

# ANGOLA

## Economic diversification creates exciting openings

Heavily reliant on oil revenue and investment, Angola is opening up its economy like never before as it pursues opportunities in sectors such as agriculture, fisheries, industry and financial services with the help of established foreign partners, including Japan.

The Angolan economy is opening up to international investors like never before, with the recent acceleration of its diversification drive attracting interest from foreign companies active in a broad range of industries and sectors. Long reliant on oil revenues to fund socioeconomic development projects and programs, the country of 33 million people is embracing privatization through the sale of stakes in state-owned enterprises and exploring investment opportunities with the support of solid partners from many of the world's most advanced countries, such as Japan.

This strategy is working relatively well and received a boost a few months ago when a pair of U.S. companies signed a contract with the Angolan administration for a showcase \$2 billion solar project in four southern provinces. The announcement was made by U.S. President Joe Biden, who said: "The project will help Angola meet its climate commitments, including generating 70% (versus around 60% today) carbon-free power by 2025."

The announcement matched pledges by Angolan President João Manuel Gonçalves Lourenço, in the run-up to this August's election, in which he promised to oversee a massive infrastructure spending spree that will address energy issues through investment in new power capacity, particularly in the field of renewable energies, given its favorable climate and natural resources, meaning a particular focus on solar and hydro-electric projects. Improvements will also be made to transport and logistics networks, such as highways, ports and aviation infrastructure.

Angola's certain strategic elements combine to make the country an attractive market to international investors, with political stability, high hydrocarbon and mineral wealth and access to large, populous markets across southern Africa among its leading assets.

**Oil price spike boosts foreign earnings**

Ministers and leading analysts are confident higher oil prices in the international market will not affect the paradigm of the diversification of the Angolan economy. The oil sector is currently responsible for less than a third of Angolan gross domestic product, versus 43% in 2011, when the economic diversification strategy was launched.

This progress is welcome and will act as a solid foundation for subsequent phases of focus on nonoil activities, said

Angola's Minister of Finance Vera Daves. Asked what sectors will help the republic achieve this goal in the medium-to-long term, the minister is unequivocal: agriculture, fisheries and industry. "Agriculture is the champion and we are growing in the fisheries sector, too, while significant growth in the transport segment has also been registered in recent months," she said. "All three sectors should be the engines of growth of the nonoil economy, but agriculture tops them in terms of investments, effort, commitment and motivation."

"In the oil sector, investments will keep coming in order to maintain stable production. With time, we should see interesting things happen in the gas field as well. We are seeing that the private sector is making moves in that direction. In renewable energies, solar farms are also arousing plenty of interest, but they are public investments, whereas funding for gas projects is centered on private investments."

Daves drew parallels between the oil sector and the banking and financial services industry, noting both enjoy decent levels of competition and operate and are regulated in line with strict international standards. This impressive standard of compliance is a further reassurance for investors that their

**'Agriculture, fisheries and industry should be the engines of growth of the nonoil economy; oil sector investment will continue.'**

Vera Daves, Minister of Finance

funds will be processed efficiently, securely and transparently. Angola now boasts the third-largest banking industry in sub-Saharan Africa, behind South Africa and Nigeria. The sector has become more robust, better capitalized and helped accelerate the digital transformation process and stabilization of the currency.

"Whether in Angola or overseas, when talking about the oil and financial sectors, they are relatively similar," Daves explained. "In terms of law, compliance, demands, service quality, we can improve, but still, we are getting better at the quality of our service. The National Bank of Angola has been working



Vera Daves  
Minister of Finance



Manuel Homem  
Minister of Telecommunications



Adilson Santos  
Chairman, Angola Telecom



Rafael Kapose  
CEO, BCS Bank



Hugo Teles  
CEO, Banco BIC

hard to align with good international practices and demanding the financial system also reach this alignment."

**Financial services streamline flow of FDI**

Over the past couple of decades, the performance and growth of the financial sector has improved through government measures that have encouraged the lending of additional monies to manufacturers and entrepreneurs. Angola's profile has also benefited from the 2019 hosting of the Tokyo International Conference on African Development. "Our experience with Japan is one of the best," noted Mário Augusto Caetano João, Angola's Minister of Economy and Planning. "We have had key investments and financing from Japan over the years, mainly in the restructuring and rehabilitation of our textile factories. We have been resorting to Japanese machinery, mainly for the automobile industry."

## Liberalized telecommunications sector in good shape

Strategic investments and arrival of international players have boosted competition and enhanced connectivity

Angola's telecoms sector continues to develop at a decent pace thanks to a forward-thinking government and many incentives and measures that have encouraged cross-border investment agreements and enticed leading providers, whose investments have boosted coverage and competition and lowered prices for customers.

State-of-the-art information and communication technology (ICT) network infrastructure has also boosted the nationwide rollout of the pro-business administration's digitalization drive that utilizes the latest hardware and software to collate and improve public access to key services, including health and education. Angola's current telecoms providers are the experienced quartet of Africell, Movitel, Unitel and state-owned Angola Telecom.

"Our telecommunications sector was put to the test during the pandemic. In recent years we have made a lot of investments in telecommunication networks; with the installation of fiber-optic networks for the entire country, infrastructure for submarine cables, and a set of other needs so the market could ensure the operation and development needed," explained Angola's Minister of Telecommunications, Information Technologies and Social Communication Manuel Homem. "Angola wants to digitalize the African continent and has already taken steps. We want affordable prices; our country has a vast territorial dimension. We are going to have more competition and better prices, but are also introducing a series of services like those of virtual mobile operators. Technology will accelerate the development of Angola in the next 10 years."

**Sector ripe for growth and investment**

That positive outlook is shared by Adilson Santos, chairman of Angola Telecom, who stated while the sector has achieved giant strides over the past few years, there is plenty more potential that has yet to be fulfilled. "Our challenge is extremely big as the indices say we still have 50% of the population to reach; but this challenge also shows the opportunity that exists for investors to come here, including in partnerships with current operators. Angola Telecom is totally available for any partnership. We are open to investment opportunities that can bring us added value and that result in a win-win situation."

We have a lot of needs as we still have very few ICT equipment manufacturers, but it also opens a very big window of opportunity."

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# Huge reserves of black gold offer rich rewards for firms throughout supply chain

Recently crowned Africa's largest oil producer, Angola is using record returns to fund new infrastructure and services while looking to the future with renewables.

Angola's oil industry has enjoyed a strong upward trajectory for several decades and the country is now one of the top oil-producing countries on the continent. While economic diversification is a promising medium- and long-term goal, the hydrocarbons sector's rich potential has attracted a string of overseas oil giants, such as TotalEnergies, BP, Eni and ExxonMobil. Indeed, in the second quarter of this year, Angola took the crown as Africa's largest oil producer, with data from OPEC revealing it had beaten West African rival Nigeria for the top spot. OPEC's Monthly Oil Market Report disclosed Angola generated 1.16 million barrels per day in May, placing it ahead of Nigeria, which suffered falls in output. In addition to its important contribution to the Gross Domestic Product, oil comprises more than 90% of total exports, according to data compiled by the World Bank. Such an impressive scale means opportunities in the upstream and downstream segments abound, with foreign majors utilizing a range of Angolan business for crucial operations and support services, both tangible and intangible. Created almost half a century ago, Sonangol — National Fuel Society of Angola — is the exclusive licensee for exploration of oil and gas in the basement (metamorphic or igneous rock) and on the continental shelf of Angola. The company's activities span exploration, research and development, marketing, production, storage, transport and refining of hydrocarbons and their derivatives, and can be performed independently or in association with foreign firms.

**Oil major Somoil is industry figurehead**  
In the private sector, the largest local oil company is Somoil, a hugely successful firm that is a textbook example of how private enterprise is supporting socioeconomic development through substantial investment, employment, training and creation of significant foreign exchange. Headed by dynamic CEO and Chairman Edson dos Santos, the firm has thrived in recent years by adopting a culture of innovation and commitment to excellence across its broad spectrum of operations. These include core activities like oil exploration and production in onshore and shallow water blocks, development and marketing of crude oil and its derivatives, along with a network of gas filling stations and a new focus on the development of renewable energies rather than just traditional fossil fuels. Earlier this year, the company teamed up with British oil and gas production and development company Sirius Petroleum to acquire interests in world-class energy assets. The deal for Angolan offshore blocks 18, 27 and 31 was struck with state-owned Sonangol. Prior to that deal, the company reached an agreement with France's TotalEnergies and Japanese oil major Inpex Corp. involving their respective interests in offshore block 14. "This opportunity (with Sirius) is aligned with Somoil's growth strategy;



**Edson dos Santos**  
CEO and Chairman, Somoil



**Mário João**  
Minister of Economy and Planning

entering ultradeep waters not only enhances our portfolio but represents a huge step towards becoming a major player in the energy industry in Angola," stated a delighted dos Santos. "Angola has been blessed with really good geology and the success of our exploration is renowned, but also the flexibility that the government of Angola has been showing towards the

**‘Angola has been blessed with really good geology and the success of our exploration is renowned. We have plenty of exploration potential in new activities.’**

Edson dos Santos, CEO and Chairman, Somoil

industry has made a difference. We have plenty of exploration potential in a lot of new activities. In 2022, we've seen an increase in the number of drilling rigs; Angola also restarted the handling of exploration wells, which is a very strong sign that the industry is growing again. The positive trend will continue into 2023 and beyond, meaning the energy sector will remain a big contributor to the Angolan economy." Having worked closely with Japanese people and companies throughout his career, Minister of Economy and Planning Mário João is generous in his admiration and eager for Japanese investment to help shape and sharpen his country's future. "Our experience with Japan is one of the best," he said. "As Japan is the world's third-most-robust economy, we want to continue to deepen the economic relations with Japan and bring Japanese



Somoil is Angola's largest oil company with a wide range of upstream and downstream operations that make it a major employer.

companies here for the many business opportunities, such as renewables and disruptive technologies in fields like agribusiness, automobiles and phytopharmaceuticals (plant-derived compounds with pharmacological activities)," João added.

**Focusing on the future via renewables**  
In March of this year, oil titans Eni and BP signed an agreement to create a 50-50 joint venture that will create Angola's largest hydrocarbons producer. Although the market is home to many international oil companies, Somoil has done an admirable job of retaining lucrative market share. The firm boasts a strong track record of success and amid soaring oil prices has almost doubled its production over two years, a move that helped the award-winning company declare its highest income of all time in 2021.

While extremely proud of its history and roots, Somoil is now trying to move away from oil-only operations and establish activities in the energy arena. At the same time, the senior executive noted, the company wants to ramp up integration by increasing its downstream product portfolio. "Our renewables business is also growing, particularly solar energy," dos Santos said. "We have also signed a partnership with a big foreign company to help us develop the skill set that we need on the solar side, and we have started with solar panels in Angola."

Strong and consistent flows of foreign direct investment have been an important factor in Angola achieving its development ambitions in the oil and gas industry and other sectors. While billions of dollars have already arrived, significant potential is still waiting to be unlocked by international investors, many of whom will seek local partners like Somoil to optimize returns on projects.

"There is a lot of stability in Angola, especially in the oil industry," he said. "The government really listens to private investors and again the oil industry has quite a few examples of that; marginal fields is one. That Marginal Fields decree came out in 2018 and unlocked significant resources. "We have also had new decrees around natural gas; we can now explore and book reserves — a huge step for a resource that was being basically wasted, but today it's bringing value to the table. Indeed, gas brought more revenue to Angola in 2021 than diamonds, so that has been a tremendously positive development," dos Santos said. "On a less serious note, Angola is a beautiful country with great weather that is blessed in terms of nature — deserts, forests, coastline — so it's a perfect combination for any investor. Equally important — we are a friendly and truly young population. More than two-thirds of Angolans are young and the evolution in terms of human resources quality and skill set has changed significantly over the last 20 years. "I'm probably the first generation that graduated from college in my family, but all my young relatives go to college; it's no longer big news, it's expected. Human resources are now available in terms of quantity and quality. Most Angolans are bilingual, they speak English or French as well as Portuguese." The Luanda-born businessman is eager for international companies to share in the success of the country's economic growth through FDI or alliances and partnerships with local players, not just in the hydrocarbons industry, but other aspects of the economy, too. "We need more private energy companies," he said. "I urge investors from Japan and elsewhere to consider Angola as a place to invest. The opportunities are tremendous, not just in the energy sector, but in agriculture, fisheries, mining and tourism."

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