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Portugal agrees to aid Angola in repatriating illicitly held Angola assets in Portugal, once the amnesty expires at the end of December. Portugal is believed to be one of the largest recipients of illicit assets and has conducted major investigations into Angolan elite funds in Portugal. State-owned gas company Sociedade Nacional de Combustíveis de Angola, EP (Sonangol EP) begins to sell off its non-core businesses, including shares in Isabel dos Santos' telecommunication company, Unitel, and Portugal-based energy company Galp Energia. 2019 will be a significant year for Angola's anti corruption reforms, investment and the trials arising from the arrests of high-level players.

Portugal agrees to help Angola repatriate illicitly held assets

A major outcome of President **João Lourenço's** (2017- present) three-day state visit to **Portugal** from 22-24 November was to gain Portugal's agreement in repatriating illicitly held Angolan assets in Portugal. The Portuguese prime minister, **António Costa**, pledged Portugal's full cooperation "to bring the assets back to Angola and support Angola in its fight against corruption".¹ Portugal's agreement is likely to prove crucial to Angola's chances of recovering the illicit funds. Members of ex-President **Jose Eduardo dos Santos'** (1979-2017) inner circle, including his daughter, **Isabel dos Santos**, former prime minister **Manuel Vicente**, and former head of security, General **Helder Viera Dias Jr 'Kopelipa'**, are known to have extensive interests in major Portuguese companies, including oil, banking, media, construction, and agriculture, as well as offshore assets in Portugal's autonomous region of **Madeira**.² Portuguese authorities have been investigating these assets over a long period.³ Most recently, **Banco de Portugal** (Portugal's central bank) has ordered the identification of Angolan clients and investors who are exposed to the Angolan market and hold accounts at Portuguese banks.⁴

Investigations into Angola elite-owned assets in Portugal began in 2005 with 'Operação Furação' (operation hurricane), when Portugal's **Departamento Central de Investigação e Acção Penal (DCIAP)** (central department of criminal prosecution) began investigating major cases of financial fraud and money laundering in Portuguese banks with Angolan linkages – at that time **Banco Espírito Santo, Millennium-BPC, Finibanco** and **Banco Português de Negócios**.⁵

These investigations have continued, meaning the Portuguese authorities have a considerable body of knowledge about current Angolan assets. One outcome of these investigations was the conviction last week in **Lisbon** (Portugal) of attorney **Orlando Figueira**, who was sentenced to six years, eight months in prison by the **Tribunal Central Criminal de Lisboa** (Lisbon central criminal court) after accepting bribes of €760,000 (\$865,000) from Vicente to drop an investigation into him.⁶

Costa hinted at the scale of returning potential illicit assets held in Portugal and the effect of the repatriation process between the two countries when he cautioned that "the process should not

¹ Angop, 23 Nov 2018

² ARC sources

³ ARC sources

⁴ Jornal de Negocios, Nov 2018

⁵ Publico, 3 Nov 2006

⁶ Publico, 7 Dec 2018

undermine the stability of the [Portuguese] financial system.”⁷ Angolan media minister **João de Melo** gave another indicator of the vast scale of missing assets on 7 December, saying that between 2016 and 2017 alone, when Angola had far fewer resources than before the oil price crash, “the Angolan state lost €2.3 billion (\$2.6 billion) due to corruption” and that the **Direcção Nacional de Prevenção e Combate à Corrupção (DNPCC)** (national directorate for the prevention and combating of corruption) of Angola's office of the attorney general is investigating about 80 cases of corruption, money laundering and other economic and financial crimes.⁸

The amnesty period for Angola's **Lei do Repatriamento de Recursos Financeiros** (repatriation of financial resources law), which aims to return “financial resources of illicit origin”⁹ to Angola, expires in late December (see *ARC Briefing Angola July 2018*). The law allowed for a six-month amnesty for those who choose to return monies domiciled offshore, however obtained, provided this is not under prior investigation for criminal activities, or gained through crimes related to terrorism, drug trafficking or smuggling, among others.¹⁰ Investigators have told ARC that thus far, there is little evidence that significant sums of money have been repatriated under the amnesty.¹¹ The **Assembleia Nacional** (national assembly) approved a new law on 21 November, **Lei sobre o Repatriamento Coercivo e Perda Alargada de Bens** (law on coercive repatriation and excess loss of goods) to allow repatriation of “incongruous” goods domiciled abroad.¹²

In reaching this agreement with Portugal, Joao Lourenço has considerably improved Angola's chances of tracing and recovering illicitly held assets, since much has been moved through Portuguese banks or invested in Portugal. Angolan shareholdings in some of Portugal's major industries are also likely to become objects of investigation.

Sonangol asset sale begins

State-owned gas company **Sociedade Nacional de Combustíveis de Angola, EP (Sonangol EP)** has begun the sell-off of its non-core assets (i.e. non oil producing and distributing assets) by putting up for sale its 25% shareholding in Isabel dos Santos' **Unitel**, Angola's largest telecommunications company.¹³ Sonangol is also selling its 15% shareholding in Portugal-based **Galp Energia**, valued at €2.2 billion (\$2.5 billion), based on the company's market capitalisation.¹⁴ Sonangol has an indirect position in the Portuguese oil company through **Amorim Energia**, which controls 33.34% of Galp.¹⁵ Amorim is owned 55% by the **Amorim** family and 45% by **Esperanza Holdings**, which is jointly owned by Sonangol (60%) and Isabel dos Santos (40%), giving Sonangol its 15% share of Galp.¹⁶

Galp Energia chairman **Carlos Gomes da Silva** indicated that there was no problem with Galp *per se*, but with the shareholders, and raised the possibility that Sonangol might also sell its shareholding in Portugal-based **Banco Commercial Português (BCP)**:

“I do not usually comment on shareholders, but our shareholder structure is different from that at BCP.”¹⁷

Gomes da Silva – who is also BCP vice-chairman – was alluding to the fact that Isabel dos Santos has no shares in BCP.¹⁸ Sonangol currently owns 19.5% of BCP, but President Lourenço gave assurances

⁷ Angop, 23 Nov 2018

⁸ Lusa, 7 Dec 2018

⁹ Lei do Repatriamento de Recursos Financeiros - Law No. 9/18, of June 26

¹⁰ Lei do Repatriamento de Recursos Financeiros - Law No. 9/18, of June 26

¹¹ ARC sources

¹² Lusa, 21 Nov 2018

¹³ Angop, 16 Nov 2018

¹⁴ Jornal de Negocios, 13 Aug 2018

¹⁵ ARC sources

¹⁶ ARC sources

¹⁷ Jornal de Negocios 23 Nov 2018

¹⁸ Jornal de Negocios, 23 Nov 2018

during his visit to Portugal that these shares would not be sold in this first tranche of sales, in response to Portuguese concerns about the effects on Portugal's economy.¹⁹

Galp is a partner in three oil blocks in Angola, blocks 14, 14K and 32, as well as having a network of more than 40 petrol service stations in partnership with Sonangol. Both the oil blocks and petrol stations are likely to be retained; only the shareholders will change.²⁰ Three major international oil companies have already shown interest in buying Sonangol's shares in Galp, and one is said to be planning to open a representative office in Lisbon.²¹ **China-based Sinopec**, which is a partner with Galp since 2012 at **Petrogal Brazil**, is one of the interested companies.²²

The Unitel and Galp shareholdings are part of a list of 52 assets that the Angolan government has decided to sell, with the sell-off continuing until December 2019. Full details of the assets are not public as yet, but a possible part-privatisation of Sonangol itself within the next three years has been mooted as part of the restructuring process of Sonangol (see *ARC Briefing Angola October and November 2018*).²³ The company's upstream undertakings will be merged into a single Sonangol entity.²⁴

Sonangol CEO **Carlos Saturnino** gave indicators that Sonangol may sell its interests in Angolan banks, noting that Sonangol has shares in Angolan commercial banks, namely **Banco de Comércio e Indústria (BCI)**, **Banco Fomento Angola (BFA)**, **Banco Angolana de Investimentos (BAI)**, and Isabel dos Santos' **Banco Económico (B.E)**.²⁵

Secretary of state for oil **Paulino Jerónimo** said Sonangol will lose its monopoly of crude oil by-products:

*"We'll allow other companies to enter the activity of supplying crude oil by-products."*²⁶

Sonangol's non-core assets are extensive and high value, including banking, finance, real estate and investments in other companies, as well as oil-related subsidiaries. It is clear that the initial priority is to sell off shareholdings that involve the Angolan elite and politically exposed persons (PEPs),²⁷ beginning with Isabel dos Santos' companies. Finding buyers for Sonangol's shares in Unitel is likely to prove problematic due to potential anti-corruption investigations, unless the buyers are Angolan or Chinese. However this does not seem to be impeding the sale of Sonangol's shares in Galp.

Angola: 2019 in focus

2019 is a crucial year for Angola. After a year of creating new laws, new policies, and raising international support and project finance during 2018, next year should see the beginning of translation into practice. João Lourenço and his government have raised expectations, and given commitments that there will be a *"new Angola"*, with improved transparency, reduced corruption and *"a new vision on the role and importance of the private business sector and foreign investment"*.²⁸

The agenda is vast, balancing the need to grow and stabilise the economy and reducing corruption so that new investment benefits the country and extends to areas outside the main cities. Reducing Angola's long-term dependence on oil is also critical. Some key points for 2019 include:

¹⁹ Jornal de Negocios, 24 Nov 2018

²⁰ Galp Energia, 9 Dec 2018

²¹ Jornal de Negocios, 23 Nov 2018

²² Jornal de Negocios, 23 Nov 2018

²³ Jornal de Negocios, 15 Nov 2018

²⁴ Angop, 16 Nov 2018

²⁵ Angop, 16 Nov 2018

²⁶ Angop, 22 Nov 2018

²⁷ Politically exposed persons (PEPs) are individuals whose prominent position in public life may make them vulnerable to corruption. The definition extends to immediate family members and known close associates. (Source: UK Financial Conduct Authority)

²⁸ Lusa 24 Nov 2018

- A major public investment programme, valued at \$3.3 billion, for projects in the energy and water, transport, education and health sectors;
- A **World Bank** forecast of improved growth rates from 1.67% in 2018, to 2.2% in 2019;²⁹
- Improvements in governance and anti-corruption indices, and in the international standing of Angola;
- Public sector reform to decrease bureaucracy, raise efficiency and improve decentralisation;
- Preparations for regional and municipal elections in 2020, devolving some powers to local governments and creating more regional autonomy;
- The trials of the former chairman of the **Fundo Soberano de Angola (FSDEA)** (sovereign wealth fund of Angola) board, **Jose Filomeno dos Santos**, and **Jean Claude Bastos de Morais**, head and major shareholder of the **Switzerland**-based **Quantum** group which managed much of the FSDEA's \$5 billion assets, and other high-ranking ex-officials variously charged with defrauding the state, embezzlement or theft, and the forcible repatriation of illicitly held monies abroad;
- The continuing sell-off of Sonangol's major non-core assets;
- The transfer of all natural resource concession control to agencies of the **Ministério de Recursos Naturais e Petróleo** (ministry of natural resources and petroleum); and
- A new oil bidding round is anticipated in 2019, together with increased LNG and oil production due to new projects.

New policies should lead to measurable improvement in Angola's current rankings, particularly in governance and local development. The **Mo Ibrahim Foundation** noted in its 2018 report – based on 2017 data – that Angola has the fifth largest gross domestic product (GDP) in **Africa**, yet ranks 47th in the Foundation's **Sustainable Economic Opportunity** indices of 54 countries, with 28.8%.³⁰

The Ibrahim **Index of African Governance** gave Angola an overall governance score of only 38.3% for 2017.³¹ This figure does not reflect changes in governance during Lourenço's presidency and these indicators should improve, with new policies of increased transparency and a more inclusive and decentralised government, and policies that aim to improve health, education and income, particularly for the 80% of the population in rural areas.³²

Overall improvement in transparency and major anti-corruption measures should also reflect in **Transparency International's (TI)** corruption rating for Angola. The **TI 2017 Corruption Perceptions Index** placed Angola at 167 out of 180,³³ but reducing corruption is a now major plank of the government's policies.

New laws should also improve the ease of doing business in Angola. Currently the World Bank rates Angola at 173 out of 190 in its latest ease of doing business ranking.³⁴ The index looks at measures such as setting up a business, trading across borders, getting credit, getting electricity, and paying taxes.³⁵ By comparison, **South Africa** ranked 82nd, **Botswana** came in at 86th position and the **Democratic Republic of the Congo (DRC)** at 184.³⁶

²⁹ <https://data.worldbank.org/country/angola>

³⁰ Mo Ibrahim Foundation 22 Nov 2018

³¹ 2018 Ibrahim Index of African Governance

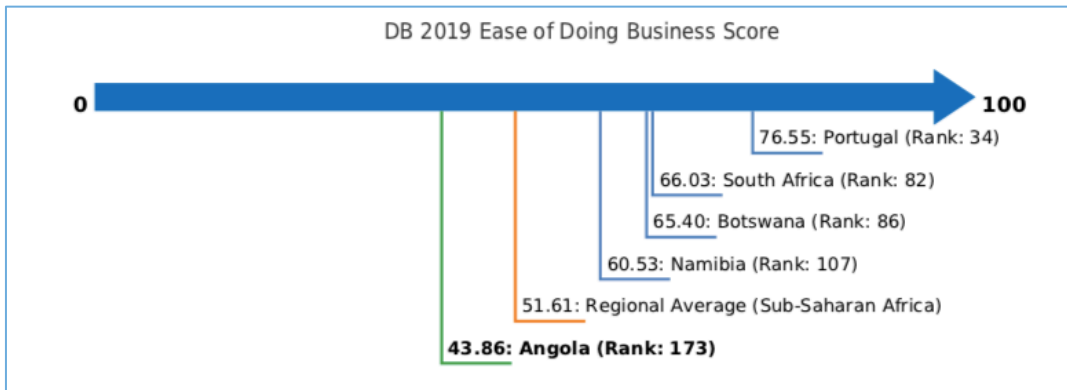
³² 2018 Ibrahim Index of African Governance

³³ Transparency International Corruption Perceptions Index 2017, 21 Feb 2018

³⁴ World Bank Doing Business 2019, 31 Oct 2018.

³⁵ World Bank Doing Business 2019, 31 Oct 2018.

³⁶ World Bank Doing Business 2019, 31 Oct 2018.



Source: World Bank Doing Business 2019: Economy Profile Angola

The **International Monetary Fund (IMF)** is broadly supportive of Angola's new policies and has agreed an Extended Fund Facility supported \$3.7 billion loan, repayable over three years, to support Angola's economic reform programme.³⁷ According to the IMF, the objectives are to restore external and fiscal sustainability and lay the foundations for sustainable, private-sector-led economic diversification:

*"Critical pillars of the program include fiscal consolidation to bring debt to safer levels; increased exchange rate flexibility to regain competitiveness; and supportive monetary policy to reduce inflation. Other pillars of the program include strengthening the banking system; enabling a better business environment; updating the AML/CFT legal framework; and improving governance."*³⁸

The questions that 2019 should start to answer are whether Angola will begin to change from a country riddled with corruption, inefficient, bureaucratic and neglectful of its population's needs, into a thriving modernised state, and how long will the process take? There can be little doubt now that the government is serious about change, not simply reshuffling power from the dos Santos clique, and 2019 will certainly begin to separate the reality from the rhetoric. There are still major bottlenecks within the country that can impede new policies: lack of infrastructure, corruption and slowness within the bureaucracy and the lack of an educated workforce. The focus on private investment has to be balanced internally by improved governance and development.

Planner

28 Dec 2018: **Angola** Amnesty for repatriation of illicit funds held offshore by Angolan nationals expires;

Early 2019: **Angola** New law covering foreign nationals resident in Angola to be passed by Angola's national assembly in early 2019, following **Conselho de Ministros** (council of ministers) approval of a new national migratory policy;

Dec 2018 - Jan 2019: Angola expects negotiations on the support programme requested from the **International Monetary Fund (IMF)** to be completed by December and that it will start early in the 2019 fiscal year;

2019: Sell-off of **Sonangol** assets continues until end of 2019

2019: Angola **Public Investment Program** for fiscal year is set at \$3.3 billion, for projects in the energy and water, transport, education and health sectors. 85% of this budget expected to be funded from external credit lines.

³⁷ Voice Of America, 8 Dec 2018

³⁸ Voice Of America, 8 Dec 2018

2019: **Angola:** Trials of **Jose Filomeno dos Santos, Jean Claude Bastos de Morais** and other high-ranking ex-officials variously charged with defrauding the state, embezzlement or theft, will take place during the year but no trial dates are known as yet;

June 2019: Expected completion date for transfer of **Sonangol's** contracts, concessions and relations with international oil companies to the **Agência Nacional de Petróleo e Gás (ANGP)** (national petrol and gas agency);

June 2019: New oil bidding round expected to be opened.

2020: First local and municipal elections to be held in Angola;

2021: National elections;

2022: End date for **Banco Poupanca e Credito's** recovery plan.

Chronology

10 Dec 2018 **Luanda (Angola)** *Lusa* **Banco Nacional de Angola (BNA)** (central bank) announces that transfers of dividends of below \$5m by foreign companies no longer require a licence from the BNA and that all licences for above \$5m have been granted, due to the improved foreign exchange position;

7 Dec 2018 **Luanda (Angola)** *Lusa* Media minister **João de Melo** says the Angolan state lost €2.3 billion (\$2.6 billion) between 2016 and 2017 due to corruption and the **Direcção Nacional de Prevenção e Combate à Corrupção (DNPCC)** (national directorate for the prevention and combating of corruption) of Angola's office of the Attorney General is investigating about 80 cases of corruption, money laundering and other economic and financial crimes;

7 Dec 2018 **Angola (Germany/Italy)** *Lusa* **Germany-based Commerzbank** and **Italy-based Unicredit** agree financing of €1.06 billion (\$1.20 billion) for the construction of the **Caculo Cabaça Hydroelectric Plant** in **Cuanza Norte Province**, the largest dam in Angola, which will generate 2,172 megawatts (MW) of electricity;

7 Dec 2018 **London (Angola-China)** *Club-K Net*. The new Angolan ambassador to the **United Kingdom, Rui Jorge Carneiro Manguiera**, reviews trade relationships between Angola and **China** at the **Royal Holloway University Centre for Policy in Africa, Asia, Latin America**, entitled "*Past, present and future of China in Africa: the case of Angola*".

6 Dec 2018 **Luanda (Angola)** *Angop* Legislative package relating to regional and municipal election in 2020 agreed by **Conselho de Ministros** (council of ministers) for submission to national assembly, including draft law on local elections, on the organisation and functioning of local governments and on the institutionalisation of local governments;

4 Dec 2018 **Luanda (Angola)** *Angop*. **Norwegian** prime minister **Erna Solberg** visits Angola to attend **Angola/Norway Business Forum** and discusses new investment; partnership in marine research (oil and fisheries) extended;

4 Dec 2018 **Luanda (Angola)** *(Lusa)* President **João Lourenço** holds first meeting with civil society groups and Angolan activists in Luanda;

4 Dec 2018 **Luanda (Angola)** *Angop* Construction and public works minister **Manuel Tavares de Almeida** states that at least 33 construction projects, valued at \$6.14m, are registered in the **2019 Public Investment Programme (PIP)**, to construct and rehabilitate Angola's infrastructure;

3 Dec 2018 **Luanda (Angola)** *Valor Economico* **Isabel dos Santos** announces that glass

factory **Embalvidro**, in which she has a major shareholding, may not start production in June 2019 due to difficulties in accessing foreign exchange for the importation of machinery and equipment;

2 Dec 2018 **Porto (Portugal)** *Novo Jornal* **Sindika Dokolo**, husband of **Isabel dos Santos**, delays the opening of the **Sindika Dokolo Foundation** headquarters in Porto;

1 Dec 2018 **Luanda (Angola)** *Lusa*. **Banco Nacional de Angola (BNA)** (central bank) director **Pedro Castro e Silva** says that the pressure on foreign exchange is eased, since the BNA is now able to meet the demands of commercial banks for foreign currency;

30 Nov 2018 **Luanda (Angola)** *Lusa* Interior minister **Angelo de Barros da Veiga Tavares** urges the Angolan intelligence community to play a more active role in combating corruption, nepotism and money laundering, saying the service should develop tools to aid in the repatriation of capital and identification of those involved in the practices of those crimes;

30 Nov 2018 **Luanda (Angola)** *Angop*. State minister for economic and social development **Manuel Nunes Junior** announces that Angolan fiscal revenues for the year 2019 will be in 1.5% surplus, with a fiscal deficit of 0.4% of GDP in 2018, as against 6.2% in 2017;

26 Nov 2018 **Luanda (Angola)** *Angop*. New import rules are announced for 54 products, in particular glass, wheat flour, sugar, table water, beans, eggs, oil, onions, salt, and cement, which can now only be imported if there is insufficient domestic production and the importer has a contract with national buyers;

23 Nov 2018 **Luanda (Angola)** *Angop*. **China's** ambassador to Angola, **Cui Aimin**, says China will invest in agro-industrial projects and livestock, following cooperation agreements signed by the two governments in the agriculture sector;

23 Nov 2018 **Lisbon (Portugal)** *Angop* Portugal increases Angola's credit limit from €1 billion (\$1.13 billion) to €1.5 billion (\$1.7 billion);

23 Nov 2018 **Lisbon (Portugal)** *Angop* The Angolan government acknowledges certified debts of €200m (\$226m) to Portuguese companies, and pays €100m (\$113m) of this debt;

22 Nov 2018 **Luanda (Angola)** *Angop* President **Joao Lourenço** begins three-day state visit to **Portugal**;

22 Nov 2018 **Luanda (Angola)** *Angop*. National assembly passes new laws on freedom of religion, belief and cult, and a new code of criminal procedure;

21 Nov 2018 **(Angola) (France)** *Angop* Angolan child victims of human trafficking found abandoned in France, according to **Interpol**;

19 Nov 2018 **Luanda (Angola)** *Angop*. President **João Lourenço** dismisses **Ângela Cristina de Branco Lima Rodrigues Mingas** from the post of secretary of state for territorial planning and appoints **Manuel Marques de Almeida Pimentel** to the post;

16 Nov 2018 **Brussels (Belgium)(Angola)** *Kimberley Process*. Angola becomes chair of **Kimberley Process (KP) Review and Reform Committee** for 2019, to look at *inter alia* extending definition of conflict diamonds;

15 Nov 2018 **Washington (United States) (Angola)** *Human Rights Watch*. Human Rights Watch calls on government of Angola to suspend the deportation of migrants and conduct a prompt and impartial investigation into alleged abuses by state security forces;

15 Nov 2018 **Malange Province (Angola)** *Angop*. Angolan authorities shut down 279 diamond buying operations and cancel the activity of 122 mining co-operatives which are not declaring their diamonds sales, and seize about \$1.04m in cash is seized, along with other currencies, and over 12,000 carats of diamonds;

14 Nov 2018 **Benguela (Angola)** *Angop* Israel's ambassador to Angola, **Oren Rosenblat**, says that Israel will invest \$60m in the construction of a solar power plant and agricultural projects in Benguela Province;