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President João Manuel Gonçalves Lourenço (2017-present) dismisses the entire board of state-owned oil and gas company Sociedade Nacional de Combustíveis de Angola-Empresa Pública (Sonangol). He appoints Carlos Saturnino Guerra Sousa e Oliveira as chair to replace Isabel dos Santos, daughter of former president José Eduardo dos Santos (1979-2017). Lourenço also replaces Valter Filipe with Jose de Lima Massano as Banco Nacional de Angola (BNA) (central bank) governor. An International Monetary Fund (IMF) delegation completes a staff visit to Angola as part of its Article IV consultation process. International ratings agency Moody's Investors Service downgrades the Angolan government's long-term issuer and senior unsecured rating from B1 to B2 and changes the outlook to stable from negative.

Lourenço reshuffles top brass at Sonangol

President **João Manuel Gonçalves Lourenço** (2017-present), in the first two weeks of November, made major management changes at both the state-owned oil and gas company **Sociedade Nacional de Combustíveis de Angola – Empresa Pública (Sonangol)** and the **Banco Nacional de Angola (BNA)** (central bank). Lourenço, sworn in on 26 September, made the changes fewer than six weeks after assuming office (see *ARC Briefing Angola October 2017*). The presidency issued an official statement on 15 November to announce the reshuffle of the Sonangol board, sacking chair **Isabel dos Santos**, daughter of former president **José Eduardo dos Santos** (1979-2017).¹ Lourenço dismissed all other members of the Sonangol board, and appointed **Carlos Saturnino Guerra Sousa e Oliveira** as Isabel dos Santos' replacement.²

	Sonangol Board ³	
	June 2016	November 2017
Chair	Isabel dos Santos	Saturnino Oliveira
Executive director	Paulino Fernandes de Carvalho Jerónimo; César Paxi Manuel João Pedro; Eunice Paula Figueiredo Carvalho; Edson de Brito Rodrigues dos Santos; Manuel Luis Carvalho de Lemos; João Pedro de Freitas; Saraiva dos Santos; Jorge de Abreu.	Sebastião Pai Querido Gaspar Martins; Luís Ferreira do Nascimento José Maria; Carlos Eduardo Ferraz de Carvalho Pinto; Rosário Fernando Isaac; Baltazar Agostinho Gonçalves Miguel; Alice Marisa Leão Sopas Pinto da Cruz.
Non-executive director	José Gime; André Lelo; Sarju Raikundalia.	Gime; Lelo.

¹ AFP, 15 Nov 2017.

² Angop, 15 Nov 2017.

³ Angop, 15 Nov 2017.

⁴ Source, Angola analyst, United Kingdom

Lourenço's sacking of Isabel dos Santos may be a strategy to distance himself from the dos Santos family, and weaken the influence of remaining officials linked to the dos Santos era.⁴ Former President dos Santos appointed Isabel dos Santos as chair of Sonangol in June 2016 (see *ARC Briefing Angola June 2016*).⁵ According to one economist source, Lourenço wants to cut off some of dos Santos' networks to gain more influence over the economy,

*"It is evident in these circumstance that Lourenço wants to have control over all of **Angola's** oil wealth. And if Isabel dos Santos does not instil confidence and has links to networks that Lourenço does not control, it's logical that he call on her to resign."*⁶

Despite her sacking, Isabel dos Santos remains a powerful figure in Angola's business community.⁷ She is widely viewed as the head of the dos Santos family business empire.⁸ She speaks for her father on business matters and has a host of partners and close associations with Angola's political and business elite.⁹ Isabel dos Santos owns an 18.6% interest in **Portugal**-based bank **Banco BPI** through **Santoro Finance**, one of her holding companies.¹⁰ She also holds a 49.9% share in BPI's Angola subsidiary **Banco Fomento Angola (BFA)** through Angola-based mobile operator **Unitel**, which she partially controls.¹¹ Isabel dos Santos is also a 9% stakeholder in Portuguese oil producer **Galp Energia SGPS SA**, which has several active oil and gas projects in Angola: offshore **Block 14K-A-IMI**, **Block 14**, **Block 32**; wholesale lubricants provider **Petrogal Angola**; retail lubricants provider **Sonangalp Lda**; and exploration for the **Angola LNG II** project.¹² Commentators and analysts viewed Isabel dos Santos' ties to Galp in particular as a blatant conflict of interest while she was chair of Sonangol. Isabel dos Santos' estimated net worth, as of March 2015, is \$3.7 billion.¹³

Her replacement as Sonangol chair, Saturnino Oliveira, was secretary of state for oil until his appointment.¹⁴ Isabel dos Santos had sacked Oliveira in December 2016 as executive board president of **Sonangol Pesquisa & Produção EP**, the upstream subsidiary of Sonangol, due to "*significant weaknesses in management and consequent financial 'deviation'.*"^{15,16} Saturnino Oliveira is an economist by profession, working for Sonangol-affiliated companies such as **Sonils Sonangol Integrated Logistics Services Lda**, as well as **Lobito**-based **Sonamet Industrial S.A.R.L.**¹⁷ Apart from the embezzlement allegations, Saturnino Oliveira has a reputation as an able negotiator, after reportedly serving as head of negotiations at Sonangol for over 10 years.¹⁸ According to a source familiar with Oliveira, he is very much a Sonangol insider,

*"[Saturnino Oliveira] knows the system inside out. He is a good manager and knows the entire business."*¹⁹

The other appointees, with the exception of Martins, have never held a position on the Sonangol board.²⁰ However, it appears that the majority of the board members are from state-owned bodies

⁴ Source, Angola analyst, United Kingdom

⁵ Source, Angola analyst, United Kingdom

⁶ Source, economist, Luanda

⁷ Source, Angola analyst, United Kingdom

⁸ Source, Angola analyst, United Kingdom

⁹ Source, Angola analyst, United Kingdom

¹⁰ Reuters, 28 Dec 2015.

¹¹ www.makaangola.org, May 2014.

¹² www.galpenenergia.com

¹³ Source, Angola analyst, United Kingdom

¹⁴ Mercado, 15 Nov 2017.

¹⁵ It is unclear if this is an allegation of embezzlement.

¹⁶ Agência Lusa, 16 Nov 2017.

¹⁷ Mercado, 15 Nov 2017.

¹⁸ Agência Lusa, 16 Nov 2017.

¹⁹ Agência Lusa, 16 Nov 2017.

²⁰ Mercado, 15 Nov 2017.

affiliated to Sonangol.²¹ Saturnino Oliveira had reportedly worked with several of the other board members in the past.²²

The implications of Isabel dos Santos' sacking remain unclear. Nevertheless, she remains very influential – including in the oil and gas sector – in Angola's economic and political circles. The wide-ranging changes in the Sonangol board appear likely to have an impact on management. Since the majority of these are from within Sonangol or other related state-owned companies they are unlikely to usher in a culture of increased transparency.

...and re-appoints Massano as governor of the BNA

Lourenço appointed **José de Lima Massano** as BNA governor on 27 October.²³ Lourenço sacked **Valter Filipe**, who had held the role since 2015.²⁴ Massano previously served as BNA governor from 2010 to 2015 and appears to have developed a positive reputation in Angola's banking sector.²⁵ In his first policy decision, Massano held the BNA's benchmark interest rate at 16% on 2 November.²⁶ In the late 2000s Massano was seen as one of a "new generation of Angolan leadership".²⁷ Massano is regarded as a "hard worker" who did not come from an "important family" but has "just worked his way up."²⁸ Prior to his first appointment as BNA governor, a foreign banker based in **Luanda** described Massano as "unique"²⁹ in that he has risen to the upper strata in Angola entirely thanks to his ability.³⁰ However, one Angola analyst said Massano is "part of the machine now"³¹ and believes that,

*"... he does his own business and is probably a shareholder with other guys in some of the ruling **Movimento Popular de Libertação de Angola [MPLA]** businesses ... However, this has not been confirmed with any substantive evidence."³²*

Massano is known as a careful speaker and is seen as generally reserved in business circles, possibly because of the rapid progress he has made.³³ In private, Massano is more friendly, open and engaging.³⁴ Local businesses and economists are hoping Massano's re-appointment will bring positive monetary policy changes:

"People are hoping for a more flexible exchange rate policy, in order to reduce the deficit between the official rate – used by banks – and the parallel sector's exchange rate... The idea that people have of [Massano] is that, in the time that he was at the head of the BNA, he was the person that led the creation of more norms in the bank's operation and policy. I think that there is one thing that Massano must accomplish: to create a more efficient banking supervision system."³⁵

The BNA's recent history in the supply and exchange of foreign exchange businesses and banks has been complicated, due to recurring money laundering concerns and increasing need for hard currency amid lower government revenues since the oil price downturn. In December 2015, foreign banks stopped dollar supply and clearing services to Angolan banks as a result of money laundering concerns (see *ARC Briefing Angola December 2015*). The **Financial Action Task Force (FATF)**, a

²¹ Mercado, 15 Nov 2017.

²² Agência Lusa, 16 Nov 2017.

²³ Reuters. 28 Oct 2017.

²⁴ Reuters. 28 Oct 2017.

²⁵ Source, Angola analyst, United Kingdom

²⁶ Reuters, 2 Nov 2017.

²⁷ Source, senior state official (2008), Angola

²⁸ Source, senior state official (2008), Angola

²⁹ Source, foreign banker (2008), Angola

³⁰ Source, foreign banker (2008), Angola

³¹ Source, political analyst, Angola

³² Source, political analyst, Angola

³³ Source, foreign banker (2008), Angola

³⁴ Source, foreign banker (2008), Angola

³⁵ Source, economist, Luanda

global organisation enforcing financial regulations, at the time described Angola as “*inadequately compliant*” with regards to enforcement of financial regulations (see *ARC Briefing Angola December 2015*). In June 2016, the BNA sanctioned several Angolan banks for failing to comply with foreign exchange rules (see *ARC Briefing Angola July 2016*). In an attempt to reduce the foreign exchange risk, the BNA selected just six commercial banks in April 2017, out of a total of 28 operating in Angola, to receive 80% of all foreign currency: **Banco Angolano de Investimentos (BAI)**; **Banco BIC**; **Banco Económico**; **Banco Millennium Atlântico**; **Banco de Negócios Internacional** and **Banco Sol**.³⁶ Three of these banks – BAI, Millennium and Banco Sol – had been sanctioned in June 2016.³⁷

Business owners and banks are hoping that the BNA improve its management of the complex foreign exchange situation, whilst helping to stem money laundering from Angola. Massano has a good reputation, despite his apparent close links to the ruling MPLA.

IMF delegation completes staff visit

An **International Monetary Fund (IMF)** delegation on 15 November completed a staff visit as part of its **Article IV** consultation process.³⁸ **Ricardo Velloso**, the head of the IMF delegation to Angola, said their objective was to analyse the macroeconomic forecasts and the assumptions underlying the **Policy and Action Mid-Term Plan (PAMT)** (year to March 2018), to help improve Angola’s economic and social situation.³⁹ Velloso said the PAMT had “*lots of positive things*”⁴⁰ and considered it important that the Angolan government intends to introduce value added tax (VAT) in 2019, a longstanding IMF suggestion.⁴¹ Velloso said,

*“Our assessment is starting, the plan is very detailed, there are many measures, our provisional assessment is that there are a lot of positive things, as mentioned, the creation of VAT is a very positive aspect, another aspect that we consider positive is the intention to move to the more flexible foreign exchange system.”*⁴²

The IMF provides assistance to Angola through annual Article IV consultations, which cover areas, such as tax policies and forecasts of macroeconomic data.⁴³ The IMF delegation stayed in Angola until 15 November.⁴⁴ While in Angola the IMF delegation held talks with various senior government and private sector stakeholders including foreign diplomats, senior finance ministry officials, senior BNA officials, Angola’s **Financial Intelligence Unit (FIU)**, senior commercial bankers, the **Fundo Soberano de Angola (FSDEA)** (sovereign wealth fund of Angola), **Procuradoria-Geral da República (PGR)** (attorney general’s office) and Sonangol.⁴⁵

Angola had an IMF support programme worth \$1.4 billion between 2009 and 2012 to help it resolve domestic debts, stabilise its exchange rate, and shore up its international reserves.⁴⁶ In June 2016 the IMF announced that Angola decided to end talks about a possible agreement to borrow funds from the IMF.⁴⁷ Former president dos Santos said the Angolan government only wanted to continue dialogue with the IMF over its annual assessment of the Angolan economy through the Article IV consultation process.⁴⁸

³⁶ www.macauhub.com.mo

³⁷ www.macauhub.com.mo

³⁸ Macauhub. 7 Nov 2017.

³⁹ Macauhub. 7 Nov 2017.

⁴⁰ Macauhub. 7 Nov 2017.

⁴¹ Macauhub. 7 Nov 2017.

⁴² Macauhub. 7 Nov 2017.

⁴³ Xinhua. 7 Nov 2017

⁴⁴ Xinhua. 7 Nov 2017

⁴⁵ Xinhua. 7 Nov 2017

⁴⁶ Source, Angola analyst, United Kingdom

⁴⁷ Source, Angola analyst, United Kingdom

⁴⁸ Source, Angola analyst, United Kingdom

... and Moody's downgrades Angola's credit rating

International ratings agency **Moody's Investors Service** downgraded the Angolan government's long-term issuer and senior unsecured rating from **B1** to **B2** and changed the outlook to stable from negative.⁴⁹ Moody's also lowered Angola's foreign-currency bond ceiling from Ba3 to B1, foreign currency deposit ceiling from B2 to B3, and the local currency bond and deposit ceilings from Ba1 to Ba2. The main reasons for Moody's downgrade are:⁵⁰

- Lower economic strength in light of the diminished medium-term growth outlook, constrained by foreign currency shortages, high inflation, lower public sector spending and a weak banking system. Moody's anticipates a lower growth outlook for Angola; real growth forecasts at 2% on average for 2017 and 2018 are much weaker than the average growth of 4.5% between 2010 and 2015.
- Fiscal strength has materially decreased with indebtedness nearly doubling in the past four years, while liquidity risk remains elevated due to significant gross borrowing requirements. The government's elevated gross borrowing requirement estimated at around 17% of GDP per year between 2017 and 2019 is mainly driven by sizeable maturing government bonds – in particular, local currency **United States** dollar indexed bonds – on top of fiscal deficits averaging around 3.8% of GDP. The government's strategy continues to be to lengthen the debt maturity and increase the share of pure local currency-denominated debt. While such a strategy lowers gross borrowing requirements in the medium-term, it will fuel already high inflationary pressures and increase the government's debt stock.
- Persisting external pressures in the form of low dollar liquidity and declining net international reserves, despite higher oil prices and a decreasing current account deficit. Despite higher oil prices and improved liquidity relative to the 2016 trough, foreign currency liquidity shortages remain, as evidenced by the still significant gap at around 100% between the parallel market exchange rate and the official dollar exchange rate.

The stable outlook reflects the broadly balanced credit pressures, with a gradual recovery, albeit still well below the average growth rate recorded in the preceding decade.⁵¹ Moody's indicated the possibility of an improved rating if Angola's credit fundamentals significantly strengthen, through:

- The replenishment of foreign exchange buffers large enough to protect the economy against a protracted shock;
- A significant reduction in government debt metrics;
- A successful diversification of the economy and government revenues that will become less dependent on oil;
- Continued improvements in governance and institutional strength which act as long-term constraints on Angola's rating.⁵²

The macroeconomic conditions in Angola remain challenging, which also complicates tight fiscal management. The IMF will continue its consultations with the Angolan government, but the government may consider IMF funding at a later stage if fiscal weaknesses accentuate in the short-to-medium-term. Moody's sovereign credit rating downgrade will also make the prospect of IMF funding more attractive.

⁴⁹ Moody's Investors Services, 20 Oct 2017.

⁵⁰ Unless otherwise noted – Moody's Investors Services, 20 Oct 2017.

⁵¹ Moody's Investors Services, 20 Oct 2017.

⁵² Unless otherwise noted – Moody's Investors Services, 20 Oct 2017.

Planner

Jul 2018 **Luanda (Angola)** *Press Release*. The **Feira Internacional de Angola** (international fair of Luanda) begins;

14 Jun 2018 **Luanda (Angola)** *Press Release*. The **Africa Oil & Gas Local Content Conference & Exhibition** conference begins;

30 Nov 2017 **Luanda (Angola)** *Press Release*. **Deloitte** hosts the **Sirius Awards**;

Chronology

19 Nov 2017 **(Zimbabwe)** *Reuters*. **Southern African Development Community** members will meet in **Luanda (Angola)** on 21 November to discuss the Zimbabwean political crisis;

16 Nov 2017 **(Angola, Mozambique)** *Agência Lusa*. Mozambique interior minister **Jaime Monteiro** and Angolan interior minister **Angelo de Veiga Tavares** sign an agreement to suspend visas for ordinary passports between the two countries;

15 Nov 2017 **Luanda (Angola)** *Agência Lusa*. Opposition parties, including **UNITA** and **CASA-CE**, commend the sacking of **Isabel dos Santos** as chair of state-owned oil company **SONANGOL**;

15 Nov 2017 **Luanda (Angola)** *Angop*. President **João Lourenço** sacks chair of state-owned oil company **SONANGOL**, **Isabel dos Santos**, daughter of former President **José Eduardo dos Santos**, appointing **Carlos Saturnino Oliveira** as her replacement;

15 Nov 2017 **Luanda (Angola)** *Press Release*. The **International Monetary Fund** completes a staff visit to Angola, in preparation for the **Article IV** consultation in early 2018;

12 Nov 2017 **(Angola)** *Agência Lusa*. **South Africa**-based **Standard Bank Group Ltd**'s analysis department says that Angola will exit its recession this year, but says that real GDP growth will remain below 1% in 2017, and below 2% in 2018;

9 Nov 2017 **Abidjan (Côte d'Ivoire)** *Jeune Afrique*. The **African Development Bank** approves €253m (\$295m) in funding for state-owned airline **Air Côte d'Ivoire SA**, to support an increase in regional flights to **Luanda (Angola)**, **Bangui (CAR)** and **Nouakchott (Mauritania)**;

7 Nov 2017 **(Angola)** *Maka Angola*. The **Paradise Papers** corporate documents leak reveals that the **Fundo Soberano de Angola** (sovereign wealth fund) paid over \$41m to **Jean-Claude Bastos**, the fund's asset manager, through a web of companies in **Mauritius**;

2 Nov 2017 **Luanda (Angola)** *Reuters*. The **Banco Nacional de Angola** (central bank) holds its benchmark interest rate at 16%;

27 Oct 2017 **Luanda (Angola)** *Agência Lusa*. President **João Lourenço** sacks **Banco Nacional de Angola** (central bank) governor **Valter Filipe**, appointing **José de Lima Massano** as his replacement;

27 Oct 2017 **(Angola)** *Reuters*. **France**-based **Total SA** CFO **Patrick de la Chevardière** pays \$200m to settle a tax issue in Angola;

26 Oct 2017 **Luanda (Angola)** *Reuters*. The **Banco Nacional de Angola** (central bank) says it has signed agreements with the **International Monetary Fund** to receive technical assistance in preventing money laundering, illegal financing of militant groups and broader banking supervision;

23 Oct 2017 **Luanda (Angola) RFI**. The ruling **MPLA** central committee holds its fourth ordinary meeting, the first since general elections in August;

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