. There is a lack of access to credit services, supply of farm tools and agricultural inputs, and other incentive mechanisms as the major impediment.

2. *Low coffee price, high management cost and shortage of labor* – Farm gate coffee prices in Angola are very low as compared to other countries, despite high management cost and the high cost of living. The price also greatly varies from region to region because of differences in quality. In Cuanza Sul, the farm gate price for Amboim coffee is quoted at about 100 kuanza (roughly US$1.00)/Kg of green coffee and 70 Kuanza (≈ US$0.70)/Kg of dried cherries. There is no floor price or minimum reference prices fixed by the government for the purchase of coffee at farm gate level. Price is the goodwill of the intermediary traders who travel to collect from the farmers and supply to exporters. Besides, since there are no adequate hulling machines, the farmers are forced to sell their coffee only in the form of dried cherries at relatively low prices.

On the other hand, labor cost is very high, the minimum wage being 500 kuanza per day for weeding and 800 – 900 Kuanza for harvesting, as quoted by one of the farmers in Gabela. Similar to coffee price, the daily wage rate also varies depending on region and the type of activity. The high labor cost is mainly due to shortage of labour owing to aging of the coffee farmers and the migration of the youth as well as coffee families to urban areas during the war for security reasons. This situation has created serious shortage of agricultural work force, and high labor cost.

These problems combined with low prices have caused some farmers to lose interest in coffee and shift to other crops such as maize which is easy to cultivate and quick to harvest for sale or consumption.

3. *Low productivity associated with old age of the coffee farms, use of traditional varieties, poor agronomic practices, and other related limiting factors* – National average yield per hectare in Angola is exceptionally low compared to other countries. According to reports and personal consultations, the average yield ranges between 80 kg and 250 kg per hectare. Among other factors, old age of the coffee trees, use of traditional varieties, poor agronomic practices owing to lack of knowledge and financial capacity, abandonment of the coffee farms for decades which requires complete rehabilitation, and lack of input supply (farm tools, fertilizer and planting materials) are the primary causes for the low yield.

4. *Inadequate extension services* – INCA has established an extension service structure throughout the coffee growing areas in the country that stretches from provincial level down up to the villages. Within this structure, what they call 'Technical Brigades' have been assigned in each region or province. These Technical Brigades are responsible for the provision of all the required extension serves including organizing farmers into associations and cooperatives, training on good agricultural practices, facilitating supply of farm tools and agricultural inputs and providing technical backstopping to the farmers on a regular basis. However, due to the limited number of these Technical Brigades and shortage of budget, it has not been possible to effectively cover all the regions and provide the required extension services to the producers as originally planned. All the medium and small scale coffee farmers are demanding for technical assistance and consider it as one of the key obstacles to coffee rehabilitation program in Angola.

5. *Limited Coffee Research Capacity* – To enhance coffee production, productivity and quality, research is mandatory. Research is necessary to develop improved new varieties and agronomic practices, multiplication and distribution of improved planting materials, adoption and testing of introduced technologies, carrying out basic agronomic trials that could solve immediate problems of the farmers, training subject matter specialists or Technical Brigades and providing technical backstopping to the relevant stakeholders among others. Hence, research could play a vital role in the successful rehabilitation and sustainable development of the Angolan coffee sector. However, coffee research capacity in Angola is greatly constrained by the limited skilled human resource, facilities, and budget as described in detail in section III above, and thus unable to accomplish its mandates and provide the required services.

6. *Poor Infrastructure* – Infrastructure development in the rural areas especially feeder roads linking farmers to towns for access to market is reportedly either poor or not yet constructed. It is one of the major impediments to coffee sector development making supply of planting materials and agricultural inputs difficult. It is also the primary cause for high charges for collection of coffee from farm gates and transportation to the central market with a trickle-down effect on farm gate price.

7. Lack or inadequate processing facilities - During the colonial times, the Angolan coffee industry was dominated by large plantations owned by Portuguese settlers, which accounted for 70% of the annual coffee supply. These plantations had their own sophisticated processing facilities and well-designed farm roads. After independence, the plantations were subdivided among local farmers but because of lack of management skills and financial capacity, the coffee farms and processing facilities were destroyed. Through long time experience, some of the farmers were able to achieve better yield but lack of processing facilities had restricted them to sell their coffees in the form of dried cherries at lower price as indicated earlier in Key Constraint N2.

8. *Inadequate Government Support* – Various reports and personal consultation indicate that the government is aware of the factors limiting coffee sector development and is keen to relaunch the coffee rehabilitation program but much progress has not been made. Almost all the prevailing constraints mentioned above in one way or another require government support to tackle them and reverse the present scenario in the coffee sector. With the new administration of President Lourenco, and the strong incentive to diversify the economy and export portfolio of the country, we believe that time is right for the relaunching of commercial Coffee agriculture and supporting the transformation and branding of Angolan Coffee.

B – Suggested measures to re-vamp the Coffee Sector in Angola & EU windows

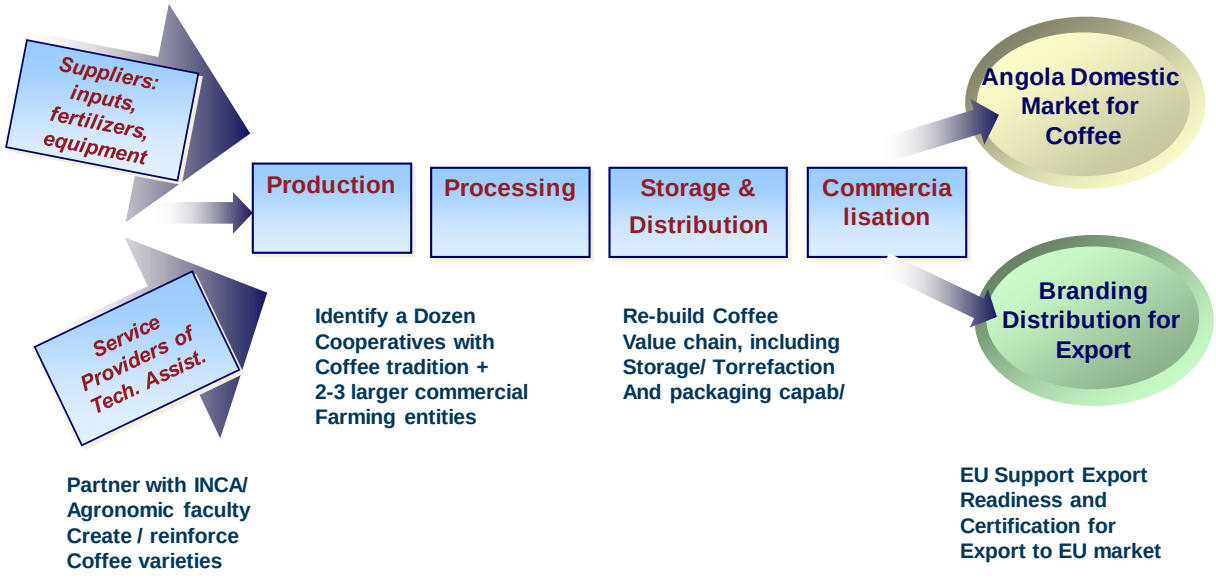
Vigorous action is needed in order re-vamp, at least partially the Coffee productive sector in Angola[30], and this requires coordinated intervention from both the Government of Angola and also budget and TA support from Donors + Mobilisation of the Private Sector (which is under way, as apparently there are already 9 Commercial producers of coffee in Angola – and there is interest from a number of national and foreign investors in re-vamping this segment.

Lets start from Mapping the Value chain of Coffee production, transformation and distribution. We use as our VC methodology the model developed by EMBRAPA[31] (**Empresa Brasileira de Pesquisa Agropecuária**):

Graphic N CCC: Productive Value Chain from Coffee inputs , production to distribution

[30] Odour, G. 2005. Rehabilitating the coffee sector in Angola. http://www.new.ag.info/pdf/rehabilitating-the-coffee-sector-in-angola.pdf

[31] https://www.embrapa.br/busca-geral/-/busca/cadeia%20de%20valor?buscaPortal=cadeia+de+valor



(*) EMBRAPA Crop Value Chain Methogology, 2015, Analysis TPSDE, 2018

The shortcomings and key constraints of the current (mostly subsistence) coffee production in Angola, are at all levels, but most acute on the Financing needed to re-vamp a number of former commercial coffee farms/ and finance coffee focused cooperative as well, the lack of transformation machinery, and foremost the lack of distribution and commercialisation infrastructure – which leads us to focus on four opportunities – for both GoA intervention and specifically EU intervention.

1) Financing & capital requirements:

The lack of financial support is one of the primary factors hindering the coffee rehabilitation program in Angola. Many coffee farms have been neglected for decades and require high capital investment in order to rehabilitate them or carry out new planting programs which is unaffordable to both medium- and small-scale resource poor coffee farmers. According to some reports, investment required to rehabilitate or replace old unproductive coffee farms in Angola was estimated to be US$230 – 250 million.

This capital investment is almost equivalent to what Angola had simply generated from coffee export in 1973/74 crop season alone. Coffee is a lucrative commodity and once established, it can support not only itself but other sectors such as education, health, infrastructure development, etc. The financing of the coffee sector may require two forms of assistance: (1) Annual budget - to be used by INCA staff including researchers and Technical brigades to provide the required services to the coffee development program on a sustainable basis, and (2) Grant facilities or Credit services – to be provided to private investors and small scale coffee farmers through their associations and cooperatives to effectively run their own coffee rehabilitation, replanting, management and other activities. The credit service would need to take in to account the perennial nature of coffee and be able to allow a grace period that lasts up to when the new plantation comes to the first harvest, which is about three years.

2) Rehabilitation of old and neglected coffee farms and new planting

The coffee farms had been neglected for decades and the trees are old. The current low yield and total production in Angola is the direct result of these factors. Therefore, in order to revamp coffee production and productivity, one of the most important actions is to *to launch an aggressive campaign focusing on the rehabilitation of these neglected coffee farms so as to bring them back to a productive state*. In this regard, a pilot coffee rehabilitation project financed by Common Fund for Commodities (CFC) had been already conducted and good results and experiences have been gained.

Based on the experience gained from this pilot project, a comprehensive ***National Coffee Rehabilitation Project or Program*** has to be launched as a matter of top urgency to bring a significant impact to coffee sector development*. In this regard, technical assistance may be required to conduct a comprehensive survey of the previous coffee farms and develop the program with detailed budgets and action plans*. The National Rehabilitation program may be executed in two ways depending on the state of the trees:

1. **Rejuvenation** - If the trees are in the productive stage and the problem is management, it is easier and cheaper to simply rejuvenate the trees through stumping and then applying proper agronomic practices.
2. **New planting** - On the other hand, if the trees are too old to produce economic yield and more than 50% of the tree in the farm have died, new planting is necessary. New planting is also necessary to carry out an expansion program since the original total cultivated area in the 1960s and 1970s had already shrank.



Figure N.ZZ: Old coffee farm rejuvenated through stumping at Amboim Research Station

3. Strengthening and Supporting Coffee Research

Research is fundamental for any sustainable agriculture development. As per the example of Brazil EMPRAPA (which has > 6000 agronomists and researchers to sustain its leading tropical agriculture), it is the research institute that provides improved varieties and agronomic practices, provides training to subject matter specialists (SMS) and development agents (DAs) as the extension staff, produce production manuals and seed or vegetative propagation manuals or protocols, testing and adoption of introduced technologies and in general providing technical backstopping to stakeholders at all levels.

Therefore, research is the backbone of successful implementation of the recommended national coffee rehabilitation program in order to guarantee improved production, productivity and quality. However, as already discussed earlier in Section III and IV, coffee research is not in a position to provide these services given its present state. Therefore, it is indispensable to strengthen coffee research vis-à-vis skilled human resource, research facilities, budget and restructuring the research system.

4. Build up a viable distribution and marketing structure for selling the coffee

The low coffee price, in which most of the subsistence agriculture coffee is selling at, is demotivating to the farmers. Farmers have no negotiation power on farm gate price and not good access to market information. Farmers do not also have direct linkage with the exporters and are forced to sell their coffee to intermediary traders who collect from the farm gate.

Therefore, it is of paramount importance to review the existing system and establish a viable coffee marketing structure under the auspices of INCA. Among other activities, this marketing unit is responsible for: (a) disseminating up-to-date market information to the grassroots smallholder coffee farmers, (b) facilitate policy support for farmers' negotiation power on farm gate price, (c) advise the government in fixing floor price or minimum reference price at farm gate level, and (d) carry out market promotion at national and international level, and (e) promote domestic consumption to increase domestic demand and encourage local processors.

Furthermore on this subject of a) creating more value added and higher prices for coffee and b) preparing Angolan Coffee for export "readiness", the FAO has worked also extensively on the Coffee value chain – (in other high production countries , such as Uganda, Cote d'Ivoire and Ethiopia) and they made the following suggestions on enhancing the value of the Angolan coffee (once the other, upstream production issues have been solved):

- Beyond the focus on research, and technical assistance to enhance the production and the yields per Ha of Coffee growers in Angola, strong focus should be given to a) **processing of the coffee** (drying, bagging and if appropriate torrefaction) , b) **marketing and differentiation** of the product and c) **distribution and commercialisation**;
- Hence an interesting focus for the use of the EU Value Chain support would be to **certify the Angolan Coffee**, giving it its own brand and recognising Angolan Coffee as an Angolan product. Interestingly in the 1970s, on the London market, the Angolan Robusta coffee was extremely popular for its quality and taste.
- Currently the certification of the Coffee is a very byzantine process, with 2 to 3 layers and payement of fees along the process, making it very expensive for a trickle of production. INACAFE, and organ from the Ministry of Agriculture, needs to support this simplification
- The introduction of a **"Fair Trade" or Max Havelaar label** to the Angolan Coffee could be a way to differentiate the product, for Export.
- The few (but growing number of) Commercial producers of Coffee should be encouraged through support to research, varieties, and Technical assistance. An example of such commercial entity is Ango-Naveiro.

In conclusion, and as far as the Private Sector Support Programme is concerned, we strongly believe that supporting the Coffee value chain is very important for Angola who used to be one of the top 5 Coffee in the world, as it is could support both sustainable and profitable business and job anchor in the country side for a large population of farmers and cooperatives. For instance in Tanzania,, Coffee which is its third largest export crop, is supporting more than 450,000 farm families and 110 estates derive their livelihood from growing coffee with about 2 Million additional people employed directly or indirectly in the industry. In a country like Angola , which has chronic unemployment reaching 30% of the total population, this value chain, if well revamped, can generate jobs, profits and export earnings for the country.

***Action Recommendation N.6**: The second agricultural Value chain opportunity that we would like to recommend to the attention of DEVCO is the support to be given in **the Coffee production, transformation and also Branding / distribution** (for both local consumption and also for Export) in the Provinces around Luanda ((Uige, Malanje, Kwanza norte and Kwanza sul) with the aim to develop a branded , quality (and possibly fair trade) Angolan (Robusta) coffee that could be diversifying the export earnings and also **incentivize Commercial farming of the coffee**. Special emphasis should be given on supporting the re-vamping of old commercial estate, which still have coffee trees which may be revived through stumping/ or new planting, as well as supporting and simplifying the **certification of quality coffee, and branding** it for export and also national consumption.*

3.1.4. Value Chain Opportunity N3: downstream diversification of the Timber / sawn Wood sector.

The Timber sector is one of the oldest world industries and one that generate > USD500 Billion in revenue per annum. Angola used to be an African leader in the planting and production of Eucalyptus and Pine based commercial timber, exporting in the 1970s to Europe and the USA sawn and transformed wood. The sector was left quasi abandoned during the War years but there was a strong effort for re-planting commercial forests in the 1980s and estimates are that there are still 134,000 Ha which have planted Eucalyptus stock – totalling quasi 26 Milions m3 of wood.

Our take is that timber consistently deliver superior return to the investors (>6% per annum RoI) and it is estimated that it can potentially yield >USD300M of export revenue and diversification for Angola. Our recommendation is the EU Supports and downstream sawing, and transformation value chain of Timber and also encourage certification for export to the EU, along with derivative products (such as pellets, wood boards, and biomass sub-products).

A. World Timber Market: very large, growing and consistently profitable

The size of the world timber market is estimated at about USD 500 billion, with one half of this in the US. But less than one-third of investable timber land may be available for open transactions. In the future, most of the incremental capacity of world timber supply will originate from emerging markets, including Latin America and Africa

Current market conditions and structural patterns provide a unique opportunity for investors to benefit from a revaluation of potential timber assets, and in particular eucalyptus-focused plantation and agricultural pieces of land.

It is estimated that the global supply-demand gap for wood-related products will continue to grow. It is estimated at 350 million m³ per year (out of total world demand of 1,800 million m³). in 2010 and about the same volume in 2015 and is likely to expand over the forthcoming years due to increased consumption in paper, cardboard, and wood products from BRIC countries and other emerging markets.

Furthermore, with the REDD carbon credit and carbon emission reduction scheme adopted in December 2011 at the Durban Climate Conference, the need for protecting tropical forests and for starting new plantations as opposed to deforestation of primary forest will continue to rise. This is an opportunity for investment made in Commercial forestry, such as the one that used to thrive in Angola, and can be easily revived.

Over the last 20 years, timber has been a top-performing asset class for institutional investors. Until recently, timber activity and investments have been concentrated in North America. However, investors' interest is now extending to other regions such as Africa, China, Eastern Europe, India, Latin America and Brazil in particular.

Eucalyptus trees offer many advantages for responsible and eco-sustainable forestry including: the protection of the primary forest and fauna, the possibility of re-exploiting poor soils after agricultural use, a better erosion control through increasing infiltration and sustaining underground water retention. More importantly, eucalyptus requires less water consumption in comparison to other tree species and other agricultural commodities. As a business sector with positive growth, it also makes a favourable contribution to the economy in general through sustainable employment and higher production cycles. Based on long-term investment in research and development, several species has enabled increased productivity up to 60 m³/Ha/year for certain strains, although the weighed mean productivity of eucalyptus is estimated at around 41m³/Ha/year in 2010.

B – Timber production and opportunity in Angola

Angola , with its 1.2Million Km2 in Equatorial and tropical region, possess immense resources of native (primary forest) wood and also commercial forestry potential. At the level of the forest resources of Angola (native forests), the statistics are as follows:

- The area of native forests is estimated at approximately 70 million hectares;
- Only 2.4 million hectares have been considered as productive forests;
- No technical information is available on growth, diameter distribution and regeneration of exploited forests;
- The National Forest Inventory has recently completed its first phase only;

At the level of planted forests, the conclusions were as follows:

- The main reforestation effort dates back to the 1980s and it is estimated that there are still 134 thousand hectares out of the 148 thousand originals, predominantly of eucalyptus;
- The existing commercial stock is estimated at almost 26 million of m3;
- The main production is products derived from wood and finished products (furniture) of greater value in the market;
- There is little effort to scale new plantations;
- The Sovereign Fund is managed by the Sovereign company Star of the Forest (an entity which most likely will need to be phased out and replaced by Private commercial companies.

Regarding the Forest Policy, we believe that the National Forest Policy of 2010 and the new Forest and Wildlife Bases Act of 2017 provide an updated political-legal framework;

The main impacts in the timber sector are related to the licensing and transport and export of wood from 2017-2018;

The IDF is the government agency responsible for forests, in particular by the issuing of licenses, control, monitoring and inspection, and has been suffering from institutional weakness over the past 10 years in terms of human, financial and operational resources;

Recently (08/31/2017), a public company of management of financial holdings in exploration called MADANG-EP and approved its organic statute (Dec.Presidential No. 196/17, of August 31);

At the level of supply and demand of wood products, in 2017, the issuance of licenses provides for the production of 230 thousand m3 of wood, 39 thousand tons of coal and 5 thousand esteres of firewood;

On the other hand, demand for charcoal and firewood is estimated at 677 thousand tons (2.5 million m3 equivalent of wood) and 5 million m3 of coal and firewood, respectively;

The national timber market is the construction and furniture; The international market until 2016 included logs and sawn timber. The main destinations were European Union countries (more demanding - lighter woods), Asia (less demanding – heavier) and USA (requires drying - mainly products derived from eucalyptus).

Hence there is a strong market – both domestic and international- for timber and derivatives from Wood, transformed or semi-transformed. It is estimated that, in a favourable situation, the sector could reach an export value of USD 240 million by 2028 (up to 1.5% of the export balance) while maintaining 80% of the production of wood for export;

What is striking when we look at the statistics of Wood production (raw wood/ timber logs) and that of Sawn wood (already transformed) is that Africa is one of the major producers of raw wood (about 20% of the world production), but a dwarf when it comes to production of sawn wood – which is the very purpose of the suggested EU support – that is reinforcing the TRANSFORMATION OF WOOD and production of finished products in Angola.

Table N VVV: Production of timber logs (Raw wood) in the World

Quadro 9 – Produção de Madeira em Toro (x1.000 m³)

	2010	2011	2012	2013	2014	%
África	701.561	708.160	714.308	719.376	728.485	19,7%
América do Norte	518.585	543.319	535.696	548.894	552.952	14,9%
América Latina e Caribe	454.131	478.291	492.834	492.495	503.923	13,6%
Ásia	1.126.849	1.127.325	1.121.650	1.125.866	1.118.695	30,2%
Europa	658.860	682.850	683.019	697.567	722.064	19,5%
Oceania	67.755	70.383	68.234	70.044	74.249	2,0%
Mundo	3.527.741	3.610.328	3.615.741	3.654.242	3.700.368	100,0%

Fonte: FAO

Table N VVV: Production of sawn wood) in the World (only 2% of the world share…)

Quadro 10 – Produção de Madeira Serrada (x1.000 m³)

	2010	2011	2012	2013	2014	%
África	8.625	8.949	8.962	9.398	9.634	2,2%
América do Norte	98.680	102.054	108.038	113.928	118.155	26,9%
América Latina e Caribe	34.081	33.071	34.011	34.758	35.110	8,0%
Ásia	85.704	93.069	104.339	113.466	119.542	27,2%
Europa	139.109	142.737	139.980	142.299	147.242	33,6%
Oceania	9.425	8.689	8.709	8.801	9.050	2,1%
Mundo	375.624	388.569	404.039	422.650	438.733	100,0%

Fonte: FAO

In terms of the potential for the production of wood and wood derivative products, Angola can exploit two different sources of Wood: a) native / primary forests, through reduced impact logging practice, in accordance with FSC (Forest Stewardship Council) practices and certification ; and b) commercial, cultivated forests, such as Eucalyptus or pine plantation on medium or large scale estates.

Table NVVY: Expoitable native forest in Angola – 52 Million Ha

Quadro 15 – Estimativa da área e do potencial produtivo de floresta nativa, por Província (FONTE:IDF)

Província	Área produtiva (ha)	Volume abate (m3/ano)
Bengo	35.000	10.000
Benguela	42.000	1.000
Bié	91.000	3.000
Cabinda	245.000	112.000
Cuando Cubango	232.000	5.000
Cuanza Norte	90.000	27.000
Cuanza Sul	86.000	8.000
Cunene	168.000	4.000
Huambo	32.000	1.000
Huíla	160.000	3.000
Luanda	-	-
Lunda Norte	210.000	32.000
Lunda Sul	161.000	10.000
Malanje	153.000	12.000
Moxico	383.000	16.000
Namibe	21.000	-
Uíge	224.000	70.000
Zaire	36.000	12.000
Total	**2.369.000**	**326.000**

Angola has a surface area of 1,246,700 km2, of which an estimated 43.3% is forest cover (approximately 53 million hectares), and the annual deforestation rate between 1990 and 2000 was estimated at 0.2%. According to the Forest Policy, Wild Fauna and Conservation Areas (2009), the annual logging capacity of logs was estimated at 326,000 m3. Native, hard wood species of tree are very much prized and traded at 3 to 4x the price of Eucalyptus prices (from USD 200 to 1200 per m3) and can be exploited in ways that are sustainable and preserving the flora and fauna of equatorial forests.

An Benchmark example of such "reduced impact logging" providing strong social, economic and export return to the country and the company , is Interholco[32], which exploits > 1 Million Ha in Congo Brazzaville – here is the model of sustainable forestry adopted by the company, that is FSC and tropical forest compliant.

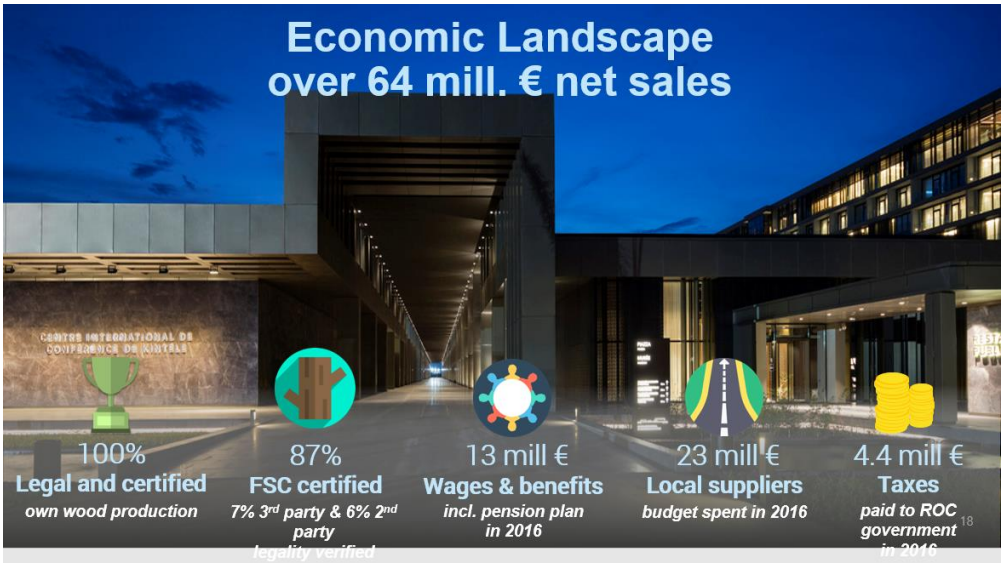
Description of a successful and ESR responsible Timber company (Switzerland)

- INTERHOLCO operates from the Rep of Congo (Brazzaville) and Cameroon
- Through its subsidiary IFO (Industrie Forestiere d'Ouesso) located in Nortwest Congo, Interholco manages the single largest and fully FCS certified forest concession with over 1 Million ha of natural tropical Forest;

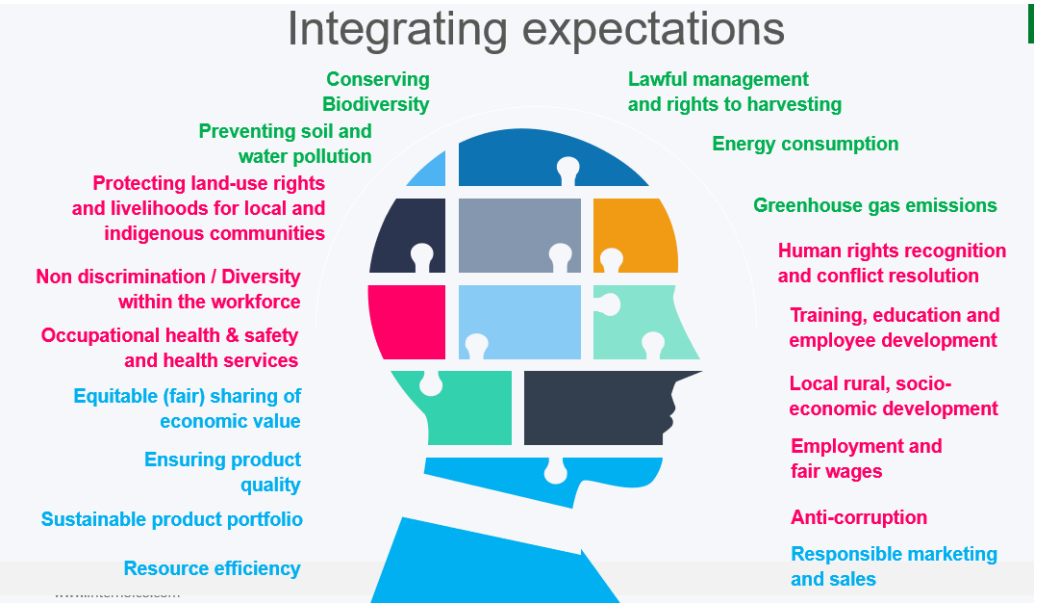
[32] https://www.interholco.com/

- The forest management facility employs over 1000 Employees
- Wood is being cut, transformed and then exported through the port of Pointe Noire (Congo) as well as out of Cameroun (Port of Douala) before being loaded on sea vessels and delivering to over 50 countries world wide (large Distribution and commercialisation capacity – which is essential for Commercial timber and wood exploitation.
- Interholco generates 64 Million € of revenues, of which 13 Millions are spent in wages and benefits, and 4.4M in taxes to the Republic of Congo – one of the largest tax payer, after petroleum companies.

Figure N XXX: INTERHOLCO Timber company – Economics, production, wages and taxes statistics



The Philosophy of this "best practice" tropical timber company is capture in this value chart of Interholco. If this can be done in Congo – Brazzaville, it can be done in Angola.



Top Tropical wood producers supply over 60 species from the sustainable exploitation of African forest. With their scent, colour and natural durability, African species infuse well-being and are ideal for state-of-the-art interior and exterior projects – and are very much appreciated from top Europearn Interior design and furnitures makers (like Roche Bobois, etc) . Most of the essences being exploited in the Congo Basin, such as Afrormosia, Billinga, Iroko, and Sapelli, as well as Mahogany, are as well present in the tropical forests of Angola, and in particular in the Provinces of Cabinda, Uigé, and Lunda Norte.

b) Commercial / Planted Forests

Forest plantations were planted between 1980 and 1989 to build up the Angola Pulp and Paper Company (CCPA) and Benguela Railroad (CFB) and originally occupied 148,000 hectares and were mainly made up of Eucalyptus sp. Pine trees and Cupressus Lusitania.

Quadro 22 – Plantações Florestais implantadas em Angola

Espécie	Proprietário	Superfície (ha)
Eucaliptus spp.	Companhia de Celulose e Papel de Angola (CCPA)	60.000
	Caminho de Ferro de Benguela	38.000
	Estado	10.000
	Diversos Privados	20.000
Sub-total		***128.000***
Pinus Patula	CCPA	8.000
	Estado	4.500
	Diversos Privados	3.500
Sub-total		***16.000***
Cupressus	CCPA	2.000
	Estado	500
	Diversos Privados	1.500
Sub-total		***4.000***
TOTAL GERAL		**148.000**

Fonte: IDF

In 2010, the average stock was estimated at 110 m3 / ha and, according to the preliminary results of the National Forest Inventory, the total volume per hectare is, on average, 254.8 m3 and the commercial volume of 191.8 m3 , a very expressive volume when compared to that of native forests.

Therefore, forest plantations currently offer a commercial volume of approximately 26 million m3; however, the regenerative potential of these plantations is not known since they are old plantations (seventies), probably with low capacity of regeneration.

On the other hand, forest plantations could provide material for different products (eg MDF) with the potential to substitute imports of certain products and promote the furniture sector in the country.

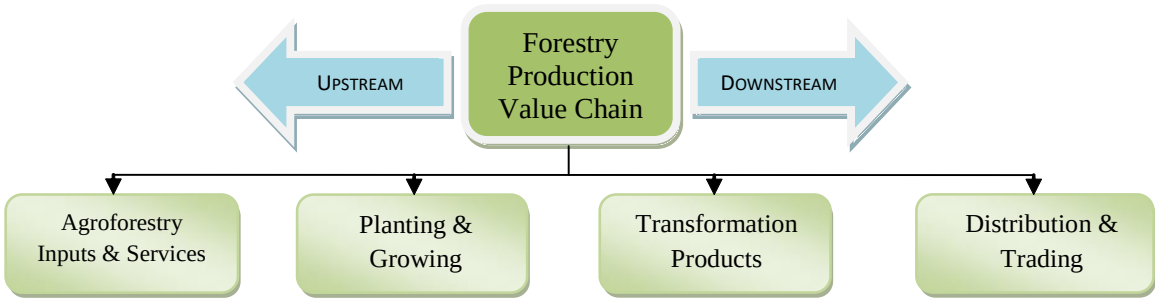
Companies wishing to explore and transform eucalyptus wood need to sign a contract with Estrela da Floresta, which currently charges 9,075 AOA / m3. In turn, Estrela da Floresta would be responsible for the management of forests and for the reforestation of new areas or replanting of the areas explored.

The present work did not have the opportunity to deepen the theme of planted forests and there is no objective evaluation of the efficiency of the current management and control system, the result and the reforestation effort, among others.

The cost of the rate (9,075 AOA / m3) is considered high and is almost four times higher than the current rate charged by the IDF for the exploitation of native species (around 2,400 AOA / m3). Among the main companies operating with wood from planted forests can be cited HABITEC, MACROSERVICES and HUAFENG. This is a shadow of the 100+ timber companies that used to produce > 500,000 m3 in Angola before the war.

Our proposition focuses on the 3rd and 4rth link of the Timber / Wood production value chain below:

Graphic N XXXX: Forestry and Wood production Value Chain[33]



Action Recommendation N. 7 *for the PSS Programme: Provide support and Technical Assistance to the commercial forestry sector, focusing on the* ***transformation units of the Wood and value added products*** *in the following segments: Industry of derivatives of wood and pulp, such as MDF, agglomerate boards, semi-transformation (planks, poles, etc) and finished products such as doors, windows, and all carpentry products) for both the consumption within Angola and also export of tropical woods semi-finished products to the EU and the world. This programme should focus also on reforming the Angolan byzantine certification process, encouraging FDI investment into the forestry sector (including European Timber and forestry players) and also on TA for certification (FSC certified) of tropical woods for exports.*

3.1.5. Value Chain Opportunity N4: some Niches segments of the Tourism industry

Angola is knowingly not to be very much visitor and tourist friendly, as compared to the 4 direct neighbouring of the SADC regional community (South Africa, the tourism superpower of Africa) but also Botwana, Namibia and Zambia) – this is due principally to the civil war and destruction (and often mine riddled) of the National park network and also to the focus on Oil and Gas , and not much investment that has been made to support and promote the natural wonders that Angola has.

[33] SLB Brazil Econology Fund, Luxembourg 2014

Nevertheless, through talking to Tourism agents, in Huila, and Luanda, we understand that there are some interesting niches that can be developed in Angola, including of course the "neighbouring parks" close to Namibia and Botswana – including the ambitious (5 countries) Okavango – Zambeze basin Conservation area, but also such niche eco-tourism such as Bird watching (Angola has 29 native birds species, which could be put on the map of bird watching aficionados (that totals several million people) and also eco-turism in beautifall landscape and national park such Malanje, Cucene, and Namibe.

Hence, in conclusion, it is recommended that the EU could use the third pillar of the EIP – linking with the SB4A platform - to develop a programme for structuring promising economic sectors (as presented in the Angola Government's NDP) using a cluster approach, based on Angola's comparative advantages, such as the tourism cluster, the agri-business cluster, and the forestry cluster, and also the transport, ports and logistics cluster.

Such an approach would improve existing relations between all the players in a given sector, strengthen intermediary organisations and improve the public-private dialogue. The specific aims of such a programme would include integrating the cluster approach in the Angola Government's policies, helping structure sectors and sub-sectors and assisting economic players and professional associations. The interventions could include providing technical assistance to aggregate clusters and manage them and professional and technical training, and establishing compliance with regulatory standards.

By way of example, below are the interventions which could be used in the programme to develop the tourism cluster:

- Producing a strategic plan for the tourism cluster
- Setting up a public-private partnership unit in the tourism cluster
- Developing/promoting tourist sites and National Parks, like the Parque de Cangandala, IONA, parquet da MUP in Cucene, etc, and tourist products (eco-tourism, river tours, etc.)
- Creating sub-sector associations for cultural tourism, eco-tourism, forestry tourism, and seaside tourism (> 2000 km of pristine coastline – not developed at all)
- Improving the Angola Tourism Office's resources & reducing the hurdle and the cost of touristics travel and conditions (starting from simplifying the Visa requireements for the EU and other visitors) .
- Improving workers' technical and professional abilities (management and staff) in the tourism and hotel business
- Promoting Angola as a destination at international tourism fairs and exhibitions

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4. OPTIONS FOR THE SET UP OF A EUROPEAN BUSINESS ORGANISATION IN ANGOLA (CHAMBER OR COMMERCE OR FEDERATION OF CC)

4.1. The Context of Angola and Africa

4.1.1. Introduction and Benchmarking of EU CC in Africa

Over the past 10 years, the EU and Africa have built a stronger and more political partnership based on shared values and interests, enshrined in the Joint Africa-EU Strategy (JAES). The strategy sets out both sides' intention to move beyond a donor/recipient relationship towards long-term cooperation on jointly identified, mutual and complementary interests. It is based on principles of ownership, partnership and solidarity and its adoption marked a new phase in Africa-EU relations.

In many developing countries, the expansion of the private sector, notably micro, small and medium-sized enterprises (MSMEs), is a powerful engine of economic growth and the main source of job creation. The private sector provides some 90 percent of jobs in developing countries, making it an essential partner in the fight against poverty.

Yet, the private sector in Africa faces a formidable range of obstacles compared to its rival in other emerging markets: widespread and rising informality, a "missing middle" in the size of enterprises and little upward mobility, weak inter-firm linkages, lack of export competitiveness, lack of innovation capabilities, complexity of registering business and taxation, infrastructure shortages, unreliable electricity supply, limited access to finance and corruption.

In the communication "A stronger role of the private sector in achieving inclusive and sustainable growth in developing countries" one of the "tools" proposed to implement and mainstream its approach to private sector development, and to harness the potential of the private sector as a partner in development cooperation, is a " framework for structured dialogue and joint action with the private sector". The communication proposed that EU Delegations, in coordination with the Member States, facilitate and support inclusive public-private policy dialogue in partner countries to identify key challenges and opportunities.

EU development cooperation in Africa covers a wide range of areas in the private sector, such as support in creating an enabling business environment and investment climate. A better investment climate helps to promote efficient domestic investment, attract foreign direct investment and increase productivity, thereby raising income and employment opportunities.

EU projects and programmes also involve support for professional institutions ("meso-organisations"), such as chambers of commerce, industrial federations or SME associations, as well as the promotion of reliable local financial institutions. Other areas of support include technical and vocational training, the promotion of investment and co-operation activities among businesses, and the facilitation of access to financial markets. An important focus is also put on support for microfinance and financial inclusion.

A key tool in implementing this new partnership with Africa will be the new European External Investment Plan (EIP). The EIP aims to encourage investment in the EU's partner countries in Africa and the EU Neighbourhood region, to support social and economic infrastructure and SMEs, to strengthen the EU's partnerships and contribute to achieve the Sustainable Development Goals, helping to address some of the root causes of migration.

In the context of the implementation of the EIP in Africa, DEVCO is developing the Sustainable Business for Africa (SB4A) platform, proposed as an overarching concept – as a building block of the third pillar of the EIP – and which consists of structured dialogues operating at country, sectoral and strategic levels. The SB4A platform aims at reinforcing and coordinating structured dialogue with the private sector undertaken by EU Delegations and HQ, to increase private investments in order to enhance developmental impact.

One of the tools to facilitate structured dialogue with the local private sector in partner countries via the EU Delegations is the EU Business Platforms initiative or CCEAs.

A recent survey (at the level of EU Delegations in Sub-Saharan African and North African countries) was made of all the existing and planned EU Chamber of Commerce in the region. The survey revealed that 12 partner countries in sub Saharan Africa have CCEAs . According to the responses to the questionnaire, 7 more partner countries are actively planning to create an CCEA sometime in the near future , and according to DG Grow, 9 more countries would be as well planning to create one. This would bring to 19 the number of partner countries with a CCEA within a near future, according to the surveys, and 26 including the information received from DG Grow.

The emergence of this large number of new CCEAs has come about as the result of intensive collaborative efforts by the EU Delegations, Member States diplomatic missions and the European business community in partner countries. EU Delegations have been the prime drivers in creating this momentum.

As an example of the purpose of such EUCC, here are the two objectives pursued by the EUCC in Benin. At a joint meeting with the members of the ECCB, it was observed that its members consider it useful and that its existence is justified on the one hand for **establishing business relations with other European companies active** in Benin and on the other hand to **join forces in order to influence the taking of political and regulatory decisions** which might have an impact on their commercial activities. Indeed, at a meeting organised by the EU Delegation in which eight 8 members took part (Ascoma, Brussels Airlines, Colas Afrique, Lydia Ludic, Promopharma, SGS, SMT Volvo, Institut Français), major difficulties were presented by European companies. The EUCC is perceived to be a conduit through which all European Companies, experiencing the same difficulties or challenges could speak with one Voice. Such a function would be quite pertinent in the context of Angola.

Few CCEAs participate in European Business Support Organisations. 4 CCEAs are members of EBO World Wide Network (WWN) (Tanzania, Uganda, Ivory Coast and Ghana). A further 3 CCEAs (Ethiopia, Nigeria and Zambia) are in the process of joining the EBO WWN network. Benin CCEA is member of Eurochambres.

The survey revealed that CCEAs have proved to be a useful tool in facilitating EUDs engagement with the local private sector in partner countries. CCEAs enable EUDs to have a wider access to relationships with the local private sector and can also help EUDs fill the gap between trade policy and trade implementation by taking into account the views of a representative group of EU MS business interests in the partner country.

A small number of EUCCs participate in EBO (European Business Organizations) at the global level. For example 4 EUCC are members of EBO WWN (Global Network of European Business Organizations) - Tanzania, Uganda, Ivory Coast and Ghana. This is an additional option for CCEA.

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4.1.2. EBO in the Context of Angola and existing National CC

Up to now, there has been no formal attempt at setting up a EU Chamber of Commerce or an EBO. Most of the initiatives are through national Chamber of Commerce, including that of the UK, Spain, an attempted one for France, and the most organised CC which is the CCIPA[34] or "Chamber of Commerce and Industry Portugal-Angola".

A meeting with various Bi-lateral European country representative (France, Germany, Sweden, Italy, Hungary, Poland, Spain, etc) was organised by the EUD in Luanda upon the expert visit, and the issue of the Opportunity (and objectives) of creating a dedicated EU CC or EBo was raised and discussed.

[34] http://www.cciportugal-angola.pt/ Camara de Comercia e Industria Portugal Angola

Some of the key issues discussed at the EU State / Donor forum, were as follows:

- Some Member states dispute the justification of setting up a new entity called "EU CC" as a) there are a number of already existing bi-lateral CC who represent most European based businesses and b) they question the sustainability of such EU CC (how they are going to be financed, above and beyond the initial grant given by the EUD or Pillar III of EIP
- Other members think if would be an interesting idea to create a Federation of European CC and link that to the EBO WWN, to give them an international dimension and reach
- Most agree that it is important to maintain and develop a structured dialogue with the Government of Angola, especially in the context of the significant political and macro-economic changes in the country (hopefully for the better)

The purpose of the European Chamber of Commerce would be to strengthen the bilateral liaison of European investors in African countries and interested African actors to export and do business in Europe (two way). In this context it would be to encourage and foster bi-lateral trade and investment between the EU and Angola.

In addition, the objectives pursued by EUCC are diverse:

a) Establish a more formal and regular dialogue between members and actors of the Private Sector; and particularly European investors and local companies;

b) Create a link / conduit also of dialogue with the Public Sector of the host countries of the Business Chambers. The Development Programs are being developed in close cooperation with the governments and private sector of each country;

c) At times (for example in Ethiopia) the EUCC Business Forum, together with the EU Delegation, set up Technical Committee for proper solutions to improve the business environment faced by European (and other) companies; Coordination with the Investment Commissions (or Ministries) of the countries

d) Strengthen links with local business associations and establish networks of contacts and meetings between European and national associations;

e) And because of the diversity of European countries and national chambers, establish a national Federation of Chambers of Commerce, in order to represent, with more force and a voice, the interests of European companies, in the national (country) context.

In the context of Angola, the European Delegation of Angola proposed to add a bilateral cooperation program in the areas of Economic Governance and Support to the Private Sector. The Dialogue structured with the Private Sector, including through CC and Business Associations, is a key component of this dialogue, included to improve Business Climate (in the hard currency / Forex Remittance, Taxes, import tariffs, import quota, and financial system , etc).

The Delegation of the European Union, in the framework of the implementation of the European Investment Plan (Pillar 3 - Business climate and structured dialogue with the private sector), intends to support further work on the possibility of creating and implementating a European-Angolan Chamber of Commerce (CCEA).

This EA Chamber of Commerce could take various forms and institutional structuring, to be further developed at a later time. These institutional options include:

a) a new **CCEA Chamber of Commerce**, based in Luanda, which would have a formal office and a separate legal form (as an Association) and would be financed by the European and Angolan members (with a possibility of an initial EUD funding as well as in other African countries), and/ or

(b) form a "**federation" of national business chambers** (there is already a United Kingdom, Spanish, Portuguese, and some "Business clubs" in formation (France), which would also add all European actors and nations still without representation.

4.2. Potential Strategy for the EU CC in Angola and SB4A

4.2.1. Sustainable Business for Africa (SB4A)

Before proposing a strategy and a working plan for the EUCC (which is too soon in the context of Angola), it is worth reiterating the aims of the Sustainable Business for Africa (SB4A) platform. SB4A provides EU Delegations and the European Commission with a reference framework for the establishment of a structured dialogue with the local and European private sector in partner countries, to identify the constraints weighing on the development of the private sector and to seek to improve the business climate. SB4A aims to accelerate investments in EU partner countries in order to support sustainable and inclusive growth, more specifically by supporting a structured dialogue on the business climate. As a consequence, SB4A is an important lever for implementation of the EIP and constitutes the cornerstone of its third pillar (improvement of the business climate). Structured dialogue under SB4A may be led at three levels:

- *Country level*: dialogue facilitated by EU Delegations and **EU Business Groups** (EUBGs) involving the local and European private sector and relating to specific constraints weighing on the business climate. This dialogue aims at the identification and raising of barriers to investment as well as the increase of investments by taking advantage of Economic Partnership Agreements (EPA).
- *Sector level*: dialogue aiming at the identification of constraints to investment specific to the sector and regional harmonisation / consistency.
- *Strategic level:* dialogue facilitated at European Commission level with the aim of dealing with the challenges weighing on investments in a more global manner, particularly by the promotion of innovative financial instruments (and guarantee mechanisms), increased collaboration with European Financial Development Institutions (EFDI).

As part of the future detailed work on the EBo in Angola, the purpose would be to be identifying the ways in which the EUCC in Angola might be able to serve as an instrument for implementation of the EIP through the SB4A approach at a country level in Angola. It should be stressed that the financing of SB4A dialogue at a country level will be through the National Indicative Programme (NIP), the Regional Indicative Programme (RIP), technical assistance facilities (TPSD type) or CSO envelopes. Twelve EUBGs have been formally established in partner countries and are fully operational, particularly by virtue of the support of EU Delegations, for example in Ethiopia, Zambia, Ghana, Senegal and Tanzania.

4.2.2. Examples of success in introducing a structured dialogue within the framework of SB4A

Below we present some best practices of EUBGs in Africa in order to illustrate how these may constitute a platform for structured dialogue, and contribute to attracting investments and improving the business climate. To that end, we have selected the cases of Tanzania and Ethiopia.

A- EUBG Tanzania: this European Chamber of Commerce in Tanzania is considered to be an example of success in establishing partnerships and constituting a platform for dialogue between the private sector and the government of an EU partner country. The EUBG Tanzania was created as a result of the joint efforts of the EU Delegation, the Member States and certain European companies active in Tanzania in 2015. It has more than 100 European company members and advocates by participating in platforms for public-private dialogue of different types like the budget review working group with the Ministry of Finance or workshops with the Ministry of Commerce and Industry. Partnerships established include organisations in the local private sector (Tanzania National Business Council, Tanzania Private Sector Foundation) or regional private sector (East African Business Council) and sector associations like the association of shippers and horticulturalists. At a public-private dialogue level, the EUBG Tanzania has structured its work around working sessions on taxation, investments, transport and work permits (themed actions). These working sessions bring together company members of the EUBG Tanzania, the EU Delegation and Member States. The EUBG Tanzania also produces briefing notes on specific points like VAT between Zanzibar and Tanzania.

In terms of financial sustainability, the success of the EUBG Tanzania rests in the differentiation of subscriptions from members: subscriptions are progressive depending on the number of employees, as presented below:

Figure 2: Scale of subscriptions to the EUGB Tanzania

Number of employees	Subscription amount (in USD)
From 1 to 10	200
From 10 to 50	750
From 50 to 150	1250
More than 150	2500

The EUBG in Tanzania has benefited from financial support from the European Union through the NIP TCF for **two technical supports which proved crucial to its development**:

- **Recruitment of an executive secretary** (European consultant) for the first six months: contract for EUR 20,000. His role consisted of developing a strategy, consolidating the budget and increasing the number of members (from 0 to 40 between April and December 2015, then 105 in December 2016, **then 130 in July 2017**
- **Study of European investments in Tanzania and policy briefs**: contract for EUR 200,000 proposed by the EU Delegation in Tanzania in 2015. The study of European investments in Tanzania contained an economic diagnosis (market study and cartography) of European companies active in Tanzania, their investments, their impact on the economy, society (jobs, training, etc.) and taxation (contribution in terms of taxes collected). This study enabled the EUBG Tanzania to increase its dialogue with the Tanzanian authorities for improvement of the business climate and to give more weight to its advocacy. Moreover, the consultant responsible for the study also produced **policy briefs** aimed at presenting the priority improvements demanded by European companies Europeans on three problems: harbour operations, taxes and administration and work and residence permits. In addition to these two deliverables (market study and policy briefs), the **contract also included the production of communication material for the EUBG Tanzania**: development of a web site, design of the logo and production of pens, USB sticks, advertising banners, brochures and finally the organisation of a major event (more than 150 participants) aimed at presenting this market study and the policy briefs, and two work seminars for gathering information and awareness work.

B- European Business Forum to Ethiopia (EUBFE): the EUBFE was created in 2012 and is a good example of the implementation of a platform for dialogue with the local private sector. The EUBFE is a dynamic organisation bringing together some one hundred European companies active in Ethiopia (out of the 300 European companies present in Ethiopia in total). It provides its members with a forum for discussion and intervenes with the Ethiopian Government.

The EUBFE benefited from the technical support of the BizClim Facility for the Business Climate. In fact BizClim financed the EUBFE project (2014-2015), including a study of the business climate in Ethiopia, a cartography of European investments in Ethiopia, a survey of the main legal and bureaucratic constraints on European companies in Ethiopia and eight case studies of the real problems encountered by European operators. The consultant responsible for implementing this project then established a road map for the creation of a structured dialogue between European companies (and other investors) and the Ethiopian Government.

As a result of that, the EUBF Ethiopia and the EUD established a **Technical Committee** formed of the EUBFE, the EU Delegation and the Government of Ethiopia to deal with the problems associated with the business specific to companies from the EU. The EUBFE collaborated with other associations of foreign companies (United States, India, Turkey, China) to improve dialogue in 2017 in a new platform also run by the Ethiopian Investment Commission.

In conclusion, based on the benchmark and experience of EU CC and EBO in other similar countries (in terms of size and/ or GDP size, such as Tanzania), we believe that the set up of a European Business Organisation in Luanda could be a useful and essential instrument of structured dialogue between the European Business lobby (speaking in one voice), the Private Sector and business associations in Angola, and the Government of Angola. We encourage to delve that idea and possibly make a quick, specific mission that would establish the charter, purpose and objectives as well as the organization and financial structure of such EBO in Angola.

4.2.3. Support to other Business Association in Angola

Last but not least we believe that another focus for the Private Sector Support programme should take into consideration the courageous and relentless work performed by the actor fo the Civil Society, many of which are the only conduit through which the Angolan MSMEs and private sector stakeholders can make their voice heard at the level of GoA.

As part of this mission, we met among other three of these Civil Society and business organisations, each of which, in their own way would deserve to receive either continuing or new budget support.

- AAPCIL (Associacao Agro-Pecuaria, Comercial e Industrial de Huila): this is one of the few truly Private sector led (non profit) business association, which is in existence since 1991 and organise every year a large and successful PSD Expo (XXVIth edition) in Lubango. They work very closely with private sector players, and provide Capacity Buidling as well as lobbying services – in our view, one of the best and most efficient business association; They plan to spill out their services to the neighbouring Provinces of Huambo, Bié and possibly Benguela – N1 on our list of Civil Society to be supported;
- ADRA (Acçao para o Desenvolvimento Rural e Ambiante): this is a grass root rural association whcih helps small subsistence farmer to get organised into Cooperative and also provide a subtential amount of capacity building for these cooperatives – This is a national association, which in our view does consistently good work. N2 on our list of Civil Society

- CEA – Confederacao Empresarial de Angola – led by dynamic Francisco Vianna and Filomena Oliveira – Established in the industrial park of Viana, CEO is currently planning a Diagnostic project to assess the varios Business and industry association in Angola to gauge their organisational efficiency and needs and present a plan of action (for capacity building). This study is actually quite useful , as a complement to mapping study – and in our view should be supported.

The universe of Civil Society and Industry association is much larger, and we do not pretend to have made a thorough assessment of it (in a just two week field trip). However, there is a parallel Mapping of the Private sector and of the Civil Society organisation which has been completed and should serve as a reference for supporting such segment, as part of the Pillar III of EIP, or the 11th EDF.

5. CONCLUSIONS AND RECOMMENDATIONS

The major issue in Angola is to rebuild and revamp the private sector and the productive value chain following 27 years of war, and many subsequent years of mis-management. Job creation will only ensue from a concerted effort from the part of both the GoA and Multilateral donors (providing support for Business climate reform to create a more conducive business environment and eco-system for Private Sector investment and growth.

Angola possesses immense natural wealth and a large consumption market which is waiting to be developed and unfolded. But currently, the business climate and the lack of access to finance currently severely hamper the development of the private sector. With the EIP facility, the European Union has a powerful tool with which to contribute to facilitating funding to Angola's private sector, to encourage the authorities to make the necessary regulatory reforms by supporting the public-private dialogue and to attract European investments, among others.

We have sought to identify projects which will foster the operation of the EIP in five investment windows, namely Incubators, Venture Capital funds, Wheat, Coffee and Timber value chain, as well as a Pillar III investment that could be made to support Civil Society and associations in Angola.

Although the current constraints to Doing Business in Angola are considerable, particularly in terms of land registry, access to credit, taxation, capital markets, restriction of foreign exchange and the application of laws, we believe that the value chain selected in this study have all a strong potential in terms of diversifying the economy and the PS players, and also creating the conditions for sustainable job growth and sustainable companies – away from the long lasting dependency (and curse) from the oil and gas sector.

We think also that the Agricultural value chain – such as sustainable forestry and fair trade coffee production could also contribute to the pursuit of Sustainable Development Objectives in view of their social and environmental impact, as well as making Angola a more self sufficient country and lesser dependent on costly imports.

On the methodological side, the "**Entrepreneurship Life Cycle" model**, in which the blending finance facility can intervene either upstream (Incubators & business angels) or downstream (Venture capital funds and Capital markets) is also a useful tool for gauging the EIP intervention not only in Angola, but any African partner countries, as the cycle of business and private investment is the same in all countries. We happily present it as a legacy to this current and all future TPSDE Missions and country assesssement.

Angola is clearly at the ontset/ beginning of its Entrepreneurial journey, but one with actualy a great past – and a great future (and a challenging present). With a real political will for economic and PPP reform, we believe Angola can renew with much higher level of economic growth and a more balanced (sector wise and social wise) prosperity.

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6. ANNEXES

Annex 1: Terms of reference

Draft Terms of Reference
Mission of the EC TPSDE Facility to EUD Angola
September/2018

1. CONTEXT WITHIN THE EXTERNAL INVESTMENT PLAN (EIP)

The assignment will take place within the context of the recently-launched EU External Investment Plan (EIP). The EIP aims at catalysing international and domestic private sector investment in partner countries and support them in their effort to meet the Sustainable Development Goals (SDGs). To that end, it provides a comprehensive and integrated approach, linking investment mobilisation (pillar 1) with technical assistance (pillar 2) and improving the investment climate (pillar 3) with the objective to remove constraints to private investment in partner country markets and to support priority reforms.
To deliver the EIP, it is necessary for EU Delegations and Commission headquarters to establish a structured and sustained dialogue with the local and European private sectors present in partner countries, to identify the most important barriers to private investment and prioritise the investment climate reform agenda.
For this purpose, the Sustainable Business for Africa (SB4A) platform has been set up to enable structured dialogue at country, sector and strategic levels as an essential building block of pillar 3 of the EIP. Structured dialogue will ensure the right level of private sector perspective, ownership and engagement in EIP implementation. It should also help establish a link between investment support under pillar 1 of the EIP and necessary investment climate reform agenda under pillar 3.

2. Background

Following the mid-term review exercise, a new focal sector "Economic Governance and Private Sector" was proposed, and accepted, for Angola's NIP. This is justified by the substantial deterioration of the economic and financial conditions since the drastic reduction of oil prices and the need for Angola to promote the diversification of its economy and foster job creation.
The Action Plan (AP) for European Economic Diplomacy in Angola indicates that the EU could support domestic reforms contributing to the improvement of the business climate, in particular, promoting an enabling environment that ensures sustainable and responsible business practices to deliver jobs, wealth creation and government revenues. The AP also defines that European investment shall be promoted through actions complementing Member State, through structured dialogue mechanisms between EU companies, local private sector operators and national authorities.

The overall objective of the EU's interventions under the new NIP's focal sector (for which a total amount of 13 MEUR is allocated) is to contribute to the improvement of the governance structures in the Angolan economy and contribute to the development of the private sector as a catalyst for employment and diversification of the economy.
Two programmes will be prepared. The first one (5 M EUR) will focus on strengthening the framework for fiscal policy formulation and implementation, including reducing the pro-cyclicality of public spending, mobilising and diversifying fiscal domestic revenues and managing oil revenue volatility. This programme, included in the AAP 2018, is awaiting approval by the EDF Committee (scheduled for the end of this year).
The second programme (8 M EUR), for which identification this mission will be contributing to, will intend at contributing to the improvement of the business climate, the strengthening of the local private sector (especially MSME's) and the development of key value-chains which have high potential for job creation and growth and where the EU can bring additionality.
Support could target improvement of business environment, legal and regulatory framework but could also target specific bottlenecks faced by MSME's (access to finance, capacities and skills, gender bias). The EU will make use of structured dialogue with national authorities, development partners, IFIs, the local banking sector, local private sector, European companies and civil society. This programme could also, if feasible, actively promote access to EIP funds.
Key documents: National Indicative Programme for Angola as revised by the midterm review Jobs and Growth Compact for Angola, NIP Programmes (Economic Governance, Higher Education, FRESAN (Agriculture), RETFOP (TVET), ACOM (Trade),European Economic Diplomacy Action Plan for Angola.

3. Objective and expected outputs of the EC TPSDE Facility mission

- Objective of the assignment:
To support the Delegation in the pre-identification of the 11th EDF Private Sector Development programme.
- Expected outputs:
1. i) Detailed mapping of the private sector in Angola (a mission for a preliminary mapping of private sector actors is currently taking place; its outputs are expected to provide useful background and guidance for this mission). The mapping should include local private sector actors as well as a cross-section of European businesses that have invested or are actively trading in Angola.
ii) Assessment of the potential to use of the EFSD (EIP) guarantee in Angola.
2. Pre-identification study of the future programme, which will include the main axes of the intervention, including: (1) identification of potential value chains to be supported; (2) identification of the potential to support the creation/strengthening of structured dialogue mechanisms; (3) identification of areas and instruments to support the improvement of the business environment (also covering the issue of good governance which has prompted a series of high-level changes recently in Angola and which could provide elements for EU-Angola dialogue) ; (4) assess the possibility of setting-up an EBO, its main features and membership options (organizational arrangements, structure, staffing, financing of operations, definition of services and their cost etc.) This assignment is expected to indicate various options for EU support for such initiative, if deemed feasible. (5) identification of support measures to improve Angola´s access to EFSD (EIP) and future similar instruments

4. Activities

Indicative list of activities:
- Research, review and desk analysis of material gathered on the topics in Angola, on existing methodological tools for development cooperation interventions and on relevant EU (and other donors) projects.
- Structured interviews with relevant stakeholders, such as European and local private sector (including meso-level organisations such as business organisations, chambers of commerce etc., EU Delegations working with regional bodies (particularly SADC), EU Member States present in the country, other donors, international organisations (such as World Bank Group, UN bodies), partner country governments, financial institutions, universities, research institutes, civil society, trade unions, EU project implementing partners

- Field visits.

- Drafting of the outputs requested.

5. Location, dates and duration

The mission should take place tentatively in September 2018: two weeks in Angola (Luanda and field visits to two or three provinces, indicatively Benguela, Huambo and Huíla) and one week for desk review and drafting. It is suggested that the expert also holds briefing and de-briefing sessions with DEVCO C4 and the EIP Secretariat in Brussels. Total working days estimated at 21.

6. Focal points within the TPSDE Facility and the EUD/Service

Focal point: Paulo Leitão , Project Manager and Marta Brites, Deputy Head of Cooperation, EUD Angola.
DEVCO HQ: Laura Atienza and Monica Peiró

TPSD Facility: Chris Brown

7. Tentative agenda

Day/month	**Activities:**
Days 1-3	Briefing meetings in Brussels and Desk review
Days 4-17	Field mission in Angola

Days 18-21	Drafting of outputs, preparation of conclusions and recommendations, final meetings and de-briefings, finalisation of reports

8. Profile or expertise required:

The expert will be responsible for carrying out the assignment as described in these Terms of Reference, ensuring meeting deadlines, quality, consistency and appropriate content of the outcomes. The expert will preferably have specific knowledge of business-related environment and investment climate in Angola or the region.

Qualification and skills

- Education at the level of Masters' Degree in a field related to Trade, Economics or Business Administration;
- Additional qualification in legal field will be an advantage;
- Fluent in Portuguese language.

Professional experience

- Experience in analysis of business sectors in Angola and / or Southern Africa;
- A minimum of 10 years of proven experience in international projects;
- A minimum of 10 years of professional experience in the fields of private sector analysis and business environment reform with a particular focus on legal and regulatory frameworks, including exposure to the African context;
- A sound understanding of EU Foreign Direct Investment (FDI) flows in Africa, ideally including Angola;
- A sound understanding of trade flows between Europe and Africa, with experience in Angola an advantage.

Annex N2: Agricultural Project of Multilateral and bi-lateral donors

			Geography								Financial information			Calendar		Institutional arrangements	
Institution	**Project name**	**Status**	**CABINDA**	**NORTH** *Zaire; Uíge; Luanda; Bengo; Cuanza Norte; Malanje*	**CENTER / LOBITO CORRIDOR** *Benguela; Cuanza Sul; Huambo; Bié; Moxico*	**EAST** *Lunda Norte; Lunda Sul*	**SOUTH** *Huila; Namibe Cunene; Cuando Cubango*	**Value chains**	**Project objectives**	**Project components**	**Total project cost**	**Financier contribution**	**Financial tool**	**Implementation start date**	**Project end date**	**GoA counterpart**	**Implementing agency**
AFD	PDAC/CADP - Projecto para o Desenvolvimento da Agricultura Comercial	3. Signed		1st phase: KN, Malange 2nd phase: Luanda, Bengo	1st phase: KS 2nd phase: Huambo, Bie		2nd phase: Huila	Corn, beans, soybeans, eggs, chicken, coffee	Increase productivity and market access for value chain actors comprising eligible farmers and agribusiness SMEs	1. Promotion and support for agribusiness development; 2. Infrastructure for production and marketing; 3. Institutional strengthening and improved business envionment; 4. Project management	230 MUSD	79 M€	Loan	end 2018	2022	MINAGRIF (GEPE)	PIU - CADP
AFD	SREP - Smallholder Resilience Enhancement Project	1. Planned		Bengo, KN, Uíge, Zaire	Benguela		Cunene, Namibe		Enhance agricultural productivity and resilience of households affected by climate change by developing the adaptive capacity of farmers, support service providers and policy makers to better manage the production landscape		tbd	tbd	Loan	end 2019	2025	MINAGRIF (IDA)	tbd
AfDB	Bom Jesus Calenga Smallholder Agriculture Development Project	5. Completed			Huambo			--	Increase the income of smallholder agricultural producers by providing the necessary support and enabling environment to improve food security, income generating activities and the social welfare of the project's beneficiaries: the smallholders farm families in the region of Calenga, in the province of Huambo	1. Rural infrastructure development; 2 Agriculture Development; 3. Capacity Building (IDA, Cooperatives); 4. Project Management	19.7 UA	17.2 UA	Grant	2006	2016	MINAGRIF (IDA)	MINAGRIF (IDA)
AfDB	Cabinda Province Agriculture Value Chains Development Project	3. Signed	Cabinda					Cassava, banana, sweet potatoe, peanut, beans, coffee, cocoa, palm oil, fisheries, poultry, small ruminants, horticulture	Provision of the enabling environment for agriculture development and value addition and rehabilitation or construction of rural and resilient infrastructure	1. Commodity value chains development / 2. Infrastructure Development / 3. Project management	101 MUSD	101 MUSD	Loan	end 2018	2022	MINAGRIF (GEPE & GProv)	PIU - consulting company
AfDB	Support to Angola Sustainable Development and Growth - Angolan agriculture value chains development project	1. Planned		Zaire, Uige, Bengo, KN, Malange	Benguela, KS, Huambo, Bie, Moxico	LN, LS	Huila, Cunene, Namibe, CC	Cassava, vegetables, soybean, flour, livestock and others		1. Value chains development; 2.. Infrastructure; 3. Project management	168 MUSD						
EU	FRESAN - Fortalecimento da Resiliência e da Segurança Alimentar e Nutricional	3. Signed					Huila, Cunene, Namibe		Fortalecimento da Resiliência e da Segurança Alimentar e Nutricional	1. Agricultural production; 2. value chains approach and farmer organisations; 3. institutional capacity building; 4. applied research	65 M€	65 M€	Grant	end 2018	2022	MINAGRIF (GSA); MINAMB (Gab Min); GProv (VG/DSA)	Portugal (I.Camões), FAO, UNDP
IFAD	MOSAP I - Market-Oriented Smallholder Agriculture Project	5. Completed		Malange	Huambo, Bie				Increase agricultural production through provision of better services and investment support to rural smallholder farmers		49,35 MUSD		Loan	2008	2016	MINAGRIF (IDA)	PIU - MOSAP I
IFAD	ARP - Agricultural Recovery Project	3. Signed			Benguela		Cunene, Huila		Contribute to improved food and nutrition security and targeted comunities; restore productive assets and capacity of households affected by recurrent droughts.	1. Sustainable livelihoods recovery; 2. Project coordination and management		6 MUSD					
IFAD	SAMAP - Smallholder Agriculture and Market Access Project	3. Signed			KS		Huila		Increase smallholder productivity, production and marketing for selected crops.	1. Capacity building and institutional development; 2. Support for increased production and commercialisation; 3. Project management		28,8 MUSD	Loan				
IFAD	SREP - Smallholder Resilience Enhancement Project	1. Planned		Bengo, KN, Uíge, Zaire	Benguela		Cunene, Namibe		Enhance agricultural productivity and resilience of households affected by climate change by developing the adaptive capacity of farmers, support service providers and policy makers to better manage the production landscape					end 2019	2025	MINAGRIF (IDA)	
JICA	Projecto de Desenvolvimento do Cultivo de Arroz em Angola	4. Under implementation			Huambo, Bie			Rice	Aumentar a produção de arroz; Formular a "Estrategia Nacional de Desenvolvimento de arroz"; Atingir a meta de produção de 2t/ha.		1,08 B.Yen	1,08 B.Yen	Loan	08.2013	2019	MINAGRIF (IDA, IIA)	Private company (NTC International Co. Ltd.)
World Bank	MOSAP I - Market-Oriented Smallholder Agriculture Project	5. Completed		Malanje	Huambo, Bie				Increase agricultural production through provision of better services and investment support to rural smallholder farmers		49,35 MUSD	30 MUSD	Loan	2008	2016	MINAGRIF (IDA)	PIU - MOSAP I
World Bank	PDAC/CADP - Projecto para o Desenvolvimento da Agricultura Comercial	3. Signed		1st phase: KN, Malange 2nd phase: Luanda, Bengo	1st phase: KS 2nd phase: Huambo, Bie		2nd phase: Huila	Corn, beans, soybeans, eggs, chicken, coffee	Increase productivity and market access for value chain actors comprising eligible farmers and agribusiness SMEs	1. Promotion and support for agribusiness development; 2. Infrastructure for production and marketing; 3. Institutional strengthening and improved business envionment; 4. Project management	230 MUSD	130 MUSD	Loan	end 2018	2022	MINAGRIF (GEPE)	PIU - CADP
World Bank	MOSAP II/SADCP - Smallholder Agriculture Development and Commercialization Project	2. Approved		Malanje	Huambo, Bie				Increase smallholder productivity, production and marketing for selected crops.	1. Capacity building and institutional development; 2. Support for increased production and commercialisation; 3. Project management	70 MUSD	70 MUSD	Loan	end 2017	2021	MINAGRIF (IDA)	PIU - MOSAP II

Institution	Project name	Status	Geography	Value chains	Project objectives	Project components	Financing source	Project cost	Total project cost	Implementation start date	Project end date	GoA counterpart
UNDP	Promoting climate-resilient development and enhanced adaptive capacity to withstand disaster risks in Angolan's Cuvelai River Basin	4. Under implementation	Cunene		Reduce the climate-related vulnerabilities facing the inhabitants of Angola's Cuvelai River Basin through targeted investments and capacity building.	1. Transfer of appropriate technologies and related capacity building for climate and environmental monitoring infrastructure; 2. Enhanced human and institutional capacity for increased sustainable rural livelihoods among those communities' areas most prone to extreme weather events (flooding and drought) in the region; 3. Increased understanding of climate change adaptation and practices in climate-resilient development planning at the local community and government levels.	GEF	8.2 MUSD	43 M USD	2016	2020	MINAMB
UNDP	FRESAN	2. Approved	Huila		Development of technical capacities of Provincial Civil Protection Commissions (CPPC) in DRM and Resilience-Building; Reinforcement of resilient capacities in the most climate variability exposed and vulnerable communities, in particular for early warning.	1. Promote the establishment and strengthen inter-institutional multi-level mechanisms for DRM; 2. Develop and implement a risk information system and early warning system for DRM.	EU	3 MUSD		2018	2021	MINAGRI
UNDP	Promotion of Sustainable Charcoal in Angola through a Value Chain Approach	4. Under implementation	Huambo (not Luanda & KS?)	Charcoal	Introduce sustainable methods to produce and consume the charcoal through the value chain approach.	1. Information and strengthening of the policy framework for sustainable charcoal; 2. Transfer of sustainable charcoal technology to agents along the charcoal value chain; 3. Strengthening of human capacities and institutions.	GEF	4.6M USD	17.8 M USD	2016	2022	MINAMB
UNDP	Agrobusiness sector project	4. Under implementation	Huila, Malange	Horticulture	Promote inclusive market through value chain development.	1. Faciliate access to market; 2. Strengthen supply value chain development.	UNDP	1 MUSD	1 M USD	2014	2022	MINAMB / MINCOM
UNDP	Solar energy for irrigation and drinking water	1. Planned	Cunene, Huila	Water and renewable energy	Facilate access to drinking water in rural cp.		UNDP	not available	not available	2019	2023	MINAMB
FAO	Spiruline production	5. Completed	Cuanza Norte	Spiruline	Pilot project supporting the spirulina sector to help improve the nutritional status of the most vulnerable populations in southern Angola affected by the effects of malnutrition.	(i) local production of spirulina and (ii) distribution of spirulina as a nutrient in the dietary diet of the most vulnerable people.	FAO	249.000	249.000	16/11/2017	31/5/2018	MINPESMAR
FAO	Beekeeping Value Chain Develpment	4. Under implementation	Cunene	Honey	Contribute to improving the food and nutritional security and resilience capacities of vulnerable populations through the promotion of the apiculture sector.	Pilot project to support the beekeeping sector for rural women in southern Angola.	FAO/UNDP	111.000	111.000	16/05/17	31/12/18	MASFAMU
FAO	Hake production	4. Under implementation	South of Angola	Fish	Contribute to improving the food and nutrition security of school-age children.	Inclusion of fish consumption in school meals.	FAO	380.000	380.000	18/12/17	30/6/19	MINPESMAR
FAO	RETESA	5. Completed	Namibe	Agro-pastoral	The goal of the proposed project is to enhance the capacity of southwestern Angola's smallholder agro-pastoral sector to mitigate the impact of land degradation processes and to rehabilitate degraded lands by mainstreaming SLM technologies into agro-pastoral and agricultural development initiatives.	The project will address the need for a more integrated approach to LD, which takes into account the complex interactions between agricultural and pastoral production in the targeted area.	GEF	#########	########	23/04/14	22/04/18	MINAMB
FAO	Fresh water fisheries - inland	4. Under implementation	Moxico/Uige	Fish	The development goal of this project is to help improve domestic fish supply to meet the food and nutrition security and eradicate poverty through responsible fisheries and environmentally sound practices.	Technical assistance in responsible fisheries and products utilization in inland riparian communities	MINPESMAR	#########	########	16/06/16	06-01-19	IPA
FAO	Angola Fisheries Sector Support Project	4. Under implementation	Angolan coastline / Landing Sites	Fish	This Project targets mostly the first Organizational Outcome of Strategic Objective 2 (Make agriculture, forestry and fisheries more productive and sustainable), by supporting producers and natural resource managers in adopting practices that increase and improve agricultural sector production in a sustainable manner.	Technical assistance	BAD	830.906	830.906	08-01-15	31/7/19	IPA
FAO	MOSAP II	4. Under implementation	Huambo, Malange, Bie		The overall objective of the ADP is to promote the sustainable transformation of subsistence agriculture to a commercial orientation, with the aim of achieving food security in the country.	Farmer Field Schools, good practices on agriculture systems, processing and access to markets in an inclusive way.	WB	#########	########	07-03-17	30/6/20	IDA
FAO	Building resilience	4. Under implementation	Huila		Building resilience of vulnerable and drought affected communities in Huila Province. The goal of this project is to enhance the capacity of vulnerable and drought affected communities from the Southern province of Huila to deal with climate change effects and demand for basic services for their children (education, health and nutrition, water and sanitation).	Technical assistance: bridging the emergency-development divide, this project will support nomadic and agro-pastoral communities to strength their capacity to respond, recover and manage the risks posed by the protracted drought and consequent poverty that leads to poor child nutrition and health, challenging child's survival and development.	UNICEF	169.345	169.345	10-02-17	30/3/18	MINAMB
FAO	Recensement de l`Agriculture, de l`Elevage et de la Pêche (RAEP)	1. Planned		Agricultural products, livestock, fish	Strengthen the national system of agricultural statistics and improve the availability of agricultural data.	(i) production of the Census of Agriculture, Livestock and Fisheries (RAEP), basic modules, community and modern farms, and (ii) their use as a basis for the establishment of an integrated permanent system of statistical production on the agricultural sector by carrying out surveys of complementary and thematic modules.	INE	#########	########	09-04-17	31/12/21	MINAGRI
					This project provides resources for the implementation of the FAO component of the Capacity Development (CD) for Agricultural Innovation Systems (AIS) project, which is							
FAO	CDAIS Baby 1 - Angola Capacity Development for Agricultural Innovation Systems (CDAIS)	4. Under implementation	Huambo, KS		funded by the European Commission and jointly implemented by Agrinatura and FAO. At the country level, the projects aims at defining CD needs and existing provision for strengthening AIS in 8 pilot countries through inclusive country-led multi-stakeholder processes.	On that basis, the project will carry out CD interventions in AIS, which are demand-driven and efficient, integrating the development of individual competencies, organizational capacities and enabling policies around priority themes and value chains.	EU	258.489	258.489	01-01-15	31/12/18	MINAGRI
					Sustainable Land Management in target landscapes in							

Annex N3: Portfolio of Companies invested by the Venture Capital Fund FACRA

#	Sociedades / Projectos	Resumo da Situação
141	Serviço de Pagamentos Móveis	• Sector das TIC´s / Serviço de pagamentos por telemóveis • Emprega 24 pessoas • Implementado na Província de Luanda, com abrangência nacional • Em fase conclusiva de implementação • Governança corporativa implementada de forma satisfatória • Investimento realizado em Julho de 2014 • Investimento: AKZ 776,0 milhões
213	Padaria	• Sector Secundário / Produção e processamento alimentar • Emprega 7 pessoas • Implementado na Província de Luanda • Em produção desde Novembro de 2015 • Governança corporativa em implementação • Investimento: AKZ 10,0 milhões • Desinvestimento até Outubro de 2017 de AKZ 1.4 milhões
226	*Call Center*/Centro de Chamadas	• Sector das TIC´s / Serviço de *Call Center Inbound e Outbound* • Emprega 86 pessoas • Implementado na Província de Luanda, com abrangência nacional • Em operação desde Setembro de 2014 • Actualmente tem 9 clientes (2 seguradoras, 2 sociedade de TIC, 3 unidades de saúde e 2 do Estado • Governança corporativa implementada • Investimento: AKZ 251,1 milhões
367	Produção de Adubos Orgânicos	• Sector Primário / Agricultura • Emprega 48 pessoas • Implementado na Província do Huambo, com abrangência nacional • Investimento realizado em Novembro de 2016 • Investimento: AKZ 165,8 milhões
454	Produção de derivados de moringa	• Sector Primário / Agricultura / Chá e suplemento alimentar • Projecto de expansão com 13 trabalhadores • Implementado na província de Luanda e Uíje, abrangência nacional • Investimento realizado em Setembro de 2017

Projectos em actividade/ investi. FACRA é accionista

Projectos na fase de negociação/ due diligence FACRA em fase de se tornar participação

Projectos arquivados por incumprimento dos incumprimento.

#	Sociedades / Projectos	Resumo da Situação
		• Investimento: AKZ 47,0 milhões • Pendente de marcação da escritura pública
412	Lavandaria	• Investimento realizado em Dezembro de 2016 • Desinvestimento realizado em Junho de 2017 por incumprimento dos Promotores • Sector Terciário / Serviços diversos de lavagem • Perspetivava empregar 7 pessoas • Seria implementado na Província de Luanda • Escritura publica realizada, mas sem entrada na Conservatória do Registo Comercial • Investimento: AKZ 29,8 • Desinvestimento: AKZ 29.767.513
475	Produção de Sabão	• Sector Secundário / Indústria • Empregará 27 pessoas • A ser implementado na província de Luanda, abrangência nacional • Investimento: AKZ 109,9 milhões • Memorando de entendimento em fase de negociação
482	Floricultura	• Sector Primário / Produção de flores • Empregará 27 pessoas • A ser implementado na província do Bengo • Investimento: AKZ 76,9 milhões • Condições precedentes para a assinatura do Memorando de Entendimento (*Term Sheet*): pendente de aprovação do crédito bancário (alavancagem financeira)
441	Plataforma de Carregamentos Electrónicos	• Sector do TIC / Plataforma de carregamento electrónicos • Empregará 48 pessoas • A ser implementado na província de Luanda, abrangência nacional • Montante pedido ao FACRA pelos promotores: AKZ 844,4 milhões • Memorando de Entendimento em fase de negociação
452	Produção de Brindes Publicitários	• Sector Secundário / Produção e processamento de meios publicitários • Empregará 21 pessoas • A ser implementado na província de Luanda, abrangência nacional • Investimento aprovado pela CI: AKZ 140,3 milhões • Condições precedentes para a assinatura do Memorando de Entendimento (*Term Sheet*):

Projectos em actividade/ investi. FACRA é accionista

Projectos na fase de negociação/ due diligence FACRA em fase de se tornar participação

Projectos arquivados por incumprimento dos incumprimento.

#	Sociedades / Projectos	Resumo da Situação
		• **Arquivado a pedido dos promotores**
477	Escola Internacional	• Sector Terciário / Educação / Escola Internacional • Empregará 135 pessoas • A ser implementado em Luanda • Oferta de ensino de qualidade na modalidade de escola internacional, bilingue, com curriculum de ensino angolano • Investimento aprovado pela CI: AKZ 607 milhões • Memorando de entendimento partilhado com o promotor, mas não assinado • **Arquivado por iniciativa do promotor**
203	Serviços Médicos de Emergência	• Sector Terciário / Saúde • A ser implementado na província de Luanda • Promotor com dificuldade para cumprir com a promessa de fazer um coinvestimento de AKZ 25 milhões, que inicialmente era de AKZ 50 milhões; • Reunião realizada em Março de 2015, com objectivo de definir novas metas para concretização do investimento (Coinvestimento, flower letter e revisão do BP). Passados 5 meses, o promotor solicitou o arquivamento por incapacidade de co-investir e apresentar flower letter. • Valor do Investimento aprovado pela CI: AKZ 100 milhões • **Arquivado a pedido do promotor**
335	Água de Mesa	• Sector Secundário / indústria • A ser implementado na província de Luanda, abrangência nacional • Foi solicitado a restruturação do projecto e revisão do coinvestimento do promotor, de tal maneira que o mesmo fosse implementado faseadamente, e não torna-se maioritário • Preparou-se o memorando de entendimento com algumas condições para a sua assinatura, mas nunca foram cumpridas • Solicitou-se a documentação do terreno previsto para implementação da Fabrica, mas este foi dado como garantia a um banco comercial para um outro projecto dos promotores • Valor do Investimento aprovado pela CI: AKZ 200 milhões • **Projecto Arquivado a pedido do promotor**
351	*Software* para realização de transacções/pagamento de forma segura	• Sector Terciário / TIC • A ser implementado na província de Luanda • Valor do Investimento aprovado pela CI: AKZ 900 milhões

Projectos em actividade/ investi. FACRA é accionista | Projectos na fase de negociação/ due diligence FACRA em fase de se tornar participação | Projectos arquivados por incumprimento dos incumprimento.

Annex N3: Meeting scheduled whilst in Angola – as part of the TPSDE Mission

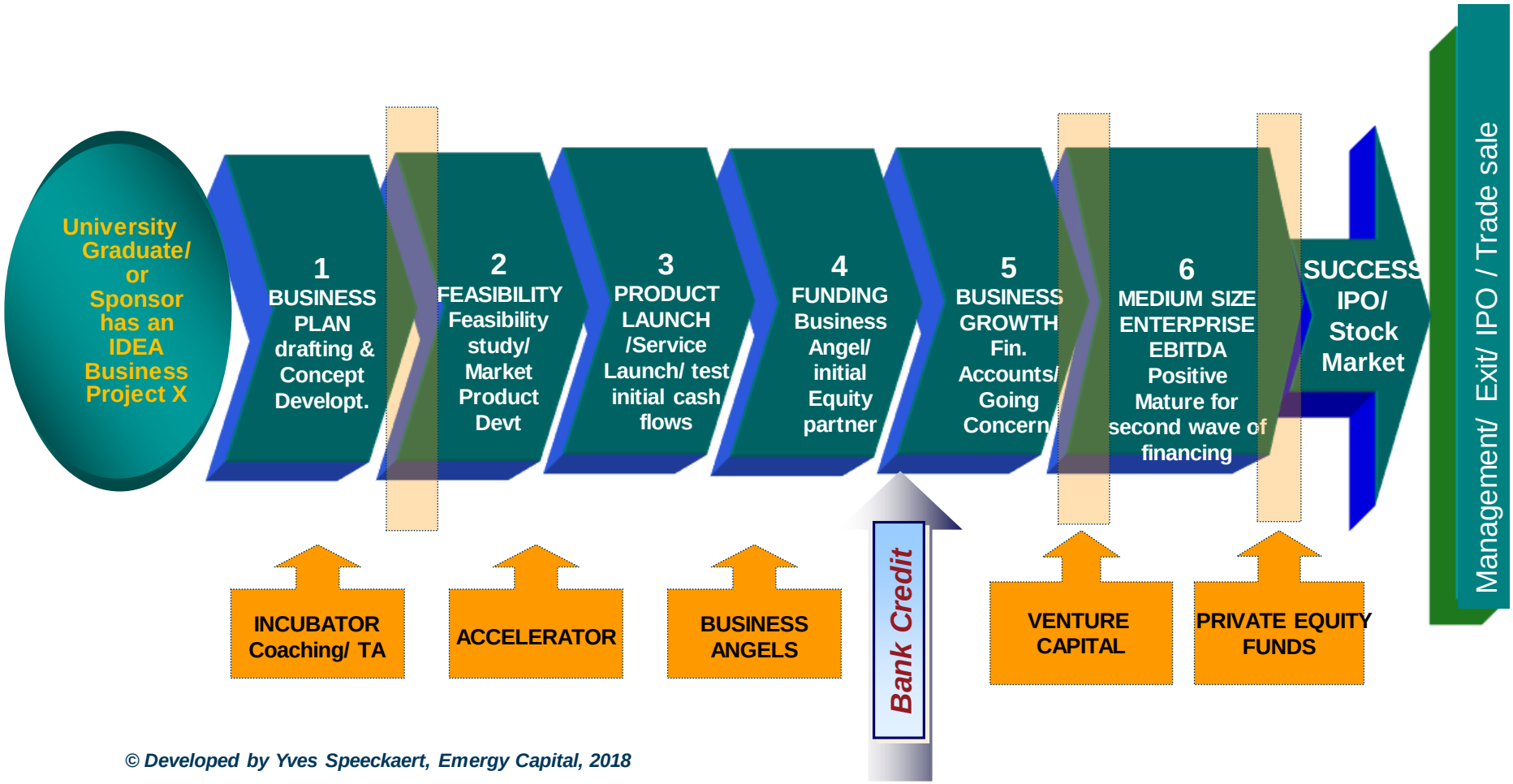
MISSION EC TPSDE Facility - program visit 10.09.18 - 22.09.18 -- version V.01							
	Monday 10	**Tuesday 11**	**Wednesday 12**	**Thursday 13**	**Friday 14**	**Saturday 15**	**Sunday 16**
08:00	Flight Lisbon - Luanda	Planning - EUD	Min of Industry	ADRA Assoc Rural	PSD AGRO LIDER	Visit to the Sao Miguel	
09:00	**arrival 08:00**	Ministerrio Financas	Rua Cerq Lukoli	Nelarmino Jelembi	José macedo TBC	National monument	
		Largo da Mutamba			Not in Luanda	Luanda -	
10:00	Mission Planning			PSD - Groupe Bolloré		& with Tourism Expert	
	Meeting EUD	Min Rec Naturais/ Oil	**Multilateral DFI**	JC Junin - Directeur	Assoc Empresarial	<Noam Shany	
11:00	Min Econ & Planning	Marginal	**WB, AfDB, IMF**		Francisco Viana, Pres.		WRITE UP
	Sr Pombal, Director		**EUD - Alignment**	Private Sector Co2			Interview Consolidation
12:00							**Key Findings**
	AIPEX - Export	***lunch***	***lunch***	***lunch***	***Lunch - VIANA***	***lunch***	
13:00	Sandra dos Santos						
14:00	INAPEM		FAJE Forum Ang	Banco SOL - Micro-cre	Mr Jose Ribeiro	Tourism Sector	
	Antonio Assis	Min Pesca e Mar	Jovens Empreendores	Dr Miguel Coutinho TBC	Patricia Baptista	National Park Kissama	
15:00		Isabel Cristovao DG	Min Turismo		Afr. Devt Bank (ADB)	Bird and fauna expert	
	Assoc Empresarial		Meeting N5 - TBD	Primavera Angola			
16:00	Francisco Viana, Pres.	FACRA - VC Fund		Dr Sergio Lopes ITC	Debriefing on W1		
		Mr Poulson			Meeting EUD		***Preparation Week 17-09***
17:00	ACOM Apoio Comercio			Mr Silvain ITTE			***HUILA - Benguela***
	Bernardo Piazzardi			Ambassadeur France			***14:40***
18:00			TBC				
19:00	***Evening meeting***						
	Dinner	***Dinner***	***Dinner***	***Dinner***	***Dinner***	***Dinner***	
	HOTEL →	**LUANDA**			**LUANDA**		**Luanda**

MISSION EC TPSDE Facility - program visit 10.09.18 - 22.09.18 -- version V.01

	Monday 17	Tuesday 18	Wednesday 19	Thursday 20	Friday 21	Saturday 22	Sunday 23
08:00	LUANDA	BENGUELA	HUILA	HUILA			
	Business/ Private S.	Grande Dombe	Bus Transport	Agua Branca	Conference call		
09:00		Agri Cooperative	Benguela- Huila	Corn and Coffe prod	Tiago Laranjeiro		
			5h through the country	Moagens de	**FIPA VC FUND**		
10:00		Esivayo Coop		Villa Blanca	Meeting EUD		
					EIP Facility/ debrief		
11:00	Luanda	Visit to the Salt		Plantation of			AZER
	Private Sector	Production - Benguela		Coffee (arabica)	Meeting with ACOM		NT 854
12:00				Agua Branca Munic.	Director -		**11:35 - 12:25**
	lunch	***lunch***	***lunch***	***lunch***	***lunch***	***lunch***	
13:00	BENGUELA						
14:00	Flight Luanda Benguela	**FERTI ANGOLA**	Aniceto ROSARIO	Lunch with Mr	Meeting with ADB		
	arrival 14h00	Fertilizer and Machinery	Agro & Consultant	Joao Lopes	& Proparco - Bastien		
15:00		Jurge Alvares, CFO	Mapping - Civil Assoc	Hotour (Tourism/ Lodge)			
	Meeting with ADRA						
16:00	Celia SAPALO	Meeting w Antonio	AAPCILL -	**Granisul - Marble/**	**Meeting with FIVEST**		
	Planning visit Cooperative	Saraiva - Agronomist	Jose Elisio da Costa	Rochas Ornementais	CEO Gildo Faceira		***Arrival Luxembourg***
17:00		Founder Huambo AI	Joao Black Fernandes	Flight back Lubango	Conglomerate - 3000 person strong		***Sunday 23***
						departure Lisbon	***16:30***
18:00			Lubango			***TAP 23:35***	
			Visit to Swiss Milk product				
19:00	***Evening meeting Dinner***	***Dinner***	***Dinner***	***Dinner***	***Dinner***	***Dinner***	

LUANDA - Flight → **BENGUELA** | **HUILA** | **Luanda**

Annex N4: Entrepreneurship and Innovation Life Cycle and Value Chain – Model



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