

ANGOLA Part 2

A striking natural phenomenon

Part 1 of our series on Angola is available online at:
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An abundance of energy resources, including oil derivatives, considerable hydroelectric potential, huge reserves of natural gas, and vast, fertile territory for agriculture power one of Africa's brightest stars

Over the past decade, the Republic of Angola has emerged as the fastest-growing economy in the world. Registering an impressive annual GDP growth of 11.5% for the period 2000-2010, Angola trumped even the much-vaunted BRICs and emerging Asian economies to claim the top spot in an analysis published by *The Economist*. This result comes in spite of a flatlining in Angola's 2009 GDP, due to the republic's heavy dependence on oil revenues as global petroleum prices fell sharply. Nevertheless, the Angolan economy rebounded in 2010 and last year's GDP reached 5.9%.

Revenues from oil and diamond exports have also helped fuel Angola's extraordinary development since peace was established in 2002, and the government has reiterated its drive to further diversify an economy that relies on oil production and its supporting activities for about 85% of its GDP. Diamond exports have contributed an additional 5% in recent years. In addition to diamonds, the republic's soils also hold untapped copper, iron ore and phosphates, among others.

In March, Angola's Ministry of Economy projected that the national economy would grow at least 7% in 2011, with the oil sector contributing 2.5% and other sectors making up the difference. Opportunities in those other sectors exist across the board. The third-largest country in sub-Saharan Africa, Angola possesses extensive oil and gas resources, diamond and mineral wealth, hydroelectric potential and rich agricultural land.

An \$18 billion government plan to overhaul the country's dams and power grids and prevent all power cuts by 2016 will act as a catalyst in the energy sector and spur further enterprise elsewhere.

Last year, Angola was the largest supplier of petroleum to China, sup-



President Jose Eduardo dos Santos is moving the nation toward a more diversified economy

plying 19% of the market. Angola's plans to cut its dependence on oil revenues could see relations improve further, with China seeing potential in agriculture, service industries, infrastructure and renewable energy.

In 2010, Angola's parliament approved a new constitution and President Jose Eduardo dos Santos also gave his first State of the Nation address in November. During the fully televised speech, the president acknowledged the challenges of hunger and poverty the nation faces. A month prior, the United Nations' resident coordinator in Angola, Koen Vanormelingen, said that poverty levels in Angola, measured in monetary income, had decreased from 63% in 2002 to 38% in 2009. He added that the country is headed toward a secure way to achieving the UN Millennium Development Goals, given its advances in peace, economic growth and social development. ■

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The road to diversification

Angola's agriculture sector grew 29% in 2009, entering a new stage and becoming a key priority on the government's agenda in diversifying the nation's oil- and diamond-based economy

Angola's economy faces a conundrum, particularly in its agricultural sector, where nearly 85% of what is consumed must be imported. Food self-sufficiency certainly counts for a lot in terms of sustainable development, yet cash crops for export can bring in the revenues needed to further fuel the agro-industrial sector. Thus the question: should the focus be on fast results and economic gain? Or long-term benefits and well-being?

"The sectors of agriculture and fisheries have a significant importance, not only for their agro-ecological and economic potential, but also for the social role they play in the segment of the population depending on them," says Minister of Agriculture Afonso Pedro Canga. Of the country's 3.7 million hectares of irrigable land, only 3.5% is being utilized. This represents a huge opportunity for investors.

"Agriculture will be the basis of the economy, and industry the decisive factor."

*Agostinho Neto (1922-1979)
First President of Angola*

Experts put their money on small farmers and on public-private partnerships (PPPs) to produce enough for national consumption, and at a cost below that of imports. So far this combination has done rather well in corn, cornmeal, sweet potatoes, legumes and coffee, which also yields enough for export. Yet Angola still relies on imports of basic foodstuffs, such as wheat, rice, dairy and meat. As for cash

crops, Angola has had growing success with sugarcane plantations. Besides sugar, this crop lends itself to other lucrative uses, such as ethanol. Before independence in 1975, Angola was self-sufficient in all crops except wheat. It annually produced 220,000 tons of coffee; in 2009, just 15,000 tons were produced, but a five-year plan is in place to raise production to a quarter of the pre-war glory days. "Our goal is to become self-sufficient in food production and we have potential to do so," says Dr. Carlos Aires da Fonseca Panzo, national director of macroeconomic management monitoring at the Ministry of Economic Coordination. ■



Before 1975, Angola was the world's fourth-largest coffee exporter

Water, the next oil

With 47 watersheds and the largest water-flow rate in Africa, Angola's powerful rivers hold the potential to generate 18 GW of energy. Moreover, in light of the resources available, it is possible to build 150 mini-hydroelectric plants, with a production capacity close to 2 MW. Capanda Dam, the

country's most important hydroelectric producer and largest ever civil construction project, lies on the Kwanza River in Malanje Province. Capanda's four turbines each produce 130 MW, and represent the first major step towards producing and supplying electricity to all of Angola.

BESA's green banking

When UNESCO named Banco Espirito Santo Angola (BESA) "Bank of the Planet" in 2009, it was in recognition of the bank's achievements as well as a sign of positive things to come.

BESA goes above and beyond the call of an ordinary financial institution, involving itself in sustainable development and environmental issues by financing groundbreaking projects from a grassroots to the most multinational level as only a world-class bank can.

For example, BESA has become a pioneer in the concept of green banking. Along with the Angolan Development Bank (BFA) and the African Investment Bank (BAI), BESA has funded BioCom, the Bioenergy Company of Angola, which focuses on the production of



PHOTO: WALTER FERREANDES

sugar and ethanol in the Cacusso region. BioCom, a joint venture between parastatal oil and gas company Sonangol, Angola-based company Damer, and Brazilian firm Odebrecht, is expected to generate 30 million liters of ethanol, 250 tons of sugar, and 160,000 MWh of

*Alvaro Sobrinho,
CEO of Banco Espirito Santo Angola (BESA)*

electricity per year. Behind BESA's involvement in environmental and corporate social responsibility issues is its

CEO, Alvaro Sobrinho, who, since 2007, has spearheaded the bank's financial and strategic initiatives to share the concept of sustainable development throughout BESA, Angola and the world. To better concentrate on each of the bank's varied interests, its

activities are divided into four pillars: economy (BESA), social (BESA Social), cultural and scientific (BESA Cultural) and environment (BESA Environment). This last realm is where the bank caught the attention of UNESCO, which described it as "the banking institution that most stands out for its support of spreading the message of environmental protection and sustainability."

Collaborating closely with the Angolan Ministry of Environment, BESA produces special environmental education kits—including books, activity sheets and a CD—that, in the first phase, were distributed among schools in the provinces of Luanda, Huambo and Huila. The idea now is to take this project to the entire country.



BESA. OFFICIAL BANK OF THE PLANET EARTH-UNESCO

HONOUR AWARDED BY UNESCO.
United Nations Educational, Scientific and Cultural Organisation.



A time for healing and growing

Aldeia Nova is a visionary project with a twofold mission: to afford displaced Angolans jobs, and to boost the country's agricultural backbone

The 27 years of civil war in Angola that ended with a ceasefire in 2002 left the nation divided and crippled. Thousands of families were left homeless, infrastructure was destroyed, and the countryside that had served as the breadbasket of southern Africa was littered with landmines. In a mass exodus, farmers abandoned their dangerous lands in search of opportunities in the cities, causing overpopulation in urban areas.

In 2004, President Jose Eduardo dos Santos launched Projectos Aldeia Nova (PAN), a pilot project to combat over-urbanization while rebuilding Angola's former economic strength: agriculture.

Portuguese for "new village," PAN kicked off in Cela District, part of the Wako Kungo municipality of Kwanza-Sul Province. Some 800 families—from both warring parties, the Armed Forces of Angola and the National Union for the Total Independence of Angola—were welcomed to newly constructed settlements in under-populated rural areas where they were given shelter and jobs, and reintegrated into a new, peaceful social environment.

Jose Cerqueira, project director at PAN, says, "It is necessary to create the conditions so that there are small towns in fertile regions, so that people can work in agriculture and have the benefits of the city."

Little by little, the project recovered agricultural fields and built infrastructure, including schools and health centers. PAN, which was handed over to the Angolan government in February 2008, spurred the development of small enterprises and modern agricultural factories, while complementary facilities, such as banks and hotels, began springing up in the area. Such is PAN's success that there are plans to export the model to other provinces, specifically Lunda Norte and Malanje.

Currently, PAN's products, which come from the Social Agriculture Project Aldeia Nova, consist of sugar, grains, eggs, milk and milk products, and cow, chicken and pork meat, among others. However, Aldeia Nova's biggest bets are on their sugarcane plantation project called ProCana. "I think the product that could make a major contribution to the revival of Angolan agriculture will be cane sugar to produce sugar, ethanol and electricity," explains Cerqueira. "Because it is a quick culture, you plant it today and after a year it can be harvested and create some income. There is a big market in the world for ethanol."

After PAN brought in experts from the U.K., Brazil, and Portugal to conduct a study on the Angolan sugar industry, the project took off with a 1,000-hectare sugarcane nursery in Waco that includes varieties imported from Uganda and Brazil.

In recent news, PAN signed a contract for Quiminha, in the Catete District just 43 miles from Luanda. Under the Regional and Agricultural Development Project of Quiminha signed in January 2010, PAN will produce eggs, poultry, grains and tomatoes to supply the capital city.

The next step for PAN is to find international investors who want to participate in

the development of new agricultural products, as well as in the transformation of the PAN experience into a larger segment of the agro-industrial sector that would create more employment opportunities and raise self-sufficiency for food. For this, PAN seeks not only financial investment but also the machinery, technology, and know-how to further promote development in the villages.

It is projects such as Aldeia Nova that are helping Angolans get back on their feet, providing them with the tools they need for their personal well-being and growth, and for the socioeconomic development of the nation. ■



PAN is helping former soldiers and displaced families get back on their feet



**Projectos
Aldeia Nova**



Projeto Agrícola Social

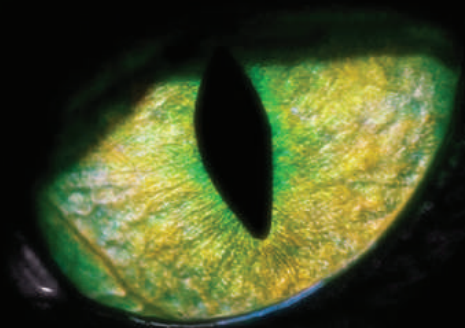


Projeto Cana-de-açúcar



Projectos Aldeia Nova

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A VIEW ON QUALITY

GRUPO SSR, based in Lubango in the province of Huíla, is helping bring development to the province. Active in a broad range of areas, including trading, car dealership, hotels and tourism, agribusiness, private security, transportation fuel, dry cargo, civil construction, and executive air services, the group is meeting the challenges of a country in reconstruction.



GRUPO SRR LDA

Escom, a sustainable model to follow

The conglomerate is fully committed to adding value to Angola's natural resources in a sustainable manner that will bring wealth and development to the nation

Escom, one of the largest private investors in Angola, is a conglomerate formed in 1993 by Portugal's Espirito Santo Group and local private investor Helder Bataglia. Escom started as a trading company and later diversified its investments to provide continuity to its parent company's projects in Africa, especially those in Angola. "Right now, Angola is not only our main market, but also the most important part of our genetic code," says Bataglia. "In fact our history is deeply intermingled with Angola and accompanies its development.

"We came here in the early 1990s, but the resumption of the war greatly affected our momentum and we had to adapt to circumstances. In 1995, Escom began investing in sectors such as fishing,

"In 2003, we decided to do a thorough restructuring, splitting Escom into five major areas of investment: mining, real estate, infrastructure, energy and oil and gas."

Helder Bataglia, Founder and Chairman of Escom

investment: mining, real estate, infrastructure, energy, and oil and gas," says Bataglia.

In terms of mining, Escom has invested heavily in the diamond industry over the past 10 years. From 2001-09, the company dedicated some \$430 million toward diamond mining, and an additional \$750 million has been budgeted for use in that pursuit by the end of 2014. These significant figures represent Escom's faith in the future of the sector and in the Angolan economy, in general.

"Today, in terms of exploration, we are the company that invests most in Africa," explains Bataglia. "Now we will enter into the operational phase of new mines, which represents the culmination of a period of several years of exploration and will significantly strengthen the presence of Escom and of Angola, which will soon be one of the top three worldwide diamond producers."

Supplying this optimism is the Luo mine in which Escom is a partner, and which will produce over 6 million tons of ore per year by 2013, making it one of the 10 largest diamond mines in the world.

Another strategic area in which Escom is tak-

mining and aviation, demonstrating that even during a war, we could create opportunities. When peace finally came we were already here to contribute to the development of Angola, investing in new areas like real estate, infrastructures, oil and gas, and energy."

Escom later opted out of aviation and fisheries to focus on adding value to Angola's most promising natural resources. "In 2003, a year after we achieved peace, we decided to do a thorough restructuring, splitting Escom into five major areas of



The 24-story, 102-meter Escom Building is the tallest building in Angola

ing an active role is hydropower production. Indeed, it will be the energy produced at the Luapasso station in Lunda Norte that will supply mining areas in eastern Angola. Currently under construction, this project is being built in partnership with the National Energy Company (ENE) and once the first phase is completed, the power will be channeled to the mining projects. Urban areas will benefit from further phases. Two other hydroelectric dams are under construction in Samuela and Camanenga, also in Lunda Norte Province.

Escom's investment in hydropower and mining is accompanied by a growing interest in oil. Not long ago, the company formed a partnership with the Angolan company Gema, thus acquiring a 2.5% stake in Block 18, operated by Petrobras, and located next to the fields where Total and BP currently operate.

The success of its Angolan operations allowed Escom to invest in infrastructure and energy in neighboring countries such as Congo Brazzaville, South Africa, Mozambique and Gabon, with the objective of becoming a regional player at the level of SADC and Central Africa. ■



PHOTO: WALTER FERNANDES

PHOTO: WALTER FERNANDES

Luo diamond mine beats challenges

The commitment of a consortium at Luo to unearth the maximum potential of Angola's massive kimberlite deposits is backed by major investment and combined international experience

Angola's soils reportedly contain a quarter of the planet's kimberlites, diamond-rich deposits held in subterranean volcanic formations. In March 2003, a joint venture formed to tap the nation's massive kimberlite potential at the Luo-Camatchia-Camagico diamond mining concession, which spans 116 square miles in the northeastern province of Lunda Norte. The Luo consortium is comprised of the state-run diamond group Endiama, two Angolan holdings called Hipergesta and Angodiam, and Escom, the mining division of Portugal's Espirito Santo investment group.

Rugged topography and underdeveloped infrastructure are just a couple of the hurdles to accessing the five mineral-packed kimberlite pipes at Luo. Nevertheless, the venture started operations in 2005 with a \$200 million initial investment and a goal of creating one of the world's largest mining operations, generating 1,200 jobs in the process. The mine initially had a processing capacity of 1 million tons per year, but already newer facilities have enabled the processing of 3 million tons of diamond-bearing rock per year, with additional investments set to boost it to 10 million tons annually. The consortium has also developed two diamond treatment centers at the site.



"We faced many challenges but today Luo is a reality."

*Dr. Mefira Adamou,
Director General of Luo*

"We faced many challenges but today Luo is a reality," says Dr. Mefira Adamou, director general of Luo. "Mining is a capital-intensive industry and to make something out of it takes a lot of investment. It is indeed an industry that does pay off, but it is a long-

term return. At Luo, we are not talking about profits because the project is still in its implementation phase. To complete its construction will take another \$500 million. Projects of this nature are the same all around the world. The necessary capital is always around \$1 billion, including machinery, infrastructure, etc. Costs in Angola are high because we have to import everything."

The Luo consortium remains extremely bullish about the outlook of the mine and its long-term view is also apparent in its support for the local community, where it has participated in the construction of schools, playgrounds and water and energy infrastructure. ■

DEVELOPMENT NEVER SLEEPS so neither do we



With great size comes great responsibility. Luo, one of the world's largest diamond projects, embodies both the promise and the challenge of Angola's diamond industry. It is working hard, through a raft of social development initiatives, to enrich the lives of Angolans by providing local communities with basic needs, including the construction of much needed schools and medical facilities.

Diamonds: a glittering recovery

Exceptional quality and sustainable, ethical production set Angola's diamond industry apart



Antonio Carlos Sumbula, Chairman of Endiama

Despite what many people believe, all diamonds are not the same. They have varying levels of quality, with only about 20% of the world's production of diamonds being good enough for use as gemstones. The quality of Angola's diamonds is so high that the proportion of gemstone quality to industrial-use quality is the reverse of normal production, with 80% of the country's output fine enough to be used for jewelry.

Anyone who has bought a diamond engagement ring has probably learned about the four C's, the criteria that are used to judge a gem's quality: cut, color, clarity and carat weight. Angolan diamonds score highly on all of these criteria, making them a standard for Africa and for the whole world.

However, Angolan diamonds are not solely distinguished by their high quality. Since the end of the country's civil conflict in 2002, Angola's government has been one of the main contributors to the process of ending the sale of blood diamonds, gemstones that were sometimes mined with slave labor and sold or traded for weapons that fueled fighting in several parts of the continent.

Angola is the world's fourth-biggest diamond producer after Russia, Canada and Botswana. It is one of the members of the Kimberley Process, an initiative that unites governments, industry players and other stakeholders to halt the flow of conflict diamonds. The Process includes a certification procedure that requires its members to show that shipments of rough diamonds are conflict-free.

Angola's diamonds will soon be further distinguished by a change to government laws governing the diamond industry. The new rules will require mining operations to dedicate a proportion of revenue to developing nearby areas, to show that the country can use its natural resources in a sustainable way and at the same time improve the lives of all Angolans.

Endiama (Empresa Nacional de Diamantes), the national diamond company, is the exclusive concessionary of mining rights in Angola. The parastatal organization is part of the movement to establish the "Diamond of Angola" brand, which aims to help position the republic and its quality diamonds as world leaders. ■

Q&A with Antonio Carlos Sumbula, Chairman of Endiama

Q. Should the Kimberley Process be redefined to include potential human rights problems regarding the treatment of diamond prospectors, now that trafficking of conflict diamonds has essentially ceased?

A. I don't think we need to redefine it; instead I think we should explain that the Kimberley Process is so strong and sustainable that diamonds are now all clean. We could talk about the rights of the prospectors, but that has nothing to do with the existence of blood diamonds, it is instead about human rights violations. Nevertheless, we might need to keep explaining what the Kimberley Process is, so that people understand it better.

Q. What is the current state of mining projects in Angola?

A. We are still in the phase of promoting new mines, and we want to carry out campaigns to attract the big mining companies in order to promote our potential for new projects. We have only carried out geological surveys that cover 40% of the country, which means we have to bring in the big mining companies that can help us carry out prospecting campaigns to identify new reserves of diamonds. We used to think that only the North and South Lunda provinces had diamonds, but now it looks like the whole country might have them. It is more a question of which provinces don't have diamonds! Angola has the responsibility of communicating this to the world.

The number of alluvial diamonds we have found is so large, and their quality is so good, that now we have to find the kimberlite pipes that produced them. This is assuming all the alluvial diamonds came from kimberlite pipes. We are sure there are lots of diamonds in Angola, so we just need to find investors who can help us carry out studies to determine what our soil contains.

Q. What incentives are there to attract investors, in addition to the existence of so many kimberlite pipes in the country?

A. We have always offered very good incentives. The fact that we have always had investors here, even during the war, is a sign of that. Our mining law has always contained incentives for investors. Now that we are at peace, the law can be further improved and we are working on that right now, finishing up a mining code that will include more attractive incentives for investors. The new law will be closer to other such laws around the world.

Q. Another important goal of the government is to add more value to the resources the country produces. Angola already has a facility to process some diamonds, but what other possibilities exist in this area?

A. The facility we have now is not yet adding as much value as we had hoped; we are still working on that to reach the level we originally intended, and then after that to be able to process diamonds into gemstones. We are carrying out a study to see if it would be more profitable to produce jewelry in Angola or to partner with a jewelry maker in another diamond-producing country.



Made in Angola

Quality, sustainability, commitment, assurance, and value are the hallmarks of the "Diamonds of Angola" brand

Five solid concepts form the bedrock of the "Diamonds of Angola" brand: quality, sustainability, commitment, assurance, and value. If diamonds are forever, as the refrain goes, then surely the effects of their production should also be of similarly enduring, and beneficial, value.

Last year Angola produced 8.55 million carats of diamonds, generating revenue of \$956 million, according to Endiama, which forecasts 9 million carats produced in 2011.

The Angolan diamond industry is going to great lengths to eradicate negative misconceptions about the sector and to raise awareness that the "Diamonds of Angola" brand is synonymous with the highest international standards and meticulous quality controls.

The government, the diamond industry and proud Angolans alike want people to realize that what lies behind the glitz, glamour and sparkle of the end product is of certified quality and guaranteed methods of production.



Endiama forecasts production of 9 million carats this year

Branding Angola's diamonds will add value to the product and raise its profile in global markets, as branded goods carry greater margins and generate end-user demand. Establishment of the "Diamonds of Angola" brand will also further extend the reach of the Kimberley Process, verify that Angola's diamonds are "conflict-free," guarantee that Angolan diamonds are of better quality, contribute to the social development of the region, and demonstrate that there is concern for the environment during the exploration and extraction process. Furthermore, the initiative will highlight Angola as a producer of clean diamonds where investment return in the subsector is guaranteed.

"Diamonds of Angola" will help people associate Angola with a gemstone of the finest quality in the world, and with a country that, thanks to the vision of its president, generated the Kimberley Process, thus becoming a pioneer in the abolishment of trade in conflict diamonds and contributing to peace in Africa. ■

Diamond Security Corps

One measure the government took in 2004 to fight illegal diamond trafficking was to set up the Diamond Security Corps, or CSD. The agency oversees the security of the whole chain of the diamond-producing industry, from mines to trading houses and through the export process. The CSD's goals are to ensure the legal production of diamonds, preserve Angola's natural riches and make sure mining operations respect human rights and take good care of workers. The CSD operates autonomously from other governmental security bodies, but also works closely with the National Police and Customs.

SHINING VALUES

Endiama is contributing to the fast, consistent and organized development of the diamond sub-sector in order to increase national value in the context of a cluster of mineral resources, as well as to contribute to the diversification of the national economy and the sustainable development of Angola.

Mining



Real Estate



Public Works



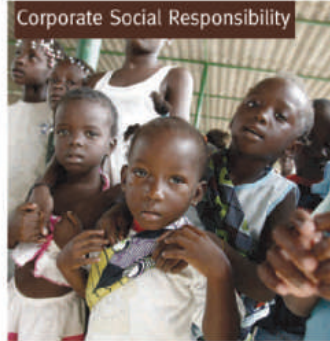
Cements



Energy



Corporate Social Responsibility



Oil & Gas



Growing on solid ground

Back in 1993, when the world had its eyes set on the European single market, Escom anticipated the future: it believed and invested in Africa.

Today, 18 years after its foundation, the company continues to grow on solid ground, with thousands of employees, several partnerships worldwide and headquarters in various international cities: Luanda, Lisbon, Brazzaville, Kinshasa, Amsterdam and Johannesburg.

Currently operating in six business areas - Mining, Real Estate, Infrastructures (Public Works, Cements and Ports), Energy, Oil & Gas and Procurement allied to a strong commitment to social responsibility, ESCOM is increasingly becoming a reference company in Africa.

Always looking to the future, Escom has reached a position of leadership, and is currently the largest non-petroleum based company in Angola. And it is with its eyes set on the future that it continues to build its presence in the African continent, so that, in the next 18 years, Escom may continue to be 18 years ahead of its competitors.

ESCOM