

ANGOLA – AN OVERVIEW OF THE OUTLOOK TOWARDS

BRITAIN AND POTENTIAL FOREIGN INVESTORS

1. INTRODUCTION

- 1.1 The Angolan government is taking measures to reach out to new potential partners and foreign investors in a bid to secure sustainable growth and diversity for its oil dependent economy. This was one of several key themes to come from a recent event about the country attended by Drum Commodities Limited.

2. KEY THEMES

- 2.1 Following a long and destructive civil war, Angola is now a country with a very young population of around 20 million, a large landmass with huge potential for agriculture and a severe lack of infrastructure.
- 2.2 The recent drop in oil price has affected the country's budget, which had been based on USD 100 per barrel for 2015. This has now been revised based on a more conservative estimate of USD 40 per barrel. Although it is expected Angola may soon overtake Nigeria in terms of oil production, the government is aware that it relies heavily on this commodity and is looking to diversify to ensure sustainability in the future and has therefore maintained the provision for social and investment programmes.
- 2.3 Despite its natural resources and huge investment potential, Angola has been off the UK's radar for a long time. Reasons for this include its recent history of civil war, the fact it was not part of the Commonwealth and that English is not widely spoken in the country. Relationship building between the UK and Angola is still in the early stages and a British-Angolan Chamber of Commerce is only just being set up in London for example. There is also reportedly no British Council yet in Angola.
- 2.4 Traffic in the capital Luanda is very congested, with people taking hours to drive from one side of the city to the other, and links between cities being degraded. The government has a five year transport plan for the capital and a new airport is currently being built, although it is as yet unclear how the road links from this new facility to the city centre will work and a degree of traffic congestion is predicted.
- 2.5 Angola is keen to form relationships and work with new international partners, distancing itself, or rather, not being so heavily reliant on its traditional partners: Portugal, Brazil and China. Portugal's economy has been weakened in recent years, Brazil has other priorities and Angola is wary that it has become very reliant on China, especially in the construction sector. Some large scale infrastructure projects such as major highways across the country that were built in recent years by Chinese companies are already in desperate need of repair.
- 2.6 Following the civil war, a number of veterans remain in positions of power or political influence, which has led to a degree of conservatism within the government. There are three main types in power: those who want change, modernisation and closer ties with new countries, those who don't want change and those who are pragmatic and would prefer to stay as they are but accept that change needs to happen for the country to move forward. With this in mind, the success of an SME or even a large company setting up in Angola is a little dependent on who is approached in each government department.

- 2.7 Overall, there are ministers who want to attract investors and businesses from the UK, but the barriers to entry for SMEs are significant, including the need to deposit USD 1 million. It is expected that consortiums will do well in the country in the coming years. Angola also has a very Portuguese style of retail, with many small shops instead of shopping centres, for example.

3. BUREAUCRACY/ CORRUPTION

- 3.1 Angola is not the easiest of business environments, with bureaucracy being a big factor. Even to obtain a visa, there is a lot of form filling to do. The time it takes to achieve anything or receive a reply in the country can be frustrating.
- 3.2 Foreign companies looking to invest are strongly advised to have a native Portuguese speaker on board and enter into a partnership with either an Angolan or a company already established in the country.
- 3.3 Many Angolans do not speak English at all. Companies would be unwise to go there thinking they can get away with not speaking Portuguese. All documentation is in Portuguese.
- 3.4 Corruption is rife in the country and a great degree of care is required. Family links to the long standing President are widespread and lead to a minefield in terms of the links between different private/ public companies and government departments. It is possible to do clean business in Angola but companies must be aware that they may lose out to less scrupulous companies. The Chinese are a major competitor and don't play by the same rules as European companies.

4. AGRICULTURE

- 4.1 Angola imports practically all of its food and is a major export market for chickens from the USA. This bodes well for traders looking to import soft commodities for example, as well as for those providing collateral management services.
- 4.2 The government does have plans to increase agriculture and move towards food self-sufficiency but a huge amount of work is needed before this can become a reality. Current barriers include a lack of irrigation, even though water is plentiful, lack of infrastructure and fertiliser.
- 4.3 The import of fertilizer will be key to improving agriculture as Angola does not currently have the capacity to make its own.
- 4.4 With regards to export commodities, the Angolan government has shown a keenness for the country to become a coffee producer, however it is a very competitive market and this plan may be over ambitious. It has also shown interest in exploring the production of GM cotton.

5. MONEY MATTERS

- 5.1 Angola has higher than average wages compared to surrounding countries and West Africa. Ordinary teachers and policemen, for example, reportedly earn the equivalent of USD 1,000 per month and most people supplement their wages with other activities.
- 5.2 The government is looking to increase wages in an effort to control corruption as the living costs are so high in the country.
- 5.3 It is very difficult to get US Dollars out of Angola at the moment. The country has many dollars, but prefers to give out the national currency, the Kwanza. The traditional viscosity of extracting money from the country is not expected to change, but the current block on dollars is expected to be lifted.