

# Background

## Why Angola

Angola is the third biggest market in Sub-Saharan Africa, and one of its fastest growing economies. Situated on the south-western coast of the continent, it is estimated that Angola will overtake Nigeria by 2020 to be sub-Saharan Africa's leading oil producer with production figures currently close to two million barrels per day.

The UK is one of the largest overseas investors in Angola with annual investments of over US\$3 billion and this figure is likely to grow. The profit versus investment ratio is good and Angola is a market with significant opportunities for UK companies across a range of sectors. However, Angola does present unique investment challenges for new investors such as high entry costs, bureaucracy, lack of capacity, poor infrastructure and limited dollar funds in banks resulting in slow payment. As a result, investors are very strongly advised to familiarise themselves with these challenges, and work with the local UK Trade & Investment (UKTI) team based at the British Embassy in Luanda to gain credible information about the range of market entry issues.

## Strengths of the market

The Angolan Government is keen to diversify the economy and is offering attractive incentives to encourage private investment in the non-oil & gas sector – for example the renewable energy sector has a ring-fenced budget of around US\$18 billion.

After years of neglect due to three decades of civil war, the government is making significant efforts to rebuild the country's infrastructure and drive forward development. As such, year-on-year approximately 30% of the annual budget has been earmarked for priority social sectors: education, health and housing. Both the government and Angolan companies are keen to do business with British companies, and hold them in high regard.

## **Incentives for British businesses exporting to Angola include:**

- UK companies are respected and liked
- Angola is focusing on diversification, which opens up many opportunities
- Angola is one of only five countries in a High Level Prosperity Partnership with the UK
- the time zone is GMT+1, and GMT during the UK summer

**Strengths of the Angolan market include:**

- the economy has had an average double-digit growth since 1990
- a growing middle class
- a young population (50% under 21) who are eager to learn
- abundant natural resources

**Economic Overview**

Angola is a mineral resource-rich country – rich in oil, gas, diamonds, coffee, sisal, marble and iron, among other natural resources. However, after nearly three decades of conflict, the country has just started rebuilding its infrastructure which was neglected during the war. Likewise, institutions and human capital are weak and rebuilding is bringing tremendous challenges for the government. Angola's economy is almost totally dependent on revenues from the oil industry, which adds up to nearly 86% of the total GDP. The current drop in the global price of oil, together with the Angolan Government's wish to move away from the US dollar, is causing major challenges for investors.

Realising the scale of challenges inherited through 30 years of war, the government decided to embrace a market economy backed by a programme of economic diversification in order to minimise the country's dependence on oil revenue. A new Ministry of Macro Economic Coordination has been created with the sole purpose of finding modern mechanisms of self-sustainability through the concept of diversification, enhancing private investment in the primary, secondary and tertiary sectors. The ministry is also looking to privatise a number of industries, and recently passed a law permitting Public-Private Partnership initiatives.

In August 2015, the Angolan Government passed a new Private Investment Law. The new law is intended to increase the volume of private investment (domestic and foreign) and make the investment procedure more simple and with less bureaucracy. See the 'Customs and regulations' chapter for more details.

The 2014 Gross Domestic Product (GDP) reported by the World Bank was worth US\$131.4 billion (an all-time high), compared with US\$121.7 billion in 2013.

The International Monetary Fund (IMF) has predicted 3.9% GDP growth in 2015, slightly down on previous years. This fall is largely linked to the dramatic recent slide in world oil prices, on which Angola is heavily dependent.

The fastest growing sectors in Angola are:

- Oil & gas – and increasingly renewable energy
- Construction and infrastructure
- Agriculture

## Population

Angola, five times or so the size of the UK, has a population of around 24 million people. The population is divided into three main ethnic groups: Ovimbundu, Kimbundu and Kikongo. It is estimated that just under half the country's population lives in the capital, Luanda, a city that was initially built for less than half a million people.

The social challenges caused by the war are enormous and have a direct impact on the lives of ordinary Angolans. With approximately 80% of the population totally illiterate and 5% functionally illiterate, Angola faces a huge capability deficit.

## Political overview

For five centuries the Portuguese ruled Angola, considering it a province of Portugal. The beginning of the armed struggle on 4 February 1961 culminated in a declaration of independence on 11 November 1975. Thirty years of devastating conflict between the three political movements followed, involving an armed struggle against the Portuguese.

The conflict ended in 2002 with the death of the opposition leader Jonas Savimbi, and Angolans embraced the peace and reconciliation process. Eight years after, the country held its second general election giving a historical victory to the ruling MPLA party that formed the government. One of the main priorities following the election was the approval of a new constitution which was completed in 2010. General elections took place again in August 2012, involving the three historical parties and some other new parties, resulting in the MPLA being returned to power but with a reduced majority.

## Trade between UK and Angola

Angola is Africa's second biggest oil producer and the third biggest economy in Sub-Saharan Africa. British exports to Angola increased by 154% in 2012, making it the UK's fourth largest export market in Africa. The latest available full-year figures now show (2015) that goods exports from the UK to Angola in 2013 increased by a further 36.5% over 2012, going from £401 million to £548 million.

The UK is one of the largest investors in Angola. In 2013 the UK and Angola agreed on a High Level Prosperity Partnership, one of only five across Africa, which is beginning to develop a strong relationship in trade between the two countries.

The top ten UK exports to Angola are:

- general industrial machinery
- electrical machinery
- iron and steel
- specialised machinery
- metal
- chemical materials and products
- rubber
- organic chemicals
- beverages
- dairy products

Traditionally, the UK's involvement in Angola has been within the oil & gas sector. However, in the last three to four years, more and more British companies have begun participating in other sectors; in the financial sector HSBC have established offices, Astra Zeneca and GSK have launched their products within the Angolan market, and Diageo has recently launched an entity there. Other British companies operating in Angola include BP (the largest UK investor), British Airways, De La Rue, PWC, Lonagro (part of Lonrho), Aggreko, Wood Group, KPMG, Ernst & Young and Amec, plus a number of small and medium-sized enterprises.

### Opportunities in Angola

The lack of infrastructure, lack of capacity and most importantly lack of human resources and currency combine to present formidable challenges for the Angolan Government. However, these also constitute opportunities for new and existing investors. The country is rich in terms of natural resources, which allows the government to finance huge projects.

There are significant opportunities for British companies. UKTI Angola has identified the following sectors as offering the best opportunities for British companies:

- Energy – oil & gas, power, and renewable energy
- Financial services
- Education & training, including English, vocational skills etc.
- Construction and infrastructure (maintenance)
- Agriculture
- Health and social care
- Transport
- Food & drink

The Angolan Government has declared its intention to minimise imports in order to enable the economy to be self-sufficient, by offering greater investment incentives within agriculture and the development of the industrial sector. The construction of roads, airports, ports, hospitals, schools and most importantly affordable housing tops the government's agenda; there is a pressing requirement to bring about significant reductions in the huge housing deficit the country currently experiences.

The oil & gas sector is highly competitive and developed. However, there is still a huge scope for opportunities to be explored in the supply chain, such as onshore and offshore medical care, catering, health and safety provision, specific training courses etc.

UKTI publish over 1,000 business opportunities per month across all sectors and over 100 markets. Sign up to receive regular business opportunities alerts at: [www.businessopportunities.ukti.gov.uk/home](http://www.businessopportunities.ukti.gov.uk/home)

Identify opportunities to supply products and services to the international aid agencies. Contact UKTI's Aid Funded Business Service for more information: [www.gov.uk/aid-funded-business](http://www.gov.uk/aid-funded-business)

Contact **UK Export Finance (UKEF)** about trade finance and insurance cover for UK companies. See: [www.gov.uk/country-cover-policy-and-indicators#angola](http://www.gov.uk/country-cover-policy-and-indicators#angola)

Source – UKTI

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