Advancing Angola’s Mining Sector: Reform and Investment

Speaker: HE Manuel Francisco Queiróz
Minister of Mining and Geology, Angola

Chair: Ted Giletti
Director, Angola Capital Partners (ACP); Director, Banco Africano de Investimentos

24 June 2014
Introduction

This document provides a summary of a meeting and questions-and-answers session held at Chatham House on 24 June 2014 on the developments in Angola's mining sector and the government’s national plan of geology.

The speaker discussed the Angolan government’s effective management of its natural resources, and examined Angola’s National Geology Plan. The plan will increase knowledge of Angola’s geological potential, as well as develop laboratories and train staff for the mining sector. Through this, the government is looking to diversify the mining sector and increase mining revenues and private investments. The mining sector aims to become one of the largest contributors to the state’s GDP, as well as one of the largest job providers. Angola’s infrastructure is being developed alongside to ensure that the country has the capacity for further mining development and investment. This includes the country’s railways, energy production, communications and financial system. The government has established a competitive fiscal regime for attracting investment, and it has greatly increased its transparency levels over the past years. The mining sector is not only an important part of Angola’s economy for attracting investment, but also for reducing domestic poverty levels, and mining revenue is used to improve social services and the population’s living conditions.

The meeting was held on the record. The following summary is intended to serve as an aide-mémoire for those who took part and to provide a general summary of discussions for those who did not.

For more information, including recordings, transcripts, summaries, and further resources on this and other related topic, please visit www.chathamhouse.org/research/africa.

Manuel Francisco Queiróz

The speaker began by discussing the Angolan government’s mining policy. He explained that the government is seeking to diversify the mining sector, and increase mining revenues and private investments so as to create more jobs and improve the population’s living conditions. The main tools that the government will use to achieve this are the Angolan mining code and the National Geology Plan – Planageo. He explained that the government’s model of natural-resource management has proven to be very efficient, allowing it to rebuild the country after the war in less than ten years and stated that through this model, the government has rebuilt the damaged infrastructure and developed new ones, including thousands of schools and universities. He also explained that the government is now able to finance all these investments with the country’s own resources, as a result of Angola gaining sovereignty over its natural resources and the government’s effective management of them and that the government continues to use, and improve, this model.

Manuel Francisco Queiróz highlighted how Angola is a very large country, and he stated that this is important for understanding the management of its natural resources. In 2013, the country received the rating of ‘BB’ from Standard & Poor’s and the World Bank reported that it has the third-highest nominal GDP in sub-Saharan Africa, as well as the third-largest GDP per capita and the largest growth in GDP. Angola’s management of natural resources is overseen by various state bodies, including the National Department of Mines and the National Department of Geology, as well as institutions and companies overseen by the state, such as the National Agency for the Regulation of the Gold Market and Ferrangol. He stated that the mining sector aims to become one of the largest contributors to Angola’s GDP and one of the country’s largest job providers, especially for the youth. Planageo looks to successfully execute the National Development Plan that was set forth by the government, and it upholds the values of
transparency, loyalty and rigour. He described how the National Geology Plan will enhance geological knowledge throughout Angola’s territory. This will be achieved by undertaking various geological surveys of the entire country. Three geochemistry laboratories will be established in Luanda, in the east of the country and in the Huíla province in the south, respectively. The laboratories will develop geochemical surveys using the information from Planageo, and will be integral in ensuring that investors’ needs are met. Additionally, staff will be trained and qualified, and the speaker stressed that this is crucial. At the end of this process, a number of geological maps at different scales will be produced. He stated that the Planageo will result in enhanced geological knowledge of Angola, increased growth and diversification of the national economy, which is currently focused on the production of oil and diamonds. The increased geological knowledge will also help promote investment.

Manuel Francisco Queiróz described how the government is developing infrastructure, alongside the National Geology Plan, so as to support mining investments. Angola’s railway network consists of three lines, running from Luanda, Lobito and Namibe. Additional lines are planned for 2020, linking Cabinda in the north, Malange and Menongue, and developing a link to Namibia. There is a mineral port at the end of each line, and two more ports are to be built in Luanda and Cabinda. The government is also looking to increase electrical energy production levels. The country currently produces 2000 MW of energy, and the government wants to increase this to 6000 MW by 2018. The government aims for energy self-sufficient by 2018, as well as to produce sufficient energy to begin industrialization, and it is concentrating on hydroelectricity, thermal energy and natural gas production. Angola has a well-developed communications system, and the country has fibre optic telecommunication links to all African countries, as well as Europe. A link is also being developed to Brazil, the United States and Latin America, and Angola will also have its own communication satellite from 2018. The financial system is also improving. The country has a network of commercial banks and its stock market is in the process of being developed. Angola has a well-established road network, with all the provinces linked by major roads following a big investment in this area in the last ten years.

There are a number of investment opportunities in Angola’s natural resources, and the speaker listed some examples, including industrial, agricultural and construction minerals, diamonds, iron, copper and gold. However, he clarified that the information on this is not up to date, as most of it was obtained from the colonial administration. The speaker explained that this is why the government established the National Geology Plan, and he stated that immense investment opportunities are anticipated after the national plan is completed. He discussed Angola’s mineral production performance after 2013, highlighting how the country produced nearly eight million carats of industrial diamonds, and $206 million worth of small-scale raw diamonds. The speaker clarified that Angola’s quartz production has been halted due to a lack of demand for natural quartz following the discovery of a synthetic type of quartz.

Manuel Francisco Queiróz examined the country’s fiscal regime. The surface tax depends on the length of the licence, and the size of the territory it covers. The tax ranges from $1 to $40 per km². The government has decreased income tax from 35 per cent to 25 per cent, and he specified that this is the most competitive in Africa. Royalty tax ranges from two to five per cent depending on the type of mineral, with strategic minerals such as gold and uranium taxed at five per cent. The speaker explained that there is also a system to facilitate the fiscal rates, with fiscal benefits not given automatically, but negotiated case by case depending on what the company offers. Companies should offer social investments in sectors such as health, education and roads and observe Angola’s environmental code if they wish to obtain fiscal benefits. He stated that the management of natural resources is based on Angola’s sovereignty over its resources. He emphasized that partnerships with investors and international companies must be based on respect for Angola’s independence, for its sovereignty and for Angolan laws. He concluded by highlighting
the many advantages of investing in Angola. The country has a rich and vast territory, with attractive mining potential; a clear mining code that offers guarantees for private investment; an attractive tax regime; accurate information to support investment decision making in the mining sector following the completion of the Planageo; infrastructure capable of meeting the mining industry’s demands; and political, economic and social stability.

Summary of questions and answers

Questions

The United States is currently developing a regulatory standard for its companies, many of which are investing in Angola, to make oil and mining companies’ payments transparent. While this could have transformational effects for the revenues Angola receives from mining and oil, some elements of industry wish to exclude Angola from the standard. Would the Angolan government consider publicly welcoming the efforts of the US Securities and Exchange Commission so as to ensure that the standard is effective in Angola?

Could the speaker elaborate further on the ways in which mining revenue will be used to assist poverty reduction in Angola?

Is the government considering selling any of its currently producing mines to international companies as part of a process of re-privatization?

Manuel Francisco Queiróz

The speaker highlighted how Angola has undergone a huge transformation in transparency since independence, and it now has higher levels of transparency than a lot of other countries, including some in Europe and America. He stressed the importance of transparency, and explained that it is necessary for the government’s communication with the population. This transparency is apparent in the mining sector, with oil and diamond production results made public through publications in newspapers and institutions such as the World Bank. The speaker explained how the government has a national program for development, and the revenue from the mining sector must be used by the finance minister to support this program. The speaker indicated that the laws regarding the contracts for international companies, employees and services are very clear, and the payments for these must be approved by a tribunal.

According to the World Bank, Angola will reach middle-income status by 2018. The speaker detailed how this is due to Angola’s higher rankings in terms of poverty reduction, living conditions, increased education, and other social indicators. He indicated that it was only possible to achieve these levels due to the government’s investment in social areas and infrastructure, the money for which came from oil and mining revenues. The government is very reliant on natural resource revenue for decreasing poverty levels.

The speaker stated that the process of privatization began in 1992 with the change of the economic regime. The government’s policy now involves increasing private investment in the economy, which was previously based largely on the public sector. The move towards privatization is an ongoing gradual process, and a lot of companies are now privatized. The speaker highlighted how this is also taking place in the mining sector, where a company has been put up for sale, and he clarified that this process will continue.
Question

How will exploration concessions be granted after the process of geological work is finished, through tender or open application?

Manuel Francisco Queiróz

The speaker described how Angola’s mining code is very clear on this. When the stockpile is known, there will be an open tender, and the company offering the best conditions will be given access to the concession. When the stockpile is not known, companies can put themselves forward as candidates. The companies need to indicate their financial and technological capabilities if they wish to gain an exploration concession. These rules are all defined by the mining code and the government guarantees companies’ rights for prospection, exploration and commercialization. Although Angola’s natural resources belong to the state according to the country’s constitution, the results of exploration belong to the company. The system of commercialization and the prices will be dictated by the market.