

## AFRICA RISK CONSULTING

### Angola Briefing September 2016

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#### Angola Summary 21 September 2016

*The ruling Movimento Popular de Libertação de Angola (MPLA) re-elects President José Eduardo dos Santos (1979-present) as party leader, with 99.6% of votes. The MPLA appoints defence minister João Lourenço to vice presidency of the party and former prime minister Paulo Kassoma secretary general. The MPLA also incorporates two of dos Santos' children – José Filomeno dos Santos (aka 'Zenu') and Welwitschia dos Santos ('Tchizé') – to the party's central committee. Dos Santos replaces finance minister Armando Manuel with Augusto Archer de Sousa Mangureira, former economic adviser to the president. China Development Bank (CDB) declines to make further credit available to state-owned oil and gas company Sociedade Nacional de Combustíveis de Angola EP (Sonangol) under a December 2015 \$15 billion credit line. Standard & Poor's (S&P) revises Angola's sovereign credit outlook from stable to negative.*

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#### MPLA re-elects dos Santos as party leader

The ruling **Movimento Popular de Libertação de Angola (MPLA)** re-elected President **Jose Eduardo dos Santos** (1979- present) as leader for another five-year term during the party's congress between 20 and 21 August.<sup>1</sup> The MPLA's re-election of dos Santos as leader will ensure a stable political outlook, at least until he publicly announces his preferred successor.<sup>2</sup> Dos Santos was the sole MPLA leadership nominee and won 99.6% of the vote, according to MPLA spokesperson **Manuel Rabelais**.<sup>3</sup> Angola holds its next parliamentary election in 2017 and the leader of the winning party will become president.<sup>4</sup> Speaking at the MPLA congress, dos Santos indicated the need for the MPLA to hold on to power to ensure peace and stability in Angola.<sup>5</sup>

*"We must be able to prevent subversive activities to maintain our sovereignty and strengthen peace and stability ... We must not allow political differences to be exploited by external forces to divide and threaten the peace we fought so hard to achieve."*<sup>6</sup>

The MPLA also appointed defence minister **João Lourenço** to vice president of the party and **Paulo Kassoma**, former prime minister and president of parliament, to secretary general.<sup>7</sup> Lourenço and Kassoma replace **Roberto António de Almeida** and **Dino Matross** respectively. Lourenço has reportedly been positioning himself to become the country's vice president (not solely of the MPLA), and several sources now view him as dos Santos' most likely successor.<sup>8</sup>

*"As I understand it, Lourenço's nomination to the vice presidency of the MPLA is the first step to becoming future president of the country. He will certainly be second on the list at the next elections in 2017, and will theoretically make the changeover in 2018 when dos Santos' mandate ends."*<sup>9</sup>

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<sup>1</sup> Reuters, 19 Aug 2016.

<sup>2</sup> Reuters, 19 Aug 2016.

<sup>3</sup> Reuters, 19 Aug 2016.

<sup>4</sup> Reuters, 19 Aug 2016.

<sup>5</sup> www.bdlive.co.za

<sup>6</sup> www.bdlive.co.za

<sup>7</sup> Público, 23 Aug 2016.

<sup>8</sup> Multiple sources: Club-K, 8 Jan 2016; Expresso, 23 Aug 2016; Source, journalist, Luanda; Source, analyst, Luanda.

<sup>9</sup> Source, journalist, Luanda

Lourenço himself claimed to be “a little surprised” with the nomination, after previously denying that he would be elected.<sup>10</sup> Lourenço is a stalwart MPLA member, and was secretary general of the party between 1998 and 2003.<sup>11</sup> He later became vice president of the **Assembleia Nacional** (parliament) from 2003-2014, before assuming his current role of defence minister.<sup>12</sup> His wife, **Ana Afonso Dias Lourenço**, is executive director at the **World Bank** for Angola, **Nigeria** and **South Africa**.<sup>13</sup> However, local sources see this resurgence of Lourenço as a remarkable turnaround, after his relationship with dos Santos appeared to deteriorate,

*“Between 2001 and 2014, when he was elected defence minister, relations between Lourenço and dos Santos were described as sour. The cause was a comment that Lourenço had made, while secretary general of the MPLA, reacting to the president’s statement that he may not run for the presidency again. Lourenço stated that there were other people capable of entering the party and succeeding him. This tension has evidently subsided.”<sup>14</sup>*

On the other hand, it would appear that Kassoma appears a much more reliable figure,

*“Kassoma has an unbelievable level of loyalty to dos Santos. He would fulfil any of dos Santos’ demands. This is less the case for Lourenço, for example.”<sup>15</sup>*

The MPLA also appointed two of dos Santos’ children – his son **José Filomeno dos Santos** (aka ‘Zenu’) and his daughter **Welwitschia dos Santos** (‘Tchizé’) – to the central committee.<sup>16</sup> These appointments support the idea that dos Santos is seeking to prepare his succession and surround himself with family in order to secure his preferred successor.<sup>17</sup> In March 2016, dos Santos said he would step down in 2018, but he has not yet named his preferred successor.<sup>18</sup> This is partly because he continues to benefit from overwhelming support in the party, meaning that his leadership is not under threat. Dos Santos has allegedly maintained power by creating a system of cronyism within the MPLA,

*“People enter the MPLA not because of ideological conviction, but rather for material and economic reasons. This is what makes MPLA’s members loyal followers of dos Santos because they all have the hope of one day being nominated to certain public roles, and the president is the only person who can make this nomination. This is why no-one opposes dos Santos.”<sup>19</sup>*

Long-standing favourite to succeed dos Santos, vice president **Manuel Vicente** – former head of Angolan state-owned oil and gas company **Sociedade Nacional de Combustíveis de Angola EP (Sonangol)** – is now less likely to do so. However, the situation remains unclear.

*“In the MPLA tradition, the vice president was never second in line. For presidential or legislative elections dos Santos can choose anybody. There is nothing to indicate that Vicente or the secretary general of the MPLA [Kassoma] are more likely candidates. It’s been this way since 1992. There is also no guarantee that dos Santos will leave in 2018... If dos Santos wanted to leave power the process would begin now. Dos Santos would not be at the top of the MPLA’s list, because no-one runs in elections to then leave.”<sup>20</sup>*

Dos Santos’s daughter **Isabel dos Santos** did not assume any MPLA position at the party congress. However, there is still speculation that she could be his chosen successor. Isabel is the eldest daughter

<sup>10</sup> Rede Angola, 24 Aug 2016.

<sup>11</sup> [www.cplp.defesa.pt](http://www.cplp.defesa.pt)

<sup>12</sup> [www.cplp.defesa.pt](http://www.cplp.defesa.pt)

<sup>13</sup> Multiple sources: Club-K, 8 Jan 2016; [www.worldbank.org](http://www.worldbank.org).

<sup>14</sup> Source, journalist, Luanda

<sup>15</sup> Source, journalist, Luanda

<sup>16</sup> Público, 23 Aug 2016.

<sup>17</sup> Público, 23 Aug 2016.

<sup>18</sup> Reuters, 19 Aug 2016.

<sup>19</sup> Source, journalist, Luanda

<sup>20</sup> Source, journalist, Luanda

of President dos Santos, from his first marriage to **Russian** national **Tatiana Sergeevna Kukanova**. She is widely acknowledged as the head of the president's family business empire. She has extensive business interests in Angola and abroad in resource, telecommunications and finance sectors.<sup>21</sup> Her estimated net worth, as of March 2015, is \$3.7 billion.<sup>22</sup> As the head of the presidential family's business empire, she is a powerful figure in Angola. She speaks for her father on business matters and has a host of partners and close associations with Angola's political and business elite.

*"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 of at least two separate sets of his oil and diamond interests and that 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."<sup>23</sup>*

Dos Santos on 3 June appointed Isabel as chairman of the board of Sonangol.<sup>24</sup> Political analysts fear that the appointment could negatively impact Angola's image and could also indicate that dos Santos is trying to move his daughter into a position which could see her entering the political sphere, potentially even contesting for president.<sup>25</sup> However, Isabel's nationality may prevent her from running for president,

*"IDS [Isabel] is not in a position to run for the presidency, to succeed her father, because she has dual nationality and the Angolan constitution does not allow for candidates of dual nationality to run for office."<sup>26</sup>*

### **Dos Santos replaces finance minister Armando Manuel**

Dos Santos replaced finance minister **Armando Manuel** with former **Comissão do Mercado de Capitais (CMC)** (capitals markets commission) chairman **Augusto Archer de Sousa Mangureira** on 5 September.<sup>27</sup> The government did not publicly offer a reason for Manuel's removal, but Angola is facing a fiscal crisis due to the ongoing low oil price.<sup>28</sup> Dos Santos appointed Manuel in 2013, and his term was due to run until 2017.<sup>29</sup> Since 2014,

*"... Manuel had presided over an economic slump caused by a sharp drop in oil prices that sapped dollar inflows, hammered the kwanza and prompted heavy government borrowing."<sup>30</sup>*

Diplomats in Angola said Manuel's sacking was not a surprise, especially in the wake of the government's decision in late June to end emergency financing talks with the **International Monetary Fund (IMF)**, which Manuel supported.<sup>31</sup> However, according to local sources, the government gave no reason for the sacking,

*"The government gave no justification for this, and this is generally the case with [dos Santos]. Here, the problem is of course with the IMF, but I think the greater underlying issue is the dysfunction between the budget cycles and the general management of the finance ministry... However, Manuel's sacking means that the management of the budget until the end of the year*

<sup>21</sup> Source, investigator, Angola

<sup>22</sup> www.forbes.com

<sup>23</sup> Source, veteran Angola analyst, United Kingdom

<sup>24</sup> Multiple sources: www.sonangol.co.ao; www.theguardian.com

<sup>25</sup> Bloomberg, 2 Jun 2016.

<sup>26</sup> Source, journalist, Luanda

<sup>27</sup> www.voanews.com

<sup>28</sup> Bloomberg, 5 Sept 2016.

<sup>29</sup> www.africanews.com

<sup>30</sup> www.voanews.com

<sup>31</sup> www.voanews.com

*will be compromised, especially as Manguieira is not actively involved with the finance ministry.”<sup>32</sup>*

There are also rumours that tension was building between Manuel and dos Santos’ son, Zenu, president of the **Fundo Soberano de Angola (FSDEA)** (Angolan sovereign wealth fund).<sup>33</sup> Well-respected journalist **Graça Campos** claims to have information to support this.<sup>34</sup> Manuel allegedly refused to provide Zenu and the FSDEA with an additional \$500m for the fund’s investments, which led to his sacking.<sup>35</sup>

*“We cannot ignore this idea because Manuel was somebody that many considered to be protected by [Zenu].”<sup>36</sup>*

Prior to his appointment, Manguieira was already involved in politics. He was formerly an economic adviser to dos Santos<sup>37</sup> and was recently elected to the MPLA central committee, bringing him closer in dos Santos’s inner circle.<sup>38</sup>

Manguieira held several high profile government positions. They include:<sup>39</sup>

- CMC chairman (appointed in 2012);
- Senior assistant economic adviser in presidency;
- Angola’s trade representative to **Spain**;
- Coordinator of the technical group of the council of ministers;
- Secretary of state for trade;
- Deputy commerce minister;
- Member of the **National Commission on Rural Development and Combating Poverty**;
- Member of the **Banco Nacional de Angola (BNA)** (central bank) audit board;<sup>40</sup>
- Vice president of the **Angolan Olympic Committee**.

Manguieira holds an economics degree from **Bruno Leuschner Institute of Economics (Berlin, Germany)** and a PhD from **Escudo de la Universidad Complutense de Madrid** (Spain).<sup>41</sup> Manguieira was born in **Luanda** in 1962, to **Augusto de Sousa Manguieira** and **Mariana Manuel Gouviea Lisboa**.<sup>42</sup> His other family members include **Rui Manguieira**, former Angolan ambassador to **Dubai**; and **Antonio Manguieira**, the former executive director of **The African Football Cup of Nations Organising Committee (COCAN)**, when Angola hosted in 2010.

However, there are significant concerns regarding Manguieira’s reputation,

*“Manguieira has a bad reputation because he is a person associated with corrupt practices. When he was economic adviser at the presidency, it was found that he was simultaneously working for **KPMG** and trying to win them consulting contracts in Angola. Hence, he is not a credible manager. On the other hand, on a political level, Manguieira is more obedient.”<sup>43</sup>*

## **CDB reportedly declines to make further credit available to Sonangol**

Anti-government activist website **Maka Angola** reported on 19 August that the **China Development Bank (CDB)** has declined to make further credit available to Sonangol under a December 2015 \$15

<sup>32</sup> Source, analyst, Luanda

<sup>33</sup> Source, analyst, Luanda

<sup>34</sup> Source, analyst, Luanda

<sup>35</sup> Source, analyst, Luanda

<sup>36</sup> Source, journalist, Luanda

<sup>37</sup> Source, Angola analyst, United Kingdom

<sup>38</sup> Qz.com

<sup>39</sup> Unless otherwise noted – www.cmc.gv.ao

<sup>40</sup> angola-luanda-pitigrili.com

<sup>41</sup> www.cmc.gv.ao

<sup>42</sup> angola-luanda-pitigrili.com

<sup>43</sup> Source, journalist, Luanda

billion credit line, due to Sonangol's "lack of contractual compliance" and "use of money for indeterminate ends".<sup>44</sup> The CDB decision will strain Angola's relationship with **China**, its most important trading and investment partner. A finance ministry source reportedly told Maka Angola, "Friends are friends, but business is business ... and the Chinese are strangling us".<sup>45</sup> Maka Angola reportedly learned that the CDB had asked members of Sonangol's top management, now under the leadership of Isabel dos Santos (see above), to travel to China to explain why they have failed to fulfill the terms of the contract and to try to find a solution, but Isabel dos Santos reportedly declined to make the trip, "out of arrogance".<sup>46</sup> A Chinese delegation is now due in Angola on 8 October to resolve the issue.<sup>47</sup>

*"At this time, the Chinese line of credit is Sonangol's main life line. The state oil company's debt ratios are outside the limits required by international banks. Sonangol has little to no leeway to negotiate other sources of funding as a way out of the crisis that is bringing it down. This has led an increasingly desperate Angola to reach out to countries like **Egypt** in search of loans."<sup>48</sup>*

Reportedly, Sonangol made a majority of its payments irregularly and in oil, rather than in cash, which varied during the course of the loan and aggravated tension with Chinese officials.<sup>49</sup> As the loan was taken out during a period of high oil prices, reportedly Sonangol's payments worsened notably following the drop in oil prices from mid-2014.<sup>50</sup> However, Sonangol, as the government's single largest source of income, was also forced to reduce its supply of funds to the government. A local source sees this as paradoxical (see *ARC Briefing Angola August 2016*):

*"When the finance ministry publishes a statement to say that the \$5 billion IMF loan is no longer necessary, because oil prices are increasing slightly, this makes no sense because the government still desperately needs credit, and Sonangol – the cash cow – is struggling to pay off its own debt... This also has knock-on effects such as increased interest rates generally and the drop in credit ratings (see below)."<sup>51</sup>*

### S&P downgrades Angola's sovereign credit outlook

International ratings agency **Standard & Poor's (S&P)** revised Angola's sovereign credit outlook from stable to negative on 12 August.<sup>52</sup> S&P's negative outlook is a reflection of Angola's weakening economy and slower outlook for growth.<sup>53</sup> The slow growth of Angola's economy, which is expected to fall below 1% in 2016, has led to a deterioration of the government's fiscal deficit, which is expected to increase from 9% in 2016 to over 10%.<sup>54</sup> However, S&P maintained Angola's sovereign B rating.<sup>55</sup>

### Implications

The re-election of dos Santos to the role of president of the MPLA shows that he intends to maintain a firm grip on power, at least until 2017. He continues to have overwhelming support from within the MPLA, and therefore no contest for power internally. Dos Santos does appear to be surrounding himself with family members, both within the MPLA and key government companies, which will enable him to successfully carry out his preferred exit. There remains significant doubt over the

<sup>44</sup> [www.makaangola.com](http://www.makaangola.com)

<sup>45</sup> [www.makaangola.com](http://www.makaangola.com)

<sup>46</sup> [www.makaangola.com](http://www.makaangola.com)

<sup>47</sup> [www.makaangola.com](http://www.makaangola.com)

<sup>48</sup> [www.makaangola.com](http://www.makaangola.com)

<sup>49</sup> Source, analyst, Luanda

<sup>50</sup> Source, analyst, Luanda

<sup>51</sup> Source, analyst, Luanda

<sup>52</sup> Reuters, 12 Aug 2016.

<sup>53</sup> Reuters, 12 Aug 2016.

<sup>54</sup> [www.dunya.com](http://www.dunya.com)

<sup>55</sup> [www.dunya.com](http://www.dunya.com)



succession of dos Santos, as there is no indication that anybody is in a preferential position. The favourites, for now, appear to be Lourenço and Isabel dos Santos, while Vicente is increasingly an outsider.

If the allegations of tension between Manuel and Zenu are true, this would indicate that Zenu has significant influence over his father in his ministerial appointments and he will have dominance over Mangureira. Mangureira's reputation could be a concern for the operation of the government's finances, but it would appear that the appointment is predominantly one that will secure loyalty from dos Santos' cabinet.

Sonangol's obligations to support the government's finances appear to take precedence over its own debt obligations. This appears to have been factor influencing S&P's downgrade, and will weaken both Sonangol and the government's creditworthiness.

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