



## DG DEVCO C4

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# Assessment of the use of EU External Investment Plan in Angola

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## Background and justification

The private sector in Angola has been almost annihilated by three factors:

- A 27 year pro-acted civil war which destroyed much of the industrial infrastructures and productive companies that were still thriving up till 1975 (in the agro-industry, coffee, cotton, textile sectors, among others).
- The discovery and predominance of the oil and 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, and hence discouraged many of the private or foreign initiatives to diversify the economy in sectors other than oil and diamonds.
- A planned economy which relied mostly on public initiatives and relatively inefficient public institutions for industrialisation, instead of encouraging private sector initiatives or public private partnerships (PPPs), as seen in many other sub-Saharan African countries.

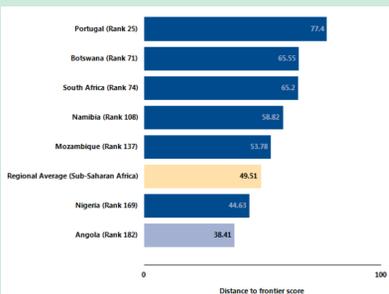
The new Government in Angola is reform-minded and its National Plan of Development 2018-2022 supports the private sector and sectorial diversification in order to revive the economy and lower the dependency on the price-volatile oil commodity sector.

However, the challenges are enormous, as Angola needs truly a cultural change to move from cheap money, imports and spending mentality to a hard working entrepreneurial one, with local production, import substitution and, in the long run, the grooming of a new generation of Millennium entrepreneurs and managers.

## Objectives

The main objective of the assignment was to support the EU Delegation in the pre-identification of the 11th EDF Private Sector Development programme through a mapping of the Private Sector in Angola including local private sector actors and a cross-section of European businesses that have invested or are actively trading in Angola, and an assessment of the potential to use of the EFSD guarantee fund of the EIP in Angola.

A secondary objective was a pre-identification of the future programme.



*Angola and comparative  
countries ranking on the ease of  
doing business*

### **The Government of Angola's National Development Plan 2018-2022**

- *Human Development and well being of the population.*
- *Economic and sustainable development.*
- *Infrastructures needed for the Development*
- *Reinforcement of Democracy and Good Governance.*
- *Harmonious Development of the National Territory.*
- *Stability and integrity of national territory and strengthened role in regional and international instances.*

## Recommendations

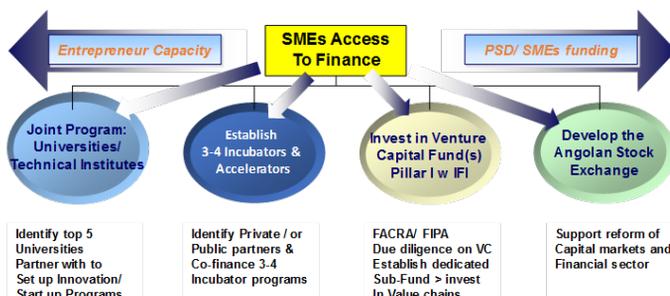
### 1. Access to finance for SMEs

The assignment recommends the use of the EFSD to finance and develop at least 2 privately run enterprise incubators in Angola. This would allow Angolan entrepreneurs a conduit through which they can develop their business, receive peer-to-peer and business coaching and lead to the initial equity funding of their business.

Technical Assistance of the EIP should also provide training of trainer and expert lead coaching of these incubators.

Another tangible private sector support opportunity for the EIP Pillar I and II are:

- Equity/grant investment directly into the fund, managed by a partner International Finance Institution or a bi-lateral Development bank,
- Technical assistance to the funds to help coach the portfolio managers and also provide direct Management skills to the companies invested in.



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### 2. Value chain opportunities in the agricultural sector

The Government of Angola has been putting a lot of effort on re-launching agricultural value chains that were thriving until the 1975's, and on developing national production and transformation units more evenly distributed throughout the country.

Taking in consideration the programmes already developed by multi and bi-laterals donors on some value chains, but also looking at how to improve food self-sufficiency and nutrition safety and in order to

reduce the Import-Export large imbalances, the assignment allowed to identify three main value chains:

- Wheat production and transformation,
- Reviving Coffee production, branding and 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.

### 2. Business Climate

In terms of the Private Sector Support Programme, the report recommends technical assistance for the setting-up and capacity building of the new Competition Regulatory Agency, as an independent (or quasi-independent) Supervision Agency as key to arbitrate 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. Another recommendation is to consider the drafting or modernising of the Stock Exchange Act and Capital & Securities Market laws of Angola, with the Government of Angola, to create a viable alternative to capital formation and capitalisation in promising and innovative Angolan companies and SMEs, plus the possibility of setting up a junior equity market as part of the Luanda-based Stock Exchange.

### 4. Structured dialogue with the private sector

To support structured dialogue between the European Union and the Government of Angola, the report stresses that the establishment of a European Business Organisation (EBO) in Luanda could be a useful instrument to engage dialogue with European Business representatives and the Angolan private sector and business associations. It is recommended that this idea is pursued by a follow-up mission that would establish the Charter, purpose and objectives as well as the organization and financial structure of such an EBO in Angola.