



Economic and Social trends and diversification policy in Angola

January 2015

Agenda

Macroeconomic situation

The diversification agenda

Investment opportunities

Social issues

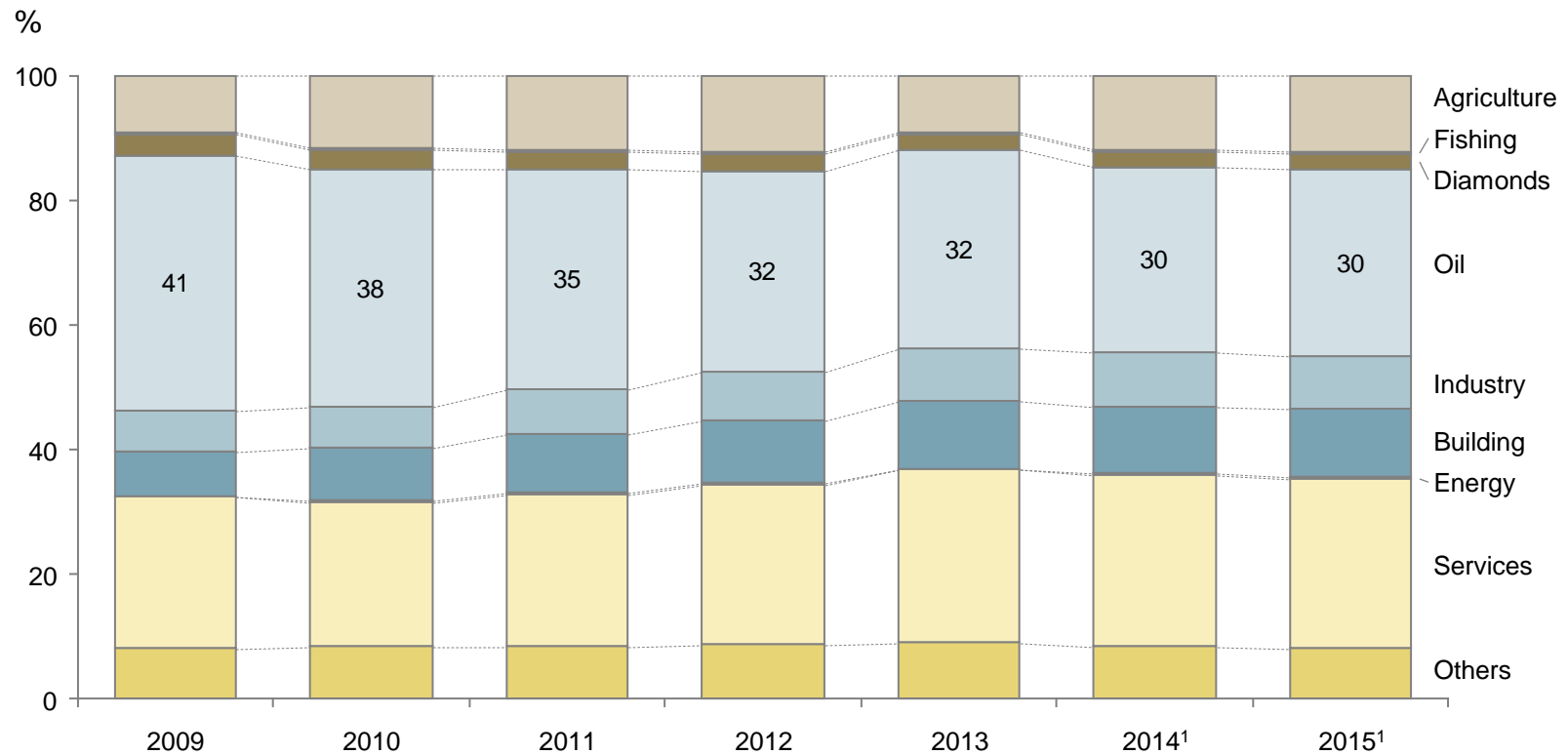
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- **The strategic objective of Angola's macroeconomic policy is to create conditions for stability, effectiveness and efficiency in the economy in order to ensure long-term development sustainability.**
 - **For 2015, the most recent growth projections indicate a significant deceleration of the GDP, which is expected to be 4.4% when compared with the goals of the NDP 2013-2017, which foresaw an average annual growth rate of 7.4% (data from the State's General Budget for 2015).**
 - **However, given the fall in the price of oil, there is an ongoing readjustment of projections for 2015, which point to a sharp decrease in revenues and the need for a drastic reduction in public expenditures.**

Evolução do PIB e Perspectivas, 2012-2015

	2012	2013	2014.	Perspectiva para 2015	
				Inicial	Actuais
Gross Domestic Product					
Nominal Value (Billion KZ)	10 876,00	12 056,30	12 713,20	13 480,90	11 712,37
Real Growth Rate (%)	5,2	6,8	4,4	9,7	6,9
Oil Sector	4,3	-0,9	-3,5	10,7	10,8
Non-Oil Sector (NO)	5,6	10,9	8,2	9,2	5,3

The country is increasingly less dependent on oil...

Currently, oil represents less than a third of the country's GDP



1. Projected

Source: Ministry of Finance (Fiscal Budget), BCG analysis

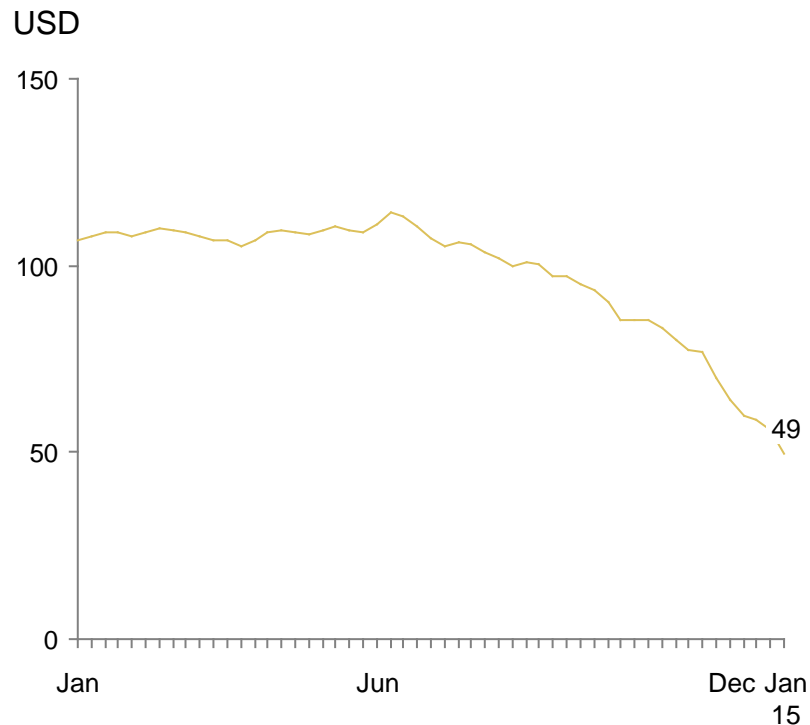
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Real GDP Growth Rates (%)

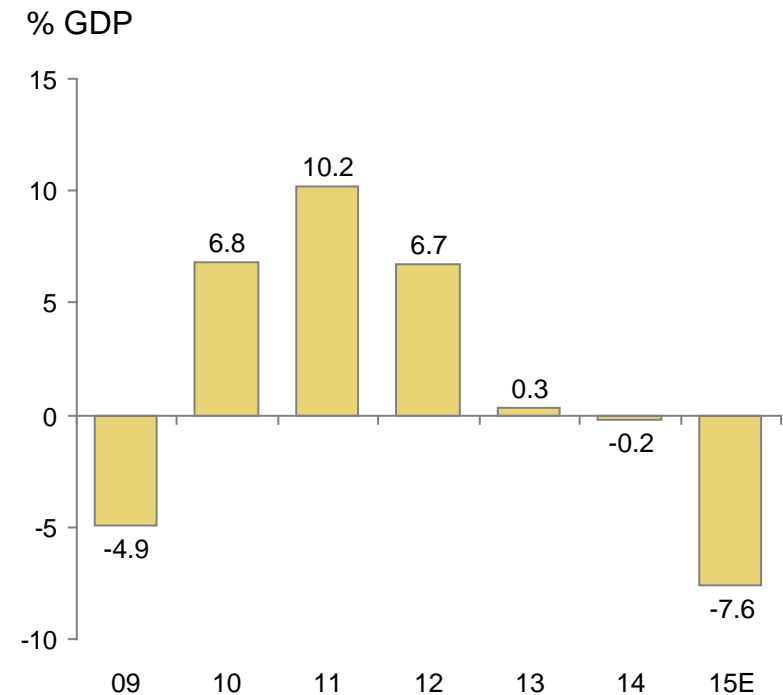
REAL GROWTH RATE	2009	2010	2011	2012	2013	2014*	Projections 2015	
							Inicial	Actuais
GDPmp	2,4	3,4	3,9	5,2	6,8	4,4	9,7	6,9
Oil Sector	-5,1	-3	-5,6	4,3	-0,9	-3,5	10,7	10,8
Non-Oil Sector	8,3	7,8	9,7	5,6	10,9	8,2	9,2	5,3
Agriculture	29	6	9,2	-22,5	42,3	11,9	12,3	7,9
Fisheries and its derivatives	-8,7	1,3	17,2	9,7	2,4	5,3	3,3	3,3
Diamonds and others	4,6	-10,3	-0,7	0,3	3,3	1	0,7	0,7
Manufacturing	5,3	10,7	13	14	8,6	8,1	11,2	6,8
Construction	23,8	16,1	12	11,7	8,1	8	10,5	6
Energy	21,3	10,9	3,5	10,4	34,4	17,3	12	12
Market services	-1,5	8,7	9,5	13,4	7	8	9	4
Others	5,9	4,7	9,6	8,3	0,7	6	4,5	4,5

... though oil prices drop have created a budget deficit after several years of surpluses...

Substantial drops in oil prices...



... have created a budget deficit...



... reinforcing the need to continue diversifying the economy

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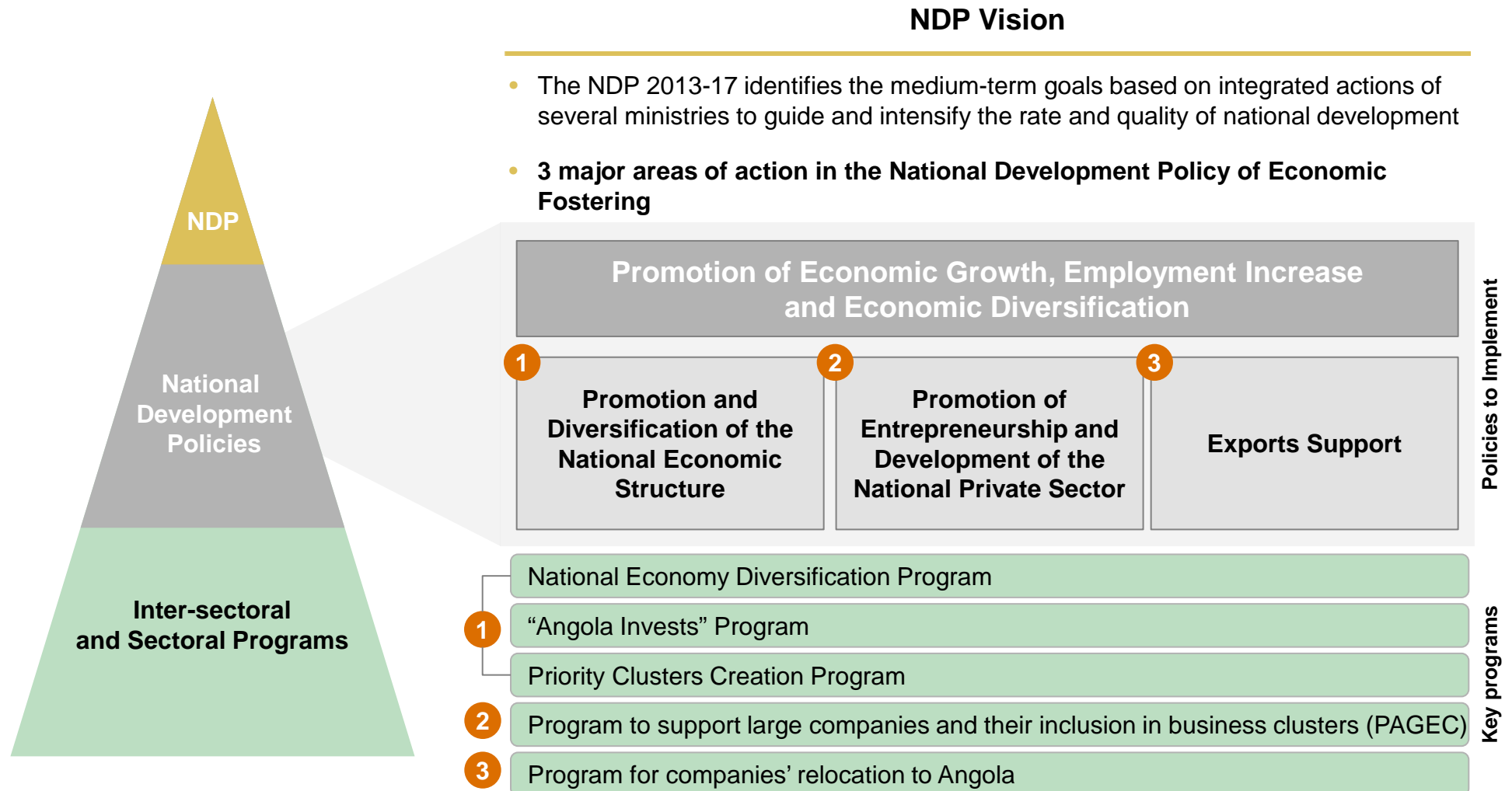
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The goal of diversifying the economy is well established in Angola's National Development Plan for 2013-2017



The Government is setting the background for a sustainable diversification by attracting investment

Specific support measures to attract foreign industrial, agricultural and productive services companies to Angola by establishing joint-venture agreements with local companies

Supportive measures

1

Access to finance



- New mechanisms to facilitate access to finance for local firms that establish joint-ventures with international companies through access to a public guarantee fund and subsidized interests

2

Access to physical Infrastructure



- Provision of industrial land with infra-structures that meet international quality standards in Special Economic Zones such as the "ZEE Luanda-Bengo", and a national network of Industrial parks, currently under implementation

3

Reduction of Bureaucratic Procedures



- Facilitation of administrative processes for businesses relocating to Angola, reducing costs

Industrial parks are being built across Angola to support new business ventures involving local production

Industrial parks and Special Economic Zones integration with structural infra-structure

Industrial parks available¹

Industrial parks projects

Industrial parks in perspective

Special Economic Zone



Territorial development strategy²

- Internationalization platforms
- Development corridors (logistics)
- Large metropolitan areas



1. With infra-structure limitations 2. Angola 2025, Territorial Development Strategy
Source: Ministry of Industry and NDP

Three core programs address the challenge of economic diversification and help the business environment

Program goals

i

Economic diversification program

Develop an economic strategy that focuses on economic diversification

ii

“Angola Invests”

Develop a strong SME sector that generates wealth and employment for Angolans

iii

Priority clusters program

Promote the development of economic sectors building local competitive advantages, particularly in already identified core sectors

Aspiration

To Promote the **sustainable** development of the Angolan economy, increase **non-oil income and production**, increase **job creation** and promote **exports of goods and services**



ANGOLA
INVESTE

Priority clusters



Water and energy



Food and agro-business



Housing

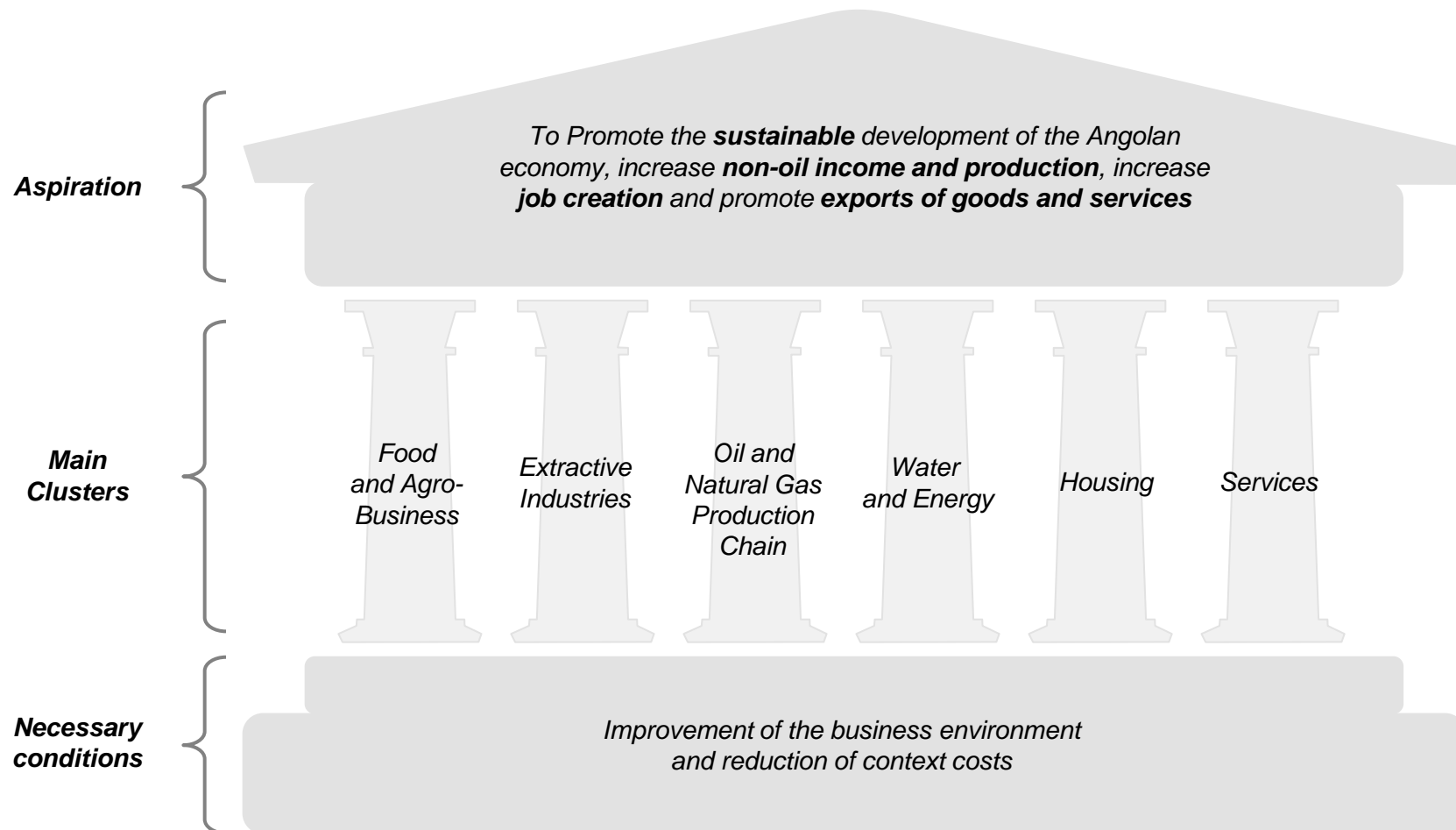


Transports and logistics

Elements of the economic diversification process

Diversification program in final planning stage

Economy Diversification Program



Several projects were identified by the Government as having the ability to promote economic diversification

Sector



Food, fishing and industry



Oil&Gas production chain



Geology, mining
and heavy industry



Services



Water and Energy

Criteria to select projects



Dimension of the investment



Competitive advantages



Implementation calendar



Multiplying effect on GDP



Multiplying effect on employment



Technology transfer effect



Potential to anchor a cluster

Selected projects amount to an investment of over 22.6 B USD and the creation of 41.000 direct jobs

Sector	Nr. of identified projects	Investment (M USD)	Direct jobs created
Agriculture, farming and agrobusiness	14	3,141.9	11,558
Sea Industry	4	479	373
Oil&Gas	3	N.A.	500
Geology, mining and heavy industry	6	2,260.8	3,019
Tourism	3	4,066	6,863
Transportation	2	2,735	2,989
Water and Energy	4	9,468	15,950
Total	36	22,700	~41,000

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The Government has set up incentives for investments in priority sectors that run along the diversification program

Biggest opportunities



Agriculture and cattle



Health and Education



Manufacturing¹



Construction
and Infrastructure



Fishing
and derivatives industry



Geology and Mining



Sectors with projects in the diversification program

1. Final product includes at least 25% national raw materials, or 30% value added, or whose equipments and production process result in a technology update and modernization of the respective industry

There are great opportunities for investment and international cooperation in several sectors in Angola (1/3)



Opportunities in the agriculture and cattle sector

With about 58 million hectares of fertile land, Angola is the 16th country with the biggest Agricultural potential, generating numerous investment opportunities:

- Support in the construction, rehabilitation or expansion of infrastructure, including storage, refrigeration and distribution solutions
- Sales of machinery and Agricultural and industrial equipment, supplemented by technical support
- Support in the production of seeds, pesticides and soil fertilizers
- Agricultural product transformation, e.g.: food and cotton production chain
- Irrigation technology, land-management techniques and research centers
- Training in agriculture and agro-business know-how and skills
- Technical and tertiary education and training
- Specialized irrigation services



Opportunities in the health and education sector

Lack of medical services and specialists generates cooperation and investment opportunities

- Need for highly qualified health professionals
- Creation of a pharmaceutical and medical industry
- Support to improve the supply and quality of maternal and child health care as well as infectious disease control
- Increase the number of emergency units
- Bringing health care to rural areas

In education, the lack of teachers, books, libraries and school and university laboratories generates opportunities for international cooperation

- Technical and professional training
- Partnerships between universities to share technological knowledge and build school infrastructure (e.g. : laboratories)
- Exchange programs and cooperation at the technical and university levels, especially in technological sectors (e.g. : engineering)

There are great opportunities for investment and international cooperation in several sectors in Angola (2/3)



Opportunities in the manufacturing sector

Promotion of Angola's Industrialization to recover the war-torn industrial sector, generating investment opportunities for private investors

- Public policy to effectively and efficiently promote the replacement of imports as well as promote exports
- Create innovation centers to transfer know-how for the agro-business, textile, apparel, construction materials, wood and furniture sectors
- Re-launch existing or new textile plants, a sector that is supported by public development policies
- Develop the construction sector through the increase in production of construction materials by local companies



Opportunities in the construction sector and the development of infrastructure

The Angolan Government has invested strongly in the improvement of national infrastructure and there are numerous investment opportunities in the existing projects

- Development of the road and bridge network
- Rehabilitation, extension, modernization and construction of railroads, ports and airports
- Creation of the national logistics network, contributing to the development of logistics corridors
- Housing projects

Angola has ambitious plans for the promotion of the energy sector

- Construction of three hydro-electric plans of 5.000 MW until 2020¹
- Construction of three major natural-gas powered energy generation plants with a combined total of 750 MW until the end of 2013²
- Construction of 30 new energy generation plants during 2015-2030
- Expansion of the energy production and distribution network, according to the National Electrification Plan

1. In Laúca, Caculo Cabaça, Jamba ya Oma e Jamba ya Mina 2. Soyo
Source: NPD (Opportunities in the Manufacturing and Counstruction sectors)

There are great opportunities for investment and international cooperation in several sectors in Angola (3/3)



Opportunities in the fishing and derivatives sector

The Angolan Government is promoting the use of the country's oceanic and continental resources, generating investment opportunities

- Increase the capacity of the fishing fleet, as well as its ability to maintain and repair itself
- Development of the salt extraction industry to strengthen the fish storage and conservation industry
- Construction of the national cold chain (14 outposts)
- Development of the national canned fish products industry
- Development of Aquaculture (projects in the Baía dos Tigres and aquaculture center in Moxico)
- Strengthen the scientific and technical training system in the fishing sector



Opportunities in the Geology and Mining sector

Angola is the fifth biggest diamond producer in the world, and the Angolan Government has plans to further develop the Geology and Mining Industry, generating investment opportunities

- Rebuild Geological Infrastructure, namely the Angolan Geological Institute laboratories
- Finalizing the Geology National Plan, which identifies and maps the mining potential country-wide
- Promote technical and university level training of the sector's human resources
- Promote the development of companies that can exploit the country's mining resources (e.g: iron/manganese in Cassinga, copper in Mavoio, phosphates in Lukunga and Cácata, Gold in Cabinda, Mpopo and Caála)

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Promoting a National Population Policy and National Human Resources Improvement Policy

The preliminary results of the 2014 Census indicate that on May 16th, 24.383,301 persons resided in Angola, with 11.803,488 males and 12.579,813 females, corresponding to 48% and 52% of the population, respectively.

It should be noted that expenditures in recent years in the social sector, especially health, education and social protection, have grown consecutively in the State Budget (OGE), particularly in the budget for 2015, which has allocated to these sectors an amount representing about 34% of the total expenditures in the State Budget

Promoting a National Population Policy and National Human Resources Improvement Policy

- Progressive improvement of the Human Development Index, based on the significant reduction of Angolans living on less than two dollars a day from 70% in 2001 to about 36.6% in 2008;
- Increase of the average life expectancy by 7 years between 2000 and 2013, from 45 years in 2000 to 51.9 in 2013;
- Reduction of the child mortality rate

EDUCATION

Adult literacy rates reached 73% in 2013, when 10 years ago they did not reach 50%. In 2008 they were 65.6% and in 2011 the rate was 68.6% of the population. Also in 2013, 636,000 students were enrolled in literacy programs and more than 5 million students were enrolled in primary education, with a gross schooling rate almost three times that of the year 2000.

Number of Students Enrolled

Indicators					
Subsystems/Levels	Years			Variation (%)	
	2010	2011	2012	2011/2010	2012/2011
Literacy	532,943	561,424	578,267	5.3	3.0
Special Education	22,310	23,193	23,888	4.0	3.0
Preschool	663,015	587,710	570,079	-11.4	-3.0
Primary School	4,189,853	4,875,868	5,022,144	16.4	3.0
Secondary School, 1st cycle	507,125	619,841	638,436	22.2	3.0
Secondary School, 2nd cycle	253,208	314,355	323,786	24.1	3.0
Total	6,168,454	6,741,297	7,156,600	9.3	6.2

Gross Enrolment Rate

Primary and Secondary Education subsystems increased from 52,593 students in 2010 to 58,564 in 2012, corresponding to an increase of 9.3%, and thus an increase in access to education, although we recognize that this progress is still far from meeting current demand.

Indicators			
Education levels	2010	2011	2012
Preschool	122.6	105.5	93.8
Primary School	142.6	161.1	155.7
Secondary School	28.1	35.8	37.9

Health issues

Studies done in 2002 estimated that 70-80% of health facilities had been damaged or destroyed during the war and that the national health system covered only about 30% of the Angolan population at the time.

Since the end of the armed conflict that the Government has been taking steps to improve access to primary health services at the national, provincial and local levels in order to promote the health of populations through investments in infrastructures and training of health professionals.

Health issues

From the perspective of decentralization, 2010 saw the creation of the Health Services municipalization program, with independent funds and management, which were assigned to municipalities based on the provision of essential health services in a free and compulsory manner, with the aim of ensuring universal access to health services.

Despite the progress made, which will allow for a reduction in the incidence rates of different diseases, the maternal and infant mortality rates continue to be one of the greatest challenges of the Government of Angola's social policy, for which it will continue to need the support and assistance of international partners.

Thank You