

Angolan SWF chairman calls for greater support as oil price falls

by **Kanika Saigal**

Wednesday, December 17, 2014

The Angolan government could provide greater financial support to its fledgling \$5 billion sovereign wealth fund (SWF), according to its chairman, amid rising concerns over the impact falling oil prices will have on the country's economy.

"We will have to wait and see what happens, but diverting more of the government's funds into the SWF would be a sensible solution for the government to make, considering the **falling oil prices globally** and the affect this is having on our economy," says José Filomeno dos Santos, chairman of the SWF and the son of Angola's president José Eduardo dos Santos.

"Diversification will strengthen Angola in the longer term and encourage economic growth from other sectors. The fund is one of the most constructive ways to do this."



José Filomeno dos Santos

Brent oil prices have fallen 40% year to date, and fell to lower than \$59 a barrel this week for the first time since May 2009. Angola is Africa's second-largest oil producer after Nigeria and the country depends hugely on oil revenue. Oil accounts for 97% of exports, 45% of GDP and 66% of fiscal revenue, according to Eaglestone Securities.

A revised outlook by the Angolan government announced in October estimates tax revenue from oil to account for 61% of total revenues in 2015, down from the 75% average recorded over the last three years. The budget deficit is predicted to rise to 7.6% of GDP in 2015 from 0.2% in 2014.

"The effects on the fiscal situation, however, could be a lot worse than currently predicted by the government," **says Tiago Dionisio, assistant director at Eaglestone.** "The Angolan budget calculates an oil price of \$81 per barrel for 2015, but the reality is that prices may not recover as quickly and could remain around the \$60 mark.

"But the government has been making efforts to diversify away from oil, which in the medium to long term will protect the country from volatile oil prices in the future. The fund highlights one way the government is doing this."

Dos Santos says: "As a fund, we were initially set up to make investments away from the oil sector. Now with the fall in oil prices, our critics will expect us to act quicker, and to make sure that we begin to see our investments in agriculture, real estate and tourism come to fruition as soon as possible. We can't be motionless."

The Angolan SWF said last week as part of its third-quarter investment update that it would be investing \$1.1 billion in a dedicated infrastructure fund focused on energy, transport and large industrial projects in the country and across sub-Saharan Africa. It said another \$500 million will be allocated to a fund to invest in hotels and greenfield projects.

The SWF, which has a net asset value of \$4.95 billion, was launched two years ago, but only started investing this year.

" Sixty-three% of the fund has been invested in fixed-income products and 12% in variable products, and the remaining 25% is being deployed as per the latest announcement," says Dos Santos.

"The fall in oil price should be seen as a positive driver more generally – it will encourage the government to focus on diversification away from the oil sector."