

DOING BUSINESS IN **ANGOLA**

ECONOMY • POLICY • PRIVATISATION • TRANSPARENCY • BUSINESS ENVIRONMENT • OIL & GAS • DIAMONDS • MANUFACTURING • RESOURCES



CANADIAN COUNCIL ON AFRICA

PREFACE

Angola has embarked on a major reconstruction effort since its 27-year civil war ended in 2002. Independence from Portugal in 1975 had quickly led to fighting between the Popular Movement for the Liberation of Angola (MPLA), led by José Eduardo dos Santos, and the National Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi. National elections in 1992 promised peace, but UNITA resumed the war after the MPLA appeared to have won the polls. The war is estimated to have claimed up to 1.5 million lives, with an additional 4 million people displaced. The war ended with Savimbi's death in 2002, confirming the MPLA's hold on power. The country came another step closer to political stability with the ceasefire agreement on 15 July 2006 between the government and separatists in Angola's oil province Cabinda. Angola's President dos Santos has pledged to hold parliamentary and presidential elections before the end of 2007.

Angola's economy has grown rapidly over the past few years, boosted by an expanding oil sector. Approximately 80 per cent of Angola's government revenues come from oil sales, and diamond exports provide an additional seven per cent. Growth estimates for Angola's gross domestic product (GDP) for 2005 range from 15.5 per cent to 20.6 per cent, and forecasts for 2006 are as high as 27.9 per cent. Despite recent strong economic performance, poverty is chronic in Angola, with income levels of most of the population below US\$2 a day. Health and social indicators are among the lowest in the world. Agriculture still sustains two-thirds of Angola's population.

Nevertheless, Angola has high medium-term potential, and average income levels could be among the highest in Africa as a result of rising oil production, extensive diamond resources, and plentiful arable land. The country was once the world's fourth-largest coffee producer, a major iron ore producer, and an exporter of high-quality marble, food, and sisal. The industrial sector produced food, beer, textiles, and cement among others.

To achieve its potential, Angola needs to overcome some serious short-term challenges. Authorities have barely begun to address the legacy of fiscal largesse and corruption during the civil war, Angola's external debt, an extensive public sector, state institutions that continue to control their market without concomitant accountability, as well as business-related obstacles. The International Monetary Fund (IMF) reported that an estimated 80 per cent of the road network is largely unusable; only a small part of the rail network is currently operative; electricity distribution is limited and unreliable; and only a third of the population has access to safe water. Landmines, mainly in agricultural areas, also continue to present an obstacle to mobility and economic activity.

Angola has in its favour the strength of its resource sector. Oil revenues finance an ambitious public works programme that includes the restoration and expansion of the country's economic and social infrastructure, including roads, airports, ports, railroads, housing, hospitals, schools, and government buildings. A wide range of opportunities exist for companies to participate in the resource sector and in reconstruction efforts, as well as in other sectors of the economy.

The estimated budget to restore roads and bridges alone is US\$4 billion. Beside its own resource-driven financing base, the Angolan government has sought international assistance to rebuild the country's infrastructure. Multilateral institutions like the World Bank and the African Development Bank have re-established relationships with Angola, and a host of countries, including China, the US, Brazil, South Africa and the EU have opened the door to business opportunities for their companies. Canada's presence is comparatively minor.

I. BACKGROUND INFORMATION

Angola lies on the west coast of Africa, between latitude 5° & 18°S and longitude 11° & 24°E. It borders the Republic of Congo to the north, Zambia to the east, Namibia to the south, and the Democratic Republic of Congo to the northeast. The Atlantic Ocean forms the country's western border.

Angola's terrain falls into three major zones. A narrow coastal plain, expanding to 200km in places and rising to an altitude of 400m; a range of coastal mountains; and expansive plateaus rising to between 1,000m and 2,000m high. The highest elevation is Mount Moco at 2,620m.

The country's main rivers flow from the interior toward the Atlantic Ocean. Its principal hydrographic basins are the Zaire, Kwanza and Cunene, which flow into the Atlantic, and the Zambezi, which flows towards the Indian Ocean.

Angola's climate is semi-arid in the south and along the coast to the capital Luanda. The north has cool, dry seasons from May to October, and hot, rainy seasons from November to April.

Demographics ¹

Population (2006)	12.1 million
Population growth rate (2006)	2.5%
Median age (2006)	18 years
Birth rate (2006)	45.1 births/per 1,000 population
Death rate (2006)	24.2 deaths/per 1,000 population
Infant mortality rate, total (2006)	185.4 deaths/per 1,000 live births
Life expectancy, total (2006)	38.6 years
People living with HIV/AIDS (2003)	240,000 (Infection rate approx. 3.9%)
Ethnic groups	Ovimbundu 37%, Kimbundu 25%, Bakongo 13%, mestiço (mixed European and native African) 2%, European 1%, other 22%
Religion (1998)	indigenous beliefs 47%, Roman Catholic 38%, Protestant 15%
Primary languages	Portuguese (official), Bantu and other African languages

¹ Source: CIA World Factbook, Angola (last accessed 6 August 2006)

II. POLICY OVERVIEW

National Development Strategy

The policy programme underpinning Angola's development strategy is contained in the government's rolling two-year programme for 2005 and 2006.¹³ Government intends to achieve its two overriding objectives, viz. to fight hunger and to promote social stability, via a range of initiatives ranging from macroeconomic stabilisation to the relaunch of private sector activity and productivity in the non-oil sectors.

Further objectives with a direct economic impact include the training and education of human resources, employment creation, the reform of public administration and the financial system, as well as the strengthening of the rule of law including the protection of private property.

Wider social objectives include the reintegration of former soldiers and people displaced by the war and the deepening of the democratic process including the holding of parliamentary and presidential elections before the end of 2007.

Public sector investments are viewed as necessary to establish the basis for private sector activity. Investments in economic infrastructure and social services therefore

have a central position in the government programme.

The government foresees that 63 per cent of its two-year programme funding will be dedicated to the revival of the economy, 20 per cent to the improvement of social services, 8 per cent to institutional reform and capacity building, and 5 per cent to housing, urban planning, basic sanitation, and the environment.

Financing for the programme will be predominantly secured from public development aid (61 per cent) in the form of bilateral and multilateral credit, particularly from China and Brazil, the EU, the World Bank, and the African Development Bank. The balance will be financed internally.

Fiscal Policy - Budget 2006

The Angolan government considers itself responsible for the provision of defence and internal security, health and education services, basic sanitation and environmental protection, as well for infrastructures and economic services.

Angola's budget policy is directed towards the financing of these activities. Since a large part of the budget expenditure is capital in nature and provides the basis for future economic development, the 2006 budget deficit target of 8.3 per cent is considered sustainable.¹⁴ Despite progress registered in recent years

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¹³ Angolan Ministry of Finance, Programa Geral do Governo para o Biénio 2005-2006, www.minfin.gv.ao

¹⁴ Angolan Ministry of Finance, Orçamento Geral do Estado 2006, www.minfin.gv.ao

III. The Business Environment

Four years after emerging from civil war, Angola unsurprisingly remains as a difficult business climate in the World Bank's annual *Doing Business*²² survey. However, Angola features in the top third of countries in terms of investor protection, and has become more business-friendly with the recent adoption of a new private investment law, the creation of a private investment agency, and the introduction of generous investment incentives.²³

Other business-related measures taken by the authorities to modernise the Angolan economy include a new land law, the near elimination of export tariffs, the implementation of its customs modernisation programme including revised import tariffs, and a draft law requiring foreign oil companies to use the national banking system for the financial transactions related to oil exports.

The IMF has promoted further measures that would facilitate private sector investment and growth, highlighting contract enforcement, a reduction of bureaucratic delays and costs as well as effective competition in the private sector.²⁴

Investment Laws

The Private Investment Law (Act 11/03)²⁵ was introduced in May 2003, establishing the principle of equal treatment between national and foreign investors and simplifying administrative procedures for investment and profit repatriation²⁶ to encourage entrepreneurship and make private investment more attractive.

Investments are permitted in all areas except those reserved for the State, the latter including basic telecommunications network infrastructure, the central bank and the national currency, ownership of sea- and airports, and weapons production or sales.²⁷

Investments in the oil sector (upstream), diamond extraction and financial institutions are governed by separate legislation and require the participation of Angolan interests, either state or private.

The law introduced a minimum requirement of US\$100,000 for foreign investments, reserving smaller ventures for Angolan micro and small enterprises.

The approval of investment applications was reduced to 15 days for investment amounts below US\$5 million, and to 30 days for

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²² World Bank, *The Cost of Doing Business*, September 2004, cited in IMF Country Report No. 05/228

²³ World Bank, *Doing Business in 2006*, www.doingbusiness.org

²⁴ IMF Country Report No. 05/228

²⁵ Lei de Bases do Investimento Privado, Lei no 11/03 de 13 de Maio

²⁶ IMF Country Report No. 05/228

²⁷ Áreas de investimentos exclusivas do Estado Angolano, in ANIP, *Quer um bom motivo para investir en Angola?* (brochure)

IV. PRIORITY BUSINESS SECTORS

The most obvious business opportunities run under the theme resources & reconstruction. The strength of Angola's resource sector underpins the country's ambitious public works programme to rehabilitate and expand its economic and social infrastructure. A wide range of opportunities exist for companies to participate in the resource sector and in reconstruction efforts.

Other sectors of the economy provide lucrative opportunities as well. The country was once the world's fourth-largest coffee producer, a major iron ore producer and an exporter of high-quality marble, food and sisal. The industrial sector produced food, beer, textiles, cement and much more.

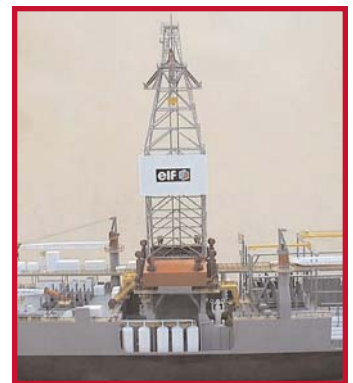
The Angolan government has highlighted farming, fisheries and related industries, manufacturing, civil construction, roads and railroads, ports and airports, telecommunications, energy and water infrastructure, education and health care, as well as other sectors related to heavy equipments and carriers of passengers and goods as preferred sectors for domestic and foreign investments, and has introduced generous support for investors in most regions of the country.⁴⁹

Hydrocarbons

Angola is the second largest oil producer in Sub-Saharan Africa, after Nigeria. In 2005, production surpassed the one million barrel per day production threshold at 1.24 million bpd, a steep rise from just 746,000 bpd in 2000 and 633,000 bpd ten years ago⁵⁰. Oil production is predicted to reach two million bpd by 2007/08 with new deep-water production sites⁵¹.

Proven oil reserves in Angola have tripled in the last ten years, rising to 9 billion barrels in 2005, from 3.1 billion barrels in 1995. Reserves are mainly located in Angola's offshore blocks., although some are also onshore near the northern coastal city of Soyo. Estimated reserves are in excess of 10 billion barrels.

Foreign investment in the oil sector rose to over \$US4 billion in 2003-04. Analyst projections indicate that foreign oil investment could total more than \$US18 billion over the next four years⁵². The top foreign oil companies operating in Angola are US-based ChevronTexaco and ExxonMobil, France's Total, UK's BP, UK /Dutch Shell, and Italy's Agip/Eni Oil Company. Newer exploration and production partners include China's Sinopec and South Africa's Eskom.



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⁴⁹ See earlier section "Investment Incentives".

⁵⁰ BP Statistical Review of World Energy 2006, Historical Data Series

⁵¹ US Energy Information Administration, Angola Country Analysis Brief, January 2006; IMF Country Report No. 05/228

⁵² Angolan Embassy in the US, Trade Promotion Brochure (undated)

V. RESOURCES FOR CANADIAN BUSINESSES

Canadian businesses contemplating opportunities in Angola may be able to tap into support from various Canadian departments and agencies. While Canada does not maintain an Embassy in Luanda, the High Commission in Harare is accredited to Angola and is available to support Canadian businesses investigating this new and exciting market. It is hoped that in the near future a commercial officer will be in place in Luanda.

International Trade Canada

International Trade Canada (ITCan) and its Trade Commissioner Service (TCS) support Canadian business development initiatives abroad. Their websites are the best starting points for Canadian Firms investigating export markets:

Step One: Visit Export Source

Is your business ready to go global? ITCan can help you decide. Exportsource.ca is a one-stop resource for Canadian exporters. The site includes self-assessment tools for export readiness, a "Roadmap to Exporting," a "Step-by-Step Guide to Exporting," links to industry sector teams, and much much more.

Step Two: Contact your ITCan Regional Office

Located in cities across the country, their officers understand your industry and are available to assist you. Exportsource.ca can help you find the office in your region, just click on "Regional Export Information" on the left hand menu.

Step Three: Visit www.infoexport.gc.ca & register

The site has a wide variety of resources including market intelligence and links to Canadian trade offices across Sub-Saharan and North Africa. Registration even gets your Virtual Trade Commissioner (vTC) of your very own! The TC Will provide you with customized access to regularly updated information and business opportunities in your selected markets

Step Four: Contact TCS staff in your markets

Trade Commissioners and Commercial Officers provide six core services in the countries they cover:

1. Market Prospect
2. Key Contacts Search
3. Local Company Information
4. Visit Information
5. Face-to-Face Briefing
6. Troubleshooting

Step Five: Visit www.infoexport.gc.ca/IFINet

To learn more about international financial institutions such as the African Development Bank and the World Bank IFINet provides up-to-date news as well as considerable resources about international development business opportunities and trends. From financing fact sheets on various developing countries, to IFIs, aid agencies, and investment funds to the regularly updated "success Stories," IFINet is a comprehensive resource for those firms that want to know

VI. APPENDICES

Visa Requirements for Canadians

Almost every foreign citizen requires a visa to visit Angola, and Canadians are no exception. Transit visas are valid for 5 days, and are extendable for up to 5 more days if requested within 72 hours. Ordinary visas for tourism and business trips are valid for 30 days and extendable for up to 90 days. The ordinary visa takes up to 15 working days to process upon receipt of a complete application.

The Angolan Embassy in Ottawa:

189 Laurier Av. East
Ottawa , Ontario K1N 6P1
Phone: 613-234-1152
Fax: 613-234-1179

E-mail: consular@embangola-can.org
Website: www.embangola-can.org

(Country and business information is also available on the Embassy website)

The Embassy's Consular Section is open for routine consular business from 9:00am until 3:30pm Monday to Friday. The Consular Section is closed for both Angolan and Canadian holidays.

Work visas need to be initiated in the country of origin. Visa requests will be sent to the Angolan Directorate of Immigration and Customs (DEFA) in Angola for approval,

and applicants need to allow for at least 45 days processing time. Work visas are valid for up to 2 years.

All applicants need to submit:

1. an application form in duplicate;
2. a recent passport photograph;
3. a passport valid for at least six months;
4. documentation stating the purpose of travel.

Transit visa applicants need to submit in addition:

5. a travel ticket photocopy

Ordinary (including business travel) visa applicants need to further submit:

6. a letter of invitation from an Angolan counterpart;
7. a round-trip ticket or itinerary photocopy;
8. application fees;
9. proof of means of subsistence (US\$100 per day)

Work visa applicants need to submit as well:

10. an authenticated work contract;
11. two additional photographs;
12. an authenticated statement agreeing to respect Angolan laws;
13. authenticated certificate that no criminal proceedings are pending;
14. authenticated medical statement of health, incl. an HIV test.

The Consulate or Embassy may require additional information from an applicant.