# Angola

Part two

Cachoeiras do Binga, Kuanza Sul

## OPEC's newest member

It may raise eyebrows to hear that more airlines are asking to fly into Luanda. But not in Angola, where foreigners are a part of daily life at oil fields and kimberlite mines. Meanwhile, passenger traffic on the national airline, TAAG, flies in the opposite direction. Windfall oil revenue means regular Angolans have more disposable income to visit Lisbon or Sao Paulo.

These are some of the dividends of peace for Angola, where a ceasefire with UNITA officially ended the country's civil war in 2002. Today, it is the galloping pace of commodity prices that sets the agenda. According to the IMF, Angola will post GDP growth of 27.2% in 2008 and inflation will drop to 8.9%. Inflows from the oil sector have created a large current account surplus for the government.

The good news is that Luanda is using this window to carry out reforms in the private sector. Farming out mineral surveys to companies like BHP Billiton is boosting competitiveness, while a new pricing framework for utility companies follows the same precept. Proof that the private sector is rising to its role in the economy is the loan portfolio at Banco Africano de Investimentos (BAI). More than 80% of its accounts are with the private sector.

Welcome to Angola, the latest member of OPEC.

## Kuanza Sul: robust coffee

Networking comes easily to Serafim Maria do Prado, the governor of Kuanza Sul. In May 2006, he flew to South Africa with a group of local entrepreneurs. They watched 8-minute powerpoint presentations hosted by South African companies interested in doing business in Angola. Exposure abroad may soon be paying dividends at home. Kuanza Sul is experiencing growth in sectors that nobody had paid much attention to after 2002, including coffee.

**Serafim Maria do Prado**
*Governor, Kuanza Sul*

"We still have a lot to accomplish so that people can enjoy life in Angola. But there is no underestimating the need for investment to enable Kuanza Sul to make the most of its natural resources," the governor recently told an audience in Almada, Portugal, reported by Lisbon daily *Sol*.

Kuanza Sul has an estimated population of 600,000 and is subdivided into 12 municipalities. It has a land mass of 55,660 square kilometres, much of it rolling plains. Along its lush coast, beaches such as Foz do Cubal are a swimmer's paradise and the fishing is renowned worldwide. Porto Amboim is the province's main seaport.

Were it not for ease of accessibility, Kuanza Sul might have been eclipsed by Angola's sudden oil boom. Now, both public and private investors are putting it back on the radar screen. Work has been done on the road to Sumbe, the provincial capital 492km south of Luanda.

In agribusiness, Kuanza Sul is quickly making up for lost opportunities in the past. It is one of Angola's main producers of commodity crops, although exports of Robusta coffee beans to southern Europe are upstaging other sectors of agribusiness.

In the 1970s, Angola was the world's 4th-largest producer of coffee, with an output of 230,000 tons per year. The creation of a regional coffee research centre was recently submitted to the Inter-Africa Coffee Organization (IACO). Although a location in Angola has not yet been determined, Sumbe could use its proximity to the capital to lobby for the project.

BAI

# Financial traction

**Angola's emergence as an investment opportunity - primarily in the fields of energy, diamonds and telecommunications - has given BAI a platform for expansion of the national economy**

The tandem between peace dividends and oil at $100 per barrel has given rise to a new ethos in Angola. Although social problems remain entrenched, the government's challenge is to use unprecedented growth to give the economy a transformational change. That is where the Banco Africano de Investimentos (BAI) can make a difference.

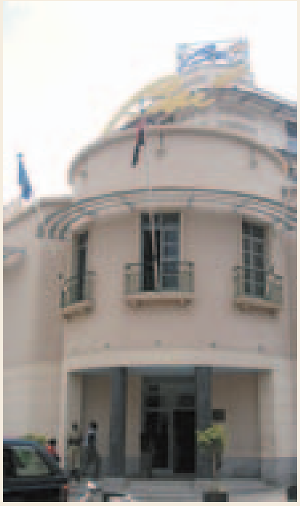
How to transform a largely agrarian economy into an industrial one in southern Africa? Is large-scale industry preferable to SMEs? Jose Lima Massano, the Executive President of BAI, thinks conditions are favourable for all types of business, big and small. His institution has strong bonds to the most dynamic sectors: energy, diamonds and telecommunications. "The business opportunities are huge because the country is only now being reborn. There's room here for all types of initiatives," he says.

Proof that efficiency is cutting across the economy is evident in the numerous public private partnerships (PPP) in areas once reserved for the state. Joint partnerships are in effect not only in the booming energy sector, but also in utilities and agribusiness. The BAI tracks this type of development, encouraging private players to jump onboard. "About 80% of our accounts are with the private sector," says Mr Massano. But preference for PPPs has not kept the BAI from funding public works. Mr Massano points to the modernization of TAAG, the national airline, in 2004. Together with other banking institutions, BAI recently applied $400 million towards public infrastructure projects. Another $1 billion is slated for state investments up to 2010.


**Jose Lima Massano**
*Executive President, BAI*

The story of BAI is compelling. Started at a time when domestic banking was the sole purview of foreign investors, it has its roots in a small pool of Angolan entrepreneurs. BAI was the first private investment group after Angola's independence from Portugal in 1975. It has since grown into an investment institution that also operates as a retail and corporate bank. Its network of branches reaches all corners of Angola. The BAI is also present in Portugal and Sao Tome e Principe. In Brazil, it is associated with a Portuguese investment bank. As of October 2007, it absorbed Novo Banco to complement its activities in the domestic retail market.

"We're one of the best references in Angola's financial system," says Mr Massano. At the BAI, the 70% growth rate last year was distinctly above average. "In terms of assets, BAI is the second-



The rise of new banks in Angola, coupled with a growing middle class, has provided a boon to the lending market

largest. But if we talk of consolidated assets, we are clearly number one." It pleases him that the current framework has allowed for new procedures and norms at the same time that BAI has been undergoing internal restructuring.

With an industry average growth rate of 30% per year, finance is in expansion mode. Overall, bank capitalisation in Angola stands at $15.5 billion, with the four largest institutions concentrating 70% of resources. The number of licenced banks rose to 18 in 2006, which means there is new interest in providing loans to companies and a burgeoning middle class willing to borrow. Still, with only 6% of the population owning a deposit, expansion can go in many different directions.

"Nowadays, we often have investors that are not physically present in Angola, but yet make their money from joint ventures with local companies. The central bank needs to regulate this system according to internationally accepted norms," says Mr Massano. So far, the BAI has observed a positive trend among the new roster of banks: specialisation in specific segments of the economy. It is a sign that allocation of resources will follow strict market conditions, thus giving the economy a more diverse backbone.

As the volume of inflows increase, so will capital structures at individual banks. This is also a positive trend for officials at BAI. It forces the Banco Nacional de Angola (BNA, central bank) to take regulatory issues more seriously. After all, capital mobility will depend largely on the level of openness to the rest of the world, including transparency in accounts and overall sustainability. At the consumer end, the result of the competition is a new range of financial products at more affordable rates.

"We just reached the point where the level of satisfaction regarding big companies is high. It's time for us to take a closer look at SMEs. That is our new challenge," says Mr Massano. In the first quarter of 2008, BAI will be opening a branch in Cape Verde, a rising star in the tourist business. BAI is looking to support private corporate investments in resort development and infrastructure. Thus, BAI is poised to become an investment nexus for the continent as a whole.

ENERGY & WATER

# Optimizing the power grid

**The challenge of restoring electric capacity after the civil war has been met with dedication and innovation**

In 2002, a strategic plan to turn around hydroelectric infrastructure in Angola was initiated. Severe damage to the grid during the civil war made an overhaul paramount. The finishing touches were made this year. According to Minister of Energy & Water Jose Maria Botelho de Vasconcelos, the current macroeconomic bonanza means capacity will expand by an estimated 42% in 2008. "Our strategy has been to recover existing infrastructures and expand them to keep up with demand. It's been a real challenge, since the water and power deficits were so large," explains Mr Vasconcelos. To serve large mining projects, for example, the country needs to add 2,000 megawatts to the current hydroelectric capacity of 15,000 megawatts. Foreign knowledge and capital will play a critical role.

**Jose Maria Botelho de Vasconcelos**
*Minister, Energy and Water*

Meanwhile, a 520-megawatt hydroelectric plant in Capanda is grabbing all the headlines. Inaugurated in 1982, it will go online early next year. Capanda will serve not only as an economic dynamo for northern Angola, but also as a source for Luanda, where consumption is highest. Mr Vasconcelos highlights new distribution lines, as well as important small-scale projects, in Huambo, Kwanza Norte and Bie. "We still need to invest much more," he asserts. Plans are in place to invest another $2 billion up to 2012 and new plants have been approved in Benguela province. In the south, the Matala power plant has been restored to its original pre-war capacity, while the government has introduced thermal power to serve sub-regions.

ENE

## Electric growth

Power grids can provide a snapshot of an emerging market's economic competitiveness. Where supply outstrips demand, a country can cash in on exports to its neighbours. Angola, with its hydroelectric and natural gas potential, is no exception. But before a diverse economy takes root, the Empresa Nacional de Electricidade (ENE) will have to make up for decades of opportunity costs.

"In order to have a solid platform for different sectors, we first need to develop basic infrastructure that can sustain growth," says Eduardo Gomes Nelumba, the president of the Board of Directors of ENE. This state-owned company already has a significant impact on domestic business. Its transmission networks have begun to reflect Angola's status as an energy powerhouse.

**Eduardo Gomes Nelumba**
*Chairman of the Board, ENE*

Since 2002, the rehabilitation of installations has included financial targets and a pricing framework. To ensure efficiency, the profit-orientated ENE was restructured into generation, transportation and distribution branches. The Ministry of Energy & Water has allocated $200 million to the electricity sector to meet demand growth of 12%. Public tenders are up for network hookups of the existing grids. Mr Nelumba's goal is to interconnect the grid. "I can assure that there will be remarkable changes in the electricity sector in years to come," he asserts.

ELISAL

## Sanitation engineers

As Angola enjoys its economic upswing, no one is as aware of its inner workings as Alfonso de Antas Miguel. He is the managing director of Elisal, a public sanitation company in charge of residual waters.

"Elisal's role is to improve the sanitation infrastructure in Luanda. We are aware that most sanitation problems, like endemic diseases, are the result of lack of infrastructure," explains Mr Miguel. Established in 1991 as a refuse collection company, Elisal took on the maintenance of sanitation networks in the late 1990s. Since 2004, it is accountable to the provincial government of Luanda.

**Afonso de Antas Miguel**
*General Director, Elisal*

"Luanda's sewage systems were conceived in the 1940s. At the time, scientists recommended treating the water before letting it out at sea. Septic basins were considered sufficient," says Mr Miguel. Today, environmental risk in the Bay of Luanda means septic tanks are no longer an option. By investing in upgrades, Elisal is changing the way the city operates at its deepest level.

The company is modernising drainage systems to last for another 30 years, but because residual waters in Luanda flow in the same drainpipes as the river, it is proving difficult. "Still, if we don't take urgent measures, we soon won't be able to swim in places like Mussulo Bay," warns Mr Miguel.

AGRICULTURE

# Toils of the soil: Angola looks to rebuild agriculture

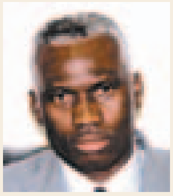
**The government has undertaken the considerable task of restructuring the agricultural sector to transform subsistence farming into a commercially viable industry – as it historically has been.**

The civil war had a devastating impact not only on Angola's agricultural sector but also on the country's ability to feed its people. Mass displacement of Angolans as they fled the countryside to the relative safety of the cities left no one to man the farms at home, and what was a thriving sector backed by fertile soil withered into non-existence and one of the world's top agriculture-producing countries went from food exporter to importer.

In the past five years, many Angolans have returned to their farms and subsistence farming has picked up again. This has been supported by various successful initiatives coming out of Luanda, which has divided its sectorial approach into projects to support food security and those aiming to support the longer term plan of increasing commercial production.

"The government is creating the tools to assist all farmers," says Minister of Agriculture and Rural Development Afonso Pedro Canga. "In subsistence agriculture, several measures to support rural areas with financial contributions have just been approved. On the other hand, other instruments were created to promote commercial agriculture where one of the greatest challenges was the problem of credit lines since our producers need to buy equipment."

A recent initiative to improve microfinancing was the establishment of the Angolan Development Bank, which will channel five per cent of the country's oil revenues and two per cent of its diamond revenues into the development of other sectors – in particular agriculture. The government will also invest $150 million in five new irrigation perimeters, and a number of other programmes are being carried out in collaboration with USAID, Chevron Texaco and the African Development Bank. In terms of training, classes have begun at the College of Agrarian Sciences in Huambo, and those at agrarian high schools in Bié, Huambo, Malange and Uige provinces will soon be following suit.

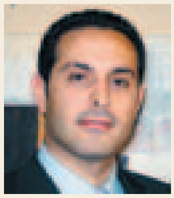


**Afonso Pedro Canga**
*Minister of Agriculture*

One of the largest projects being carried out is PRESILD, a programme managed by the ministry of commerce, which calls for an investment of $1.7 billion over the next five years to create 30 large supermarkets called Nosso Super that will only buy products from local producers. PRESILD also includes strategic changes to the legal commercial framework within the country, construction of new infrastructures for the wholesale and retail trade, financial and fiscal incentives, insurance products and professional training for outlet dealers and workers.

"We think Nosso Super is a great opportunity for the country and the economy," comments Moe Nesr, general manager of food company Angoalissar. "For us, as wholesalers, it is a good market opportunity. We are already collaborating with Nosso Super and we are happy to have them as our VIP clients."

Founded by local and international investors in 1992, Angoalissar has become a dominant market force, importing a number of international products from Danone to Kerry Gold as well as producing their own brands such as the popular flour, Aigle du Nord. As Angola's largest food distributor, Angoalissar operates 40 warehouses and employs more than a thousand people. Mr Nesr says that the company is eagerly awaiting the revival of the agriculture sector in order to expand its manufacturing activities, which over the last seven years have included new pasta and biscuit factories.



**Moe Nesr**
*General Manager, Angoalissar*

"We are very interested in local manufacturing," he states. "We are waiting for the agricultural sector to develop, so that we can source locally and then do what we are best at – distribution."

TAAG

# Flying in the face of conventional expansion

**Angola's economic boom is opening the skies for international carriers, while forming the core of TAAG's immediate expansion plans and its long term strategy for Asia and Europe**

Ironically, it was during Angola's civil war that TAAG reached its peak of passenger traffic. According to company CEO Jesus Nelson Martins, an average of 1 million passengers per year boarded a TAAG airplane in the 1980s. Specially trained by Boeing engineers in Seattle, the pilots were legendary for taking off and landing in extreme conditions. The current number for passenger traffic is a more modest 600,000 per year. Still, Martins has no desire to set the clock back. Profit margins at Angola's up-and-coming airline are much higher today.


"In the early 1980s we reached our highest numbers. But it didn't pan out financially because we had a planned economy at the time and a high inflation rate," says Martins. After the armed conflict was over in 2002, TAAG lost its monopoly of air transportation and was forced to adapt to new market conditions. The strategy has been to replace its Boeing 737 fleet with more manageable turbo propeller planes. The turbo models are easier to fly into rural Angola, and they are more cost effective. "Our strategy now is to schedule numerous flights per day to the same destination, but on less expensive carriers," states Mr Martins.

For TAAG, one of the dividends of peace was the higher disposable income of its customers. The airline has grown from a fly-by-night operation in the 1970s to a sub-regional carrier serving most of southern Africa, including Johannesburg and Cape Town. Its main regional destinations include the Democratic Republic of Congo, the islands of Sao Tome e Principe and the Gulf of Guinea. It has reinstated its regular flight to London and will be opening new routes to Germany and China in the short term. Meanwhile, the marketing team is considering flying to Cameroon, Guinea and Equatorial Guinea. "It all depends on relations with the Civil Aviation Board in each country," says Mr Martins.

The growth in TAAG's network has been accompanied by brand awareness. Restructured and modernized, TAAG is no longer recognised for the extreme training of its pilots, but for details like timeliness and customer service. Increasingly, brand recognition will stave off competition in the domestic sector, where it faces rookies such as Air Gemini or Air 26. As a regular carrier, Mr Martins is convinced TAAG will stay on top. The arrival of 5 new aircraft will ensure competitiveness for Angola's economic boom. "We're very happy to have bought a new fleet. It's a privilege," affirms Mr Martins.

With change in the wind, TAAG is on the lookout for a new roster of young pilots to lead the airline's expansion. The crew is as good as anywhere else in the world, but Mr Martins believes higher qualifications will give the company a new reputation for excellence.

A setback for the airline occurred in March 2006, when the Brussels-based EU Aviation Safety Committee flagged TAAG. Jacques Barrot, the vice-president of the EU Transportation Commission, included TAAG in its list of companies not allowed to fly into European airports until technical problems had been resolved. Mr Martins argues that his airline should never have been included on the blacklist. "It was a precipitated measure. There were, in fact, certain specifications we did not meet – but they had nothing to do with security. We had a problem with the correct application of dry ice for the packaging of onboard meals," explains Mr Martins.

After 33 years in the company, he believes TAAG has asserted itself as a company of integrity and accomplishment. "The approval of the new fleet last year was a breathtaking moment that we all remember as that it was symbolic of many achievements for the country as well as the company. It was the first time we had invested in new long-haul planes. We are very happy to have bought a new fleet and we feel like a very privileged company," he concludes.

JESUS NELSON MARTINS, CEO OF TAAG

## "Our business is to transport people, cargo and mail."

TAAG has bridged the gap between coastal cities and rural areas hundreds of miles away. Jesus Nelson Martins, CEO, believes Angola's economy would not be the same without efficient air transportation.

**Jesus Nelson Martins**
*CEO, TAAG*

**What role is TAAG playing in Angola's economic bonanza?**

Our economy is anchored in diamonds and petroleum. By moving the people that work in those sectors and helping them to come in and out of the country in a matter of hours, we guarantee an essential service to industrial productivity. If it were not for the efficiency of aeroplanes, we wouldn't see positive economic results.

**Your company owns 11 planes and flies to 14 destinations. Which new destinations are planned?**

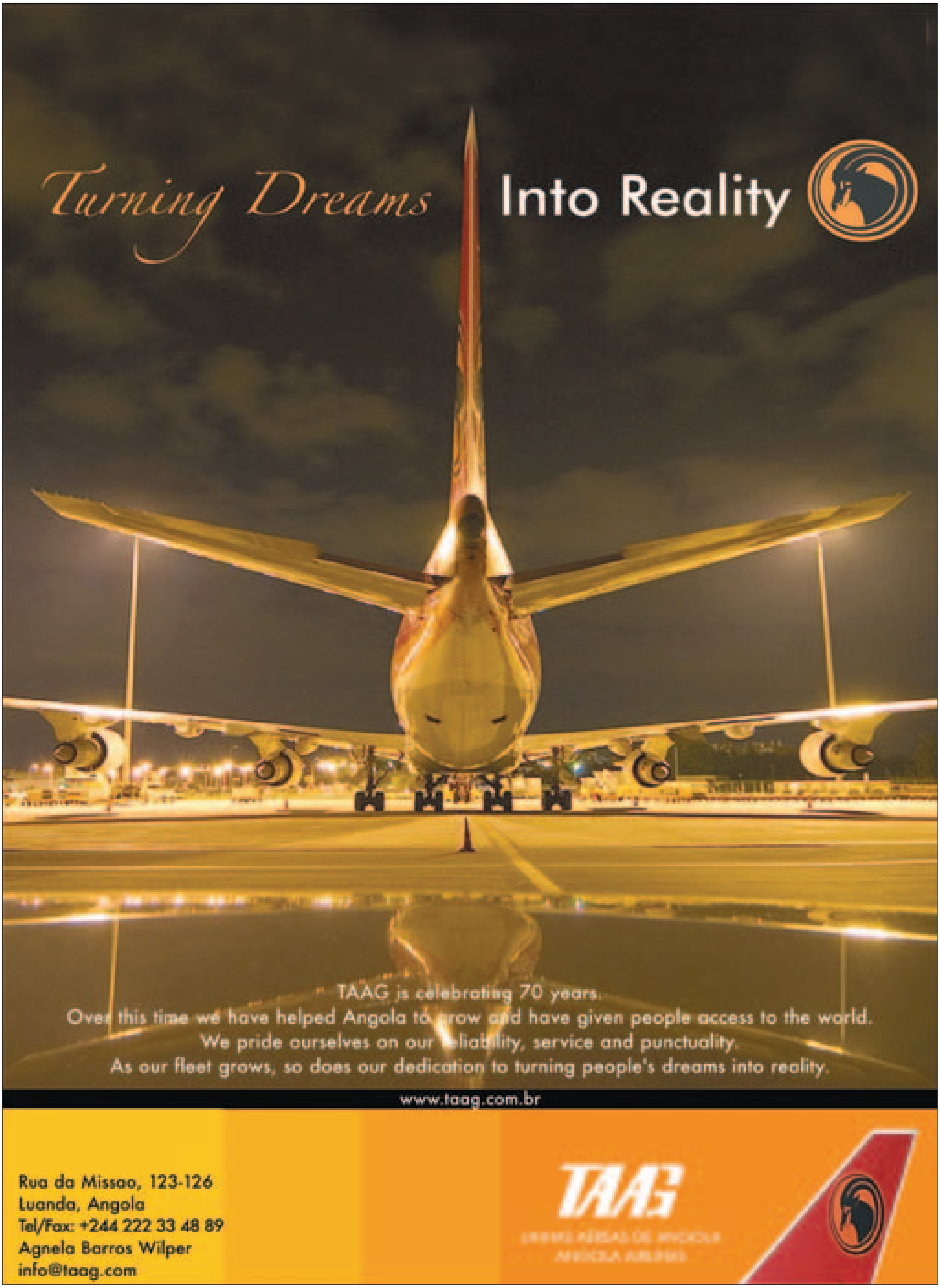
We're extending our network to cover all provincial capitals. We're waiting for the province of Benguela to finish renewing its airport, making Lobito our 15th destination. Kwanza Sul, Kwanza Norte and Bengo will not have scheduled flights because travellers prefer to drive. But we will be flying daily to all destinations in due time.

**What changes do you foresee in air logistics?**

Today, TAAG is no longer alone. There are also privately owned companies. We operate in an open environment, which nevertheless needs to be regulated to avoid anarchy. Otherwise, there is room for everybody as long as they comply with industry rules and the demands of air transportation.

**Do you have a competitive strategy?**

Nearly all airlines, European and Asian, currently want to fly to Angola—it's a sign that potential here is great. In the future we will be investing more, this time with the help of commercial banks. We hope to increase our fleet in accordance with market demand. It's critical that we don't remain static.


Turning Dreams
Into Reality
TAAG is celebrating 70 years.
Over this time we have helped Angola to grow and have given people access to the world.
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TAAG

# Cabinda


**LOCATION:**
An enclave and province of Angola, Cabinda is bounded on the south and east by the DRC, on the north by the Republic of the Congo, and on the west by the Atlantic Ocean.
**POPULATION:**
300,000
**CAPITAL:**
City of Cabinda
**AREA:**
7,283 km square
**PRODUCTS:**
Hardwoods, coffee, cacao, rubber and palm oil products.
**OIL:**
Cabinda produces 700,000 barrels of crude oil per day. Adjacent to its coast are some of the largest oilfields in the world.

## Angola's economic powerhouse

As the engine of Angola's giant oil producing machine, Cabinda, the small Angolan enclave just north of the Democratic Republic of the Congo, suffers more seriously from the threat of Dutch disease than many larger oil producing regions. The province is currently pumping out more than half of Angola's current 1.7 million barrels per day, a figure that is expected to reach 2 million by early next year, and rise to 3.4 million within the next ten years. Most of that future production will come from Cabinda.

There are only 300,000 people living in Cabinda, an area covering just over 7,000 km2. Though the oil wealth that has come out of the province over the last 40 years since production began is literally unimaginable, its people have historically lived below international poverty levels. Also, since Angola's independence from Portugal in 1975, there has been a secessionist movement waged in the province by the Front for the Liberation of the Enclave of Cabinda, who governed briefly before being overthrown by the Popular Movement for the Liberation of Angola that same year.

**Anibal Lopes Rocha**
*Provincial Governor of Cabinda*

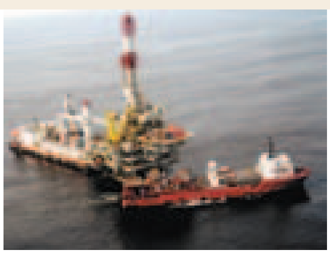
Since the 2006 forum on peace in the province, however, and its accompanying assurances of a ceasefire from separatist forces, Cabinda has a new outlook. The Memorandum of Understanding for Peace in Cabinda, signed with the central government on 1 August, 2006, grants the province a special statute and greater autonomy. On the first anniversary of the MOU this August, Angola's Territory Administration Minister, Virgilio de Fontes Pereira, said that it had recorded no setbacks in its first year.

This is very good news, and not only for Cabinda. While the province will benefit from increased political and economic autonomy, and will have more freedom to address its own social and economic issues, Angola has secured the economic platform from which it can continue to finance the diversification of its economy. Progressive policies both from Cabindan governor Jose Anibal Lopes Rocha and on a national level have been aimed at reducing economic dependence on the extractive industries, resulting in positive growth levels across the board. Indeed, 35% GDP growth is expected for 2007, making Angola one of the fastest growing economies on the globe.

And while Angola can now continue to invest in sustainability, Cabinda is facing a new era. With her new political stability, Angola's most precious province can fully develop, and enjoy, her wealth. "The peace agreement will create a healthy environment, it will bring economic and political stability, and will allow for new interaction between Cabinda and the rest of the country outside the realm of oil," asserts Mr Pereira.

INCREASING OPPORTUNITIES

## Oil rich enclave fuels Angola's economic diversification

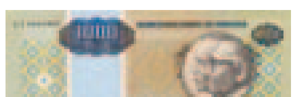


Cabinda produces the majority of Angola's oil

To say that the province of Cabinda has significant weight in the Angolan economy is a flat understatement. It produces over 60% of the country's oil and generates more than half of the government's total revenues and nearly all of its foreign exchange earnings. The fact that exploration and investment in Cabinda is still ongoing makes it quite clear that the province's importance in Angola's overall production is not likely to diminish in the near future. One cannot refer to Cabinda and oil without referring to Block Zero, Chevron Texaco's greatest find. Comprised of 20 fields with a current total production of 400,000 barrels of liquids per day, Block Zero is operated by Chevron's Cabinda Gulf Oil Company on behalf of partners Sonagol (the Angolan national petroleum company), Agip and Elf. This single concession produces the majority of Angolan oil.

NON-OIL RELATED INDUSTRIES

## Second largest revenues for the National Treasury



The government's National Reconstruction programme has been the main political policy since the end of the civil war in 2002. It is a comprehensive effort to rebuild Angola after the effects of the war and to create a wealthier society as means to ensure continued peace. Cabinda is key in Angola's continued recovery. Just last year the province contributed 20 billion kwanzas of non-oil related revenue tax to the central government, making it the second-largest contributor to the state coffers after Luanda. Added to this, of course, are Cabinda's vast oil revenues - and it will be this money that builds the roads, sanitation systems, hospitals and schools that keep Angola peaceful.

DEVELOPMENT PLANS

# Port of Cabinda to receive $100 million to finance its expansion

**With an eye to boosting its exports to neighbouring countries, the Province of Cabinda is building up its port facilities - and the central government is chipping in**

No country with a seacoast can be excluded in the identification of sea interests. This is the motto of the Port of Cabinda, which started its expansion and development more than three years ago with an initial internal restructuring. In 2005, it launched a four-year strategy to modernise existing infrastructure and develop new capacity with the aim of boosting its regional importance. This year, as part of the central government's Public Investment Programme for Cabinda, 2007-2008, the port was granted $100 million to finance the costs of its expansion.

Work on the port, which is expected to be completed in 2008, will allow it to receive ships of greater capacity and also handle cargo for neighbouring countries. Indeed, one of the main objectives of the expansion is to attract business from regional landlocked countries. Cabinda borders the landlocked Democratic Republic of Congo, and the province is a natural regional gateway.

**No country with a seacoast can be discarded as having possible logistic interest, says Port of Cabinda authorities**

After the expansion, Cabinda Port will have a nine-metre-deep manoeuvring basin for ships with a loading capacity of over 1,000 tons, and its access channel will be 80 metres wide, allowing for the simultaneous passage of two ships. Technological, operational and administrative capacities are also being modernised in order to carry out operations in less time and offer more competitive prices through reduced freight taxes. With the improvements in place, officials are estimating that that the port will register annual growth of between 50% and 70% from 2008 to 2010.

**This project will enhance the port's capacity to provide in-country services for global oil companies**

Governor Rocha says the port will grow in tandem with Cabinda's economy. Increases in production in various sectors that are now on the rise will augment port activities proportionately. "The oil industry," he points out, "is no longer only offshore, but onshore as well. The mining sector will be strong. Several factories are being finished at the moment, and they will have the capacity to produce construction materials not only for local consumption but also for export to other provinces and neighbouring countries. The ceramic industry is also growing, as is the wood industry. Then we also have our beer industry, which will be exported abroad. All these developments will facilitate the growth of the port."

ENHANCING CAPACITY

## A more competitive port to boost interregional activities

"Cabinda has three main consumer centres in less than four hundred kilometres. To the south, we have the city of Luanda; to the east, we have the cities of Brazzaville and Kinshasa, and to the north we have "Pointe Noir", Futila and some provinces of the Democratic Republic of Congo," states Governor Rocha. "With this strategic location, our province plays a key role in the regional network of goods. From here we can send goods to all the big consumer centres around us. This, added to Cabinda´s special customs system, will increase our port´s production levels significantly."

With expansion plans now approved by the central government, Cabinda is set to continue with plans to convert its port into an interregional hub. The lowering of taxes on goods entering the province is one of the measures that the government has taken to increase the regional flow of goods by which it also hopes to boost Cabinda's trade with neighbouring areas and increase traffic between consumer centres in the region. Cabinda is perfectly situated to serve the interior regions of both the Congo and the Democratic Republic of the Congo, a completely landlocked country.

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BUILDING THE FUTURE

## Cabinda: top of the list in the public investment program

The government of Angola, under its Special Programme for Public Investment, has allocated roughly $500 million – a previously unheard of quantity – for infrastructure improvement in Cabinda over 2007-2008. Governor Rocha says the money will be used directly to improve social conditions in the province.

"Education is one of our main priorities, and we have already made substantial steps that differentiate us from the rest of the country," remarks Mr Rocha. "In our province, you do not see children who are not enrolled in school. We do need additional schools, and in addition to high schools and a new university campus, we are also heavily investing in the modernisation of primary schools."

Another recipient sector will be health, and funds will support the upgrading of the province's current health facilities, possibly allowing for the construction of a new central hospital. A new paediatric centre is currently under construction.

Energy and water will also receive a significant percentage of the new investment, according to Mr Rocha, to continue ongoing work on a new potable water supply system and to install two gas turbines for electricity generation. Construction of a new dam is now in planning stages. Finally, roads and agriculture will be the other main beneficiaries.

IMPROVING INFRASTRUCTURE

## Social services set regional benchmark

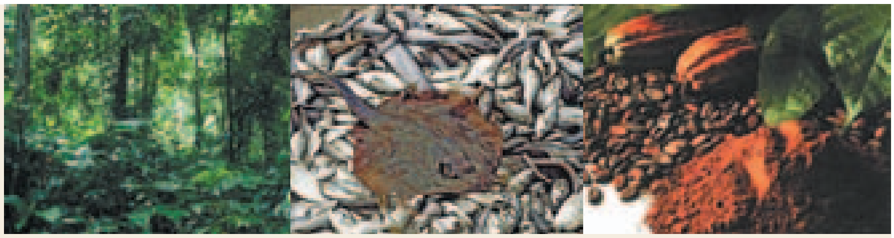
Between the expertise of Governor Rocha and the involvement of multinationals operating in the area, most specifically, Chevron Texaco, Cabinda has made such progress in improving its quality of life that Angolans from other parts of the country are moving in.

"We are attracting more residents mainly because of our social programs and our improvements in education," states Mr Rocha. "We supply food to more than 90,000 students every day, and provide free books and uniforms (which we made sure were manufactured in Cabinda). This year we will start distributing shoes for children."

The government's smart choices in social policy are also stimulating Cabinda's economy. Contractors have been asked to use only local products in construction, which has increased provincial revenues, and all wood exports must be value added. As a result of the upturn in the economy, hotels, airlines and the port are all registering higher volume, which means, again, more provincial revenues, and this in turn means more investment in social services. Major oil companies, in collaboration with NGOs, are now financing new schools and health centres.

DIVERSIFICATION

# Cabinda steps up efforts for a sustainable economy



Cabinda also produces coffee, cocoa, cassava, palm oil, timber and a wide range of minerals

**A new statute gives governor Lopes Rocha the go-ahead, and the power, to really effect change. Raising investment levels and builing industry top his to-do list**

With the recently agreed special statute for Cabinda, part of the Memorandum of Understanding for Peace that was signed last year with Luanda, the provincial government has been given freer reign in the incentives that it can apply to investors, according to governor Rocha. He adds, "This statute will enable the province to have a more dynamic investment climate, and it will facilitate the implementation of special projects that used to depend on the central government."

Giving governor Rocha a green light to develop Cabinda is a good move on behalf of the central government. The governor has, since his appointment in 2002, managed to upgrade previously almost non-existent social services in the province to such an extent that it is attracting new residents from around the country. He has successfully managed to enrol all children into school, to provide water and electricity, and to inject fresh impetus into the provincial economy by insisting on 'locally-made' and 'value-added' products.

The governor has made significant progress. Last year, Cabinda was second only to the capital of Luanda in the amount of provincial tax paid to the state coffers, and this did not include the province's oil revenues. Furthermore, Cabinda is showing signs of new life. "The occupancy of our hotels is now 80%. In 2002, the number of planes landing in the province on a weekly basis was sixteen. Today, it is 61. The Port of Cabinda has improved operational conditions remarkably. In 2002, we were receiving around 2,000 containers a year, and now we receive an average of 12,000," the governor observes.

**The occupancy rates at the hotels in the area are 80% all year round, and plans are underway to increase infrastructure**

Over the past five years, governor Rocha has spent a great deal of effort in promoting the diversification of the economy. Now, with increased autonomy, as well as new funds arriving for infrastructure from the central government, the governor is fully equipped to move ahead with plans for building a stable and prosperous province, and a sustainable economy.

Incentives for investors exist in agriculture, tourism, construction, mineral extraction, wood and public works, including port expansion, new roadways and the modernisation of the airport. Part of the province's economic strategy is the positioning of Cabinda as a regional logistics hub, through its port and airport, for goods moving into the regional interior. Governor Rocha is also hoping that the opening up of these new trade routes will boost Cabinda's value added exports.

FUTILA INDUSTRIAL PARK

## First phase draws 60 companies

In May of this year, Luanda approved "the strategic development of the Industrial Park of Futila" in Cabinda. The Polo Industrial de Futila will promote the development of the province's industrial sector, with its main clusters being oil-related industries, wood processing and construction materials.

In the first phase of the 2300-hectare park, the government will invest $36.7 million in infrastructure. More than 100 hectares of land will be paved, potable water supply networks will be constructed and a natural gas grid will be built to provide electricity. Roughly 60 companies will then start up the park's operations.

"We initially created this industrial area to house all the companies related to the oil industry," says governor Rocha, adding that a joint venture between a US and a local company was recently formed to build a hydraulic pump factory in the park. "The area is ideal, and we have received a very positive response from a number of interested companies."

TOURISM

## An exotic adventure in paradise

Cabinda is not only home to one of the most important oil industries in the world, it is also stunningly beautiful and possesses high tourism potential – a fact that has not escaped the provincial government's attention in its push to diversify the economy.

With its breathtaking landscapes, tropical forests and idyllic beaches, Cabinda's natural beauty alone is enough to lure visitors, but it also boasts a number of other attractions. It has a large gorilla population and rare butterflies in its Maiombe Forest – a thick primal rain forest called the 'vegetable sea' by the locals. Indeed, Cabinda's rain forest, with its canopy of luxuriant green vegetation and the variety of flora and fauna to be found within, lends itself to the development of a thriving eco-tourism industry as do the province's other natural parks and reserves. The province also has rich local culture and extensive colonial architecture.

Cabinda is home to a number of natural parks and reserves, where visitors can see wildlife firsthand

While the Luanda government approved special tax and customs incentives for the development of business tourism in the province a few years back, Cabinda is now ready to widen its offer. Traditional tourism, adventure and safari tourism, and eco-tourism are all ripe sectors for development, and the Ministry of Tourism is working to ease current visitor restrictions, something it hopes to achieve within the next three years.

IN THE FIELDS

## Taking advantage of agricultural resources

Cabinda is fertile and lush, and the development of agriculture in the province is the focus of a number of provincial and national initiatives currently underway. The province's crops include coffee, palm oil, potatoes, bananas and cocoa. While Cabindan farmers have lacked funding to expand production in the past, new financing has arrived to push things forward.

In addition to investment from the provincial and central governments, which are also providing credit to farmers in their efforts to promote agro-farming, Cabinda's agricultural sector is also benefiting from the support of local oil companies, such as Chevron Texaco. In partnership with USAID, Chevron has implemented a five-year agribusiness development project aimed at building local farmers' capacity in the production, collection, storage, marketing and distribution of fresh produce and fruits.