

AFRICA RISK CONSULTING**Angola Monthly Briefing May 2018**

Angola Summary 15 May 2018

Former president Jose Eduardo dos Santos (1979-2017) agrees to step down as head of the ruling Movimento Popular de Libertação de Angola (MPLA), in favour of the current president, Joao Lourenço (2017-present). Lourenço is expected to introduce wide-ranging economic restructuring when he acquires full control in September and is preparing the way with new investment laws. Angola asks the International Monetary Fund (IMF) for non-financial assistance in developing economic stability but goes to the money markets for fresh financing. Angola is renegotiating oil-backed loans from China and obtaining loans from the Industrial and Commercial Bank of China.

Jose Eduardo dos Santos to step down as chair of MPLA in September

Angola's former president, **Jose Eduardo dos Santos** (1979-2017), confirmed on 27 April that he would step down as leader of the ruling political party, **Movimento Popular de Libertação de Angola (MPLA)**, a position he has occupied since 1979 when he first became president of Angola.¹ The decision was announced following a meeting of the MPLA's **Bureau Político** (political bureau), the party's permanent governing body. President **João Lourenço** (2017-present) will assume the post of head of the MPLA in September this year, when dos Santos steps down:²

"The political bureau approved the proposed resolution and the timetable for the preparation and holding of the 6th Extraordinary Congress of the party, to be held in the first half of September, and consequently approved the candidacy of Comrade João Lourenço, current vice-president, to the position of president of the MPLA."³

Dos Santos had previously attempted to delay his departure from political life, and potentially wished to remain leader of the party; which led to splits in the party and widespread debate on whether the MPLA should have some separation from the presidency (see *ARC Briefing Angola March 2018*).

A **Luanda**-based ARC source believes that the arrest of the former president's son, **José Filomeno dos Santos**, and the subsequent return of the fraudulently transferred \$500m, have fatally undermined the ex-president's leverage:

*"It has just been decided that Lourenço will be head of the MPLA in September. Dos Santos tried to remain a factor, and if the international finance network had been intact, such as the \$500 million not blocked by the **British**, then he could still have had leverage."*

¹ Jornal de Noticias 27 Apr 2018

² Jornal de Noticias 27 Apr 2018

³ Jornal de Noticias 27 Apr 2018

The source also raised the question of the role of General **Fernando Garcia Miala** in unseating dos Santos. Garcia was appointed as the new *Chefe do Serviço de Inteligência e Segurança do Estado*⁴, (chief of intelligence and security) in March 2018:

*“Lourenço has General Miala [the new head of intelligence] on his side, and he is a very shrewd player.”*⁵

General Miala’s role may have been considerable. He had been director of **Serviços de Inteligência Externa de Angola** (external intelligence services of Angola) under Jose Eduardo Dos Santos, until dos Santos unexpectedly dismissed him in 2006, replacing him with General **Manuel Helder Vieira Dias Junior (Kopelipa)**⁶, and charged him with insubordination, allegedly for failing to appear at a ceremony to downgrade the General Staff of the **Forças Armadas Angolanas** (Angolan armed forces). Miala was sentenced to four years’ imprisonment by the **Supreme Military Court (STM)**.⁷ According to sources interviewed in Luanda in 2006, Miala’s real crime was political; he had built up dossiers on corruption in Angola’s political elite, and was rumoured to be plotting against dos Santos.⁸

Most tellingly of all, dos Santos has lost the support of his cliques within the MPLA, since he has no patronage to offer them:

*“Another thing is that dos Santos really counted on people’s loyalty. They are all running against him, briefing against him. Dos Santos doesn’t have the loyalty of the state media anymore, they are coming up with stories that are not beneficial to him. I think the idea of the MPLA supporting him was only sustainable when he was at the heart of the patronage network.”*⁹

The start of Joao Lourenço’s tenure as party head is likely to prove a milestone in economic reforms in Angola, with the current changes being the beginning of major restructuring, including the restructuring of state-owned oil company **Sociedade Nacional de Combustíveis de Angola EP (Sonangol)**, according to a senior oil source:

“The reforms are going to be finished by September. September is the date when things will start seriously. It is also when Lourenço takes over as head of the MPLA. There will be really substantial shifts. They are being cautious right now.”

From September Joao Lourenço will have sufficient control over his party to push through major economic reforms. Current shifts suggest a much more open economy will result. Jose Eduardo dos Santos has lost much of his leverage and will be in no position to obstruct changes, particularly since the investigations into his children are publicly demonstrating the extent to which he which was prepared to go to continue to control Angola’s economy for his own ends. Much of Lourenco’s current policies are aimed at undoing that control but it is clear this is only the beginning.

⁴ Lusa 12 Mar 2018

⁵ ARC source, Luanda

⁶ Lusa 27 Feb 2006

⁷ Lusa 12 Mar 2018

⁸ Source; CG fieldwork May 2006.

⁹ ARC source, Luanda

New laws to simplify investment in Angola

Angola passed a new law governing private investment in Angola on 22 April. The new **Lei de Investimento Privado** (private investment law) replaces Angola's August 2015 law.¹⁰ The new law eliminates several risks for investors, including the need to partner with an Angolan company or entity before investing in the country. The law no longer imposes limits of values for the investment of projects in the country and removes the mandatory quota requirement for the participation of Angolan nationals in the case of foreign investments.¹¹ This is a radical move away from the previous practices, in which investors had no choice but to take on Angolan partner companies, offered to them by the government in some cases, often at considerable risk to the reputations of investors.

The law includes:

- A new, simplified procedure for the approval of investment projects, along with the adoption of measures aimed at accelerating the current contractual process;
- New rules for obtaining tax and customs benefits that are specific to each project;
- Special rights for certain projects, including easier access to visas and priority in the repatriation of dividends.¹²

Angola has also created a state-run agency, the **Agência de Investimento e Promoção das Exportações (AIPEX)** (agency for private investment and exportation promotion), to act as the sole authority for negotiating, approving and supervising investment projects, as well as accelerating projects.¹³ Private investment will now be managed by a single entity rather than the various ministries.

The chairman of the AIPEX board of directors is **Licínio de Freitas Vaz Contreiras**, who noted at the inauguration of AIPEX in March:

"We want the private investor to have a good business environment in the country, with a view to improving Angola's economic situation... the main variables that must be improved in order to encourage investors [are infrastructural] communication, roads, training of human capital to operate with new technologies in the productive sector, as well as the institutional and financial support of the banking sector."¹⁴

In addition to promoting investment in the private sector, Angola is seeking to privatise 74 publicly owned companies in the medium term, principally in the industrial sector.¹⁵

Separate specific legislation for the private investment framework will be applied to the key sectors of oil exploration, mineral exploration and financial institutions sectors.¹⁶ There are no current indicators that sectors with a strategic interest for the state – oil diamonds and others – will be privatised, but oil sources in Luanda say it is widely expected that Sonangol's non-core interests in banking construction and other sectors will be sold off later this year.

¹⁰ <http://www.mirandalawfirm.com/en/insights-knowledge/publications/alerts/new-private-investment-law-under-discussion>

¹¹ Jornal de Angola 22 Apr 2018

¹² <http://www.mirandalawfirm.com/en/insights-knowledge/publications/alerts/new-private-investment-law-under-discussion>

¹³ ANGOP 22 Mar 2018

¹⁴ ANGOP 22 Mar 2018

¹⁵ Lusa 11 May 2018

¹⁶ https://www.mlgt.pt/xms/files/Publicacoes/Newsletters_Boletins/2018/

The new law governing investment in Sonangol, **Presidential Decree 86/18**, was passed on 2 April. The new law aims to speed up and simplify contracts between Sonangol, operators and associated companies. The investment process previously took over a year.

The new legislation notes:

"... the need for a change with regard to deadlines of the processes, as well as the increase of the limits for approval of contracts by the national concessionaire, according to their value".¹⁷

Key points of the new law are:

- The prequalification rule for public tenders for awarding oil blocks has been abolished, allowing a more rapid allocation of blocks.
- Operators can now contract for services and supplies without the need of public tender or approval of Sonangol. Operators now see a rise in the value of contracts in which they do not require any approval or tender from \$250,000 to \$1m, and for contracts requiring a public tender, rising from \$750,000 to \$5m.
- Only the largest contracts, in excess of \$5m, now need public tender and the approval of Sonangol.¹⁸

Abolishing the previous long drawn-out and highly bureaucratic investment process is one in a raft of measures to bring much-needed foreign investment into Angola. The abolition of the need to partner with an Angolan entity provides a major reduction in reputational risk for potential investors. Contractually defined tax and customs benefits and easier repatriation of dividends should also be attractive to potential investors, along with the abolition of value limits on investments. Investment in the oil sector has similarly been simplified, and allows oil companies more flexibility in their choice of suppliers.

IMF returns to Angola, but Angola looks elsewhere for financial backing

The Angolan government has requested non-financial support from the **International Monetary Fund (IMF)** for the implementation of the economic measures contained in its Macroeconomic Stability Program. The aim of the unfunded programme, dubbed the Policy Coordination Instrument (PCI), is to assist in the implementation of macroeconomic stabilisation actions, according to Angola's finance ministry.¹⁹ IMF deputy managing director **Tao Zhang** said,

"We expect to start preparations for program discussions with the Angolan authorities shortly after the discussions on the 2018 Article IV consultation are concluded by the IMF Executive Board."²⁰

The report is expected during May 2018. An IMF team led by **Ricardo Velloso** visited Luanda from March 1-15 to conduct discussions for the 2018 Article IV consultation.²¹ The IMF noted that:

¹⁷ Presidential Decree 86/18, of April 2 2018

¹⁸ Presidential Decree 86/18 April 2 2018

¹⁹ Luso 18 April 2018

²⁰ <http://www.imf.org/en/News/Articles/2018/04/18/pr18133-statement-by-imf-deputy-managing-director-tao-zhang-on-angola>

²¹ <http://www.imf.org/en/News/Articles/2018/03/16/pr1888-imf-staff-completes-2018-article-iv-consultation-mission-to-angola>

*"Growth in Angola is expected to rise from 0.7% in 2017 to 2.2% in 2018 and 2.4% in 2019, an improvement of 0.6 percentage points and 1 percentage point respectively, compared to last October's World Economic Outlook. "*²²

Angola will not take financing from the IMF however, instead looking to international financial markets. Angola began negotiating for fresh **Chinese** financing in February of 653 billion kwanzas (\$3 billion), from the **Industrial and Commercial Bank of China (ICBC)**.²³

As importantly, sources say that Angola is attempting to renegotiate the existing oil-backed loans from China, whose value may be as high as \$25 billion at the highest estimates. Negotiations are said to be pegged to anti-corruption moves in Angola and China:

*"A big problem is the enormous amount of oil earmarked for China in return for their loans, which are pegged at a fixed oil price. There will be a complete overhaul and renegotiation with China. Those deals, [China International Fund] CIF, China Sonangol, all that is deeply tainted and it must be renegotiated."*²⁴

Another source was more specific:

*"They are reviewing the contracts with China. What is being said now is that if we can discredit **Dino** [General **Leopoldino Fragos de Nascimento**] and **Kopelipa** and [former prime minister **Manuel**] **Vicente**, and all their untransparent deals, then Sonangol could put a case that the contracts were done by corrupt figures, [Chinese businessman] **Sam Pa**, who is in jail, and that they were rotten from the beginning and they could argue disingenuously that they have to start afresh."*²⁵

These figures were all involved in the China International Fund (CIF), headed by Sam Pa, the middleman who brokered Sonangol's oil sales to China. Sam Pa was *inter alia* the majority shareholder of CIF and China Sonangol International, and was arrested in **Hong Kong** on 8 October 2015 as part of an ongoing Chinese anti-corruption campaign.²⁶

Angola's intention is to diversify from dependence on China as the main source of financing. In May, the government issued \$3 billion in Eurobonds.²⁷ Angola's second issuance of eurobonds put \$3 billion in the international market on 2 May, divided into 10-year and 30-year maturities, with interest levels above 8.2%.²⁸

Banco Fomento Angola analysts noted that,

"Given that financing from China was important for the country, guaranteeing availability of funds when it was not easy to obtain in other geographies, it is also necessary to ensure diversified sources of financing, increasing the country's negotiating power by requesting funds abroad."

Angola intends to raise 6.721 billion kwanzas (\$31 billion) in public debt in 2018, raising Angola's total to \$67 billion of debt.²⁹

²² Jornal de Angola April 17 2018

²³ Lusa agency Feb 22 2018

²⁴ <https://www.axios.com/angola-africa-china-debt-trap-crude-oil-51dfeb11-95d2-44e0-968a-f79671b34677.html>

²⁵ ARC source, Luanda

²⁶ Caixin News Agency 14 Oct 2015

²⁷ Lusa 9 May 2018

²⁸ Lusa 9 May 2018

²⁹ <https://www.ipim.gov.mo/en/portuguese-speaking-countries-news/2018-05-03-angola-issues-us3-billion-in-eurobonds/>

The IMF is expected to aid Angola in the major restructuring ahead, particularly of public companies, and in macro-economic measures designed to decrease Angola's indebtedness. Angola is moving away from its dependence on Chinese loans and hoping to reduce its indebtedness through renegotiations of secretive oil-backed loans now perceived as corrupt. In reaching out to international bond markets, Angola is hoping to improve international market perceptions, as well as raising much needed public financing.

Planner

May 2018 New Foreign Exchange law to be passed, compelling Angolan nationals to declare assets held abroad.

May 2018 Bill on Repatriation of Financial Resources Domiciled Broad (submitted by the President of the Republic) and the Bill on the Assets Regulation Extraordinary Regime "RERP" (submitted by the opposition UNITA party) to get final scrutiny from the National Assembly.

July 10-14 2018 **FILDA – Feira Internacional de Luanda**, Angola's yearly trade fair, will be held at the **Parque de Exposições de Luanda, Pólo Industrial de Viana**.

Sept 2018 **Joao Lourenço** takes over Presidency of **Movimento Popular de Libertação de Angola (MPLA)** from **Jose Eduardo dos Santos**

2022 Next presidential elections in Angola

2020 First local and municipal elections to be held in Angola.

Chronology

14 May 2018 **Portugal (Angola)** *Angop* Angola and Portugal are to sign a new framework agreement on military co-operation in fields of maritime security and cyber defence, following visit of Portuguese Defence Minister, **José Azevedo Lopes**;

11 May 2018 **Portugal (Angola)** *Angop*. **Lisbon's** Court of Appeal decides to transfer the lawsuit against **Manuel Vicente** to **Luanda**;

10 May 2018 **Luanda (Angola)** *Angop* Angola's **Banco Económico** assigned B3 rating by **Moodys** for local currency deposit ratings;

9 May 2018 **Luanda (Angola)** *Angop* **Angolan Airlines (TAAG)** to buy two wide-body aircrafts in 2021;

9 May 2018 **(Czech Republic) (Angola)** *Angop* Czech Republic to spend \$100m to fund agriculture and livestock projects in Angola;

9 May 2018 Ministry of Environment **(Angola)** *Angop* Environment ministry to create a whistle-blowing system, to help mitigate issues related to oil spills affecting local communities and biodiversity;

8 May 2018 **(Rwanda) (Angola)** *Angop* Rwanda and Angola discuss opening embassies during visit of Rwandan foreign minister **Louise Moushikiwabo**;

8 May 2018 **(Singapore)(Angola)** *Angop* Angolan foreign minister **Manuel Augusto**

begins an exploratory business mission in Singapore to discuss areas of co-operation;

8 May 2018 **World Bank (Angola)** *Angop* The new representative of the World Bank in Angola and **Sao Tome and Principe, Oliver Lambert**, begins his mission in Luanda;

3 May 2018 **(Mauritius)(Angola)** *ICIJ* Mauritius freezes 91 banks accounts linked to **Jean Cluade Bastos de Morais**, head of the **Quantum Group**;

3 May 2018 **Luanda (Angola)** *Angop* Presidential decree published, setting out new rules of public fund execution for the State Budget (OGE);

30 April 2018 **Houston (Angola)** *Angop* The **USA-Angola Chamber of Commerce (USACC)** hosts US and Angolan to discuss investment opportunities, during the **Offshore Technology Conference**;

27 April 2018 **Luanda (Angola)** *Angop* Angola's ruling MPLA party's Politburo approves candidacy of João Lourenço as party president, replacing José Eduardo dos Santos;

24 April 2018 **IMF (Angola)** *Angop* IMF announces it will send a team to Angola to diagnose financial problems, following support requested by the Angolan Executive for an unfunded programme under the Policy Coordination Instrument (PCI);

23 April 2018 **Luanda (Angola)** *Angop* General **António Egídio de Sousa Santos** appointed to the position of Chief of Staff of the **Forças Armadas Angolana**, replacing Gen. **Geraldo Sachipengo Nunda**;

18 April 2018 **Ministry of Finance (Angola)** *Angop* Finance ministry announces that Angolan government requests support from IMF for an unfunded programme dubbed the Policy Coordination Instrument (PCI) to assist in the implementation of the measures contained in the Macroeconomic Stabilization actions initiated in January 2018;

17 April 2018 **Angola (Washington)** *World Economic Outlook* The IMF predicts a growth of about 2.2% in Angola in 2018 and 2.4% in 2019.