

AFRICA RISK CONSULTING

Angola Briefing December 2017

Angola Summary 15 December 2017

Angolan state-owned diamond company Sociedade de Comercialização de Diamantes de Angola SARL (Sodiam) will divest a stake in Switzerland-based jewellery company, De Grisogono SA. Telecommunications minister José Carvalho da Rocha announces that the government will tender a fourth mobile telecommunications licence and sell a 45% stake in state-owned Angola Telecom EP. Italy-based ENI SpA signs an agreement with state-owned Sociedade Nacional de Combustíveis de Angola E.P. (Sonangol) to increase its stake and become operator of the onshore Cabinda North oil and gas block. The Banco Nacional de Angola (BNA) (central bank) monetary policy committee (MPC) announces a 200 basis-point increase in its benchmark interest rates, from 16% to 18%.

State-owned Sodiam divests from Switzerland-based De Grisogono

Angolan state-owned diamond company **Sociedade de Comercialização de Diamantes de Angola SARL (Sodiam)**, following a board meeting on 1 December, announced that it would divest a stake in **Switzerland**-based jewellery company, **De Grisogono SA**.¹ The divestment may represent a breaking of economic ties between the state and **dos Santos** family interests. **Ana Gomes**, a **Portuguese** member of the **European Parliament (MEP)**, claimed on 5 December that **Isabel dos Santos'** husband, **Sindika Dokolo**, controls De Grisogono.² According to Swiss press, Sodiam divested from De Grisogono through its exit from **Malta**-based **Victoria Holding Ltd**, in which Sodiam was a joint shareholder.³ Reports from 2014 claimed that Victoria Holding had acquired a 75% stake in De Grisogono in 2012 for over \$100m through one of its subsidiaries.⁴ The ownership of Victoria Holding was reportedly "evenly"⁵ split between Sodiam and the **Netherlands**-based **Melbourne Investments B.V.**⁶ Dokolo was reportedly the "sole beneficial owner" of Melbourne Investments.⁷ It appears that Dokolo and Sodiam each had a 37.5% indirect stake in De Grisogono, through their respective 50% ownership of Victoria Holding.⁸ It is unclear whether Melbourne Investments acquired Sodiam's stake in Victoria Holding, or whether another party acquired it.

Sodiam said that the decision to divest was for "*reasons of public interest and legality*".⁹ Sodiam's exit from De Grisogono follows several actions by the government of President **João Manuel Gonçalves Lourenço** (2017-present) since entering office that local and international media view as an attack on the economic and political influence of the dos Santos family.¹⁰ Lourenço nominated **Eugénio Bravo da Rosa** as new CEO of Sodiam in November, replacing former head **Beatriz Jacinto de Sousa**, whom former President **José Eduardo dos Santos** (1979-2017) had appointed in July.¹¹ Lourenço also sacked Isabel dos Santos as chair of state-owned **Sociedade Nacional de Combustíveis de Angola EP (Sonangol)** in November (see *ARC Briefing Angola November 2017*) and began opening up the

¹ Bloomberg, 5 Dec 2017.

² Bloomberg, 5 Dec 2017.

³ Tribune de Genève, 3 Dec 2017.

⁴ Forbes, 22 Jan 2014.

⁵ Forbes, 22 Jan 2014.

⁶ Forbes, 22 Jan 2014.

⁷ Forbes, 22 Jan 2014.

⁸ Forbes, 22 Jan 2014.

⁹ Tribune de Genève, 3 Dec 2017.

¹⁰ Tribune de Genève, 3 Dec 2017.

¹¹ Angop, 6 Nov 2017.

telecommunications sector at the end of November, which could increase competition for the dos Santos-controlled **Unitel SA** (see below).

... as government plans to open up mobile telecommunications sector

Telecommunications minister **José Carvalho da Rocha** announced on 28 November that the government will tender a fourth mobile telecommunications licence and sell a 45% stake in state-owned **Angola Telecom EP**.¹² This appears to show that President Lourenço is willing to liberalise traditionally closed markets. The telecommunications sector is one of the most lucrative growth markets in Angola, and is a sector in which the dos Santos family continues to have an indirect influence through Isabel dos Santos' controlling stake in Unitel.¹³ Unitel is currently the leading telecommunications operator with approximately 60% market share, although figures vary on the size of the firm's exact market share.¹⁴ **Movicel Telecomunicações SA** is currently the third mobile telecommunications provider.¹⁵ Local sources say Lourenço's acts are not necessarily an attack on the dos Santos family,

*"Lourenço's acts should be understood as being the materialisation of institutional normality, because what happened was the exception, where families in power obtained privileges in order to dominate the market. This is not abnormal. The normal thing to do is to create conditions for equality and competition between companies, and above all, benefits for society. Therefore we cannot see these measures as being an 'act of war' against the dos Santos family."*¹⁶

The proposed sale of a fourth mobile licence and Angola Telecom's minority stake would dilute the influence of the dos Santos family in the telecommunications sectors. Da Rocha confirmed that the government had received several expressions of interest from both local and foreign investors for the fourth telecommunications licence.¹⁷ In a press interview given on 8 December, Isabel dos Santos said that she does not believe the telecommunications sector in Angola is large enough to warrant four providers,

*"Four licences in a 24-million-people market is a non-sustainable scenario... It will probably lead to some mergers at the end of a five or six-year period... But it's interesting, it will probably attract a number of bidders, and competition is always welcome."*¹⁸

The telecommunications ministry said the bidding process for the fourth operator will close on 27 February.¹⁹ The new licence holder will hold a global licence, which allows the operator to offer fixed-line, mobile, internet and paid-television services.²⁰ The telecommunications ministry will select the preferred bidder based on:

*"...the most economically advantageous proposal, taking into account the criteria made clear in the specifications or the request for proposals (RFP)".*²¹

Da Rocha said the move to open up the telecommunications sector aims to stimulate competition,

*"It will improve the service and act upon the prices and quality of service."*²²

Local economists have commended Lourenço's move,

¹² Bloomberg, 30 Nov 2017.

¹³ Bloomberg, 30 Nov 2017.

¹⁴ Bloomberg, 30 Nov 2017.

¹⁵ Bloomberg, 30 Nov 2017.

¹⁶ Source, economist, Luanda

¹⁷ Menosfios, 11 Nov 2017.

¹⁸ Bloomberg, 11 Dec 2017.

¹⁹ Diário de Notícias, 28 Nov 2017.

²⁰ Bloomberg, 30 Nov 2017.

²¹ Diário de Notícias, 28 Nov 2017.

²² Diário de Notícias, 28 Nov 2017.

“I would like to encourage Lourenço’s measure, seeking to break up the monopolies in the telecommunications sector, which has had a negative effect for consumers. The entrance of new service providers will bring new standards of operation to the market, with the final result of offering better quality services with lower prices... It is not clear if Unitel could lose its dominant market share... but ultimately consumers will be able to tell the difference between quality of service.”²³

In divesting its stake in De Grisogono and opening up the telecommunications sector, the Lourenço administration is breaking ties between the government and the dos Santos family that dos Santos spent years developing. It is unclear whether Lourenço fully intended to disassociate the government’s interests from the dos Santos family. However, the timing – shortly into Lourenço’s presidency and in quick succession – increases the likelihood that the Lourenço government instructed these decisions. Although the divestment from De Grisogono and the opening up of the telecommunications sector do not immediately reduce the economic influence of the dos Santos family, it may complicate De Grisogono’s sourcing of diamonds and force Unitel to price more competitively.

ENI increase stake in Angola’s Cabinda North block

Italy-based ENI SpA signed an agreement on 26 November with Sonangol to increase its stake and become operator of the onshore **Cabinda North** oil and gas block.²⁴ ENI’s increased commitment to Angola’s onshore oil and gas sector indicates that despite low international oil and gas prices, international oil and gas majors still view Angola as an attractive investment destination.²⁵ Under the terms of the agreement, Sonangol assigned ENI operatorship of the Cabinda North block, as well as 48% of the Cabinda North rights.²⁶ Prior to the agreement, ENI only had a 15% interest in Cabinda North.²⁷

In addition, ENI and Sonangol signed a memorandum of understanding (MoU) defining joint projects in the energy sector, including the assessment of associated and non-associated offshore gas resources; the optimisation of exploration activities, and the identification of new areas for joint exploration; an agreement to study optimisation measures in refining and trading in Angola, and the evaluation of renewable energy opportunities, particularly those related to solar energy.²⁸

ENI first entered Angola 1980.²⁹ The main producing blocks with ENI’s participation include:

- block 0 (9.8% interest);
- development areas in the former block 3 (ENI’s interest range from 12% to 15%);
- development areas in the former block 14 (20% interest); and
- development areas in the former block 15 (20% interest).³⁰

ENI retains interests in other non-producing concessions, particularly the **Lianzi** development area (Block 14K/A - 10% interest), block 35/11 (35% operator interest) and in block 3/05-A (12% interest), Cabinda North (see above) and the open areas of block 2 awarded (20% interest). In the exploration and development phase, ENI operates block 15/06 (35% operator interest).³¹ ENI also holds a 13.6% interest in the **Angola LNG Ltd** consortium responsible for the construction of an LNG plant.³²

²³ Source, economics professor, Luanda

²⁴ Energy Voice. 27 Nov 2017.

²⁵ Source, Angola analyst, United Kingdom

²⁶ Energy Voice. 27 Nov 2017.

²⁷ Energy Voice. 27 Nov 2017.

²⁸ Energy Voice. 27 Nov 2017.

²⁹ Energy Voice. 27 Nov 2017.

³⁰ Source, Angola analyst, United Kingdom

³¹ Source, Angola analyst, United Kingdom

³² Source, Angola analyst, United Kingdom

ENI's total Angola equity production amounts to 155,000 barrels of oil equivalent per day (bpoed).³³ ENI's increased investment in the Cabinda North block reflects recent positive trends, including a better reputation of the new Lourenço government and an improved oil price environment. The move could inspire other oil and gas investors to seek to increase their stakes in concessions.

Central bank announces 200 basis-point increase in benchmark interest rates

The **Banco Nacional de Angola (BNA)** (central bank) released a monetary policy committee (MPC) statement on 30 November, announcing a 200 basis-point increase in its benchmark interest rates, from 16% to 18%.³⁴ The higher rate is the result of an increase in inflation in recent months. The inflation rate reached 28.96% in November, up from 27.46% in October, while the consumer price index (CPI) rose to 2.98% in November, up from 2.58% in October.³⁵ The MPC also adopted the domestic currency (kwanza (AOA)) as the monetary base for its monetary policy operational variable.³⁶ The MPC kept its overnight policy rate at 20%, and reduced the liquidity absorption rate to 0%.³⁷ The MPC also reduced the local currency reserves requirements from 30% to 21%, except for central, local and municipal governments, which will maintain the 30% rate.³⁸ The MPC also confirmed that the kwanza to dollar exchange rate remained at 165.92 between October and November.³⁹ The MPC will next meet on 22 December.⁴⁰ Local sources confirm that the measures are necessary in order to contain inflation,

"The basis of these measures is to target inflation. Now we will try to see if they are able to achieve this objective."⁴¹

The policy rate change is in direct response to rising inflation, which appears to be the result of stagnating GDP growth (expected at 1.5% growth in 2017) and rising import costs in the past year.⁴² Nevertheless, inflation has come down from a high of 32% in 2016, as it hopes to recover to pre-2016 levels of around 10%.⁴³ The government has also maintained a high exchange rate of 165 kwanza (AOA) per US dollar (\$) since the beginning of 2016.⁴⁴

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;

27 Feb 2018 **(Angola)** Bidding process for fourth telecommunications licence closes;

22 Dec 2017 **Luanda (Angola)** **Banco Nacional de Angola (BNA) (central bank)** monetary policy committee meeting;

³³ Energy Voice. 27 Nov 2017.

³⁴ BNA, 30 Nov 2017.

³⁵ BNA, 30 Nov 2017.

³⁶ BNA, 30 Nov 2017.

³⁷ BNA, 30 Nov 2017.

³⁸ BNA, 30 Nov 2017.

³⁹ BNA, 30 Nov 2017.

⁴⁰ BNA, 30 Nov 2017.

⁴¹ Source, economist, Luanda

⁴² www.imf.org

⁴³ www.imf.org

⁴⁴ www.xe.com

Chronology

15 Dec 2017 **Luanda (Angola)** *Agência Lusa*. The government delivers its 2018 budget to the **Assembleia Nacional** (lower chamber of parliament), forecasting a 697.4 billion kwanza deficit (\$4.2 billion), or 2.9% of GDP;

13 Dec 2017 **Luanda (Angola)** *Público*. President **João Lourenço** announces that the government will implement a moratorium in January to allow Angolans to repatriate funds, for an as yet unspecified term;

11 Dec 2017 **(Angola)** *Bloomberg*. **Isabel dos Santos**, the daughter of former President **José Eduardo dos Santos**' and controlling stakeholder of telecommunications firm **Unitel S.A.**, says that "four [telecommunications] licences in a 24-million-people market is a non-sustainable scenario" and will "lead to some mergers";

4 Dec 2017 **Luanda (Angola)** *Agência Lusa*. State-owned oil company **Sonangol** and France-based **Total SA** sign a joint venture agreement for import and distribution of refined oil products;

1 Dec 2017 **Luanda (Angola)** *Bloomberg*. Angolan state-owned diamond company **Sociedade de Comercialização de Diamantes de Angola SARL (Sodiam)** announces it will divest a stake in Switzerland-based jewellery company, **De Grisogono S.A.**;

30 Nov 2017 **Luanda (Angola)** *Press Release*. The **Banco Nacional de Angola** (central bank) monetary policy committee (MPC) announces a 200 basis-point increase in its benchmark interest rates, from 16% to 18%;

28 Nov 2017 **Luanda (Angola)** *AFP*. Telecommunications minister **José Carvalho da Rocha** says that the government will allow for a fourth mobile operator to enter the Angolan market;

27 Nov 2017 **Luanda (Angola)** *World Oil*. Italy-based **ENI SpA**. CEO **Claudio Descalzi** and state-owned **Sonangol** chair **Carlos Saturnino** sign an agreement to transfer operatorship and a 48% in the **Cabinda North Block** to ENI;

25 Nov 2017 **Luanda (Angola)** *Agência Lusa*. Public prosecutor **João Maria de Sousa** announces that one of state-owned Sonangol's newly appointed executive administrators, **Luís Ferreira do Nascimento José Maria**, is under investigation for alleged involvement in a fictitious services scheme between Portugal-based airline **TAP Air Portugal** and Sonangol's **SonAir Airline Services SA**, allegedly receiving part of a misappropriated €25m (\$29.9m);

20 Nov 2017 **Luanda (Angola)** *Agência Lusa*. President **João Lourenço** names **Alfredo Mingas** general commander of the **Polícia Nacional** (police force) and **Apolinário José Pereira** head of the military secretariat;

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Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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