

LEGAL ALERT

LEGISLATION APPROVED BY PARLIAMENT BOOSTS BUSINESSES AND DEALS IN ANGOLA

On 19 January 2021, in a plenary session of Parliament, three Statutes of material importance to economic agents doing business in Angola were approved, the publication of which in the Angolan Official Gazette is now awaited.

1. The “Law on the Legal Framework for Corporate Recovery and Insolvency” was unanimously approved.

MPs across the board have noted as advantages of this Law, amongst other aspects: *(i)* the overcoming of a legislative lacuna; *(ii)* the implementation of a system to support distressed companies capable of being turned around; and *(iii)* easing the ability to do business and the promotion of investments.

Prior to the passing of this new law there were no procedures for the corporate recovery or rescue of companies in financial distress. Most companies facing difficulties would either be left dormant or subjected to a long and bureaucratic bankruptcy procedure, preserving very little value for creditors at the end of it. The measure is also intended to stimulate responsible bank lending.

The shift in paradigm, based on the recovery of companies deemed to be preferential (viable), as well as creating conditions for companies to effectively resort to insolvency when needed, brings with it a number of challenges. There will undoubtedly be work to be done in order for economic operators and judicial authorities to familiarise themselves with the legislation, deal with the practical aspects of its implementation and move towards

adopting a more commercial corporate rescue culture, a novelty in Angola. The other side of the coin, however, is that existing difficulties such as limited resources and delays will still be experienced and possibly become more strained initially, depending on the number of insolvency proceedings commenced under the new Law.

2. The Proposal for the Law on the Framework for Movable Securities, which has as its main goals the providing legal certainty and more safeguards for lenders taking securities in financing transactions and also boosting economic growth, was also unanimously approved.

On behalf of the MPLA Party, it was declared that the Statute “is a crucial element for the existence of a healthy financial sector and a business environment which welcomes investments, while also facilitating the granting of finance by reducing potential losses that the creditor might have in default situations”.

The legislation foresees the creation of an entity responsible for the registration of movable securities, which will centralise and publicise the creation, modification and extinction of the securities are covered by the Law. These include, amongst others, pledges, mortgages and the assignment of receivables as a security.

As occurred in Mozambique, which in late 2018 approved a movable securities registration framework with similar features, we anticipate that the entry into force of this Law may give rise to several practical issues, such as difficulties in harmonising it with provisions of other legislation such as the Civil Code, the logistical effort in creating the actual securities Registry and in cross-referencing data with other already existing entities. Nonetheless, financial institutions lending into Angola will most certainly welcome the ability to register movable securities and have their priorities recognised.

3. Finally, and also unanimously approved, we refer to the law that regulates procedures for the incorporation of companies, which resulted in the simplification of these procedures. We highlight the elimination of the obligation to legalise minutes books of commercial companies before the Commercial Registry Offices. This formality will now be dealt with by corporate bodies themselves. This measure aims at lessening bureaucracy and conform to market practice in several other jurisdictions.

The international market sees these as important steps to reform the business and investment environment in Angola. It will help reduce gaps and bottlenecks, including the complex system for FDI entry and establishment. We take the view that these new legislative changes will help improve institutional capacity and coordination to fully take advantage of Angola's strategic location, abundant natural resources and preferential access to external markets.

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