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Corruption investigations in Luanda are targeting ex-ministers including former Luanda Provincial governor Francisco Higino Carneiro. President João Lourenço's (2017-present) government is taking steps to claw back from elite players companies set up using state guarantees. Transparency International has not upgraded Angola's ranking in its Corruption Perceptions Index this year, despite the extensive steps the government is taking to rein in corruption and prosecute the perpetrators. Three small banks have been declared bankrupt under new rules for capital, and United States-based ratings agency Fitch believes more closures of smaller underperforming banks must follow.

Corruption in Angola: new investigations and prosecutions target ex-ministers

Major new corruption investigations in Luanda are targeting ex-ministers and reaching into the current government. President **João Lourenço's** (2017- present) government has opened a new initiative to claw back companies set up using state guarantees, or that were improperly transferred to private players. During February, two new major investigations have been referred to the **Tribunal Supremo de Angola** (supreme court), and a third is pending:

- The former provincial governor of **Luanda**, General **Francisco Higino Carneiro**, was charged as a defendant in a case of alleged mismanagement during his tenure as governor between 2016 and 2017.¹ Details have yet to be released. This is one of several investigations into Carneiro, who was public works minister between 2000 and 2010. Investigations are continuing into his conduct as minister; allegedly these concern fraudulent contracts agreed during his tenure and valued at \$100m.²
- Former transport minister **Augusto Tomás** and other co-defendants being prosecuted in this case omitted the name of one of the firms benefiting from the investment of \$9.6m that the **Conselho Nacional de Carregadores (CNC)** (national council of loaders) made in the purchase of 8% of the shares belonging to **ASGM-Automóveis de Angola SA**, a limited liability company whose corporate purpose is the assembly of vehicles (semi knocked-down, SKD) of the **Volkswagen** brand.³
- One new case is likely to cause political problems for President Lourenço. The attorney general's office is investigating the secretary general of the ruling **Movimento Popular de Libertação de Angola (MPLA)** and ex-governor of **Bié Province**, **Álvaro Manuel de Boavida Neto**, for crimes of embezzlement and breach of budgetary rules during his administration. Two of his closest associates have been

¹ Observator, 12 Feb 2019

² Kwacha Unita Press, 10 Aug 2018

³ Novo Jornal, 4 Feb 2019

arrested but Boavida Neto currently has immunity after being elected a parliamentary deputy in 2017.⁴

Further new measures against corruption are emerging. The government is clawing back entities that were set up using state money and guarantees, following analysis by a working group set up by President Lourenço to probe such assets, both inside and outside Angola.⁵ Companies set up by General **Helder Vieira Dias Jr ‘Kopelipa’**, General **Leopoldino Fragoso do Nascimento ‘Dino’**, **Manuel Vicente**, and **Carlos Feíjo** are the first to be confiscated and returned to the state.⁶ According to a source in the president’s office:

*“These are companies that are outside the authority of the authorities and the engineering used was the same that [head and major shareholder of the Switzerland-based **Quantum** group that managed much of the **Fundo Soberano de Angola (FSDEA)** (Angola’s sovereign wealth fund)’s \$5 billion assets] **Jean Claude Bastos Morais** set up to seize the Sovereign Fund.”⁷*

The companies include:

- Bio-energy company **Companhia de Bioenergia de Angola (Biocom)** (General Dino),
- Milling company **Grandes Moagens de Angola** (Carlos Feíjo), and
- **Média Nova** (Kopelipa, Dino, Manuel Vicente).

The **Mabubas** and **Lomaum** dams will also be returned to the state.⁸ In addition, the government wants to return the \$90m **Kilamba** sports arena in Luanda, built in 2013, to the youth ministry. **Gonçalves Muandumba**, previously minister of youth and sports, had transferred ownership of the sports arena to **Federação Angolana de Basquetebol (FAB)** (Angolan basketball federation) president **Hélder Martins da Cruz**.⁹

Investigations, prosecution and confiscations in Angola are now reaching more of the most egregious players. MPLA players are clearly implicated and new cases are reaching into Lourenço’s government. It is these more difficult cases that will be a major test of the government’s sincerity in attempting to reduce corruption.

Transparency International keeps Angola’s corruption ranking at previous level

Despite the Lourenço government’s extensive anti-corruption initiatives, international anti-corruption watchdog **Transparency International (TI)** did not upgrade Angola’s ranking in its **Corruption Perceptions Index** this year:

*“With a score of 19, Angola [has] increased four points since 2015. President João Lourenço has been championing reforms and tackling corruption since he took office in 2017, firing over 60 government officials, including **Isabel dos Santos**, the daughter of his predecessor, [former president] **Eduardo dos Santos** [1979-2017]. Recently, the former president’s son, **Jose Filomeno dos Santos**, was charged with making a fraudulent \$500m transaction from Angola’s sovereign wealth fund. However, the problem of corruption in Angolan goes far beyond the dos Santos family. It is very*

⁴ Club-K Net, 31 Jan 2019

⁵ Expresso, 30 Jan 2019

⁶ Expresso, 30 Jan 2019

⁷ Expresso, 30 Jan 2019

⁸ Expresso, 30 Jan 2019

⁹ Club-K Net, 4 Feb 2019

important that the current leadership shows consistency in the fight against corruption in Angola.”¹⁰

TI’s statements on Angola appear somewhat out of date; it has not updated its Angola page on its website for almost year.¹¹ TI appears not to have taken into account the extensive major anti-corruption moves that have been headline news since the above events took place during late 2017 and early 2018; newer actions rather obviate the statement concerning consistency. In addition to the new prosecutions reported above, these anti-corruption actions include:

- The voluntary repatriation of stolen assets held abroad, followed by forcible repatriation of those assets not brought back;
- Restructuring state-owned gas company **Sociedade Nacional de Combustíveis de Angola, EP (Sonangol EP)**, which will reduce the Angolan rentier oil firms and future opportunities for corruption in the most important economic area in Angola (see *ARC Briefing Angola December 2018*);
- New, more transparent diamond sales system, which has excluded Isabel dos Santos as almost the sole privileged buyer and allows mines the right to sell 60% of their production (see *ARC Briefing Angola January 2019*);
- Extensive investigations and prosecutions of other players by the Attorney General’s Office;
- A rather more transparent media, reporting on corruption, human rights and other issues and a stronger legal system, leading to stronger institutions in the long term, if all the reforms are carried through – these are just beginning and a longer view is warranted;
- The will to devolve power in local elections next year, and a more inclusive approach to opposition groups than under the previous regime.¹²

Transparency International CPI Rankings for Angola¹³					
	2018	2017	2016	2015	2014
Ranking	165/180	167/180	164/176	163/168	161/175
Score	19	19	18	15	19

It is very likely that TI has rated Angola a little too low on its scale this year. In its 2018 survey, TI ranked Angola 165 out of 180 countries, only one point up from 2016, and the same ranking as in 2014, despite the major changes taking place. There can be no doubt that Angola’s anti-corruption policies are not simply about the dos Santos family.

¹⁰ Transparency International Corruption Perceptions Index 2018

¹¹ See <https://www.transparency.org/country/AGO>

¹² ARC source’s analysis

¹³ Transparency International Corruption Perceptions Index 2018

It is still an open question whether Angola will bring about the structural and institutional changes that will allow a more democratic approach to develop. There is also a clear need to focus on the culture of corruption that has prevailed. Angola's focus has been on grand corruption so far, but the petty corruption that pervades is as damaging and as likely to impede progress. It would be useful if TI could update its analysis of Angola and focus on progress of the policies in more detail. Caution in setting Angola's ranking is warranted but a deeper analysis is required.

Banking sector reform in Angola gathers pace but sector remains weak

United States (US)-based credit ratings agency **Fitch** has said in a recent note to markets that reforms to improve banking in Angola are already starting to show results, but that the sector will remain weak and fragmented in coming years.¹⁴ Fitch recommends that smaller, weaker banks be closed or consolidated.¹⁵ Angola has 27 banks currently in operation, with the top five controlling more than 80% of deposits. These are **Banco Angolano de Investimentos, Banco Economico, Banco de Fomento Angola, Banco de Poupança e Crédito** and **Banco BIC Angola**.¹⁶ Fitch noted the continuing weak capitalisation of many banks:

*"These requirements are still low by international standards, and so we expect the sector remains weak and fragmented in the foreseeable future."*¹⁷

The **Banco Nacional de Angola (BNA)** (central bank) tripled the capital requirements for Angolan banks last year.¹⁸ Under its macroeconomic stabilisation plan, banks had to hold 7.5 billion kwanza (KW)(\$35m) of reserve capital by the end of 2018.¹⁹ Additionally, the BNA instructed banks to increase their minimum capital stock to KZ 7,500m (\$24m) to ensure adequate levels of solvency and liquidity.²⁰ Three banks had failed to meet the new norms by the end of 2018 and have been declared non-compliant and closed as a consequence. The most recent bankruptcy was that of **Banco Angolano de Negócios e Comércio (BANC)**, headed by General **Kundi Paihama**, ex-head of the **Forças Armadas Angolanas (FAA)** (Angolan army), also a principal shareholder. The bank will now be made formally bankrupt.²¹ BANC had negative equity of KZ5.8 billion (\$18.52m) in mid 2018, needing a KZ14.1 billion (\$13.9m) injection of 'fresh money' to comply with central bank legislation. At the time of closure, the bank had KZ17.4 billion (\$55.5m) in deposits.²² The BNA said there was:

*"... a verified significant deterioration of the financial indicators and the inability of BANC to meet their responsibilities in the national payment system ... and ... an inadequate governance model in view of the risks incurred and serious financial deficiencies, resulting in the technical bankruptcy of the BANC."*²³

¹⁴ Lusa, 6 Feb 2019

¹⁵ Fitchratings, 23 Mar 2018

¹⁶ Fitchratings, 23 Mar 2018

¹⁷ Lusa, 6 Feb 2019

¹⁸ Lusa, 6 Feb 2019

¹⁹ Fitchratings, 23 Mar 2018

²⁰ BNA Bulletin, March 2018

²¹ Lusa, 6 Feb 2019

²² Lusa, 6 Feb 2019

²³ BNA, 11 Jan 2019

The BNA announced the closure of **Banco Mais** and **Banco Postal** operations on 4 January, for the same reasons of non-compliance.²⁴ Banco Mais, which opened in 2015, had links to José Filomeno dos Santos,²⁵ while Banco Postal had as a shareholder **Eduardo Danielo dos Santos**, another of the sons of ex-President Jose Eduardo dos Santos.²⁶

Fitch says the closure processes have run smoothly and without problems for customers, who "were able to withdraw deposits or transfer to other accounts".²⁷ Fitch had previously expressed concerns that single-person loans and deposit concentration are high,

"...exposing banks to a considerable risk of financial default in case of default and liquidity risk in the event of sudden withdrawals of money".²⁸

Fitch notes that Angola has too many banks for a country with a population of 25 million and expects more closures or consolidation of many of the smaller banks. Clearly the BNA is also concerned about their viability and governance but can take little action until a bank approaches insolvency. Forcing the increase in bank reserves and shareholder capital has already had some results and it is likely these are the first closures, with 22 smaller banks potentially at risk. There appears little appetite for bank mergers in Angola, which could amalgamate smaller banks.

Planner

Early 2019: **(Angola)** National assembly to pass law covering foreign nationals resident in Angola, following **Conselho de Ministros** (council of ministers) approval of a new national migratory policy;

Q2 2019 **(Angola)** The government will issue eurobonds worth \$2 billion (622.2 billion kwanzas) in the second quarter of 2019, its third eurobond issue;

2019 **Saurimo (Angola)** New diamond hub will open, comprising a diamond cutting and polishing factory, a professional technical training school and supporting institutions and industries;

2019 **(Angola)** Sell-off of **Sonangol** assets continues until end of 2019;

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. No trial dates are known as yet;

June 2019 **(Angola)** 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 **(Angola)** New oil bidding round expected to be opened;

2020 **(Angola)** Luaxe kimberlite mine, managed by **Russia-based Alrosa**, begins production;

2020 **(Angola)** First local and municipal elections;

²⁴ Novo Jornal, 5 Jan 2019

²⁵ Novo Jornal, 5 Jan 2019

²⁶ Novo Jornal, 5 Jan 2019

²⁷ Lusa, 6 Feb 2019

²⁸ Lusa, 6 Feb 2019

2021 **(Angola)** National elections;

2022 **(Angola)** End date for **Banco Poupanca e Credito's** recovery plan.

Chronology

13 Feb 2019 **Luanda (Angola)** *Angop* President **João Lourenço** moves **Paulino Fernando de Carvalho Jerónimo** from the post of secretary of State for Petroleum to CEO of the recently established **Agência Nacional de Petróleo e Gás (ANGP)** (national petrol and gas agency). New board members of the agency are **Belarmino Emílio Chitangueleca, César Paxi Pedro, Natacha Alexandre Tavares Ferreira Monteiro Massano** and **Gerson Henda Baptista Afonso dos Santos**;

12 Feb 2019 **Luanda (Angola)** *Angop* The report on the 2016 government General Account is approved for submission to the plenary of the National Assembly, together with recommendations made by the Audit Court. Minor opposition party **Convergência Ampla de Salvação de Angola - Coligação Eleitoral (CASA-CE)** noted that the account presents expenses that are higher than the revenues;

12 Feb 2019 **Luanda (Angola)** *Angop* President **João Lourenço** dismisses **Miguel Damião Gago** as board director of the **Fundo Soberano de Angola (FSDEA)** (sovereign wealth fund). Gago was appointed to replace **José Filomeno dos Santos** in January 2018;

11 Feb 2019 **Luanda (Angola)** *Angop* Trade between Angola and **China** was more than \$26 billion in 2018, with China predicting an increase in 2019, due to increased bilateral relations;

7 Feb 2019 **Luanda (Angola)** *Lusa* **Millennium Bank Atlântico** and **German Commerzbank** sign a €30m (\$33.8m) financing line in Luanda to support projects related to Angola's economic diversification;

7 Feb 2019 **Stockholm (Sweden)** *Angop* Angolan entrepreneurs and Swedish investors and diplomats meet in Stockholm to identify new areas of cooperation for increasing turnover between the two countries;

6 Feb 2019 **Luanda (Angola)** *Lusa* Finance minister **Archer Mangueira** opens the **Autoridade Reguladora da Concorrência (ARC)** (competition regulatory authority); its role is to regulate effective competition and promote competitiveness and efficiency in the production and distribution of goods and services;

6 Feb 2019 **Washington (United States)** *Lusa* Independent watchdog **Freedom House** says President **João Lourenço** has taken notable steps against corruption and impunity, reducing the disproportionate influence of his predecessor's family and ensuring greater independence of the courts, but ranks Angola as non-free, achieving only 31% across measures of freedom, civil rights and political rights;

6 Feb 2019 **Luanda (Angola)** *Angop* **Italy's** president, **Sergio Mattarella**, arrives for a three-day state visit to analyse and strengthen bilateral relations; Italy-based oil company **ENI** is a major player in oil exploitation in Angola;

5 Feb 2019 **Luanda (Angola)** *Angop* President **João Lourenço** meets with new

Democratic Republic of the Congo (DRC) president, **Felix Tshisekedi**, in a three-day state visit to Luanda, to discuss cooperation in security and economic fields between Angola and the DRC as priorities and the problems of returning Congolese nationals illegally present in Angola;

5 Feb 2019 **Luanda (Angola)** *Expansão* **Banco Nacional de Angola (BNA)** (central bank) governor **José Massano** says the BNA is unaware as yet of the exact amount of monies repatriated under the Repatriation Law, noting that it is not always possible to distinguish between money repatriated in normal transactions and monies returned under the repatriation law;

4 Feb 2019 **Luanda Angola (Lusa)** The **Tribunal Constitucional** (constitutional court) denies appeal against his pre-trial detention by the former **Fundo Soberano de Angola (FSDEA)** (sovereign wealth fund) president **José Filomeno dos Santos** and rules that he must remain in detention since the judgment of the Supreme Court did not violate any principle of the rights enshrined in the constitution;

2 Feb 2019 **Luanda (Angola)** *Lusa* Defence minister **Salviano Sequeira** acknowledges two government contracts with **Privinvest Shipbuilding Investments LCC**, a company indicted in the **Mozambique** debt scandal. The contracts, signed in 2016 and worth over \$565m, provide for the construction of a shipyard and 17 naval ships;

30 Jan 2019 **Luanda (Angola)** *Angop* Angola exported just over 92,211 metric tonnes of crude-oil in the last quarter of 2018, yielding a revenue of just over \$39.5m, a considerable reduction in relation to the third quarter of 2017, worth \$154.9m, due to falling oil prices;

31 Jan 2019 **Namibé Province (Angola)** *Angop* The former commander of the Civil Protection and Fire Services in Namibé Province, **Alberto Domingos Mendes Machado**, is sentenced to 16 years in prison for embezzlement, corruption and abuse of power;

28 Jan 2019 **Luanda (Angola)** *Angop* Mineral resources and oil minister **Diamantino Azevedo** says that at least 40 companies are registered to participate in Angola's first rough diamond auction in February;

25 Jan 2019 **Luanda (Angola)** *Lusa* Angola decriminalises same-sex relationships and makes discrimination against people on the basis of sexual orientation punishable by law;

25 Jan 2019 **Luanda (Angola)** *Angop* Angola approves agreements with the **United Arab Emirates (UAE)**, **Portugal** and **China** that eliminate double taxation and aim to prevent tax evasion;

24 Jan 2019 **Luanda (Angola)** *Angop* The **Assembleia Nacional** approves Angola's new Penal Code which replaces the previous Portuguese colonial penal code after 132 years;

23 Jan 2019 **Luanda (Angola)** *Angop* Angolan private sector bank credit represents only 14% of GDP (\$102 billion) in 2017; Minister of State for Economic and Social Development **Manuel Nunes Júnior** calls for support for commercial banks so that credit for the economy can increase;

22 Jan 2019 **Luanda (Angola)** *Angop* **Turkey's** ambassador to Angola, **Alp Ay**, wants to negotiate the establishment of an air link between the Turkish capital **Ankara** and Luanda;

17 Jan 2019 **Luanda (Angola)** *FRESAN* Angola's **Food Resilience and Nutrition Security Programme (FRESAN)** says that 1.1 million Angolans living in the southern provinces of **Huíla**, **Namibe** and **Cunene** are affected by drought as a result of climate change;

17 Jan 2019 **Luanda (Angola)** *Angop*. **German** ambassador **Dirk Lolke** says Germany wants to increase investment in energy and technology and health; an energy and economy commission from the German parliament is to visit Angola during February.

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