THE ANGOLAN FACTOR

The African nation is emerging from the Covid-19 crisis with a raft of new legislation to reform its economy

Most of us alive today have never experienced anything like the sanitary and economic crisis triggered by the Covid-19 outbreak in 2020. This is the deepest recession since the Second World War, the World Bank said. The first crisis of a globalised world, we say.

Angola was severely hit. In addition to the recession caused by the pandemic, its oil-dependent economy has had to adjust to the sharp drop in oil prices and restrictions under the OPEC and production agreement. The country's mining (diamond) industry, which together with the O&G sector represents +95 per cent of Angola's exports, was hit hard by the forced lockdowns. The perfect storm: public debt increased to +120 per cent of GDP; inflation reached 21 per cent; the kwanza continued its depreciation; unemployment rose; social instability came to the streets. Angola entered 2020 in its sixth year of recession.

The outcome was not worse only because the Angolan government responded quickly, putting in place a stimulus plan including social assistance measures and health spending, the approval of a supplementary budget (using a conservative oil reference price) and the adoption of a set of fiscal and monetary measures aimed at supporting economic activities and controlling inflation.

While navigating the pandemic, Angola also managed to secure the IMF's approval of the third review under the ongoing EFF and an additional $1bn in financial support, to defer its exit from the group of least-developed countries to 2024 (seen by many as a political step back, but which has allowed the country to maintain its preferential access to markets and funding), and to secure a three-year payment relief from China.

Despite the unforeseen health crisis, the Angolan government remained committed to the pillars of the National Development Plan 2018-2022 and reform programme supported by the IMF towards a more diversified, transparent and efficient private-sector oriented economy: several important statutes were approved in 2020, including a new Legal Framework on Public Procurement and Public Sector Contracts, a new Criminal Code and Code of Criminal Proceedings, the long-awaited new Legal Framework on Local Content in the Oil Sector. Moreover, in 2020 Angola ratified the Agreement Establishing the African Continental Free Trade Area and announced the launch of 41 public-private partnerships by end-2021 ('PPP Programme').

In the first months of 2021, Brent prices significantly increased vis-à-vis 2020, averaging close to $60. The current outlook for oil prices is good for Angola, as it will help the government reduce its public debt and restore its commitment towards macroeconomic stability and sustainable growth by improving economic diversification.

Set on achieving this goal, the government has already revisited the ongoing Privatisation Programme, cleared the proposal for the Law on the Framework for Movable Securities, and amended the Private Investment Law (publication pending). These statutes, along with others recently passed (e.g., PPP Law, Competition Law, new forex regulations, the Private Investment Law) and the increasingly relevant role of institutions such as the National Oil Agency, Gas and Biofuels ('O&G Agency'), the Competition Regulatory Authority, and the State Assets and Stake Management Institute, are a clear sign of Angola's commitment to transparency, efficiency and the creation of a risk-free environment for investors.

2021 is likely to bring more FDI to the country under the Privatisation Programme. With the implementation of the PPP Programme, investment in public infrastructures, clean energy, agriculture and transport is also likely to grow. As for the energy sector, by reference to its 2025 Energy Plan, Angola aims to increase access to electricity to 60 per cent of the population, with 70 per cent of electricity expected to be derived from renewable sources.

The boost in investment in renewable energy projects is also expected in the 'traditional' O&G sector: the O&G Agency recently launched several tenders for assessment of the oil potential of several onshore interior basins, Total resumed drilling operations (on hold since 2018), BP started executing its drilling programme for the development campaign at Block 18 (BP's first operated development in Angola since 2012), and the envisioned liberalisation of the downstream sector is pushing for investments.

Opportunities are clearly available and countries such as France, the UAE, Japan, Italy, Germany and Spain, whose head of state recently visited Angola for the first time in 30 years, are taking the lead.

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