

AFRICA RISK CONSULTING Angola Briefing May 2017

Angola Summary 25 May 2017

Rumours of the death of the president, José Eduardo dos Santos (1979-present), circulate in May. Dos Santos' daughter, Isabel dos Santos, dismisses the rumours. If dos Santos is unable to complete his mandate, his succession could prove unconstitutional, if Fernando da Piedade Dias dos Santos (aka Nando) succeeds him. Finance minister Archer Mangureira predicts 2.1% GDP growth in 2017, 0.8% above the International Monetary Fund's (IMF) estimate. The African Development Bank (AfDB) approves its Angola Country Strategy Paper (CSP). United States (US)-based General Electric (GE) announces Angola-based AE Energia will order seven mobile gas turbines power plants.

Isabel dos Santos dismisses rumours of President dos Santos' death

Rumours of President **José Eduardo dos Santos'** (1979-present) death circulated on 12 May.¹ Confidential sources claimed to have heard rumours that dos Santos had died early that day in a clinic in **Barcelona (Spain)**.² Local sources confirm the nature of the rumour,

*"People are speculating that he already died. They are speculating that they turned off the pump, they are speculating about everything."*³

Dos Santos' daughter, **Isabel dos Santos**, dismissed the rumours and questioned the motive behind the information. On her **Instagram** social media account, Isabel dos Santos stated,

*"Someone stoops so low to the point of inventing death news to create confusion and political turmoil in **Angola**? ... What is the purpose of keeping on insisting on fake news about the president's health?"*⁴

Dos Santos arrived in Barcelona, where he reportedly goes annually for medical treatment and stress relief, on 1 May.⁵

*"Dos Santos has been dogged by health problems and they have worsened in recent years. His public appearances have become more infrequent, his speeches shorter and his holidays in the Spanish metropolis of Barcelona longer."*⁶

In November 2015, dos Santos was reportedly evacuated to Barcelona after falling in **Futungo de Belas** (presidential palace)⁷ and suffered a prostatic renal crisis, which required him to spend at least 30 days under observation.⁸ In June and August of the same year, dos Santos spent more than 40 days outside of Angola, after a set of tooth implants caused him facial swelling.⁹ Since then, dos Santos has returned regularly to Barcelona.¹⁰ Reportedly, dos Santos sought to take his usual scheduled medical visit in November before elections, to ensure he was in good health before the presidential

¹ Source, Angola analyst, United Kingdom

² Source, Angola analyst, United Kingdom

³ Source, newspaper editor, Luanda

⁴ www.allafrica.com

⁵ www.allafrica.com

⁶ DW, 3 Feb 2017.

⁷ Maka Angola, 29 Dec 2015.

⁸ Maka Angola, 29 Dec 2015.

⁹ Maka Angola, 29 Dec 2015.

¹⁰ Source, Angola analyst, United Kingdom

changeover.¹¹ Sources close to the dos Santos entourage claim that there is no evidence of deterioration in the president's health on this occasion.¹² One local newspaper editor says there was not enough evidence to cover the story and corroborate rumours, especially considering the risk of publishing such information,

*"I started by not questioning, nor even presenting doubts, about the eventual death of dos Santos. Angola is a country that is structured such that the culture of fear continues. On the other hand, [former] president **Agostinho Neto** (1975-1979) died and it was announced only a month after. In Africa this is normal. Another example is [former] Ivoirian president, **Félix Houphouët-Boigny**, whose death was announced six months after the event. What is a fact is that dos Santos is sick and there were entities and forces that obligated him to relinquish power."¹³*

Nevertheless, the regularity of dos Santos' visits to Barcelona appears to be increasing the preparations for his departure. To many people's surprise, dos Santos has decided to seek a secure succession, rather than risk dying while in office. The ruling **Movimento Popular de Libertação de Angola (MPLA)** picked defence minister **João Manuel Gonçalves Lourenço**, a long time party loyalist, on 2 December as its candidate for the August 2017 presidential election (see *ARC Briefing Angola February 2017*).¹⁴ Local sources view the succession issue, especially concerning the operation of the MPLA, as unpredictable,

*"I do not believe [the consequences of dos Santos' death] will be significant, because Angola is one of those countries in Africa where the ruling power acts entirely in its own interest, and where the government's relationship with the army will continue to be an influential factor in assuring strong leadership... There is now the hypothesis that his cousin, **Fernando da Piedade Dias dos Santos** (aka **Nando**), could take over."¹⁵*

If dos Santos dies before the elections, in terms of the constitution the vice president, currently **Manuel Vicente**, would assume power. However, many believe that this could result in a politically tense lead-up to the elections, as Vicente could attempt a power grab.¹⁶ Sources believe that Nando could possibly replace Vicente as interim president. Nando has already served as vice president twice – from 2010 to 2012, and from 2002 to 2008 – and as the parliamentary president from 2008 to 2010. Sources say that dos Santos would prefer Nando as he would protect dos Santos' family interests until the likely changeover to Lourenço.¹⁷

Lourenço was reportedly selected as MPLA presidential candidate due to his apparent ability to assure loyalty within the army,

"[Lourenço] controls the army because even the most recent organisational changes at the heart of the army were made by him, such that I don't think that dos Santos' death would necessarily have a negative repercussion."¹⁸

However, some suspect that if dos Santos were to die before the elections, Lourenço would be at a disadvantage,

"Electorally, with dos Santos' exit, it would be very complicated for Lourenço. At the end of the day, dos Santos is a political animal, and, on the other hand, he needs to assure stability for local and above all foreign business owners. A dos Santos exit could lead to many investors abandoning the country, because politically they would have no guarantee of stability. However,

¹¹ Source, Angola analyst, United Kingdom

¹² Source, Angola analyst, United Kingdom

¹³ Source, newspaper editor, Luanda

¹⁴ Financial Times, 6 Dec 2016.

¹⁵ Source, newspaper editor, Luanda

¹⁶ Source, analyst, Luanda

¹⁷ Source, journalist, Luanda

¹⁸ Source, newspaper editor, Luanda

*I think that Lourenço could make the difference if he disassociates himself from dos Santos' image. This is why he urgently needs to create an image of his own.*¹⁹

The ruling class would also be unsatisfied with a change in the status quo,

*"They are not ready for [dos Santos'] exit for simple reasons: they are the organs, they are the biggest beneficiaries of the dos Santos regime, and therefore they would be the most harmed by this possible change. They are seriously implicated in the degradation, destruction and corruption of this country."*²⁰

The government has shown itself proactive in the organisation of the elections, although some opposition members may contest their access to Angolan media. Nonetheless, the **Conselho da Republica (CdR)** (council of the republic), a presidential advisory group that consults with President dos Santos on decisions of national importance, proposed 23 August as the date for the 2017 presidential election.²¹ Dos Santos signed a presidential decree on 26 April confirming the CdR election date proposal.²² The CdR is made up of 18 individuals, including the vice president, the president of the national assembly, the president of the constitutional court, the attorney general, leaders of political parties with seats in the national assembly and other entities linked to the church and civil society.²³ Sources believe that the possible death of dos Santos could strengthen the opposition, and therefore the government is in a hurry to hold elections,

*"I believe that the opposition would win [from dos Santos' death], because the party in power would not be as strong, in fact the weakest in the last four decades... Dos Santos is the only person who is giving Lourenço significance... Dos Santos is still the guarantor of stability in the MPLA, preventing internal and external conflict."*²⁴

It appears that the MPLA wishes to take advantage of a more favourable economic environment in the August elections. Finance minister **Archer Mangureira** said he expects Angola's economic growth to reach 2.1% in 2017, after almost flat growth in 2016.²⁵ Mangureira's prediction exceeds that of the **International Monetary Fund (IMF)**, which has projected 1.3% gross domestic product (GDP) growth in 2017.²⁶ The IMF has urged Angola to more forcefully address the need to diversify the economy away from its oil and gas dependence.²⁷ Despite the government's higher projected growth figures, dos Santos acknowledged on 21 April that the economic challenges Angola faces are a result of low international oil prices and indicated the government is taking steps to address the situation.²⁸

*"We are giving particular attention to inflation control, the stabilisation of the foreign reserves and to the acceleration of processes that lead to a diversification of fiscal revenue."*²⁹

Angola's economic outlook may provide more favourable conditions for a Lourenço election win. The opposition remains weak and the MPLA looks most likely to win the election. On the other hand, if dos Santos were to die before elections, there may be an increase in internal tension in the MPLA, especially concerning the consequent interim succession of Vicente or Nando until elections. It is possible that the ruling MPLA would seek to postpone the announcement of President dos Santos' death. The MPLA has sought to hold elections as soon as possible, considering the favourable economic environment and in order to minimise the chance that dos Santos dies before this date.

¹⁹ Source, newspaper editor, Luanda

²⁰ Source, newspaper editor, Luanda

²¹ Reuters, 23 Apr 2017.

²² Reuters, 26 Apr 2017.

²³ www.angop.ao

²⁴ Source, political activist, Luanda

²⁵ www.africapropertynews.com

²⁶ www.africapropertynews.com

²⁷ ewn.co.za

²⁸ ewn.co.za

²⁹ ewn.co.za

AfDB adopts new Angola country strategy

The **African Development Bank (AfDB)** approved its **Angola Country Strategy Paper (CSP)** on 26 April.³⁰ The Angola CSP will guide the AfDB's interventions in Angola over the next five years, which will focus on inclusive growth through agricultural transformation, and sustainable infrastructure development.³¹ The Angola CSP aims to accelerate economic diversification and enhance structural transformation to achieve broad-based economic growth and poverty reduction.³²

*"The strategy's first pillar involves interventions in agro poles and agro industries aligned to the bank's **High 5s** priorities to **Feed Africa** and **Industrialize Africa** that would help transform the economy. Pillar II will focus on power transmission lines, renewable energy projects, transport infrastructure, all of which will contribute to the achievement of the **Light-Up and Power Africa**, **Industrialize Africa** and **Integrate Africa** priorities."³³*

In the process of approving its Angola CSP, the AfDB underscored the need to push for greater transparency in Angola's economic and financial governance, offer greater support to private sector development to accelerate the government's economic diversification agenda, strengthen institutional capacity for skills development through technical assistance, and improve portfolio implementation performance.³⁴ The AfDB also indicated that the government should join the **Extractive Industries Transparency Initiative (EITI)** to help improve the transparent management of its oil and mineral resources.³⁵

Since it opened its Angola country office in 2011, AfDB projects have increased from five totalling \$74m to 14 projects in 2016, totalling \$ 1.7 billion.³⁶ Multilateral lending from institutions such as the AfDB have provided much-needed access to project and government capital, with a notable increase in the last decade in lending.³⁷ Although the AfDB does support an urgent economic diversification strategy in Angola, it will continue to make recommendations to government concerning governance and international standards.

GE announces deal to supply power generation equipment

United States (US)-based General Electric (GE) announced on 5 May that Angola-based **AE Energia** will order seven TM2500 mobile gas turbines power plants for **Namibe, Huila** and **Cuando Cubango** provinces.³⁸ The new turbines will generate 200 megawatts (MW) of power, or the equivalent needed for up to an additional 15% of Angola's population, and will help Angola achieve its 2018 target of producing one gigawatt power.³⁹ GE's TM2500 mobile gas turbine power plants can be installed faster and in more remote locations.⁴⁰ This is important because Angola's aging national grid, built in the 1970's, is currently able to provide electricity to only about 30% of Angola's population and needs upgrading.⁴¹

AE Energia, a leading Angolan promoter, integrator and implementation partner, will oversee the project execution with GE on behalf of the Angolan government.⁴² AE Energia CEO **Ricardo Machado**

³⁰ www.afdb.org

³¹ www.afdb.org

³² www.afdb.org

³³ www.afdb.org

³⁴ www.afdb.org

³⁵ www.afdb.org

³⁶ www.afdb.org

³⁷ www.afdb.org

³⁸ www.ge-africa-newssroom.com

³⁹ www.ge-africa-newssroom.com

⁴⁰ www.ge-africa-newssroom.com

⁴¹ www.ge-africa-newssroom.com

⁴² www.ge-africa-newssroom.com

said the company's role is to provide local know-how and support GE in responding to the government's power sector priorities.⁴³

The energy and water ministry and GE signed a memorandum of understanding (MoU) in 2014 to achieve an additional power generation capacity target of 2,000 MW.⁴⁴ Currently GE technology is responsible for approximately 50% of Angola's electricity generation.⁴⁵ GE has been operating in Angola since 1967, employing more than 500 people in business units across key sectors including oil and gas, power, water and rail transportation sectors.⁴⁶

Chronic power outages and load shedding are commonplace in Angola, and therefore an increase in energy production is vital in order to support economic development. GE's role in supporting the growth of this sector is paramount.

⁴³ www.ge-africa-newsroom.com

⁴⁴ www.ge-africa-newsroom.com

⁴⁵ www.ge-africa-newsroom.com

⁴⁶ www.ge-africa-newsroom.com

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential online business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an online information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.briefing.africariskconsulting.com

Getting in touch

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

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)