Diversifying the Economy

Angola Gains Momentum

A beautiful country with a wealth of enviable resources, including oil and diamonds, Angola stands as a beacon for other nations in the sub-Sahara.

Having successfully implemented peace after a long period of conflict, the country of 22.1 million people bordering Zambia, Namibia and the Democratic Republic of Congo is now growing fast.

Celebrating a new constitution that embraces democracy and the rule of law, the Angolan government, headed by President José Eduardo dos Santos since 2012, is making strong inroads into infrastructure development, education and economic diversification, with effective fiscal policies and a business-friendly climate.

“The sustainability of our development presupposes the need to reduce the current dependence of our economy on crude oil,” says dos Santos. “Diversifying economic activity and production, in particular, is therefore a critical issue, an urgent and pressing task, determining our future and more effective national independence. The great challenge facing us all is the face of growth, and we define as a strategy the achievement of sustained growth for several years; rehabilitation, modernization and development of economic and social infrastructure; promotion and realization of investment in public and private training, qualification and appropriate management of human resources; as well as adoption of a labor policy and objective remuneration.”

Relations with the United States are also extremely positive. During a two-day visit by John Kerry to the Angolan capital Luanda in May, the U.S. secretary of state announced the provision of a loan of almost $600 million through the Export-Import Bank of the United States to help the country purchase a Boeing 777, and another $300 million “of additional economic investment.” Kerry hailed the country as “a place of enormous economic activity with great promise for future economic growth and development” and said that he and President dos Santos had spoken about increased possibilities of cooperation in agriculture, in technology, in energy diversity and also in infrastructure, the areas where growth is more prominent.

Effective fiscal policies have been introduced to stabilize the economy, and public sector investment, particularly in infrastructure, has become a primary mechanism for transforming the revenues of the resource sector into valuable public assets capable of supporting economic diversification and inclusive growth. Last year, the U.S. Embassy provided nearly $434,000 in English-language training, educational exchanges and fellowships, and information resource services.
Expanding the Banking Sector

Angola is Africa’s second-largest oil producer, and its economy has scored highly, despite the drop in international oil prices. Angola’s monetary policy has been focused on ensuring inflation-and exchange-rate stabilization, as well as resilience to external shocks. The National Bank of Angola dropped its interest rate by 25 points three times last year, and has expanded credit to the economy. Consumer price inflation fell from 9 percent in 2012 to 7.7 percent at the end of 2013, the lowest figure in 20 years.

In 2015, once the next wave of public investment has kicked in, GDP could grow by as much as 8.8 percent. Manuel Neto da Costa, chairman of the board of directors of Angola Development Bank (BDA), explains the bank’s role in Angola’s future:

“Our work is very much linked to the government’s National Development Plan from 2013 to 2017, which has identified positive sectors for growth. First, one has to address the basic infrastructure that will lead to improved economic development: the costs of context.

“Our principal role is to provide financial resources for the medium and long term, and to cultivate an entrepreneurial spirit,” he says. “We evaluate each project on merit and the client’s ability to generate cash to repay the financing. Additionally, we can take the initiative: This means that sometimes, even when there is no will or proposal to address a particular need, we will look for partners to promote the provision of that service or product.”

The bank uses oil wealth to distribute funds and, for this reason, will only lend to local firms or investors. It is, however, keen to form partnerships with foreign investors to establish technology know-how transfers.

“One of the common failures in local firms is the lack of business knowledge, although there is a lot of will,” da Costa says. “The United States is always way ahead, so we recognize the importance they would have here in terms of expertise in setting up institutions. We need to take advantage of their presence here, and walk confidently and securely, so that the economy becomes sustainable. Investment is needed in almost every sphere, barring oil and diamonds.”

A bank for life
In the meantime, José Aires, chairman of the board of directors of Banco Angolano de Negócios e Comércio, explains that despite the relative sophistication of Angola’s banking system, it is not looking to become a financial hub. “Angola needs a very robust, healthy and strong financial system, with clear rules and strong partnerships,” he says. “Angola doesn’t need a banking system that may eventually cause damage to the entire country and could raise suspicion from the international community.

“We live in a world where we talk a lot about compliance. This may not be as clear as one may think. I think that Angola doesn’t need to be the Switzerland of Europe; we need to develop ourselves every day, we need to create jobs and stimulate industry — that almost doesn’t exist yet. Wealth management is not for us now. Our bank, just like some others in the market, has adopted compliance rules, which are currently being implemented. We work with technological platforms that allow us to detect, in any transaction, whether we are facing a compliance situation or not. This means we are accomplishing what the law implies. We do exactly what any bank in London or New York does, what is legislated. Today it’s impossible to do a SWIFT transaction avoiding these rules: SWIFT itself controls it. Today it is not possible to work outside of the system, and we have been part of it for a long time already.”

Although BANC is small, its performance has been outstanding in the past year. “The bank’s capital increased by more than $58 million and, according to our predictions, will shortly reach $100 million,” Aires says. “This measure will make us more robust and allow us to develop a five-year business plan. At this particular moment, our goals are very immediate.”
Moving in the Same Direction

As part of its move to become a middle-income country, Angola is undergoing a range of structural changes that will help it plan adequately for the future. One of the most pressing tasks has been to get official records for this enormous country, which needed to deal with the aftermath of the civil war: around 4 million displaced people and the destruction of 80 percent of its infrastructure.

A census is now being carried out by the National Statistics Office (INE), an agency that has invested significantly in new technologies to ensure it will be a success. There have been challenges, not least mapping a country that was last mapped in 1975 and recruiting a qualified team to carry out the detailed tasks a census requires. There is also the geographic issue; Angola is three times the size of France and has some extremely remote areas. Camilo Ceita, CEO of INE, takes up the story:

“The last census was done in 1970 and was not exhaustive at all,” he says. “There were political factors that prevented census staff from getting to all villages, so this is really the first comprehensive one we have ever done in the country. We discovered there were private services and products we needed in order to carry out the census, and we had to get these from abroad. We needed qualified people with at least nine years of schooling to organize this, and we sorted that out.”

The mapping took two years to finish, Ceita says, but is now completely up to date.

“We acquired satellite images to support the process, which was accomplished by more than 1,000 students from the Institute of Geography in Angola, and some others from abroad who had returned from finishing their studies. Programming the data was facilitated with the support of Portugal, Brazil, South Africa, Cape Verde and Mozambique, and over the last few years, we managed to put in around 1,255 micro-activities. We used the universal United Nations methodology. The great thing is that it will be indispensable data for the private sector, the press, the education system and, of course, the government. We have invested just $10 per person and are almost there.

“I’m committed to taking Angola out of the group of African countries that have estimated population figures. Angola is an amazing country and an example to follow in Africa.”

Security is another area that is using technology as a tool to become more effective. At the forefront of this growth area is Copebe, a 21st-century company that is adept at protecting assets and property through its network of well-trained staff.

“We have clients in all sectors,” says Alector Torres, CEO. “We have a contract with Sonangol, with the British Embassy, and we also work within the residential sector. We are in all industries and the big companies in Luanda, and we offer our services to the provinces. So we have complete coverage at national level.

“Our methodology is very much
geared toward the prevention of a robbery, rather than fighting off robbers. When an intervention is needed, it is done quickly and discreetly. The change in mentality of our workforces is a great investment and will improve a lot in the future. Security is important everywhere you go, and with Copebe, you know you are getting a world-class service. We have a very important role in serving the people who come here to invest or help develop our country with the best security possible."

Investors can also be reassured that Angola’s telecommunications sector is up to speed. The country is leading the way with a new generation of mobile network technology and will soon be working with 4G, thanks to a $100 million upgrade to the mobile-phone network. The Ministry of Posts and Telecommunications is keen for foreign help in rebuilding the country’s infrastructure and communications networks.

Established in 2001, Unitel is Angola’s privately owned mobile phone operator, serving 10 million customers. With a commitment to reaching the untapped millions, the operator is currently installing fiber-optics across the country. Its mission is not just to please shareholders — Unitel is 25 percent owned by Portugal Telecom and 75 percent-owned by Angolans — but to connect educators, doctors and industry with the very best technology. CEO Tony Dolton explains why:

“People don’t think Africa is leading the technology world, but in Angola, and at Unitel in particular, we are investing in cutting-edge technology because we know it will speed up development, not just in our industry but across the board,” the executive says. “Without us, GDP can grow, but with us, it will grow quicker.

“My ambition and vision is that we become the investor’s business partner of choice for delivering high-quality and high-speed services. Our operations center is as good as any you will see around the world, operated by high-caliber and highly motivated people. And they are Angolans.”

With 51 percent of the Angola market under 18, there is still a huge market to penetrate. “We have 42 people in the company who are over 40 years old, and employ 1,500 people in total, which means we are very dynamic,” Dolton says.

“We have high expectations because we can always be better: our ambition is not only to be recognized as being the number one operator in Angola, but also the best service provider in Africa.”

The inspirational brand has a network of shops across the country that “resemble Apple stores” and sell “the most popular handsets in Angola,” according to the upbeat CEO. “We think a way into the future, and while we have to deal with electricity challenges, we do consider ourselves slightly above the competition in terms of service delivery and technology. We have built a fiber-optic network across the country.

“It is our long-term vision that keeps our shareholders happy and committed to the future of Unitel. Our customers see us as inspirational and fun. I have to say, I knew nothing about Angola before I came down here [Dolton was previously chief technology officer for Vodafone Egypt], but I was pleasantly shocked and surprised. The negative image people outside the country may have of Angola has to change: It is a beautiful country and far more advanced and dynamic than you imagine. There is a window of opportunity for investment at the moment, and it’s really about how big you can think.”

Over at Movicel, a spokesman for the national GSM mobile net-
work — part of Angola Telecom — explains how the company is growing in a structured and solid way: “We used to say that this is not a sprint, it is a marathon. Thus, we should walk carefully, choose the best path and make the best decision according to these ideas,” he says. “Over the past year, our main goal has been to oversee how fair and adequate market prices were and how customers felt about the competition’s tariffs. As a result of that research, we created new plans and tariffs that would better suit our client’s needs and differentiate us even more from our direct competition. We offer simple packages, and we want people to be able to communicate without being worried about how much are they paying and when they have to buy more credit.

“We were the first company in Angola to be able to scale prices by age — for example, we launched ‘Geração M’ especially for young people aged between 14 and 25, mostly focused on SMS and data services, since it is what they use the most. As well as that, we launched a strong campaign on corporate deals for big companies, because we want to help them help the country develop. To sum up, our strategy comprised repositioning our portfolio and investing in coast-to-coast network improvement.”

Water and rail improvements
In the meantime, Empresa de Águas e Saneamento de Benguela e Lobito (EASB) is performing an important social function by improving the province’s water and sanitation and providing clean drinking water for its people.

The initial project was set up in 1992, during the conflict, and aimed to supply the populations in the big cities. In 2007, the World Bank financed a second project to improve water quality and set up a wastewater collection system. Both still work successfully.

“The quality of the water is much better now, and cholera outbreaks have completely disappeared in those cities,” Jaime Alberto, central Benguela Province coordinator of EASB, says. “There are two control centers taking samples in different parts of the cities to monitor the water being distributed. In 2011, we were asked to manage the water supply in the rural part of the province, and today, many of the villages have three generators installed, which recirculate the water supply, giving villagers access to water 24 hours a day. We are very proud to have made this happen.”

Also based in Benguela, the Caminho de Ferro de Benguela-EP (CFB) provides a railroad to the port of Lobito, which is situated on the Atlantic coast in the west of the country. CFB has a total network of 1,344 kilometers, providing access to the interior part of the country. Beyond the city of Luau, the railway also connects to DCR and Zambia; and from the latter, passengers and cargo can connect to Mozambique and Tanzania.

This, says the company’s chairman of the board of directors, José Carlos Gomes, makes CFB effectively a transcontinental railway connecting Angola to the Indian Ocean. “The railroad of Benguela is the most important economically,” he says.

“After the peace pact of 1991, the railroad started working at medium distances, but construction was never fully restarted until 2005 when the Chinese brought the technology and material needed. In August, the China Railway Construction Corporation declared the railway finished. The current speed of the trains can go up to 90km/hour, which they never reached before.”

www.worldfocusgroup.com

UNITEL HAS A PLACE IN THE HEARTS OF ALL ANGOLANS

We are Unitel
Unitel continues to provide voice and data services to all our customers providing the biggest, the fastest and the highest quality network across Angola.

With the largest Metro and National Fibre Network connecting every province of Angola to the rest of the world, Unitel is the Quality provider of choice for both Consumers and Business.