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State-owned oil and gas company Sociedade Nacional de Combustíveis de Angola, EP (Sonangol) appoints President José Eduardo dos Santos' (1979-present) daughter Isabel dos Santos as non-executive president of the board. Her new role gives rise to speculation that President dos Santos is grooming her as a potential successor after he leaves office in 2018. The Fundo Soberano de Angola (FSDEA) (Angola sovereign wealth fund) announces it will increase capital allocations for investment in Africa-focused private equity and reduce its exposure to government bonds to make up for losses of over \$200m from 2012-2015. The European Union (EU)'s European Medical Corps (EMC) will depart on its first overseas mission to Angola to help tackle the yellow fever outbreak which has infected over 2,267 and killed 293 people.

Isabel dos Santos appointed board president of Sonangol

State-owned oil and gas company **Sociedade Nacional de Combustíveis de Angola, EP (Sonangol)** has appointed **Isabel dos Santos** as non-executive director and board president.¹ Sonangol announced its new administrative and executive boards in a press release on 3 June, by ordinance of President **José Eduardo dos Santos** (1979-present), father of Isabel dos Santos.² The appointment raises doubts about Angola's governance system as well as the extent to which the president holds control over the strategic oil and gas sector.

Sonangol announced it intended restructuring several months ago but until now had refrained from communicating whether there would be a change in management (see *ARC Briefing Angola May and March 2016*). Isabel dos Santos replaces **Francisco de Lemos** as board president.³ The other new board members are:

- **Paulino Fernandes de Carvalho Jerónimo**, executive director and president of the executive board;
- **César Paxi Manuel João Pedro**, executive director;
- **Eunice Paula Figueiredo Carvalho**, executive director;
- **Edson de Brito Rodrigues dos Santos**, executive director;
- **Manuel Luis Carvalho de Lemos**, executive director;
- **João Pedro de Freitas Saraiva dos Santos**, executive director;
- **Jorge de Abreu**, executive director;
- **José Gime**, non-executive director;
- **André Lelo**, non-executive director;
- **Sarju Raikundalia**, non-executive director.⁴

In a statement after her appointment, Isabel dos Santos said she aimed to ensure transparency and to fully implement Sonangol's intended reforms:

*"Our goal is to increase the profitability of the company, increase efficiency and transparency... We want to implement governance rules similar to international standards... Our challenge in the first 100 days will be to continue carrying out a deep diagnosis."*⁵

¹ www.sonangol.com

² www.sonangol.com

³ www.sonangol.com

⁴ www.sonangol.com

However, political analysts fear that the appointment could negatively affect Angola's image, and, more broadly, could indicate that Dos Santos is trying to push his daughter into a position from which to enter the political sphere, potentially even contesting for president. Dos Santos announced that he would step down as president in 2018, after elections in 2017.⁶

*"This may be a step which will lead IDS [Isabel dos Santos] to the presidency of the country, which would position her well to succeed her father... IDS was already part of the Sonangol restructuring team and now seems to have taken advantage of this position."*⁷

Critics of the nomination see this as a clear example of corrupt leadership:

*"IDS' nomination as the head of Sonangol by her father... constitutes the height of nepotism and corruption in Angola. May God help to free us from this corrupt and violent leadership."*⁸

An opposition **União Nacional para a Independência Total de Angola (UNITA)** spokesperson described Isabel dos Santos' appointment as another example of nepotism:

*"I believe that no-one was surprised with the appointment, as the president has been denounced for his appointment of various of his sons in key state positions over the years, as is the case now with Sonangol and the **Fundo Soberano de Angola (FSDEA)** (Angola's sovereign wealth fund)... It has internal and international political implications, and only further confirms the practice of nepotism within Angola, which many national and international commentators point out as bad management and evidence of misappropriation of funds."*⁹

As head of Sonangol Isabel dos Santos holds the most powerful position after the presidency. Oil sales still account for 90-95% of Angola's foreign exchange revenues,¹⁰ and are by far the government largest source of revenue.

There are also issues regarding potential conflict of interest. Isabel dos Santos is a 9% stakeholder in **Portuguese** oil producer **Galp**, active in Angola since 1982, which has several active projects in the country: offshore **Block 14K-A-IMI**, **Block 14**, **Block 32**; wholesale lubricants provider **Petrogal Angola**; retail lubricants provider **Sonangal Lda**; and exploration for the **Angola LNG II** project.¹¹

Isabel dos Santos is President dos Santos' eldest daughter from his first marriage, to **Russian** national **Tatiana Sergeevna Kukanova**. She has extensive business interests in Angola and abroad in extractive, telecommunications and finance sectors¹² and is considered to be Africa's wealthiest woman, worth an estimated \$3.3 billion.¹³ As the head of the presidential family's business empire, Isabel dos Santos is a powerful figure in Angola.

*"She is widely considered to be acting as a front for her father's business interests; however no-one has produced any evidence that this is so; it is an assumption and there are other candidates for President Dos Santos' business representatives and interest. I am aware he has at least two separate sets of oil and diamond interests and Isabel does not represent these. There is also an assumption among some journalists and NGOs at least, that Isabel may have been able to build her fortune using looted state assets, although it seems more likely that diamond trading is the basis."*¹⁴

⁵ Multiple sources: Bloomberg, 7 Jun 2016; Reuters, 7 Jun 2016.

⁶ Reuters, 3 Jun 2016.

⁷ Source, journalist, Angola

⁸ Source, university professor in constitutional law, Luanda

⁹ Source, UNITA spokesperson, Luanda

¹⁰ Multiple sources: Reuters, 3 Jun 2016; Reuters, 7 Jun 2016.

¹¹ www.galpenenergia.com

¹² ARC, investigation team, Angola

¹³ BBC, 3 Jun 2016.

¹⁴ Source, veteran Angola analyst, United Kingdom

Isabel dos Santos claims she is not political, not active in politics and does not make political statements. However, many of her business activities are in partnership with the Angolan government. She has a host of partners and close associations with Angola's political and business elite, including high-level members of the ruling **Movimento Popular de Libertação de Angola (MPLA)**, heads of state-owned enterprises and major Portuguese business people.

*"She is very influential, but low profile. She's not interested in politics. She's so powerful she doesn't even have to make any noise. I think the president trusts her more than he trusts the other kids. She's very disciplined... She is the one managing her dad's money, I'm sure of it."*¹⁵

As one of Angola's most influential business people, Isabel dos Santos is part of the inner core of the '**Futungo clique**'. Informally named after the presidential palace **Futungo de Belas**, this group numbers an estimated 200 members of Angola's political, military and business elite who make all significant government decisions and have stakes in a wide range of businesses. Governance in Angola is largely personalised – through the Futungo clique – and managed through a system of patronage funded with oil and diamond revenues. President dos Santos is at the apex of the Futungo network.

Isabel dos Santos operates an unknown number of companies. Her declared and identified business interests are a small part of her true business empire. Many of her business dealings are secretive and hidden behind a complex network of offshore companies and structures. Her companies are either "**Sociedade Anonimas**" (SA) (anonymous companies) and/or with the ultimate holding company in tax havens or inaccessible jurisdictions. There is often no verifiable information as to the ultimate beneficial owners.

*"There is no complete list of her [IDS's] interests. She has in the past kept her business arrangements very private but they are more publicly recognised now ... the major businesses are well known."*¹⁶

Angola's sovereign wealth fund increases exposure to private equity

The Fundo Soberano de Angola (FSDEA) announced on 19 May that it will increase capital allocations for investment in **Africa**-focused private equity and reduce its exposure to government bonds.¹⁷ The FSDEA's increased private equity allocation is meant to produce higher returns, but the FSDEA "... is still a long way from providing any sort of significant state funding buffer to the government..."¹⁸ and facing fiscal pressures from low international oil prices.¹⁹ FSDEA chairman **Jose Filomeno 'Zenu' dos Santos** – son of President Jose Eduardo dos Santos – said the FSDEA had \$4.7 billion under management at the end of last year.²⁰ Zenu, along with the president's other children, is increasing his business and political profile (see above).

*"I would say his name has become more known in the last few years, as he has joined the FSDEA and since become its chairman. Someone [who] knows him well says he is a very modest and shy person and that he is very hardworking and a solid and very bright person. It seems similar to how his father, the president, is described."*²¹

There are frequent reports that dos Santos is grooming Zenu as a possible successor.

"Some people say he may be being groomed to take over the presidency from his father. Personally I don't think this looks likely at the moment. However, he will definitely be one to

¹⁵ Source, NGO worker, Luanda

¹⁶ Source, investigator, Angola

¹⁷ Reuters, 19 May 2016.

¹⁸ Reuters, 19 May 2016.

¹⁹ Reuters, 19 May 2016.

²⁰ Reuters, 19 May 2016.

²¹ Source, political analyst, Luanda

watch closely as he appears to be on the up and so who knows what his father is planning for him.”²²

Some sources say Zenu is unlikely to win the backing of key influencers within the ruling MPLA.

*“This is perhaps contradicted by the role said to be assigned to [vice president] **Manuel Domingos Vicente** and also by the fact that Zenu has no direct political role or experience. Unless Vicente is able to level him into power... it seems unlikely at present that he could be a successor to his father.”²³*

Dos Santos has not promoted Zenu to any of the central MPLA decision-making bodies, increasing uncertainty about whether he intends Zenu to succeed him in the face of MPLA opposition.

*“Zenu was not admitted to the MPLA **Comité Central** (central committee) during the [December 2014] congress, a pre-requisite for a future president. Once a member of the CC he would then have to be admitted to the central body of the MPLA, the **Bureau Político** (political bureau), to become party leader, and president if/when the MPLA won [a future] election. Without these memberships, he cannot become president. These procedures give [internal] legitimacy to the leadership and are [un]likely to be abrogated.”²⁴*

*“I have had several conversations with senior long-serving diplomats in **Luanda** concerning Zenu as a possible president. They all say that this will not happen. In September 2014, I spoke to a very astute senior **United Nations** diplomat who reinforced this view: ‘Zenu will never become president: he is not acceptable to the MPLA.’”²⁵*

Dos Santos’ appointment of Zenu as FSDEA chairman was controversial:

“People questioned whether he was truly the best person for the job. His defenders say he has solid credentials plus they defend the decision on the basis that he is Angolan.”²⁶

Meanwhile, economists believe the function and weight of the FSDEA is sometimes exaggerated and that the fund is often inefficient, lacking the track record to take on the social bolstering its purports to achieve. The FSDEA is often confused with a stabilisation fund, which could only be its function with the president’s authorisation.²⁷ Moreover, its financial performance and availability of capital make this difficult to implement:

*“People think that the fund has a lot of money, which isn’t true. The FSDEA in total received \$5.046 billion... This comprises a small amount of the government budget. It would be below this year’s budgetary deficit, which the **International Monetary Fund (IMF)** estimates at \$5.8 billion. In fact, in the three years leading up to June 2015, it posted losses of almost \$216m.”²⁸*

There is little communication about the FSDEA’s activities to Angolans:

“We’re still halfway through 2016 and we still don’t know the [FSDEA’s] 2015 financial performance. It did not publish its annual report at the end of the year. We have no idea whether they posted a loss or profit.”

EU sends medical team to help tackle yellow fever outbreak

The **European Union (EU)** announced on 13 May that the recently established **European Medical Corps (EMC)** will depart on its first overseas mission to Angola to help tackle a yellow fever

²² Source, political analyst, Luanda

²³ Source, political analyst, Luanda

²⁴ Source, investigator, Luanda

²⁵ Source, investigator, Luanda

²⁶ Source, political analyst, Luanda

²⁷ Source, political analyst, Luanda

²⁸ Source, economist, Luanda

outbreak.²⁹ The EMC's assistance will become an important component of Angolan government and **World Health Organization (WHO)** efforts to curtail the spread of yellow fever, which was first reported in Luanda in December 2015.³⁰ EU humanitarian aid and crisis management commissioner **Christos Stylianides** said the EMC will complement the efforts of the Angolan government and work closely with the WHO and other international partners on the ground:

*"They will deal with the yellow fever outbreak. Together we can understand it better and stop it faster."*³¹

There are now over 2,267 reported yellow fever cases in Angola, which have led to the death of 293 people. Yellow fever has also spread to neighbouring **Democratic Republic of the Congo (DRC)** and other African countries including **Kenya, Uganda** and **Mauritania**.³² According to the WHO, since the last outbreaks of yellow fever in Angola in 1971 and 1988, the government has vaccinated approximately five million people out of a population of 24 million.³³ Medical facilities in Angola are underfunded and understocked, which has impacted their ability to respond to the yellow fever outbreak.³⁴

*"Angolan hospitals have little or no capacity to respond in order to reduce the epidemic, while health minister **Luís Gomes Sambo** refuses to declare a state of emergency in the capital – which is most affected – something that opposition parties have demanded. Public hospitals in the capital and in the country's provinces are dealing with a severe lack of vaccines, medicine and other medical materials in order to combat yellow fever and malaria epidemics."*³⁵

The EMC was created in February in the wake of the **West African** Ebola crisis, in which about 11,000 people died. The EMC has ready-to-deploy teams from nine EU member states: **Belgium, Luxembourg, Spain, Germany, the Czech Republic, France, the Netherlands, Finland** and **Sweden**. The EMC is part of the EU emergency response capacity, under the EU civil protection mechanism.³⁶

Opposition UNITA health secretary **Maurilio Lueile** stated that the government's efforts are insufficient:

*"Angola is experiencing a deep crisis in the health system. We believe that the authorities' response is slow. This is because there is a lack of funds and political will to attend to these health needs."*³⁷

Implications

The appointment of Isabel dos Santos as non-executive president of Sonangol raises serious concerns. She has little or no experience in the oil sector compared to her predecessor, de Lemos, a careerist in the company. It also raises questions about nepotism and dos Santos' plans for succession. Isabel dos Santos will hold what many believe to be the country's second most powerful economic, and even political, position. Her appointment also raises doubts about the legitimacy of Angola's governance system and the extent to which dos Santos holds direct personal control over the strategic oil and gas sector through Sonangol.

The FSDEA is still far off its goal of becoming a significant source of government financing due to low returns, which puts into question its credibility as a sovereign wealth fund. Investment diversification

²⁹ The Guardian, 13 May 2016.

³⁰ The Guardian, 13 May 2016.

³¹ www.euroactiv.com

³² The Guardian, 13 May 2016.

³³ The Guardian, 13 May 2016.

³⁴ Source, journalist, Luanda

³⁵ Source, journalist, Luanda

³⁶ The Guardian, 13 May 2016.

³⁷ Source, UNITA health secretary, Luanda

and further commitment from the government are required to ensure higher returns, but the current climate of the state's budget makes this unlikely in the near term.

The renewed outbreak of yellow fever is largely the fault of under-vaccination and political ignorance to its scope and potential for spreading. The EU's intervention is undoubtedly a containment strategy rather than an absolute commitment – in funds – to eradication of the disease. However, this does show the extent to which the international community believes that government is incapable of tackling the problem independently, due to underfunding of the public healthcare system in Angola.

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