



## Economy analysis and Private investment in Angola and its Prospects

Mucuta S.G.

Ulofa Palme 6-119590 MOSCOW-RUSSIA

Available online at: [www.isca.in](http://www.isca.in)

Received 22<sup>nd</sup> April 2015, revised 27<sup>th</sup> June 2015, accepted 14<sup>th</sup> July 2015

### Abstract

*Role of International Investment in the Economic Development of Angola. After the end of conflict Angola, faced the problems of economic and social development. It was decided by the government to implement reforms in order to encourage the participation of private companies in the process of diversification of Angola's economy, reduction of unemployment and creation of finance infrastructures to diminish the economy dependence on the oil sector. The main purpose of this paper is to analyze the policy of the private sector in the reconstruction and development of the Angolan economy. For this the author analyzes primary documents and economic data with an emphasis on quantitative and qualitative statistics.*

**Keywords:** Angola, economy, private business, private investments.

### Introduction

Angola offers great potential for international investors who look to invest their business in the international market. Despite the challenges, the Angolan economy is developing in the right direction. It is noteworthy with good management to achieve the economic growth in order to boost development thus allowing many Angolans out of poverty. Since 2002, Angola is rebuilding for the future in order to pull to the side, in terms of economic growth and development reintroducing the national economy, infrastructure and normal life of their population.

Foreign investment plays an extremely important role in economic development. So it is important to establish an attractive legal framework for potential investors without harming the essential interests of the states. A legal regime that provides guarantees to the potential investors with a credible security, juridical stability, clear rules and rapid procedures. Thus, a redesign urgent of all foreign investment legislation that begins with the contents of the general legal regime. Angola has a fiscal policy that favors foreign investors play an extremely important role in the economic development of Angola.

### Current Economy of Angola

After the Civil War, the economy of Angola takes the fast pace to a genuine growth by creating new business opportunities. Angola needs to accelerate economic diversification to reduce dependence on oil, which accounts for about 46 percent of GDP, 80 percent of government revenue and 95 percent of exports. Virtually all major inputs for the petroleum industry are imported. But the amount of oil production in Angola is concentrated in several offshore blocks. The proven Angola oil reserves are estimated approximately between 9.5 to 13.5 billion barrels. These oil reserves are projected to last about twenty years. But given ongoing exploration activities and recent

discoveries, the inventory of oil reserves is likely to be revised upward in the future. The petroleum sector downstream of Angola covers refining, marketing, distribution and sale of petroleum products. The petroleum National consumption is about 65,000 barrels per day and refinery refines only about 30,000 barrels of oil per day for internal market<sup>1</sup>.

Angola was internationally recognized as the largest oil exporter when Angola became a member of OPEC in 2007. Angola is and remains increasingly biggest oil producer with the media production of 1.2 million barrels of oil per day in 2008. In 2009 oil production in Angola fell to 1.82 million barrels per day, but oil production in Nigeria fell increasingly doing so Angola become the largest oil producer in Sub-Saharan Africa. The oil sector creates significant challenges for macroeconomic stabilization and diversification of the Angolan economy<sup>1</sup>.

The Business Support Centre in Angola, the Chamber of Commerce and Industry has the task of thriving partnerships between local and foreign companies. With these partnerships Angola gained knowledge, experience and capital. The Business Support Centre has offices in local quarter with strong industrial clusters of oil and gas in Cabinda, Soyo, Benguela and Luanda.

### Angola Private Investment

The economic growth of Angola in 2013 decreased due to the decline in oil production resulting in the reduction of revenues from the petroleum sector. The GDP growth of 5.1 percent was driven by non-oil sector activity robust in particular 22 percent energy, 10 percent fishing, 9 percent agriculture, manufacturing 8 percent and construction 8 percent. The slow pace of economic diversification does not help to reduce the 26 percent unemployment rate. The progress of the diversification of the economy consists of the non petroleum sector which stimulated

economic growth through expansion of 9.7 percent, against 4.5 percent for the petroleum sector in 2014. The unemployment rate is on the government priority in seeking measures to ensure the best living conditions for the populations. Angola is seeking to increase production of oil and maintain the position of second largest producer in sub-Saharan Africa. The production of the petroleum sector of 1.8 million barrels per day in 2013, it is noteworthy that in perspective will rise to 2 million barrels per day in 2016 with new partners in the field of oil exploration, particularly the British oil company, International company Energy, Chevron, etc ... The outlook for economic growth in 2014 remained positive and was projected to reach 7.9 percent in the expansion of the non-petroleum sector. Although fluctuating oil prices formed the basis of the impact on the economic potential of Angola, prices move rapidly along with changing macroeconomic conditions, which led to an improvement of Angola's economy and the creation of a stable banking system<sup>2</sup>.

China extended three credit multibillion lines to the Angolan government of US \$ 2 billion from China Exim Bank, first credit in 2004 and the second loan in 2007, and a loan of US \$ 2.9 billion from China International Fund Ltd in 2005. The two loans totaling US \$ 2 billion from of china Exim Bank finance energy projects, water, health, education, fishing and communications and the loan of US \$ 2.9 billion finance projects of railway rehabilitation, construction of roads and construction of the new airport. In 2004 the China Exim Bank, the Chinese official bank that finances foreign trade, approved a line of credit; it means the two loans of US \$ 2 billion surprised Angola as China most important commercial partner of Angola, ahead of Nigeria and South Africa, in Africa. Angola also gets Chinese funding, because it offers better terms with inferior interest rates and long repayment time unlike loans from commercial banks<sup>2</sup>.

The government spends about US \$ 2 billion annual in agriculture, approximately 75 percent of funds borrowed from China Export-Import Bank. Also Brazil, Spain and Israel finance the agricultural projects. The agriculture sector is responsible of GDP growth by 11 percent and 70 percent of total employment. In 2013, production of the Agricultural sector grew by 8.5 percent mostly through strong growth in cereal production. Angola was once the fourth largest coffee producer in the world, but agriculture in general is held back by competition limit and processing facilities and the lack of cooperation between small farmers and co-operatives agricultural<sup>3</sup>.

The main objective of investment is expanding access at electric power, water and transport. Companies and financial sector policies are being modernized with the introduction of the new law of the exchange currency for the petroleum sector and the mining law for the mining sector. Foreign investment amounting to US \$ 4.1 billion from major Brazilian and Chinese construction companies help in building housing and new

towns. Therefore Angola offers high returns and inferior risks for foreign investors and exporters<sup>4</sup>.

## Conclusion

After the end of Civil War in 2002, Angola gave opportunities business to develop in new areas such as agriculture, fishing, manufacturing, construction and energy.

GDP growth was 5.1 percent in 2013 and in 2014 was 3.7 percent. Although fluctuating oil prices have an impact on the economic potential of Angola, prices quickly evolved along with changing macroeconomic conditions, which led to an improvement in the economic standing of Angola and the creation of a stable banking system.

The center of Business Support in Angola, Chamber of Commerce and Industry has the task to thrive partnership between local and foreign companies. This concentration enables greater focus and skills development, especially in the maintenance procedures.

## References

1. Secretariat of the Organization of the Petroleum Exporting Countries (OPEC), Angola facts and figures, accessed February 2015 and *Oil and Gas Journal*, Sonangol taps Standard Chartered for Lobito Refinery, Angola-Today «Oil and Gas»// URL: <http://www.angola-today.com/country-profile/industries/oil-and-gas/#> (accessed 20.01.2015), (2013)
2. Angola's Political and Economic Development// URL://www.cfr.org/World/angola's-political-economic-development/(p16820) and Angola Today-Economy. URL: <http://www.angola-today.com/outlook/economy> (2014)
3. Angola (September 2012). Angola-Private Sector country profile-African// URL: <http://www.angola-today.com/country-profile/industries/oil-and-gas/#> (accessed 20.01.2015), Foreign Agricultural investment country profile Angola (2013) and Agriculture Forestry and Fishing in Angola (2013)
4. Angola-Analysis-U.S. Energy Information// URL: <http://www.eia.gov/countries/cah.cfm?fips=ao> (2015)
5. United Nations Conference on Trade and Develop «The legal framework of private investments in the republic of Angola» // URL: [http://unctad.org/en/Docs/dtlktcd20101\\_en.pdf](http://unctad.org/en/Docs/dtlktcd20101_en.pdf) (2015)
6. The legal framework of private investment in the Republic of Angola (Law No. 20-11 of May 20-Law of private investment)
7. Economy of Angola-Wikipedia the free encyclopedia. "en.wiki pedia.org/wiki/energy in Angola" (2014)

8. Economy of Angola-wikipedia the free encyclopedia **(2014)**
9. Angola-Economy-Institute for Security Studies. URL:  
<http://www.issafrika.org/af/profiles/Angola/Econ.html>  
**(2014)**
10. Angola-African Economic outlook. URL:  
<http://www.africaneconomicoutlook.org> **(2014)**