REPUBLIC OF ANGOLA

MINISTRY OF ECONOMY AND PLANNING

MEMORANDUM

On the procedures to create and implement Free Trade Zones

July 2021

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I. BACKGROUND

1. The purpose of this memorandum is to bring to the attention of the Diplomatic Missions and Consular Offices of Angola's Economic Diplomatic Corps, as well as the Diplomatic Missions accredited to Angola, the procedures for the implementation of Free Trade Zones, pursuant to the provisions of Law no. 35/20, of October 12 — the Free Trade Zone Law (LZF), and its regulation, sanctioned by Pre5idential Decree no. 4/21 of January 4 (RLZF).

2. Free Trade Zones are specific, separate, and demarcated geographic areas within a country — usually located within or in the vicinity of a port — which are reserved for export-driven manufacturing industries and offer tax advantages to companies. It is a territorial space of a country where customs regulations are applied in a differentiated manner or not applied at all, allowing foreign-origin goods to enter and remain in the country, or to be processed industrially without being subject to regular customs tariffs.

3. The purpose of their creation is to promote trade and, in certain cases, to speed up regional development. In these locations, the Government supports the establishment of businesses and manufacturing industries by granting them differential treatment and various tax and customs benefits, such as lower tax rates.

4. Their establishment and implementation in the Republic of Angola seeks to attain the following economic and social objectives, among others, to:

a. Stimulate and accelerate economic development;

b. Encourage and attract foreign and domestic direct investment;

c. Promote the creation of direct and indirect jobs;

d. Accelerate economic structure diversification through the verticalization of the production chain;

e. Speed up the diversification of non-oil exports,

f. Encourage the transfer of knowledge and technology, and enhance production efficiency and competitiveness;

g. Speed up the technological development of the domestic manufacturing industry.

1. In addition to the introducto v section, this Memorandum covers the details found in the above-mentioned statutes, such as the initiative to create, demarcate, oversee, and explore the Free Trade Zones.

2. In addition to the introductory section, this Memorandum covers the details found in the above-mentioned statutes about free Trade Zones, such as:

   a. Initiative and creation,

   b. Demarcation,

   c. Oversight, and

   d. Exploration

II. LEGAL FRAMEWORK

3. Under Angola's legislation, a Free Trade Zone is a geographically demarcated area intended for the development of technology, industry, agriculture and agribusiness, trade in goods and services, and import/export activities, and benefiting from special taxation, customs, labor, immigration and exchange rate regimes, the regulation of which will depend on their specificity.

4. The Free Trade Zone legal regime includes the following typologies: free zones, export-processing zones, free ports, and free enterprises.

5. The purpose of creating and implementing a Free Trade Zone is essentially to promote (domestic and foreign) direct investment, speed up the diversification of the domestic productive matrix, and create more jobs, while considering multiple economic and social objectives.

6. As economic and social development mechanisms and instruments of investment support, Free Trade Zones are governed by the basic principles of a market economy, coupled with the general principles of Angola's investment policy, , including:

    a. Respecting private property;

    b. Respecting free market and fair competition rules among economic agents;

    c. Respecting private enterprises, except for areas reserved for the State;

    d. Ensuring the *safety* and protection of private investment;

e. Promoting the free movement of goods and capital, in accordance with legal conditions and limitations;

f. Equal treatment for nationals and foreigners;

g. Respecting and complying with international agreements that Angola is party to.

7. The process of creating a Free Trade Zone begins with submitting a proposal to the Head of the Executive Branch, who may ask for the expert opinion of the entities at the location proposed for the creation of the Zone, and/or other public entities involved in the industries to be implemented in that location, in accordance with the provisions of Art. 4, item 3 of the RLZF.

8. Free Trade Zones are created by Presidential Order, through a proposal by public or private entities, in accordance with Art. 6 of the LZF and Art. 4 of the RLZF, to include the following:

    a. Name of the Free Zone

    b. Geographical delimitation

    c. Duration

    d. Environmental impact analysis

    e. Social impact and economic feasibility assessment

    f. Strategic and development plan

9. Free Trade Zones may be created anywhere in the country, pursuant to Art. 9 of the LZF; however, they should be in demarcated areas to ensure

their separation from the country's customs territory, pursuant to Art. 14 of the same statute.

10. The area delimiting the Free Trade Zone must be established in such a way zr to facilitate monitoring the 9rom outside [the Zone] and preventing any opportunity to illegally remove any goods from the free zone, pursuant to Art 12, item 1 of the LZF.

11. As a rule, investment in th e Free Trade Zones shall favor environmentally friendly projects, and the corresponding environmental sustainability shall always be maintained, as per Art. 11 of the LZF.

12. The statute creating the zone must be based on a Strategic and Development Plan, as provided for in Art. 5 of the RLZF, and must include:

    a. Designating the corresponding free trade zone;

    b. Identifying the socioeconomic projects to be developed;

    c. Establishing the management system;

    d. Proposing procedures and mechanisms to attract investors;

    e. Determining public services to be available at the free trade zone;

    f. Developing the urban and architectural design and basic sanitation plan, with indication of areas most appropriate to implement the industrial park and required basic support services.

g. Indicating solutions for the implementation, enhancement, and maintenance of means of communication, accessibility and mobility systems, power and telecommunications networks, water intake and treatment systems and other infrastructure.

13. Each Free Trade Zone must have a management entity designated by the statute that creates such a Zone, which can be either a state-controlled, private, or government-controlled private company, as per Art. 22 of the LZF and Art. 9 of the RLZF.

14. If the management entity is a private company, a concession agreement is entered into where the concessionaire is chosen according to the contracting procedures provided for in the Government Contracts Law.

15. The oversight of the activities conducted in the Free Trade Zones will be carried out by the Ministerial Department responsible for the economy, in accordance with Art. 6 of the RLZF, which will contract companies specialized in the inspection/control of the different sectors found in the Free Trade Zone.

16. The Free Trade Zone concession is granted for a 23-year period, which can be renewed for an equal period, as per Art. 23 of the LZF, provided that the management entity has fully complied with its legal and contractual obligations as provided for in the concession agreement.

17. To make investments in and have access to the Free Trade Zone, an application must be submitted with the required elements, and once approved, the investor shall enter into an investment agreement with the management entity, which is responsible for reviewing the investment

plans within 15 days, in accordance with Arts. 13, 15, 16 and 17 of the RLZF.

18. If the management entity fails to review the investment plan within the above-indicated time limit. the proponent may submit the pI9n to bo reviewed by the Oversight Entity, as provided for in Art 17, item 2 of the RLZF.

III. SPECIAL REGIMES, BENEFITS AND FACILITIES

19. The management entities, investors and other private entities enjoy the rights, duties, benefits, and facilities provided for in the LZF.

20. Investors, companies, joint ventures, and other legal entities which enjoy the benefits provided for in the LZF cannot conduct the same economic activity in the country's customs territory, as provided for in Art. 24 of the LZF.

21. Benefits and facilities are automatically attributed to investors and derived from the Free Trade Zone investment agreement.

22. The granting of benefits related to Industrial Tax, VAT, Customs Duties, Property Tax, Capital Gains Tax, and other similar *taxes* is permitted, in accordance with Art. 24, item 5 of the LZF.

23. Without prejudice to tax and customs benefits, the Free Trade Zones enjoy immigration,laboi, exchangerate,and |nanGa|speca|regimes.

24. Regarding the special immigration regime, a flexible regime shall be envisaged with an expedited visa issuance process, especially for skilled

workers, investors, and tourists, as provided for in Art. 25, item 2 of the LZF and Art. 35 of the RLZF.

25. Regarding the labor force special regime, special labor legislation shall be considered with a more flexible labor hiring process, focused on productivity and competitiveness, and facilitating the international mobility of the labor force, as per Art. 25, item 3 of the LZF and Art. 32 of the RLF.

26. Regarding the special exchange rate and financial regime, it shall favor the free movement of capital and the convertibility of major international currencies in the Free Trade Zone, in accordance with Art. 25, items 4 and 5 of the LZF.

IV. JURISDICTIONAL GUARANTY

27. All Free Trade Zone investors are guaranteed access to the Angolan Courts in defense of their interests, as well as to due legal process, protection and safety, and prompt resolution of any disputes arising and related to waivable rights.

28. Disputes may be addressed by usfng alternative methods of dispute resolution, such as negotiation, mediation, conciliation, and arbitration, provided they are not, by special legislation, exclusively subjected to a court of law or to necessary arbitration, as provided for in Art. 36 of the LZF.

V. CONCLUSION AND RECOMMENDATION

29. In view of the above, Free Trade Zones may be created by private or public initiative, through a proposal to be submitted to the Head of the Executive Br9nch that fully complioc with tho roquiramontc of Art. 4 of tho RLZE.

0.In conclusion, it is recommended that, whenever possible, any pri\late sector proponents be referred to the writer hereof so that proper meetings may be arranged for the purpose of ensuring that the required documents are properly prepared in compliance with the legislation in force.

We remain, yours sincerely

Luanda, July 27, 2021