

## AFRICA SERIES - I.

BONUS IN-SECTION:  
PORTUGAL EXPORTS

# ANGOLA 2013

SOUTHERN AFRICA'S RISING STAR  
OFFERS EXCITING OPPORTUNITIES  
FOR FOREIGN DIRECT INVESTORS

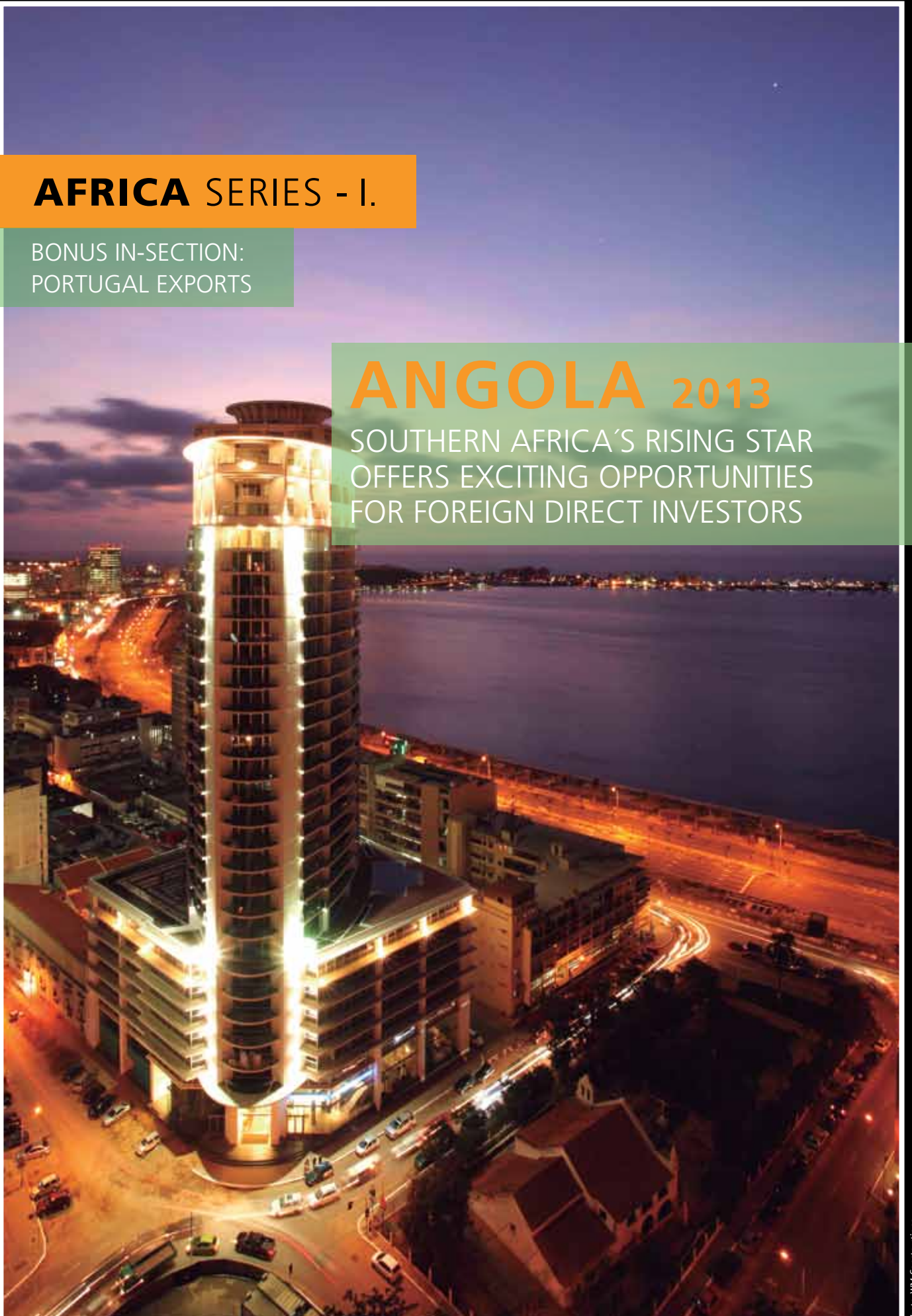


Photo: WM Constructions

# INDUSTRY: INVESTMENTS BRING AMPLE BENEFITS

## ANGOLA'S NEW SPECIAL ECONOMIC ZONES PROVE A MAGNET FOR FOREIGN AND LOCAL COMPANIES

Industry is coming back in Angola, a country which before independence and the civil war produced \$650 million worth of manufactured goods annually. Among those products were textiles, soap, paint, plastic, glues, cooking oil, sugar and flour, and the sector also boasted vehicle assembly, electrical, chemical and metallurgy factories.

These days, Angolan manufacturers are once again turning out a wide variety of goods fuelled by factors such as government efforts to diversify the economy away from oil and mining and reduce the country's dependence on imports, increased consumer spending as the largess from the extractive industries and other economic activity trickle down and the booming construction sector.

An example of government programmes aimed at promoting industrial development are the Special Economic Zones. One such zone, situated in Viana near the capital, covers 8,300 hectares with \$50 million of infrastructure.

Other special economic zones are located in the provinces of Cabinda, Benguela, Huila, Malanje and Zaire as part of a government plan backed by the private sector to encourage economic development away from the capital and surrounding area.

### Market Knowledge

"Angola is a very large market and while a lot of economic activity is naturally concentrated in Luanda, it is a huge country and there is plenty to do throughout the eighteen provinces," argues José Rodrigues, founder of Grupo MOPIC which makes glues, cement, concrete, waterproofing solutions, grouts and other binding and surfacing materials for the construction industry.

Founded in 2003, the 100% Angolan enterprise has five divisions: MOPIC itself, leader in the manufacturing of tile fixing products and mortars; CI & MA, which imports and distributes heavy machinery and other construc-



**"ANGOLA IS A BIG COUNTRY  
AND THERE IS PLENTY TO DO  
IN ITS EIGHTEEN PROVINCES"**

tion and industrial equipment for the building sector; MIPER, which extracts and processes various aggregates for the cement and mortar sector; FORQUÍMICA, dedicated to selling hygiene and cleaning products; and MISTOQUÍMICA, the most recent company, that produces hygiene and cleaning products.

MOPIC employs around 135 Angolans and some 20 expatriates. "For our human resources requirements, we need good local managers so we provide training for them," the manager says.

José Rodrigues, resident in Angola since 1992, says that "Angola today has nothing to do with the past, there has been a trend towards better organizations both in private companies or in state entities."

Rodrigues complains that there are some periods of financial shortfalls with resulting cash flow problems, but says that is standard for businesses in Angola where the government and the state-run oil sector dominate the economy.

"The market is increasingly demanding and competitive, however our group of companies continues with an annual growth between 15% and 20%, with an annual turnover of around 40 million dollars," he says. "Evidence suggests that some companies are experiencing financial hardship and this is true but the market perhaps requires some adjustments."

However, MOPIC has made a solid bet on the future with the building of a new, multi-million-dollar plant for manufacturing its newest lines of construction materials which will boost production capacity to make the group the sector leader in Angola.

"MOPIC continues to grow for one simple reason: the knowledge that I, as director of the company, have of the domestic market, along with the investments we make year after year following a careful consideration of what the demand will be."

"Other factors which contribute to our success is that we offer quality, fair prices and immediate delivery," Rodrigues explained, adding that "I have no doubt that our company will continue to grow, and I count on all those



who work, directly or indirectly, for us."

### Diversified Growth

Industry, agriculture and mining are the three areas of assured economic growth in Angola over the foreseeable future, according to Jorge Jover, the general manager of MITC Investimentos SA, a holding group which has expanded to contain more than a dozen companies.

"Our group got its start in the early 1990s when Angola was shifting from a centralised economy to a more open one which began to allow private sector activities," he recalls. "At first we were a trading company involved in the food and beverage industry but now we are 14 different entities."

Employing around 500 people, MITC has an annual turnover of around \$200 million.

MITC's four main branches include Agromundo which distributes John Deere tractors, Kepler Weber grain silos, Lindsay and Oneaqua irrigation equipment, BASF, Syngenta and Nulandis agrichemicals, and Afrivet veterinary medicines, covering virtually every segment of agriculture.

And international economists say it makes sense as Angola, with its rich soil, beneficial climate and extensive water sources, could be the breadbasket of southern Africa and that the country has vast potential to fulfil its citizen's own food needs and become an important food exporter.

True to its roots as a food and beverage trading company, the group is also a major producer of bottled water, with its Aquas do Bomjesus firm turning out almost 100,000 litres of treated water each day in a variety of bottle sizes.

In financial services, MITC partnered with Imara Holdings Limited, a Botswana-registered financial services group famous for its deep knowledge of regional financial markets, to create Imara Securities Angola providing stock broker services, corporate advisory services and asset management.

The holding company also has interests in the hospitality sector, keen to profit from the huge demand for quality hotels not only from the growing business travel segment but also the increasing number of international leisure travellers coming to enjoy Angola's natural wonders.

But MITC's biggest business is engineering with Sul Engenharia, a joint venture with CSI Ingenieros of Uruguay. Created in 2006, the company handles a wide range of waste and waste water projects, environmental services, transport and logistics projects, urban planning, information technology, industrial projects and project management.

Jover says it is natural for MITC to be attractive to its foreign partners because of the quality of its operations, business knowhow and extensive local knowledge which is so important in an environment like that of Angola.

"You really can't do anything without a local partner in Africa," he explains. "It is possible of course, but getting established and becoming successful will take much longer."



**WALFRIDO VITORINO AVILA**  
PRESIDENT OF MITC INVESTIMENTOS

**"YOU REALLY CAN'T DO ANYTHING WITHOUT A LOCAL PARTNER IN AFRICA"**

From his own experience, the general manager cites Cummins of the United States as a prime example. The US company, which operates in some 190 countries all over the world as a leading designer, manufacturer and distributor of engines and related technology, picked MITC for its partner in Angola.

"And in less than two years we now have 45 people in our company who are working only with Cummins," he says.

As for the group's future, Jover sees MITC deepening its participation in some sectors and pulling out of others, focusing more on those activities in which the group has more



Photo: FIL TUBOS

experience and is more competitive. The general manager mentions the healthcare industry as one possibility.

"Angola imports hundreds of millions of dollars of disposable medical products, vaccines, medical kits and the like. And a lot of that could be manufactured here or at least assembled and that is just one segment of the economy.

"So the future is bright, not only for MITC but for the country as a whole. I believe Angola is the locomotive of Africa and with its potential it can pull many other countries in the region along with it towards that future."

**Spanish Investment**

Another Angolan company with solid ties to a leading multinational in its sector is Maxam-CPEA SA which manufactures explosives and blasting devices and equipment used in mining and construction.

Founded in 1959 as Companhia de Pólvoras e Explosivos de Angola, the firm prospered in the 1980s and early 1990s due to contracts related to the massive Capanda Hydroelectric and the Luzamba Diamonds projects. Ten years later, the giant Spanish multinational explosives group Maxam bought a majority stake in the Angolan company.

"In the beginning, our company's fortunes were driven by the mining industry which is so important in Angola," recalls ma-

naging director and chairman Carlos H. Silva Aquincha. "But these days it is more reliant on road and highway construction."

In its bid to improve its main product and increase output, Maxam-CPEA automated the manufacture of its granular explosives Anfo and Amunite, as well as Hydrogel-Riogel Kupula at its local plant.

In addition to explosives, the company markets electric and non-electric detonators, detonating cords and caps, blasting machines, firearm cartridges and provides technical services for mining and quarry blasting.

Among the challenges facing his company, Silva lists growing competition from foreign firms but says Maxam-CPEA can meet it.

"We are prepared for competition but any rivals will have to invest heavily and we have already established customer loyalty with the leading players in the sectors where we are active and that includes many foreign construction and mining companies," he says.

Many of those are Portuguese and Brazilian companies which share a language, culture and some history with the host nation giving them an advantage in Angola.

"Foreign companies which invest in Angola today should have a workforce which is 70 per cent Angolan and the best way to do that is come in with a local partner," the managing director says.

"And finding qualified personnel can be a



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Photo: FIL TUBOS

daunting experience. In our company, however, we have the properly trained manpower. One problem we do have is obtaining visas for our Angolan workers to go to Europe to receive further training there," Silva explains.

In comments addressing Angola's overall economic situation, the managing director urged continuing efforts to diversify the industrial sector away from its petroleum and diamond mining mainstays.

"Angola is so rich in other minerals such as copper, gold and iron and we should, of course, also put a lot of resources into developing agriculture and fishing.

"This will involve extensive foreign participation to some extent and I would encourage those investors interested in coming here to really make the effort to understand Angola and Africa, our culture and our way of life."

### Export Potential

A Portuguese company which did exactly that is Grupo Fersil, a leading manufacturer of all types of pipes, fittings and optical cable which came to the African country and set up its manufacturing and distribution subsidiary, Fil Tubos Angola.

"At that time we wanted to contribute to Angola's development and also there was overproduction in Europe," explains CEO and chairperson of the board Lurdes Silva.

"But as our products are bulky and not easily exported from our factory in Portugal, we established our own manufacturing facilities here. Production began two years ago and we employ 136 Angolans."

Last year, turnover was \$35 million and the executive expects it to rise to about \$40 million.

"Right now we are at 50 per cent production capacity because there is little money in the market which is partly the fault of the government. Other problems include high interest rates on credit and lack of infrastructure such as a reliable power supply which we need to run our machines," she says.

Besides its production plant in Luanada, Fil Tubos Angola has three distribution



LURDES SILVA  
CEO OF  
FIL TUBOS  
ANGOLA

"PROBLEMS INCLUDE HIGH INTEREST RATES AND AN UNRELIABLE POWER SUPPLY"

centres in Viana, Lobito and Lubango. "Our idea is to open up three more outlets to get our products to the consumer as quickly as possible."

Those products include almost every imaginable pipe, tube or fitting from massive irrigation and industrial pipes to conduits for various gases and garden hoses.

Once the business is consolidated in Angola, Silva says the company's goal would be to export to neighbouring countries like Botswana, Namibia and Zambia.

"We'll be facing further challenges then such as transport infrastructure to get our pipes to those markets and finding specialised staff for sales and distribution," the CEO says.



Photo: FIBREX

"But I think it's worth it. I enjoy facing challenges and I am very happy the way things are going here and it is exciting to think about what we will be doing in the future."

### Market Knowledge

Another example of successful foreign investment in the same sector, this time from the neighboring South Africa, is exemplified in Pete Gildenhuis, general manager of Fibrex, located in Viana near Luanda.

"Fibrex was one of the few manufacturing units that carried production through the war" explain Gildenhuis, "and in 2007 a deal was concluded so a consortium of three south african investors would take control of the company"

Leading this group was DPI plastics, a large industrial concern dedicated to PVC and plastic fittings, with a strong foothold in Africa.

"It was difficult in the beginning, with lacking infrastructure and a slow bureaucracy" remember Gildenhuis "but in last six years we have seen a massive improvement in services and it is much easier to do business now"

Fibrex has added about 40 % of capacity, new equipment has been installed and the production volumes have greatly increased.

"We were lucky to retain a strong group of people within Fibrex, and the new recruits were trained by these ones" is the final note from Fibrex's general manager, who adds: "As long as the country keeps on growing, we will grow with it, and there is a long way to bring Angola in line with its neighbours".

# BONUS SECTION: PORTUGAL EXPORTS TO AFRICA

## PORTUGUESE COMPANIES TAKE ADVANTAGE OF ITS TRADITIONAL CULTURAL TIES TO EXPORT TO AFRICAN MARKETS

Portugal's long and proud history as one of the world's premier seafaring countries earned it the title of "the first globalized nation in the world" as its sailors set off hundreds of years ago to find new ocean routes to the fabled riches of the Far East.

Well ahead of the other European powers, Portugal quickly established trading posts and colonies in Africa, the Middle East, Asia and Latin America, reaping the rewards of the West's appetite for spice, silks, precious stones and a range of other luxury goods.

One of the legendary seamen who led that effort was Vasco da Gama, the 15th century explorer whose statue today looks over the harbour of Sines, which last year claimed second place as Europe's fastest-growing container port as the Portuguese once again look abroad for economic opportunity, but this time selling instead of buying.

With the domestic economic situation dampening demand at home, Portuguese businesses are redoubling their efforts to sell their products beyond their usual EU trading partners with Africa and Asia in the forefront of the new markets.

Earlier this year, Portuguese exports hit a monthly record of €4.2 billion. In 2012,

sales of Portuguese products to countries outside the European Union surged by almost 20 per cent, accounting for nearly 29 per cent of all exports.

But while Spain, France, Germany and the United Kingdom remain Portugal's top four export destinations, the former Portuguese colony of Angola ranks fifth and other ex-colonies like Brazil and Mozambique are becoming important trade partners.

And government officials predict that for the first time since 1943, Portugal will end the year with exports worth more than 40 per cent of the Gross Domestic Product and post a positive trade balance for 2103.

### African Bet

Contributing to this historic trend is Capa S.A., a Portuguese company which manufactures prefabricated modular structures, drain and sanitation equipment and photovoltaic energy systems. It has been especially active in Angola and Mozambique.

"We started our operations first in Mozambique and three years later in Angola, but we've grown much faster in the latter market because of that country's greater need for those products that we manufacture," explains CEO Manuel Inácio.

Capa was the first company in its sector to venture into Angola and arrived just as the country began its massive rebuilding effort after the civil war. Business grew exponentially over the following six years.

"Mozambique," he says, "began to develop later and that market is now increasing so we are doing well in both countries with strong sales."

Capa has clearly bet on the southern African market by setting up manufacturing facilities in both Angola and Mozambique to complement its main production in Portugal. It currently exports to 15 countries on four continents.

The company's modular construction units have proven popular both in Europe and in developing countries as they allow for

a wide variety of configurations, are economical, quick to assemble and easy to maintain.

Capa's modular units house everything from banks to restaurants, airport facilities to schools and hotels to health clinics. And of course, homes, especially for low income families.

Draining and sanitation equipment manufactured by the company includes iron and steel covers, metal and concrete channels, railings and a host of other items used in civil engineering projects, petrol stations, hotels and airports.



"AFRICA IS THE FUTURE NOT ONLY FOR US, BECAUSE THERE IS SO MUCH THAT NEEDS TO BE DONE THERE"

Renewable energy products include mini-generation and micro-generation systems, photovoltaic parks and off-grid systems which are particularly attractive in sunny southern African countries where sustainable energy demand is on the rise as incomes increase.

"Our core business – past, present and future – is clearly in the area of prefabricated modular construction," says the CEO. "However, drainage and sanitation represent approximately 20 per cent of our activity and renewable energy 5 per cent."

"But in Africa, our future is definitely in the modular construction segment as we not only sell but also produce in these countries, we are leaders in the sector and our innovation and quality is well known."

"Africa is the future not just for us but



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for others as well because there is so much that needs to be done there,” Inácio adds.

### Grow or Die

Other members of the Portuguese business community active in southern Africa agree, with Angola touted as the best place to be for those seeking out growing markets with unlimited potential.

“Angola is one of the African countries with the highest rate of development, particularly in construction and it still has a long way to go,” argues Américo Duarte, CEO and chairman of the board at Empresa Fabril de Produtos Eléctricos, S.A. or Efapel.

“In fact, you could say that Angola is the most important country in Africa for companies in our sector,” he adds.

Founded 35 years ago and based in Serpins, Portugal, Efapel manufactures high quality products used in low voltage electrical installations such as flush surface mounting and waterproof devices, technical trunkings, surrounding sound systems, DVI (data, voice and image) products, and devices for electrical panels.

It exports to more than 45 countries, from Germany to Peru and from the Netherlands to Vietnam, and, of course, the Portuguese-speaking countries of Africa.

Last year, Efapel billed €25 million, says the CEO, emphasizing that as most of the company’s products individually cost just €1 or €2, volume is the key to the relative success of the business.

“Our products are manufactured to a large part by semi-automatic or automatic systems and these are only profitable in producing large amounts,” the CEO explains. “When everything is going well, this also makes the product cheaper even if labour costs are high.”



AMÉRICO DUARTE  
PRESIDENT OF EFAPEL

Photo: EFAPEL

“WE ARE EXPORTING 30% OF OUR PRODUCTION TO HELP OFFSET THE FALL IN DOMESTIC SALES”

Despite the economic crisis affecting Efapel’s home market and southern Europe, the executive expects this year to see only a 5 per cent drop in revenue which he says is not bad considering what other Portuguese companies are going through.

“So coping with this problem successfully shows we know what we are doing and exporting 30 per cent of our production certainly also helps offset the fall in revenue from domestic sales,” Duarte says.

Portugal is not ideal as a site for exporting abroad, he concedes, as it is far from northern Europe’s wealthier markets and central Europe would be a more logical location for companies like his.

“But,” he continues, “transport fees and customs duties add no more than 5 per cent to our unit costs which does not make it impossible to compete in the European markets.”

“My vision for the future of this company is easy: grow or die. And that does not necessarily mean growth in the range of products but rather in terms of technology, quality and better prices. These are the things one needs to address,” he says.

### Competitive Advantage

Boosting exports is also the plan of Le-

cifarma Lda. which manufactures and markets non-sterile medicinal products for the pharmaceutical industry such as capsules, tablets, coated tablets, creams, ointments, powders, liquids and phials. It also produces food supplements, cosmetics and personal hygiene products.

Lecifarma’s CEO Nuno Quaresma Martins says it is vital for the company to search out new markets abroad as the Portuguese government has imposed health care reforms aimed at whittling down spending, impacting negatively on the domestic pharmaceutical sector.

“We are trying to open up new markets and everything we do is aimed at further globalizing the company,” he says. “We are taking part in trade fairs and we are looking at expanding not only in Europe but also in Africa.

“The pharmaceutical market in Angola is quite interesting as it is still being regulated, product registrations are going forward, etc. In my opinion, those companies which want to be present in Angola should either be of 100 per cent Portuguese capital or be in partnership with a local company.”

Previously, Angolans were content with buying high tech products such as pharmaceuticals from foreign suppliers. But now they are more interested in obtaining the know-how to produce on their own.

“Therefore, I think it makes more sense for a foreign company to enter into a partnership with an Angolan concern so as to

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Photo: LECIFARMA



**NUNO  
QUARESMA  
MARTINS**  
GENERAL  
MANAGER OF  
LECIFARMA

**“OUR MAIN COMPETITIVE ADVANTAGE IS THAT WE ARE MORE FLEXIBLE WHEN IT COMES TO PRODUCTION”**

develop the necessary skills and help the country move forward,” Nuno says.

“Mozambique is also a country with a lot of potential although it is a smaller market than Angola with fewer people, but still interesting,” he adds. “And another interesting market is Brazil.”

Last year, Lecifarma posted revenue of €2.5 million and executives forecast a figure of €2.7 million for 2013. Based near Lisbon, the company employs approximately 60 people.

“Our main competitive advantage is that

Portugal (and)

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**SINCE 1987. PART OF THE BUSINESS**



Photo: EDOL



**CARLOS  
SETRA**  
CEO OF  
EDOL

we manufacture in small and medium-sized batches which many of our larger competitors do not bother with. The pharmaceutical market is very volatile right now with sales of some drugs declining so we can be more flexible when it comes to production,” the CEO says.

The principle problem for the pharmaceutical industry is the cost and time invested in coming up with new medicines and new drug delivery systems. But Nuno says his company is gearing up to meet the challenge.

“As far as the future is concerning, we are preparing for it. Lecifarma is adding new infrastructure, installing new technologies, planning increasing production capacity and adding to our staff, especially our sales force which shows we’re optimistic,” he concludes.

### Explosive Growth

Another Portuguese health care company making inroads into Africa and beyond is Edol, which was founded in 1952 and now manufactures and markets a wide range of ophthalmology, dermatology, cosmetic, gynaecology and ENT products, as well as medical devices and veterinary products.

Having just celebrated its 60th anniversary, the company based in Carnaxide, near Lisbon, is moving into new and larger facilities to better centralise its operations, reflecting its business success and current export growth.

“We are the leaders in ophthalmology products in Portugal so with the domestic market saturated, we decided to export and have been in lusophone African countries like Mozambique, Angola and Cape Verde for several years,” explains Edol board chairman Carlos Setra.

“Morocco is also one of our markets and we are registering products in other North African or Middle Eastern markets such as Iraq, Lebanon and Libya,” he adds. “And we are beginning to sell our products in

**“WE PREFER TO ENGAGE WITH LOCAL OPERATORS AS OUR SIZE DOES NOT ALLOW US TO DO IT ON OUR OWN”**

French-speaking African countries like Benin, Senegal and Cameroon.”

South America is also in Edol’s sights, particularly Colombia which Setra says has a large population with growing purchasing power. In any market the company enters, it likes to do so through a partner.

“We prefer to engage with a local operator because our size does not allow us to go alone,” he says.

“It is important to note that in most of these territories, we are not competing only with other Portuguese producers but also companies from Britain, Germany, Spain, etc. and we can compete very well both in quality and price,” the chairman says.

Another factor in Edol’s success is that the company has the European market largely to itself as there are few ophthalmology product manufacturers. “These products are not expensive so if we can produce large volumes, we can become very competitive,” Setra says.

“In three years, my main goal for the company is to boost our exports from the current 15 or 20 per cent to 50 per cent of our production. And I think we can do it as we are currently registering 280 new products in our export markets.”

“And remember that Portugal is a great place for manufacturing, the country has a highly-skilled workforce and our industries are very good at exporting.”

# HEALTH CARE: THE GOLDEN OPPORTUNITY OPEN UPS

LOCAL AND FOREIGN  
PLAYERS MUST WORK  
TOGETHER TO UPGRADE  
THE HEALTH SYSTEM

Slowly but surely, Angola's health care system is on the road to recovery with the central government pouring vast amounts of money into training doctors and nurses, founding universities and health training centres, building hospitals and clinics, and sending aspiring physicians and health care workers abroad for schooling.

There has been dramatic improvement over the past decade. Infant mortality, which is still unacceptably high, has dropped since 2002 and the government is firmly aware that it must upgrade not only hospitals and other facilities, but also basic infrastructure to really boost adequate health care for the country's urban and rural populations.

## State of the Art

And as these public sector efforts accelerate and begin to provide real benefits to the country's universal health care system, the private sector is also stepping up by providing services and products vital to the well-being of all Angolans.

In just four years, MEDIAG Análises Clínicas has become instrumental in ensuring



Photo: MEDIAG



LOURENÇO  
JOÃO QUIXARI

GENERAL  
MANAGER OF  
MEDIAG

**“PORTUGUESE AND SPANISH  
COMPANIES HAVE A CULTURAL  
AND LINGUISTIC HEAD START ”**

that the country has a top diagnostic service offering sample collection and analysis for haematology, haemostasis, immunology, microbiology, urinalysis, parasitology and molecular biology and other therapeutic areas and disciplines.

“We carry out medical tests for hospitals, clinics, health centres and physicians in Luanda and other areas,” explains general manager Lourenço João Quixari. “As a result of the work we do, in four short years we have become a reference in the market and we have a monthly turnover of around \$500,000.”

MEDIAG's 65 employees operate state-of-the-art equipment to the highest standards of the World Health Organization's GCLP (or Good Clinical Laboratory Practice) guidelines. Its laboratories have three technical departments: molecular biology and cytogenetics, microbiology and general examinations.

One niche market MEDIAG is active in is work place diagnosis in which general examinations and tuberculosis screening are performed either at Mediag's facilities or on the client company's own premises. Results are guaranteed within 24 hours.

The company boasts the most extensive list of tests currently available in the country, while quality control and results validation are supervised by MEDIAG's technical director and advisory clinic. For those few tests that MEDIAG does not yet have the capacity

to carry out, it works with partners abroad to outsource the analysis with the authorisation of the Angolan government.

But MEDIAG is not resting on its laurels and has ambitious plans for the future, including regional expansion beyond Angola's borders.

“Angola is the neighbour of several countries which lack acceptable quality in medical testing and we feel we can contribute to diagnostics in these places,” the general manager says. And opportunities exist for other health care companies to operate in Angola, the general manager argues.

“Angola is a huge country and one that still has many shortcomings in the health care sector. For example, focusing on disease prevention to improve the population's overall health would be a good idea.

“At the same time, the country lacks many services and infrastructure and hospital equipment supply and maintenance would be another attractive sector for those companies which understand that Angola is a very large market,” Quixari says.

But foreign firms eyeing this market need to understand how things are done in Angola and the general manager says Portuguese and Spanish companies operating in the country have a head start because of linguistic and cultural similarities.

“Knowing the culture is halfway to a successful project,” he says. “Companies looking to set up in Angola must also have a well-designed business plan and have done their homework on the sector they will be involved in.”

Quixari says that for the moment his company is content to remain focused on the diagnostic sector and would only branch out into other health care areas if an appropriate partner came along.

“We've been working in this area for a long time but if a company appeared which is a leader in its own country it would be good to cooperate on a project that will mean better health care for those here in need,” he says.

## Long Term Potential

Another company in this field with a very successful track record is MS-Moniz Silva International, a family-owned concern which is one of Angola's leading distributors of pharmaceutical and related health care products.

Founded in 2005, the company is involved in both wholesale and retail and now has ten pharmacies operating in the capital and the major provinces.

“To give you an idea of our progress we started eight years ago with just two employees and in our first year we had a turnover

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**JOSÉ MONIZ DA SILVA**

GENERAL MANAGER OF MS - MONIZ SILVA INTERNATIONAL

**“THIS COUNTRY CAN ONLY DEVELOP IF WE HAVE IN PLACE A REAL TRAINING POLICY FRAMEWORK”**

of between \$2 million and \$3 million. We now have around 255 people on staff, all Angolans, and a turnover of more than \$50 million, always focused on our mission: helping Angola to grow healthy” says CEO and company founder José Moniz da Silva.

Pharmaceuticals, like most Angolan business sectors, suffered a contraction in 2008 and 2009 with the world economic crisis and the resulting fall in oil prices. Despite this market contraction, MS always had a positive growth, reaching 3% in average, due both to organic growth and new business, and the CEO expects 6% growth this year.

“I am very optimistic about future growth because there are very few pharmacies in a country of 18 million people, or around 15,000 inhabitants for each pharmacy, which is a very low ratio,” he says.

“Our strategy is to open a new pharmacy every year, not an easy task but this is our goal. Also, we are evaluating new business opportunities in our core business, the health market”

However there are obstacles to this plan, Moniz da Silva explains. One is a reliable energy supply in outlying areas, but more daunting is finding and training adequately educated staff.

Like many entrepreneurs in Angola, he complains that the virtual collapse of the education system during three decades of war has resulted in a lack of qualified candidates now coming onto the job market.

“This is especially true regarding fields like health care which depend so much on technology,” he notes. “The real difficulty in Angola is human resources and foreign companies looking to invest or set up here will only do so if there are qualified workers available at competitive salaries.”

“This country can only develop if we have a training policy framework that can supply qualified workers to keep pace with economic growth. We have to train staff on a massive scale and this will not be easy.” In order to overcome this obstacle, the company founded MS Academy, a specific centre aimed at developing the skills and competences of the company’s human resources. This innovative project helps MS meet its labour needs, indispensable for the expected growth.

Yet Mr Moniz da Silva remains very positive, as he explains that “There’s still a great opportunity for increasing local production in Angola, particularly in regions outside Luanda. Whomever is willing to invest long-term capital, can find here many areas where capital and specialised human resources are in great need”

**Explosive Growth**

Market growth in the health care sector and general consumer goods has also spurred the success of distributor Joair International which handles medicines, infant care products and cosmetics.

“We started in 2006 with five employees in a rented villa in the centre of Luanda with an initial investment of \$200,000,” recalls company founder and managing partner Aires Africano who came from a telecommu-

nications background and opened the business with his physician brother.

“That first year we had a turnover of around \$400,000. Today we employ some 56 people and our turnover is \$10 million. And just over the past four years we have increased our number of suppliers from 90 to 200, so the market, and Joair with it, is definitely growing.”

Currently, Joair works with a number of leading international pharmaceutical companies mostly based in Europe such as Bayer, Sanofi and Amgen.

With growth assured in its main business, the company is now looking to diversify into related activities and has already launched a hospital cleaning service dubbed Joair Clean. It has also just opened with a partner the first in a planned chain of eye care establishments in the Angolan capital.

Aires Africano says that with the country’s potential in health care he sees pharmaceutical production beginning in Angola in the next few years through partnerships with foreign concerns.

“We would be willing to take part in such ventures because we would like to help by participating in anything that will be for the good of the country,” he says.

“This is one of the biggest challenges for the sector here, we have to import everything from abroad and this increases costs and makes the drugs more expensive.”

Joair’s managing partner emphasizes Angola’s outstanding potential thanks to its extensive petroleum reserves, the vision of the government and the rising income among the population.

“Africa is viewed differently by the outside world because of its economic problems, corruption and so forth, but I believe this a phase which many countries go through.

“Angola has many attractive assets and reasons for foreign businesses to come here and we need more entrepreneurs, both foreign and local, to develop the entire country, so we can achieve all our goals. And I firmly believe that someday soon we will get there,” he predicts.



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# SERVICES STRUGGLE TO MEET GROWING DEMAND

ANGOLA'S EXPLOSIVE ECONOMIC GROWTH IS PUTTING A STRAIN ON ITS YOUNG SERVICES SECTOR

As petroleum earnings increase, incomes rise and the middle class expands, Angola's retail and services industries are reaping the benefits.

And among the companies enjoying this new prosperity are those involved in the truck and automobile sector with economists saying the potential market is one of the best amongst Sub-Saharan countries.

Along with Angola's rapidly improving road transport infrastructure, other factors fuelling sales are the government's efforts to upgrade and modernise the country's motor vehicle fleet, the fact that Angola has one of the lowest vehicle ownership rates compared to its immediate neighbours so there is plenty of room for growth

And entire fleets of vehicles are needed to service the booming oil, gas and construction sectors.

Multinationals are certainly taking note with major vehicle manufacturers from Europe, South Korea and Japan receiving huge orders from the government and private sector or planning significant investments on the ground.



Photo: MOTA ENGIL



LOURENÇO  
JOÃO QUIXARI

GENERAL  
MANAGER OF  
TRATOMÁQUINAS

**"THERE WERE SHORTAGES OF JUST ABOUT EVERYTHING WHEN WE STARTED IN 2007"**

One of the biggest of these is an Angolan-Chinese consortium's new multi-million-pound vehicle production plant in the capital, Luanda.

### Needs Everywhere

A veteran player in this promising sector is Portugal's Tratomáquinas, a major motor vehicle spare parts distributor which came to Angola just over five years ago with an initial investment of \$1 million.

"We had some people who were already

in Angola and they told us that there were shortages of just about everything," recalls general manager Bruno Carvalho, the son of the founder of the parent company. "So I came down here, we launched in 2007 in Luanda and although things were not easy, we grew step-by-step."

"Last year, we billed \$14.5 million and now have 45 employees, three times the number we have back in Portugal," he says. "Three years ago we started a tyre sales operation and we've opened operations in Lobito so now we are expanding nationally."

Along with tyres, Tratomáquinas Angola Ltd. markets a range of motor vehicle parts including batteries, chains, filters, nuts and bolts, lubricants, and others, along with pneumatic hammers.

### Growing Market

"The Portuguese auto parts market is not growing but it is in places like Angola and Mozambique," Carvalho says, an opinion shared by others in the sector such as Paulo Vaal Neto, the CEO of automobile importer Organizações Chana.

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"Angola is a young country, a country of opportunities," he explains. "We have been here for 21 years and our turnover in 2012 was \$43 million."

Organizações Chana started out selling used cars imported from Europe and the United States, then slowly introduced new automobiles. It now imports many brands, mostly Japanese.

Japanese cars, the CEO explains, stand up well to conditions in Africa, are strong and simple to maintain. European and American models are not as robust and are more complicated mechanically.

According to market research, Toyota dominates Angola's auto market and accounts for almost 20 per cent of new vehicle sales.

"We find that such brands as Toyota, Mitsubishi, Suzuki and Nissan adapt much better to the difficult conditions here, both the environment and the transport infrastructure," he says.

One boost to the business several years ago was a government decree banning the import into Angola of cars older than three years and trucks older than five years.

"Our goal for this year is to sell around 2,000 automobiles which is the average in our business plan, but we might be a little short of that goal because of increasing competition and other factors such as the new



foreign exchange law."

Another challenge to the sector is opening letters of credit.

"But we are still very optimistic," Vaal Neto says. "At one point we also became involved in the construction and computer sectors but seven or eight years ago we decided to focus on cars. We not only sell new cars but also have a multi-brand technical service and repair operation plus rentals, both short and long-term, so the market is definitely growing."

Despite the proliferation of luxury automobiles on the streets of Luanda, the CEO says the real opportunities for companies in his sector is selling utility vehicle like double-cab pickups.

Angola, he notes, is a largely rural nation, sparsely populated outside the big urban centres and that as wealth trickles out to the hinterlands there will be a growing market for these vehicles which can carry both passengers and goods.

Looking ahead, Vaal Neto sees his company within five years as more structured than it is today and with enough sufficiently trained personnel, good management and quality service.

"I also hope that by that time Organizações Chana is an internationally audited company with the ISO 9000. Our dream is to be the market leader in our sector as we are already the 14th biggest importer of all products in Angola. So I believe that it's possible."



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**32**  
COMPANIES  
Mota-Engil Group or subsidiaries

**1.479 M€**  
million of euros  
ORDER BOOK  
2012

**729 M€**  
million of euros  
TURNOVER  
2012

**137 M€**  
million of euros  
EBITDA  
2012

Africa is a natural market for the Mota-Engil Group, given its presence in Angola for over 66 years, making Mota-Engil Angola a reference mark in this market. With very representative activity in markets such as Mozambique and Malawi, and in other expanding markets, such as South Africa, Cape Verde, Sao Tome and Principe and Zimbabwe, Mota-Engil is increasingly active in the region of southern Africa.

The Mota-Engil Group has been expanding the geographical base of its operations in Africa, assessing new markets and diversification into new business areas, establishing a commitment to the development of these economies, which have high potential. The Group's investment in mining is the most recent example of this commitment to Africa.



MOZAMBIQUE - ZAMBÈZE BRIDGE



MALAWI - BETHLEHEM MINE



ANGOLA - BAY OF LUANDA



ANGOLA - VILA WASTE (WASTE MANAGEMENT)



MOZAMBIQUE - OLIMPICOS VILAGE



### Eased Congestion

Import and export is also the business of CS Despachante Oficial as customs brokers handling the shipment of goods into and out of the country. Founded in 2005 with just seven employees, the company now has 67 employees and expects to bill between \$2.5 million and \$3 million this year.

General manager Carlos José da Silva e Sousa says these figures demonstrate how the sector is growing and how much the import-export infrastructure and processing have improved.

“Until two or three years ago, it was very difficult for goods to enter Angola and the problem was that after the war imports increased by four or five times. It was impossible for the bureaucracy to keep up at our main port of Luanda,” he says.

“In 2009, for example, at one point there were some 100 ships sitting out in the bay awaiting berths for discharge and some would wait three weeks or more to get into dock.”

Since then, the Ministry of Transport has cut red tape and built new ports or modernized existing facilities along on Angola’s

Atlantic coast such as Lobito and the vital petroleum port of Cadinda in the north, dramatically easing congestion and underlining the central government’s ambitious bid to upgrade infrastructure in the provinces.

Rail and road connections to sea ports are also being improved, linking coastal cities with the interior.

At Port of Lobito alone, work is ongoing to develop the dry terminal, ore terminal and container terminal. Authorities are hoping a cruise ship terminal and a yacht club at the port will also boost tourism in the region.

“One problem which remains in this sector is communications which is actually affecting every industry, not just in transport, and the problem is that computer systems here are still fragile, break down a lot and this creates headaches for us and everyone else,” he general manager says.

Government plans also affecting the sector are aimed at cutting Angola’s reliance on imported goods and developing industry and agriculture which will someday become a major exporter.

This in turn will bring in sources of foreign exchange to eventually replace earnings from oil and gas, currently the country’s almost sole export commodity.

“Right now we import almost everything and it is logical for the government authori-

ties to want to change this state of affairs by reducing imports and creating a vibrant export sector,” da Silva e Sousa explains.

The general manager says that the Angolan economy will continue to expand even though that growth will eventually slow down. Petroleum will maintain its importance but new industries and businesses will appear.

“In a decade or so, Angola will have a normal rate of growth like other countries in its situation so there are still opportunities for local and foreign entrepreneurs to start up, expand and be successful. It is an interesting place to invest, there is no doubt about that,” he says.

### Safeguarding Success

Foreign firms venturing abroad, especially in the developing world, often have legitimate security concerns whether it is safeguarding their premises or ensuring that their company secrets remain confidential.

In Angola, this is the job of Ango-Atenta Segurança e Vigilância Lda. which provides human and electronic security to its public and private clients. Director Eduardo Gando Manuel says the company is doing well after several difficult years.

“This was mainly the fault of the economic crisis that affected some of our customers so we came up with a new strategy to gain market share to attract new clients as well as fine tune our services for the existing ones,” he explains.

“Angola is becoming an increasingly globalised country with more foreign enterprises setting up here all the time and they want both physical security for their operations but also information protection. This last concern is not a real worry yet for local companies but it will be in the future,” Manuel adds.

Ango Atenta offers its clients a wide range of security solutions, as well as installation and maintenance. Among its services and products are safes, CCTV webcam networks, armoured doors and windows, fire detection, intruder alarms, visitor and employee identi-

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**EDUARDO GANDO MANUEL**

GENERAL MANAGER OF ANGO-ATENTA

**“IN THE LONG TERM ANY INVESTMENTS WILL ALMOST CERTAINLY REAP REWARDS”**

fication and control systems and GPS monitoring of vehicles.

A partner company of Ango-Atenta provides electronic data protection using the most advanced high-tech equipment on the market.

Like many executives in Angola, Manuel stresses the country's business potential and the fact that foreign partnerships are vital for local concerns seeking the transfer of knowledge and technology such as Ango-Atenta.

“We always identify foreign investment as a way for us to gain knowledge to develop. Despite Angola's obvious attractions for business, it still lacks qualified service in many cases. At Ango-Atenta, we need skilled resources in order to develop.”

On the other hand, foreigners are wise to hook up with well-established local companies when planning their own operations in the country.

“It is only logical that foreign firms find local partners who know the Angolan market to share their knowledge because even though all sectors of the economy are productive, the big problem right now is the lack of qualified human resources,” the director says.

“The government recognizes that we need to lure investment in other sectors, agriculture, for example, which is rightly considered to be a strategic sector, beyond those industries which are already well established in Angola such as petroleum and mining.

“Everyone should look at Angola as a country of the future and understand that anything is possible here. It may be over the long term, but any investment will almost certainly reap rewards,” Manuel says.

### **Brazilian Know-how**

Planning for the long haul is also the advice for potential foreign investors from Raul Motta, the president of the IT company Velonet which this year is celebrating its 10th anniversary in Angola.

“One has to be focused on continuity and make sure you come in with a local partner, are well organized, hire sufficiently qualified staff and fully prepare the ground for the people who will use and operate the project,” he cautions.

“If those steps are not taken, the project could eventually fall apart and your company will be to blame even if it is not your fault.”

Motta knows of what he speaks when it comes to establishing successful businesses in developing economies.

The executive was instrumental in creating IT networks in the then nascent telecommunications market of Brazil in the 1990s before moving to Angola in 2003. Studying the local market, waiting for the proper licenses and other steps took time but it was all worth it in the end, he says.

Today, Velonet counts major multinational and Angolan firms among its almost two dozen clients, including leading banks, oil and gas companies, construction companies, mining concerns, shopping centres, cinema chains and such government enterprises as Angola Telecom, Cinfotec and the tourism office.

Based in Luanda, the company is partnered with such IT giants as Microsoft, Cisco, VMware, Linux and others, providing clients with a full range of IT solutions, networks, servers and security. Employing a staff of more than 50, Velonet has a current annual turnover of around \$2.5 million.

But it hasn't all been smooth sailing. Three years ago when the global economic down-

turn caught up with Angola, money was tight and costs soared with the government halting payments to suppliers for many months.

“Last year we were able to reduce costs by 40 per cent and we hope that a new law concerning domestic payments by oil companies will stimulate the financial market here and boost the economy,” he says.

Challenges on the horizon facing Velonet include more foreign IT companies, largely Portuguese, entering the Angolan market, although Motta says many of these firms do not provide European-quality service.

“I am optimistic about the future of the IT sector here. But we need to really get a handle on training, get that grey matter developed. That will go towards solving many of the country's problems.”

### **Seller's Market**

Also optimistic but worried with the high cost of doing business in Luanda is Glória Rodrigues, manager of the Hotel Vila Alice, a four year-old 126 room establishment that caters mostly to oil and constructions companies.

“Our occupation rate is about 95%, and a majority of our guests are foreigner” says Ms Rodrigues, who also points out that “four years ago, demand was even stronger, so we had to decrease somewhat our prices as competition was getting stronger”

Yet the hospitality business continues to be a seller's markets, as demand for rooms outstrips supply, despite the recent inauguration of several large hotel in downtown Luanda.

“Our main challenge is training for the staff. We are committed to give a quality service, and the way to get is through training” comment Ms Rodrigues “and we need to reduce our costs, particularly in water, energy and other inputs”

As an experience hotelier formed and trained in Portugal, Ms Rodrigues doesn't want to leave out what she believes is the ultimate attraction point of the country: “We have beaches, sun, waterfalls .... Angola will always be an interesting market to be in.”

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# CONSTRUCTION: BOOMING TIMES ARE NOT QUITE OVER YET

DESPITE THE RECENT  
SLOWDOWN IN DEMAND  
COMPANIES FIND NEW  
CHANCES TO GROW

Angola's construction and real estate industries are not immune to the changes sweeping the rest of the country's economic sectors as oil revenue-fueled spending, pent-up demand and government initiatives feed an unprecedented boom, not only in the capital Luanda but in the hinterlands as well.

And the evidence is there for all to see. Luanda's constantly changing skyline is crowded with giant cranes as new high-rise office towers and other prestigious developments go up, while housing estates and industrial parks spread over vast tracts around the capital and provincial cities

According to economists, Africa's second-biggest oil producer with a per capita income of almost \$6,000 (ranking the country seventh in sub-Saharan Africa and ahead of Nigeria and Kenya) now has one of the highest urbanization rates on the continent.

Angolan government economists predict growth of 7.1 per cent in 2013, just slightly down from last year's 7.4 per cent, for an annual average of more than 9 per cent over the past five years.



These figures, coupled with an emerging middle class desperate for housing, a need to repair decades of war-damaged public works and a government willing to spend on both means that in real estate and construction, Angola is clearly on a roll.

And while for many years foreign companies were shy about entering the market, the company's obvious attractions are now luring international firms keen to get in on the action, in many cases joining local operators.

## Bottleneck Opportunities

Matos Global Investimentos Lda., which has its origins in securities and real estate brokerage, is now diversifying into development, specifically housing for low and middle-income buyers.

"Most real estate developers and builders here are focusing on projects aimed at the wealthy end of the market but we see a real need for housing for those who can't spend half a million dollars on a home," says CEO João de Matos Cabinda.

That strategy goes hand-in-hand with government efforts to boost housing. Five years ago, President José Eduardo dos Santos pledged to build one million houses over the following four years, noting that only 30 per cent of families had a proper home.

Authorities have also taken other steps aimed at easing the bottleneck. Customs duties on imported construction materials have been cut and the government is encouraging domestic cement production to reduce building costs.

In a bid to jumpstart home acquisition, earlier this year the government slashed the prices of some larger apartments near the capital which had gone unsold for a year because of their high prices.

Matos will not repeat the mistake by the builder of those developments who overpriced the homes.

"Right now we are designing a project south of Luanda with unit prices below \$120,000 and an easy payment plan of up to 20 years," the CEO says. "We are planning approximately 15,000 pre-fabricated homes."

Matos is quick to stress that the company is building single unit homes, not apartments, as he says that Angolans like the privacy and space afforded by stand-alone houses.

Matos Global Investimentos is negotiating with several suppliers of the pre-fabricated units from Spain, Germany and Israel with financing from investors in Dubai. The units are to be delivered to the site and then put together with electricity, plumbing, telecommunications and sewage systems added later.

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“Construction time is very short,” the CEO explains. “Rather than six months, it will take only three or four months.” Loans for the home buyers are to be provided by outside investors.

Once the project near Luanda is up and running, the company will begin looking to build similar housing projects in the the provinces, particularly Huambo, Benguela, Lubango, Bié, and Malanje.

“These provinces all have good weather, healthy environments and strong potential,” Matos says. “I’m not interested in building homes for the wealthy so I will continue to invest in the low and middle-income markets.

“Our customers’ children will, someday, also need homes and we’ll be there to provide.”

Matos says his ambition is to use his company to meet the needs of his fellow Angolans, provide employment allow him to prosper personally.

“But one has to have patience. I want to be financially stable for the rest of my life and to do that I have to earn a certain amount on each house that I build which is considered my salary.

“With this I will support myself, support my children and support my whims because we all have them. I know we have a market and a future.”

### Location, Location

Real estate agency Casas em Angola has already seized the future with its web-based rentals and sales of all types of property in Angola: land, houses, apartments, offices and other buildings.

“We have been in the business of six years and work exclusively through the Internet,” explains CEO Osvaldo Morales. “Our next step now is to get into the construction sector and we are putting up several buildings on the outskirts of Luanda.”

Many of the homes which Casas em Angola lists are for foreign executives boasting swimming pools, three-car garages and other

high-end amenities, and are located in the most exclusive enclaves of the capital. But the agency also sells entire apartment buildings, undeveloped plots of land and other properties.

And as real estate salespeople everywhere claim, Morales says that it is all about location, location, location.

“Real estate prices are high in Angola and the price depends on the area. For example, office space in prime city centre neighbourhoods of Luanda can be \$100 per square foot or even more,” he says.

One of the Angolan sector’s biggest challenges, Morales argues, is providing the proper urban infrastructure for all the new developments going up. “We really need proper parking spaces and, of course, good roads.”

That challenge, along with rebuilding the rest of the country’s transport, water and energy networks has proven to be a huge task following the destruction of an estimated 70 per cent of infrastructure during the long civil war.

But the government is committed to the job, spending more than \$4 billion a year on dozens of major projects, equal to 14 per cent of its GDP.

### Foreign Partners

New railroads are being built and within the next three years the government plans to increase electrical power generation to 7,000 megawatts, while supplying clean water to the entire urban population and to 80 per cent of rural dwellers.

“All of this will help diversify the economy which is still based on the oil and gas sector,” says Santos Torres, the chairman of the Construvia construction company. “Development means diversification.”

“In order to give you an idea of what is possible, before independence Angola had around 1,000 light industry plants and a national steel industry. In agriculture, the country was the world’s leading coffee exporter so the potential is certainly there.”



SANTOS TORRES

CHAIRMAN OF CONSTRUVIA

“THERE IS A GREAT NEED TO CREATE NEW AFFORDABLE HOUSING AND SERVICES LIKE WATER AND ELECTRICITY ”

Moving away from dependence on the petroleum sector, which generates little employment for locals but well-paid positions for expatriates, will boost domestic job numbers, the chairman explains. “We also have to look at economic alternatives to oil because the future is in non-polluting energy sources.”

Construvia is playing its part in this through its public and private sector projects which are currently worth around \$100 million. Founded in 2007 and based in Luanda, the 100 per cent Angolan company boasts expertise in a wide variety of construction tasks.

Recent projects include traffic signal installations, highway rehabilitation, excavation of sewerage and runoff channels, street and road paving, wastewater system repair, bridge building, surface water drainage systems, housing development master plans and many others.

Public works construction has risen this year, partly because of promises made by politicians during last year’s elections to improve infrastructure. But Torres complains that the costs of those projects exceeded the government budget, leading to delays in payments to companies like his own.

“So we can’t yet predict this year’s revenue outlook,” he says. “However, we are optimistic as there is so much to be done in Angola because the war destroyed a lot of the essential and basic infrastructure.”

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“There is a great need to create affordable housing, for example, as well as services like water, electricity, etc. This is the great challenge, along with things like maternal and child healthcare. But none of this is easy.”

Foreign companies are welcome to take part in meeting these challenges, especially through partnerships with local firms. “We need technology, so partnerships that bring us the latest in technology and equipment are highly valued,” the chairman explains.

“Right now, for instance, we have a permit to build a small plant manufacturing cement which is in short supply not only in Angola but in the rest of Africa as well so we’re going to look for an international partner to help us set up this unit.”

Torres believes that the government can help attract foreign investors through its commercial attaches in the growing number of Angolan diplomatic missions abroad.

“Along with diplomatic channels, there are international industry associations which also provide a link for business-to-business



**ROGÉRIO LEONARDO**  
PRESIDENTE OF WM GROUP

“NO-ONE COULD IMAGINE THAT THIS KIND OF GROWTH WOULD TAKE PLACE, IT HAS EXCEEDED EXPECTATIONS”

contacts but perhaps people-to-people contacts are best. That is the way to get the word out on Angola’s potential,” he says.

**Quality Pays**

One consolidated Angolan construction company is spreading its bets on the future by diversifying into other sectors while maintaining its core business. Having just marked its 20th anniversary, WM Group

is involved in almost every activity in the industry, from building to manufacturing construction materials.

“We started in construction but developed other support areas because we noticed there was a lack of quality products, particularly in the areas of wood, concrete, steel, heating and air conditioning conducts” says company president Rogério Leonardo.

Grupo WM has grown along with the Angolan economy and the increase in demand for both public and private works. “When I arrived in Luanda in the 80’s no-one could imagine that this kind of growth would take place, it has exceeded all expectations,” he says.

“But unfortunately, due to this rapid growth, some buildings were made with no quality” Leonardo recalls “However, we have always focused our investment in constructions of high quality, specially in the centre of Luanda, while attending the demand for offices in the market”

Long-established companies which have occupied older buildings that need constant upkeep and maintenance are now moving out of those premises and opting for newly-built office space. At the same time, the wave of foreign companies opening up in Luanda are driving the new real estate market.

Grupo WM employs a staff of 700, of which only about ten percent are expatriates, and last year had revenue of \$75 million.

Along with its building and construction materials activity, the group also boasts a metal-working industry, wood processing, exploration of minerals, production of concrete and auto-repair shops.

“Our most recent investments are in agriculture with a farm of 250 acres for bananas, and in the development of livestock. Also in progress is a 25 million dollar investment on egg production and feed mill with the highest technology in this area”



the president says.

Leonardo claims that locally-produced eggs will have a competitive advantage over imported eggs as the latter require costly cold shipping, spend several months en route to Angola and lose its original quality.

“Over the next ten years, I do not intend the company to continue growing in some areas like building materials but I do want to expand into commerce, always continuing to bet in products made in Angola by Angolan employees.”

“The increasing political stability permits that Angola still presents many opportunities, despite the excessive bureaucracy” Leonardo says. “But growth is certainly in our future for a long time to come.”

### Global Player

Veteran Portuguese construction and renewable energy group CJR Group first scouted opportunities in Angola back in 2002, liked what it saw and launched its local subsidiary five years later.

“We began following the market in Angola at the end of the war in 2002, closely observing how it was evolving and then decided to take the big step in 2007 as we were also looking other foreign opportunities,” recalls director Miguel Rodrigues.

“Initially it was a very unregulated market with a lot of work and companies came out here to take advantage of the boom. But since the world economic crisis in 2008, the market here now has become increasingly specialised and consolidated.”

Founded more than 40 years ago as a heavy equipment rental company, CJR Empreiteiros now carries out its own construction and civil engineering projects including earthmoving, road building, excavation, building construction, asphaltting and waste water management.

The group also does surveying and soil

testing, as well as owning and operating cement, asphalt and construction aggregate plants. CJR Empreiteiros’ wind-energy division is active in Portugal, Spain, Romania, Poland, Jamaica, Brazil and the Dominican Republic.

In Angola, CJR is based just outside of Luanda where it has its main offices, company housing, warehouses, workshops, equipment, a quarry operation, and cement plant. It has around 400 employees, annual sales of close to \$40 million, with Angolan operations accounting for 30 per cent of the group’s income.

“We made strong and consistent investments in Angola so this gives us a real stake in the country which for us is a long-term market,” the director says.

“And four years ago we bought part of an Angolan company, Terponte, which is totally

independently operated and is based in Benguela province. With these two companies we manage all our business in Angola which is such a large country there is no conflict between them when it comes to doing business.”

“We are seeing the number of construction projects and work load shifting from Luanda and environs to the provinces as those regions begin to develop and progress more and more. And I hope this is the future path of the Angolan economy.”

Like other Portuguese companies present in Africa, CJR moved here when their natural markets at home either matured or were hit by the country’s severe economic crisis.

“There is no doubt that the future of the Portuguese construction sector involves the globalization of companies like ours,” Rodrigues argues. “And it is vital that one chooses carefully the countries one is thinking of entering.”

“Places like Brazil, Mozambique, etc. are attracting a lot of attention just as Angola did between 2005 and 2008 and many of those companies which rushed here then failed and returned home.”

The director complains that globalization is already making Angola a tough market with Brazilian and Chinese companies moving in.

“I see CJR’s future as a group which is recognized worldwide for the quality of its work, not necessarily for its size,” the director explains. “Sustainability, financial consistency, and customer satisfaction are what I want us to be known for.”

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**INTERVIEW WITH PEDRO MATOS PINHO**  
**CEO of TECNOPLANO**

When facing the different geographic options to globalise its consulting company, the energetic and young portuguese executive leading Tecnoplano chose Angola as a first port of call. A few years later, he recalls that his decision has not only proven a succesful one, but is also opening the doors for other markets in Africa and Brazil, while its relationship with Angola's economy keeps intensifying



PHOTO: TECNOPLANO

**“WE WENT TO ANGOLA IN 2007 AND SUCCEEDED EARLY ON, AND MANAGED TO WIN THREE MAJOR CLIENTS”**

*For instance, in the electricity sector we have laid plans for over two thousand km of high voltage power lines and substations in about three years, and we were involved in most regulatory frameworks for the energy markets ... that gives a lot of value to a company of our size. In the water business, we have continuously supported the Angolan State on the national program of fight against rural poverty in rural areas, with the aim of providing access to drinking water to 80 % of the rural population. We have to date designed over one hundred water supply systems in the country. In terms of architectural and engineering design we have undertaken over 450.000 sq m of construction area in the country.*

**How did the involvement of Tecnoplano in Angola come into being?**

**M.L.-** *Tecnoplano is a family-owned company with over 50 years of history. We have been involved in Africa since our early years, but for the most part as support to some Portuguese clients in markets such as Angola, Mozambique and Cape Verde... suffice to say that these became natural markets for us.*

*In 2006 I came into the company and we started our formal process of internationalisation a year later. We chose Brazil, Angola and Mozambique as first goals on a list of countries for a feasibility study. We saw that Angola was the right call, it was too early for Mozambique and there were some issues regarding Brazil. So we went to Angola in 2007 and succeeded early on, and managed to win three major clients which remain with us to this day with a solid partnership in place.*

*These clients are all in the water, energy and building sectors, we have been accompanying very closely the liberalisation of the electricity sector together with the various Angolan market stakeholders. The unbundling of the market is set for early 2014, thus there are exciting times ahead of us.*

**Could you give us some numbers on Tecnoplano's current level of activity in Angola?**

**M.L.-** *We are billing about ten million Euro in consulting services, leaving aside other capital-intensive non-consulting activities. Angola represents about 40 to 50 % of this figure, yet we have been recently investing in other markets such as Mozambique, Ghana and Cape Verde. The goal was to first test one market, Angola, and given the early and somewhat unexpected success we were forced to expand into other markets, yet without turning our back on the growth of our first international market. Our operation in Angola is currently covered by four companies with a fifth one planned for 2014.*

**What was your strategy in terms of local partnerships in Angola?**

**M.L.-** *Our strategy has been to enter these markets on our own, gain market confidence and only after success it is possible to look for strategic local partnerships to boost growth. We sent a good team, learnt from the market, at time hitting our heads to the wall, yet we were valued by the market as we took the decision to be present locally, and by now we are already one of the reference names in the water, energy and building sectors.*

**What are Tecnoplano's international goals for the next five years?**

**M.L.-** *In Angola our goal would be to make Tecnoplano a market reference on excellence. We are diversifying at an international level, so we want to make sure that each country contributes with something, for instance in Mozambique we will probably have some Angolan expatriates, people who have excelled in Angola and can now contribute to the group's growth in other countries. In Brazil we are yet to define what would be our pole of excellence in terms of consultancy, as our core local activity has been in management and funding of real estate investments, and in Ghana we are currently concentrating in engineering design and construction project-management.*

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**INTERVIEW WITH  
CARLOS AMARAL  
CEO and Founder of ACREP**

As one of the few private Angolan E&P companies, ACREP is getting ready to take the next step into oil production through onshore developments. Carlos Amaral, its ambitious CEO and founder, outlines ACREP's five-year master plan

**"WE ARE VERY EXCITED ABOUT THE POSSIBILITIES IN THE NAMIBE AND OKAVANGO BASINS"**



Photo: ACREP

**When and how was ACREP founded?**

**C.A.-** The Company was launched in 2003, under the original idea of conducting exploration and production through marginal abandoned onshore developments. In 2005 we did sign the first PSA for Block 4/05 offshore Angola, and we had at the same time a shareholder's revision program aiming at guaranteeing the needed funding, namely through local partners, so we became one of the first truly private E&P Angolan companies.

**Can you share some current data on ACREP?**

**C.A.-** We have about seventeen employees, quite enough for a non-operating company. In 2006 we signed the first PSA for Block 4/05, in late 2007 we did sign the second for Deep Offshore on the Block 17/06, and in 2008 we joined the Cabinda Onshore North Block. In terms of exploration we have drilled so far a total of eleven wells and basically fulfilled both offshore Blocks exploration programs. Regarding onshore activities, we are starting exploration and drilling in Cabinda this year.

In terms of funding we have managed a package of about 140 million dollars, which covered for the development costs and allowed the production to start in Block 4/05 on June 2009. By this time our real achievement has been having the capacity to pay back more than three quarters of our bank debt, given of course the high average oil prices. We see ourselves as small oil & gas company, engaged with very good operators and contractor groups partners, with a strong effort to be very active in day to day block decisions.

We have a small team of technical people which tries to be very proactive, looking to participate in the licensing of the onshore blocks expected to be opened this year, and aiming to eventually become an operator in one of these blocks.

**Is the stated goal of two millions barrels per day an achievable one for Angola?**

**C.A.-** Today we are close to two million barrels; it all depends on whether we succeed in finding new deposits. It is our hope and our

dream that we can find new deposits like the pré-sal in Brazil, but it takes years for that. We think that Angola, which has a culture of producing offshore since the fifties, has taking its mind off from producing onshore. In order to keep a steady level of production we must combine onshore and offshore. As a small company we believe that onshore E&P requires less investment, so if we can get more experience, and train more people, we can be ready soon to be an operator company.

Coming back to your question, it is achievable and we are almost there, but challenging Nigeria will be difficult, because as you are aware, the last licensing round in 2006 for deep-water blocks did not generate the expected level of reserves. Regarding pré-sal deposits, if and when commercially feasible, it would need between six and ten years to bring those deposits into production, so going much over that figure will not be an easy task.

**Does Angola have the potential to be the largest oil producer in Africa in the future?**

**C.A.-** We will be a major producer, yet we can only see things from our side, and Nigeria's proven reserves are probably four or five time larger. We are a member of OPEC, we have quotas to fulfil, it is not a decision that we take by ourselves, I presume. I think it is good that we are part of OPEC that helps to maintain a good level of prices, which is particularly important for deep water E&P. Even if we had the reserves, and not taking into account shale oil and gas which is capturing big exploration investments, it will be difficult to be above Nigeria. Yet we are very excited about other possibilities, like the Okavango and Namibe basins, where we still do not know what could be found there.

**What are the main challenges and objectives of ACREP in the next five years?**

**C.A.-** We want to become an operator and achieve some discoveries onshore. Our five-year plan is quite ambitious, it includes upstream

plans for Block 4/05, the developments of the marginal fields discovered on Block 17/06 plus the onshore exploration challenge that will represent drilling in Cabinda North Block. We expect to be participating in a total of four blocks running during the five year's period and consolidate our entry as an onshore operator company, our major goal. Internationally wise we did just register the company in Mozambique, aiming to participate in onshore opportunities, considering that offshore is not necessarily for small companies, besides the other regionally onshore potentiality associated to the so-called shade-deposits, shale oil & gas, coal base methane and others .

I wish to add that Sonangol has really bet on companies like ours, local banking is also being very supportive and is making efforts to develop the expertise to lend to the oil & gas sector locally. For most of the local companies, onshore is the area to join, considering that offshore is more adequate for majors and independents which can afford the cost and the risk.

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## INTERVIEW WITH GILBERTO RODRIGUES CEO of MOTA-ENGIL AFRICA

The Porto's based construction behemoth goes back to its roots as it outlines its African strategy to become one of the continent's prime construction concerns. From its regional base in Johannesburg but still strongly tied to the company's origins as an Angolan enterprise, MOTA-ENGIL AFRICA's CEO explains why the group is best suited to succeed not only in Angola but in other SADC countries as well



**"TO BE SUCCESSFUL IN AFRICA ONE HAS TO BE CULTURALLY AWARE AND UNDERSTAND THE WAY BUSINESS IS CONDUCTED"**

*billions dollars worth of projects in Africa, so we have become a reference player in these markets. If we look at the different European companies that work in Africa, MOTA-ENGIL is the European company with the larger portfolio of works in the African continent at the moment.*



### Is Angola still a profitable market for MOTA-ENGIL despite the increased competition in public works and construction?

**G.R.-** MOTA-ENGIL was founded in Angola in 1946, and we have working in this market for the last 67 years. Even during the independence war, and during the civil war, we continued working in different regions of the country with the difficulties inherent to such situations. We were the only company not to be nationalised, and we even had the courage to sign a partnership in 1978 with the Angolan State. Today MOTA-ENGIL is an open stock company, and forty-nine percent of our stock is controlled by a group of Angolan companies led by Sonangol.

Answering to your question, let me say that the Angolan market is becoming more demanding regarding technical, deliverance and contractual issues. Therefore, it is a more mature and a more competitive market than ever, where companies than can deliver are still rewarded with sizable volumes and margins. Yet it is a market where one has to put on a big effort and companies must invest heavily.

### How important is Angola within your global portfolio?

**G.R.-** The MOTA-ENGIL group's turnover is about 2.3 billion euro, and Angola accounts for about 22% of that, so one can say it is a fundamental market for the group. We try to bring to this market our best resources, our best people, and we are heavily invested emotionally, as it was our first market and where the company was born. On top of that it is a market that has consistently out-grown its SADC partners in recent years. So we want to be one of the leaders in the Angolan market and rise up to the challenges that Angola is likely to require in the coming years.

### How successful has MOTA-ENGIL been in entering other African markets?

**G.R.-** To be successful in Africa one doesn't just need to have the technical and human capacity, but one has to also take into account the cultural aspects. In order to work in Africa one has to be African. In Angola one needs to be Angolan, and so forth. We need to prove our capacity for perseverance and resilience that show our commitment to the places where we are. We need to be creative, and finally I believe that a key pillar of our success is our policy of investing in human capital. That is, the sustainability of the group in Africa is linked to our ability to generate human resources capable of dealing with the difficulties that come our way.

It is that capacity of creatively merging our expatriate resources with the local resources that has made MOTA-ENGIL a credible company in Africa, able to deliver on our contracts both in terms of time and quality.

Additionally, we try to operate like a local company in each African market, under the umbrella of the international group, and therefore we can compete with all local players.

### Where do you see the most interesting areas for growth in the near future?

**G.R.-** MOTA-ENGIL AFRICA is growing across all of our markets, for 2012 to 2013 our growth reached 36 %, this growth is compensating the contraction of the European markets. Today the importance of logistic hubs are key, and hence we have been working on a major logistic connection between Mozambique and Malawi, together with Brazilian mining company Vale, in a project worth over a billion dollars. This project allowed us to take a leap in terms of our experience in managing very large projects, and has allowed us to look at a great number of new opportunities.

Today MOTA-ENGIL is tendering for over 27

### How is the Angolan market different from other African markets?

**G.R.-** One of the most interesting aspects of Angola is its sheer ambition. Angolans are positively ambitious, and Angola is growing at dazzling rates. Africans want to invest in Angola, Europeans want to do business in Angola, and the country has the capacity to absorb all that interest.

Also, a new generation of well-prepared Angolan cadres has emerged, with a new vision and a new ambition for the country. New local business concerns are rising and investing heavily in the country, and increasingly abroad, which provides confidence to foreign investment in Angola.

Yet we need to be aware that difficulties persist. A country that grows at this rate can not generate on its own the resources to attend to this growth, so a number of bottlenecks will appear. The country is diversifying its production base, and moving away from oil as its only source of income. These other activities not only give an impulse to the economy but also attract large investments, and hence are making Angola a new paradigm of growth in the African continent.

### As a Pan-African executive, what would be your final thoughts on Angola?

**G.R.-** I have two thoughts that I would like to share with the readers.

Firstly, Africa is in fashion and within Africa Angola has become very attractive. This is so because the climate of economic confidence, political stability and growth opportunities make Angola one of the most interesting markets of the region.

Secondly, to be a successful player in the African market one has to be culturally aware, understand the way business is conducted and to be able to integrate oneself into the local business culture.