

AFRICA RISK CONSULTING

Angola Monthly Briefing August 2018

Angola Summary 14 August 2018

Angola can point to a major long-term foreign affairs success, after President Joseph Kabila (2001-present) agrees not to seek an illegal third term as president of the Democratic Republic of the Congo (DRC). However this by itself will not resolve the problems along the Angola-DRC border. Sonangol, France-based Heliconia and Canada-based CHC Helicopter sign agreements to relaunch ailing SonAir. Disappointing year-end financial results for South Africa-based supermarket chain Shoprite are at odds with the recent trade talks between Angola and South Africa before the BRICS summit in Johannesburg (South Africa).

Lourenço scores high in DRC diplomacy

The **Democratic Republic of the Congo's (DRC)** President **Joseph Kabila** (2001-present) made a 24-hour working visit to **Luanda** on 2 August at the invitation of President **Joao Lourenço** (2017-present), to discuss progress towards the delayed presidential elections in the DRC. Lourenço, who is the acting chairperson of the **Southern African Development Community (SADC) Political, Defense and Security Cooperation Body**, said after the meeting:

*"We find that the process of organizing elections is proceeding peacefully with all the steps to be taken. We can welcome this information from President Joseph Kabila."*¹

Lourenço's bland statement belied the level of Luanda's concerns. This was considerably more than a courtesy visit by President Kabila. Dr **Alex Vines** of the **Royal Institute for International Affairs, Chatham House** notes that a stable and predictable DRC is Luanda's most important foreign policy objective:

*"Angola has positioned itself to be the primary external player in **Kinshasa's** elite politics. What happens in the DRC is a major, longstanding strategic concern for Angola – and Luanda invests more deeply in strategic thinking on Congo than most of its neighbours. On the DRC, Angola is an essential stakeholder and special envoys on Congo and the **Great Lakes** region, opposition politicians and Congolese officials regularly visit Luanda."*²

Relations between the DRC and Angola have deteriorated as the security situation in the DRC worsened, particularly when Kabila failed to step down as president of the DRC ahead of elections planned for December 2016. Angola used its membership of the **UN Security Council** to support stronger resolutions against the DRC in 2015 and 2016, and withdrew its military trainers from the DRC in December 2016.³ In 2017, communal and political violence in DRC's **Kasai Region** led to a major influx of 32,000 refugees into Angola, some of whom

¹ Angop, 2 Aug 2018

² Alex Vines, Chatham House, 21 Aug 2017

³ RIIA 2 August 2017

began to be repatriated in early 2018.⁴ Angola and the DRC share a 1,200km-long border and in addition to refugees, DRC nationals cross illegally to dig for diamonds on the adjoining areas, or legally to visit markets – and family – in Angola. A few days before Joseph Kabila’s visit, 437 DRC nationals had been arrested for border violations.⁵

During his June visit to **France**, Lourenço said his government is monitoring the political situation in the DRC. Lourenço also acknowledged the possibility of some form of defensive intervention in the DRC, but said “*any intervention would be made in the interest of stability for all*”.⁶

On 8 August, the last day for registration as a presidential candidate in the DRC, Joseph Kabila finally announced he would step down as president of the DRC.⁷ It is likely that Lourenço conveyed SADC’s security concerns and Angola’s willingness to support any action by SADC.

President Lourenço can point to a major long-term foreign affairs success for Angola, insofar as his intervention has been effective in persuading Joseph Kabila to step down. However this by itself will not resolve the problems along the Angola-DRC border. Whether internal violence in the DRC and consequent major refugee issues in Angola and the potential for destabilisation of the border regions will reduce now that Kabila has agreed to go is not yet clear. Angola has to build relations with whomever succeeds Kabila.

Sonangol helicopter deal raises concerns of continuing cronyism in Angola

State-owned gas company **Sociedade Nacional de Combustíveis de Angola, E.P. (Sonangol EP)** announced on 3 August that it is to regenerate its ailing airline, **SonAir Serviço Aéreo, S.A (SonAir)**.⁸ Sonair is principally a provider of onshore and offshore helicopter services to Angolan oil facilities. It operated a shuttle service to the oil rigs and **Cabinda**⁹ but the helicopter service, consisting of Super Puma EC 225 and Sikorsky S-76C helicopters, was halted due to international air safety concerns related to the Super Pumas and limited local maintenance service capacity for the Sikorsky equipment.¹⁰ The helicopter service resumed only partially in 2014.¹¹

The agreement between Sonangol and a consortium consisting of two companies that specialise in offshore helicopter services, **France-based Heliconia** and **Canada-based CHC Helicopter**, is in two phases. The first is a full internal evaluation of SonAir in terms of organisation, processes and systems, and the second is, potentially, the formation of a joint venture with Sonair to re-launch its service. The priority is to find urgent solutions for a full service to the oil operators.¹²

Sonangol board chairman **Carlos Saturnino**, and Heliconia president **Daniel Sigaud**, a long-standing business associate of Saturnino, signed the agreement. Sigaud and Saturnino were both directors of **United Kingdom (UK)-based Gbi Consulting**, from which Saturnino resigned in 2016.¹³ When Saturnino became director of Gbi, he was director of **Sonangol**

⁴ Reliefweb 15 Jan 2018

⁵ Angop 31 July 2018

⁶ Euronews 6 June 2018

⁷ Angop 08 August 2018

⁸ Angop 03 August 2018

⁹ Heli-Hub 7 Oct 2015

¹⁰ US Department of Trade July 2017

¹¹ Heli-Hub

¹² Angop 03 August 2018

¹³ <https://beta.companieshouse.gov.uk/company/03402290/officers>

Integrated Logistic Services, Lda (Sonils)¹⁴ and chairman of Sonangol's operations committee.¹⁵ Sonils is Luanda's oil service base, operated in a joint venture between the **Nigeria-based Orlean Invest Group** and Sonangol since 1995.¹⁶ There is no indication as to why GBi existed at all, or why Saturnino should be a director, but GBi was a longstanding UK vehicle for Orlean Group principals.

Sigaud was a director of Orlean Invest, well known in Luanda and a director of group companies in Nigeria. Sigaud was also a director of the group's UK arm, **Orlean Invest Services Ltd**, until January, together with **Gabriel Volpi** and **Gian-Angelo Perucci**, founder of the Orlean Invest Group, as well as **Giovanni Marini**, who was the group's director in Luanda.¹⁷

The Orlean Group is well known for operating oil bases and providing oil services in Angola and Nigeria. It is a major offshore conglomerate, whose practices in Nigeria were called into question by a **US Senate** investigation in 2010, concerning a blind trust for shares in the Intels Group (Orlean Group company) owned by **Atiku Abubakar**, previously vice-president of Nigeria.¹⁸ This was the highest profile allegation of corruption made against this group, but there is a history of concerns well known to oil analysts.

Sigaud is president of the Heliconia group, which was set up in 2004, has its headquarters in **Luxembourg** and its operational bases in France.¹⁹ The company has been operating in **Morocco, Senegal, Gambia** and other **African** countries, offering helicopter services to oil and mining companies. It is likely to be affiliated to the Orlean group.

There is no question that both Heliconia and CHC Helicopters are technically competent, but the close business relations between Sigaud and Saturnino raise questions of conflicts of interest at a minimum. Sonangol is to be restructured starting in September, and Saturnino himself may not survive as head of Sonangol. According to an ARC source who works with oil companies in Angola,

"Saturnino might not survive. He has too many bodies buried, millions stashed away...There is the possibility of scrapping the whole company and starting afresh."

The question is whether this deal will demonstrate that Sonangol is not changing fast enough and lead to a decision to remove Saturnino next month. It may also revive the idea of replacing Sonangol with a national oil agency. This deal also demonstrates that changing the business culture in Angola, and Sonangol in particular, is a long-term proposition.

Angola-South Africa trade

Lower than expected results for **South Africa**-based supermarket chain **Shoprite** are at odds with the recent push by South Africa to increase trade links with Angola. The major food retailer announced in July that devaluation of Angola's national currency, the kwanza, by 50% in Angola since the beginning of 2018, combined with what the retailer called "*hyperinflation*" in Angola, have dragged down Shoprite's full-year revenue, with a 3.3%

¹⁴ Imprensa Nacional Angola

¹⁵ <https://beta.companieshouse.gov.uk/company/03402290/officers>

¹⁶ SONILS.co.ao/history

¹⁷ <https://beta.companieshouse.gov.uk/company/03402290/officers>

¹⁸ US Senate Permanent Subcommittee on Investigations; Foreign Corrupt Practices Report July 2010.

¹⁹ Afrimag No 115 Feb 2018

lower than expected growth in earnings.²⁰ Despite this, Angola, where Shoprite has 30 supermarkets, still accounted for the largest share of non-South African sales for the group.²¹

Inflation in Angola stood at 19.01% year-on-year in July of 2018, down from a high of 26.25% in October last year.²² There was a major devaluation of the kwanza in January, by 10%, when Angola announced it would abandon the dollar peg for the kwanza.²³ Despite this, the black market rate for the dollar hit 430 kwanza, more than double the official rate of 187.95.²⁴ Today, the official exchange rate is Kw267.73 to the dollar²⁵, with a street rate of about 33% higher than the official rate.²⁶ The **Banco Nacional de Angola (BNA)** (central bank) has kept a tight rein on the money supply.²⁷ While Angola has very high inflation, the trend is downwards. Hyperinflation is typically much higher; in Angola in the mid 1990's it was over 4,000%.²⁸

Shoprite is not intending to pull out of Angola, and is building a new store in **Mbanza Congo (Zaire Province)**.²⁹ Last year Shoprite said Angola, where it had purchased a distribution centre to improve supply chain efficiencies, offered significant growth potential despite concerns about currency depreciation.³⁰

In mid-July, a South African trade delegation arrived in Luanda for a five-day visit, led by South African deputy trade and industry minister **Bulelani Magwanishe**, accompanied by 20 South African companies funded by the trade and industry department. Sectors represented were aerospace, defence, built environment, mining products and services, and infrastructure.³¹

South African exports to Angola were valued at \$580.79m during 2017, according to the **United Nations COMTRADE** database on international trade. South Africa exported, among other goods, foodstuffs and beverages, chemicals, plastic products, leather goods and textiles to Angola in 2017. Angolan exports to South Africa are entirely oil and petroleum based.³²

Trade relations between Angola and South Africa had historically been much less dynamic than might be expected. In part this is because the protocols related to the SADC free trade zone are still being negotiated.³³ Speaking on the margins of the **BRICS Summit in Johannesburg** (South Africa), Angola's trade representative in South Africa, **Videira Pedro**, said:

"Trade relations between the two nations have improved; the increased balance of trade recorded in 2016 and 2018 was thanks to the investments made by the South African supermarket chain Shoprite"³⁴

²⁰ Reuters 18 July 2018

²¹ Business Day 18 July 2018

²² Trading Economics: Angola Inflation rate 2018

²³ Bloomberg market news 9 Jan 2018.

²⁴ Bloomberg market news 9 Jan 2018.

²⁵ BNA, 14 Aug 2018

²⁶ Bloomberg market news, 3 Jul 2018.

²⁷ Bloomberg market news, 3 Jul 2018.

²⁸ Source: Frequent visitor to Angola

²⁹ Trendtype 13 May 2018

³⁰ Business Day 18 July 2018

³¹ IOI 16 July 2018

³² Angop 25 July 2018

³³ Angop 23 July 2018

³⁴ Angop 25 July 2018

Shoprite's drop in expected earnings has come at a bad time for the development of better trade relations between South Africa and Angola. Both countries now appear committed to improving trade, after decades of a lukewarm relationship. Shoprite has shown there is a good market in Angola for South African goods, but fears of increasing inflation may impact on other businesses wanting to set up in Angola. These fears are perhaps not well founded; the inflation rate has been decreasing over the last months, and does not equate to hyperinflation.

Planner

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

2021: Next national elections in Angola

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

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

Sep 2018: President of Portugal, António Costa, to make State visit to Angola;

Sep 2018: Baroness Lindsay Northover, UK Special Envoy for Trade with Angola, to visit and discuss Angola's application to join Commonwealth.

8 Sep 2018: The sixth extraordinary congress of the ruling Movimento Popular de Libertação de Angola (MPLA) party will be held, at which José Eduardo dos Santos is expected to resign as head of the MPLA and be replaced by President Joao Lourenço.

Chronology

9 Aug 2018 **Ondjiva (Angola)** *Angop*. Two Angolan nationals are arrested in **Cunene Province**, in possession of 163,400 in fake US dollars;

8 Aug 2018 **Luanda (Angola)** *Lusa* An attempt to defraud the state of \$50 billion is referred to Angola's Supreme court for trial. Among the 11 accused is former **Forças Armadas Angolanas (FAA)** chief of staff **Geraldo Sachipengo Nunda**;

7 Aug 2018 **BNA (Angola)** *Reuters* Angola's net foreign exchange reserves rose to \$13.68 billion in July from a revised \$13.26 billion in June;

3 Aug 2018 **Catoca (Angola)** *Angop* New director-general of major diamond mine **Catoca Mining Company Ltd**, **Benedito Paulo Manuel**, is appointed for 3 years;

2 Aug 2018. **(DRC)(Angola)** *Angop* President **Joao Lourenço** meets President **Joseph Kabila** in **Luanda** to discuss December's elections in the DRC;

31 Jul 2018 **UK [Angola]** *Reuters* A \$3 billion global asset freeze order obtained by Angola's sovereign wealth fund against its **Swiss** asset manager **Quantum Global** is lifted in a ruling by **London's High Court**. The judge grants a new temporary injunction for a reduced amount of \$560m to allow time for an application by the fund for leave to appeal directly to the UK Court of Appeal;

30 Jul 2018. **ECOWAS [Togo]** *Angop* Angola's vice-president, **Bornito de Sousa**, attends the Joint Summit of Heads of State and Government of the **Economic Community of West African States (ECOWAS)** and the **Economic Community of**

Central African States (ECCAS);

30 Jul 2018 **Luanda (Angola)** *Angop* The Attorney General's office in Luanda says that **Isabel dos Santos** has ignored its notification to provide clarification on her management as the head of the national hydrocarbons concessionaire;

27 Jul 2018 **Luanda (Angola)** *Reuters* **France**-based energy group **Total** says it has started production at the **Kaombo** project, the largest deep offshore development in Angola, which will initially produce an estimated 115,000 barrels of oil per day;

27 Jul 2018 **(Angola)** *Reuters* **Banco Millennium BCP** posts a consolidated net profit of 67.5%, to €150.6m (\$173.6m) in the first half of 2018. Millenium ceased paying dividends to shareholders in 2011;

26 Jul 2018 **Luanda (Angola)** *Angop* Forestry resources secretary of state **André de Jesus Moda** says that Angola is still a transit zone for illegal traffic or trade in ivory, rhinoceros horn, pangolin scales, gorillas and wild birds;

23 Jul 2018 **Luanda (Angola)** *Angop* Sonangol reaffirms that it is increasingly focused on the exploration and production of hydrocarbons, dismissing the idea that it will stop producing oil by selling some assets;

19 Jul 2018 **Pretoria (South Africa)** *Angop* Angola attends the Trade Negotiation Forum of the **Southern African Development Community (SADC)** to discuss protocols on future commercial exchanges and trade services;