



**The Brookings Institution
Africa Growth Initiative
*Foresight Africa Podcast***

“Angola’s innovative approaches to managing debt distress”

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Guest:

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Episode Summary:

Angola has faced waves of economic uncertainty over the last decade—from oil price shocks in 2014 and 2023 to the spillover effects of COVID-19. Despite these challenges, Angola is determined to manage the ramifications to its economy. Host Landry Signé is joined by the Angolan minister of finance, Vera Esperança dos Santos Daves de Sousa, to discuss the country’s tools for addressing both debt distress and preempting future economic shocks.

[music]

SIGNÉ: Hello, I am Landry Signé, Senior Fellow in the Global Economy and Development Program and the Africa Growth Initiative at the Brookings Institution. Welcome to *Foresight Africa* podcast, where I engage with contributors to our annual *Foresight Africa* report, as well as with policymakers, industry leaders and other key figures.

You can learn more about this show and our work at Brookings .edu slash foresight Africa podcast. Today on the podcast, I am pleased to welcome Her Excellency Vera Esperança dos Santos Daves de Sousa. Her Excellency is the minister of finance in Angola and was the first woman to be to the position. In 2019, she was the secretary of state for finance and treasury prior to her appointment. Before her career in public service, Minister Vera was a finance technician, the director of products and research, as well as a lecturer to name a few of her extraordinary achievements.

Thank you for joining us today, minister.

DAVES DE SOUSA: My pleasure, my pleasure, Landry. Thank you for giving me this opportunity and thank you for the Brookings Institution to work and to make it happen with this *Foresight Africa* podcast.

SIGNÉ: Fantastic. Excellency, can you describe your journey to your appointment as finance minister of Angola?

[2:05]

DAVES DE SOUSA: Starting since when?

SIGNÉ: I let you choose!

DAVES DE SOUSA: Well, I think it's important to talk about references, because I came from a family that is very active politically speaking. My grandmother, my grandfather, my own mother, everybody participating in somehow in the political arena. My grandparents they get involved in the fight for the independence of of Angola, giving support to MPLA at the time. My mother also participated in in her youth in political activity.

But to be honest, I never imagined myself doing what I'm doing now. But I always was very committed to delivery, to performance, to make sure that I'm always giving the best of me to anything that I decided to do.

For long time, I was thinking about becoming a doctor and preparing myself for that, but it seems to not happen. And my academic life as an economist. I started in the private sector, banking. After that making some comments around financial markets. And because of that, the leadership of important managers of the country start seeing my work, paying attention about what I was doing, and I was at the same time working for the bank and also giving classes of public finances and economic integration. I received

an invitation to join to the Capital Markets Commission as a member of the board with 28-years-old.

After that the chairman was appointed to become minister of finance and I was the one replacing him as president of the institution. Just after that, Treasury with the same leader, Mr. Archer Mangueira, and when he received the challenge to lead a province of the country, I was the one replacing him as minister of finance—what I'm doing till now.

So, all this started with a strong wish of healing people, and still in my heart a strong wish of restoring and reshaping and making sustainable our economy, our public finances. So, the seed is the same: healing and fixing, making the things right. So, I'm doing in a different way, but what make me stand and move is still the same.

I do my best to make the things in the good shape, right, and giving hope and positive impact in people's life and the Angolan citizens' life.

SIGNÉ: Impressive, Excellency. You have been finance minister of Angola since 2019. How have both the economy and your policy responses changed during your appointment?

[5:38]

DAVES DE SOUSA: It is a very dynamic country, it's a very dynamic world. A lot of things happening since the beginning. When I stepped in as secretary of state in 2017, we were managing a strong and a very difficult moment because of the drop in the oil prices. It started in 2014. And so, it hit us, and in 2016 and for the next five years we were facing recession. As you know a highly dependent economy in terms of oil exports, feel very hard a drop on oil price, on oil production. So, we were struggling with that.

And on top of that, we had to manage a pandemic. So, straight after my appointment as minister, COVID -19 hit us. So, we were under a program with IMF, that I'll be totally honest, it was very helpful because we used the technical advisory and the funds that were coming from it as a strong drive to make us to implement important reforms, implementing VAT, reforming the corporate and the revenue tax, to work on the expenditure side, get in shape the procurement process, making the SOEs start publishing their reports on the right timing, and aligned to the best practices. We started a movement in terms of removing some subsidies. We started with electricity and water. After the program come to an end, we moved forward with fuel subsidies removal.

So, we did a lot. It was quite painful, but a combination of these with the agreements that we managed to close with our main creditors saved us of a scenario where something more difficult, financially speaking, could be happening with the country.

[7:52]

So, we managed to navigate that storm and at the same time put in place a strategy that avoid us to lose lives, a lot of investments in more beds, in hospitals, more

biosafety material, ventilators. So, we also spent a lot during that period, but with a focus on health.

So, all this was happening at the same time. So, a social backlash of course it came with it. So, getting the support of the World Bank putting in place a cash transfer program—we call it locally Quenda—helped us to mitigate that social impact, especially in the rural areas. We're still working on how to address it in the urban areas, but in the rural areas, the things are moving and are moving very good.

And at the same time, we are also working on the increasing of the local production, having the family producing their own food and also selling to groceries is something that we are also working, thinking on the food security agenda.

So, all this happened, we managed to step out from the recession in 2021. In 2022 also we didn't have a bad year. In 2023 we had a little bit of stress because we also see a decrease in the oil production. We moved with the fuel subsidies reform, and we feel some consequences of that. But in 2024 we still committed to the reforms that we should be implementing and with food security on top of our agenda and proactive debt management on top of our agenda as well.

SIGNÉ: Fantastic, Excellency. Your *Foresight* viewpoint, and the title is “Angola: Navigating turbulent times and building resiliency for future shocks,” describes the economic challenges Angola has faced over the last few years. One challenge that many other African countries are also facing is high levels of debt. How is Angola working to keep its public debt level sustainable and create more fiscal space?

[10:21]

DAVES DE SOUSA: We are at the same time looking at our current portfolio and doing proactive debt management, approaching the main creditors, and seeing how we can optimize structures and release some liquidity with that optimization. An example is our last participation in the market. We issued some eurobonds and a part of it was to make a swap where we bought back some bonds that would be maturing with high costs and replace it for other ones with a longer maturity and relatively less high costs.

Another example is our recent visit to to China and how we managed to reach an agreement with one of our biggest creditors to anticipate some payments and because of that release some funds coming from the escrow accounts. We are doing those kinds of operations also internally, working with the local banks and identifying opportunities of replacing, for example, FX-linked bonds for plain vanilla ones. We did some and it was successful.

We're still looking for opportunities, we keep thinking and having new ideas to address the current portfolio. And about the future and the new operations, what we do our best to achieve is to find mostly concessional and semi-concessional loans, and to reduce the amount of financing that are coming from commercial lines to not add additional stress to our debt and the impact of servicing debt to to the treasury.

Something that we also want to study and to manage to move, because we started studying since a quite time ago, is how to do more public-private partnerships and BOT operations. We understand that we have huge opportunity in the electricity sector, for example, because of the gap of energy availability in our region. We understand that because we have a surplus in terms of electricity and that surplus probably will increase when we finish the Caculo Cabaça dam. We have opportunities of making that power reach out to our neighboring countries and even farther and sell that electricity, sell that energy to those countries.

[12:58]

So, what we are doing now is knocking doors to find partners to help us to take out that power from the point that they are to the border. We are doing some of it with public investment, pure public investment. But now we are studying other opportunities doing the same with PPPs and from the border to other countries do it only with private investment. And so, we are getting interest from some partners and now we are going into the economics and the details of the transaction.

So, that is something that we are taking care of not only in terms of managing the current portfolio and making sure that it's not very harmful to our treasury, but also being very conservative in terms of new financing lines that we are hiring, to not solve the problem coming from the past, but creating new problems in the near future.

And looking of course at the fiscal revenues, it's it's an important part of the process. We are doing our best to broaden our tax base. We are using artificial intelligence to calibrate the inspections that our tax authority used to do.

We are also working to bring to our other assets that use not to pay property tax to make sure that we are taking the best advantage of all the assets that are around the country.

And looking also how to approach the informal sector. I know that this one is tricky because it mixed, like, semi-formal activity with subsistence activity, people that sell to it. So, we do not want to cross that line that will create even more social vulnerabilities, but we want to look at those stores that are there. They have conditions to pay, but they are pretending that they are informal. So, we are looking to those ones and to see how we can keep building on our revenues as a more sustainable way to progressively reduce our financing needs in terms of new debt.

SIGNÉ: I like how comprehensive your approach is, including AI, technology, public-private partnership, but also the private sector, and including the investment also from the public sector. Excellency, the focus of Angola's 2024 growth strategy is food security. Your Viewpoint says the country is implementing several measures to support and boost the private sector. Can you describe some of these measures in detail?

[15:52]

DAVES DE SOUSA: Yes, at our National Development Plan we have three pillars. We have food security, we have human capital, and we have infrastructures. In these three fronts, we are seeing how to engage more with private partners, creating a good environment for that to happen.

Looking specifically at food security, what we are doing is to create an environment that is conducive to the private sector to step in. For example, micro and small enterprises and micro and small activities we are funding via vehicles, our public funds, initiatives to leverage the local production of the families, and we are help them bridging the offer and the demand because sometimes they have the product, but they do not know where to knock, where to go.

So, the future is a stock like Ethiopia has where the goods could be sell. But while we do not reach that future, what we help with them is bridging, let them know via the associations of farmers, small farmers, that you can touch base those stores, you can touch base those entities and establish an agreement with them to sell them your products and they will be the ones responsible to take it from the farms and to the shelves of the stores to be available to the citizens. So, it's something that we are working on.

[17:32]

Another way around is with medium and large enterprises. We are making as much available as possible a piece of land. We are seeing how we can revise our land law to make it easier, the process of acquiring it, the rights and all the bureaucracy, and the legal process of making everything right.

We are also giving fiscal benefits for the investors that want to establish some business related to agribusiness and they want to go a little bit further creating a small bridge, a simple road, putting solar panels that will benefit the community, not only the farm. So, we are giving fiscal benefits for those that decide to go a little bit farther of what is their own responsibilities as private investors.

And we are also making available to the commercial banks a line of warranties where the state can cover at least half of the projects related to agri and to give to the commercial banks confidence to give the loan because they know that the state is covering half of it, and the other half it's a matter of the agreement in between the investor and the bank.

That are some initiatives that we are putting in place to attract not only more interest coming from the families to increase production and to make it flow to the markets but also attract interest from the commercial, typically commercial, investors to do large-scale production—that is the one that we think that will help us to address the gap, the internal gap.

And probably exports. We have big markets around us, and the opportunities are there. They are keen to come and buy our products. So, we really understand that we have strong opportunity to see more happening in terms of grains production, rice, beans, soya beans, animal protein, chicken, beef. So, we have a lot of needs from our own citizens but also from the neighboring countries.

SIGNÉ: Your Viewpoint also touches on Angola becoming more resilient by preventing economic shocks. What sort of shocks is the government currently concerned with and what measures are you putting in place to preempt them?

[20:20]

DAVES DE SOUSA: Well, we can see shocks coming from the oil price. This is usually our first concern because despite all the efforts that we are putting in place, we still have a high dependency on the oil production and the exports of oil. So, oil price is something that we look carefully.

But also, the exchange rate and interest rates, internationally speaking, is something that we are also look at because of the part of our debt that is related in hard currency like dollars or euros, and some of them with variable interest rates.

And even to go to the market if we are in a context of high interest rates it's quite challenging to participate considering our starting point. We need to be careful to not add more stress to our debt stock.

So, how to manage this and how to mitigate those risks? Structurally, what we are doing is to put in place a strategy to diversify the economy. We are putting a lot of energy, resources, and seeking know-how to increase our local production, looking at food security, veggies, fruits, livestock, but also cereals.

And also, the value-added chain in terms of minerals, not looking only to what is traditional, like diamonds, but looking also to gold, looking to iron, and other raw materials and minerals that we have, we want to export, but we want to add value locally.

Tourism is something that we also pay attention. We know that we still have some work to do regarding the business environment and how easy it is to come to visit, to stay in Angola. We recently decided to remove visa requirements for a set of countries—OECD countries—and we want to continue doing our best to make Angola as attractive as possible. The landscape is already there, so we need to do what additionally is necessary to attract more interest.

Regarding the interest rates, what we are doing is also look to the local market. Of course, carefully, because of the crowding out effect, to not cannibalize the opportunities for the private sector, but we are also looking to the local market to compensate the fact that the interest rates are not in a good level for us to do, for example, a euro bonds issuance. And we are also seeing how we can reshape some local instruments that we have to have less instruments related to effects, do a plain

vanilla ones in *kwanzas*, and also reshape our portfolio to see which other currencies we can have, and the destiny of our exports to manage all those risks.

Hedging is something that we are also looking at. We are working with the World Bank to see how we can in the near future structure an hedge operation for part of our fiscal revenues coming from the oil. So, we are setting up the framework, we are stabilizing the legal procedures and the technical capacity of our team to be ready to move when we find ready to do so.

SIGNÉ: Fantastic, Excellency. As you know from previous *Foresight Africa* podcast episodes, I love finishing the session with a couple of questions for all my guests. AGI looks at Africa from an economic perspective and we focus on how to maintain economic growth and structural change while fostering inclusion, especially for youth and women on the continent. Building on your work and experience, Excellency, what is one piece of advice you will give to other African or global policy makers to ensure the best economic outcome on the continent?

[24:52]

DAVES DE SOUSA: I can give the quick and easy answer, or I can elaborate a little bit more. The quick and easy answer is funding. Okay? We need more funding, we need access to cheap funding, to address the gap in terms of capital expenditures that we still need to do to unlock the growth and the development, to interconnect countries, and to work on the capacity building of our youth to make them able to participate in the development strategy that the African countries are putting in place.

But going deeper on this issue, I understand that we need prior to that organize ourselves. What I mean about that? I mean enforcing the laws that we have. I mean building strong institutions. I mean about fighting corruption. I mean have a culture of good service and responsibility, considering potential consequences for the public servants that are not giving their best to the society.

I think this is the start of everything. If we start by that, we will be able to better use the resources that we already have. We will be able to better prioritize and address the internal challenges that we already have.

And if on top of that we manage to mobilize more financial resources coming from the international institutions, from the private sector, we will see quick and good results coming.

So, yes, I think if we move on that path, we will see the Africa that we dream happening.

SIGNÉ: I like your comprehensive response, Excellency. And given your successful career and impact, what advice will you give to youth and women hoping to follow in your footsteps?

[17:01]

DAVES DE SOUSA: Thank you, thank you for this comment. But I prefer to think that I'm still on half of the journey and I still have a lot to learn and to drink from other entities that have more experience than me.

But based on my short experience, what I can say is that the first step is to believe in yourself. Understand that you have what is needed to pursue more and to learn more. And understand the life and the challenges that you receive, we receive as a learning process.

And not try to do it alone—it will be impossible. Do it as a team with your family first, as a team, because without family support, understand family—your parents, your husband, your wife, your friends—understand family as the people that are more often with you. As a team with your family to give you emotional support. And after that as a team with your colleagues from the school or from the work. And do it alone it will require energy that will be difficult to mobilize.

And being humble to learn, to understand that you are not perfect. You are not always taking the better decisions. Sometimes people that are quite unexpected but will present a good advice and you need to be humble enough to listen and to learn from them.

And with this, you will see the results coming. For some people more quickly, for others in a different pace. But at the end of the day, the journey and the impact that you are having in someone's life is more important than the destiny or the final result of this learning process that we are moving to have.

SIGNÉ: Thank you so much, Excellency, for joining us today.

DAVES DE SOUSA: My pleasure, my pleasure. Thank you very much. It was a real pleasure and I hope to continue talking and interacting with you and wish you all the best.

[music]

SIGNÉ: I am Landry Signé, and this has been *Foresight Africa*. To learn more about this show and our report, visit [Brookings dot edu slash Foresight Africa podcast](https://www.brookings.edu/podcasts/foresight-africa/).

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