

AFRICA RISK CONSULTING

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Angola Summary 13 January 2021

Angola's parliament approves the 2021 Orçamento Geral de Estado (general state budget), with two opposition groups voting against it. The 2021 budget is based on an oil price of \$39 a barrel, and assumes government expenses and revenues of 14.7 trillion Kwanzas (\$22.4 billion). An accumulated inflation rate of 18.7% and growth of non-oil product of 2.1% are expected. Social sectors and economic development and investment are the largest budget sectors, with 39.5% and 15.5% respectively, although social expenditure is 1% lower than in 2020. The International Monetary Fund (IMF) has agreed a disbursement of \$487.5m to Angola after completing a fourth review of Angola's \$3.7 billion loan programme and following the passing of Angola's budget, noting that it includes non-oil revenue gains and restraints on non-essential expenditures. Businesswoman and daughter of former president José Eduardo dos Santos (1979-2017), Isabel dos Santos, is attempting to regain her voting rights over her 42.5% shareholding in Portugal-based Eurobic Bank after Lebanese banker and oil magnate Roger Tamraz offered to buy her shareholding. Dos Santos delivered invoices and documents to the Portuguese prosecutor's office in mid December, alleging to show that a company linked to her used Angolan state-owned oil company Sonangol's disputed \$135m to pay consultants, as she claimed at the time, and that the payments were not fraudulent.

Parliament approves national budget for 2021...

Angola's parliament has approved the 2021 **Orçamento Geral de Estado (OGE)** (state budget), with two opposition groups voting against the budget.¹ The 2021 budget is based on the price of a barrel of oil of \$39, expenditure of 8.9 trillion kwanza (AKz) (\$13.5 billion) in 2021 and earnings of AKz7.9 trillion (\$12.1 billion)². An accumulated inflation rate of 18.7% and growth of non-oil product of 2.1% are expected.³ Despite the limited budget, social sectors and economic development and investment are the largest budget sectors, with 39.5% and 15.5% respectively, although social expenditure is 1% lower than in 2020.⁴

Angola's 2021 strategy is for state focus on the social sector and bringing in private investment where it cannot meet development needs. The government has retained fuel and other price subsidies at present, despite agreeing with the **International Monetary Fund (IMF)** that it would end domestic fuel subsidies. Finance minister **Vera Daves de Sousa** said the removal of domestic subsidies would be cautious:

"We want to prevent the impact from being too strong, we want to ensure that the impact [on prices and the consumer] is as small as possible." ⁵

The maintenance of fuel subsidies across a range of sectors aims to avoid an increase in prices and costs of maritime, port, fishing, agricultural and related activities. A subsidised litre of diesel costs 120 kwanzas (18 cents) while petrol is 160 kwanzas (24 cents).⁶

¹ Angop, 14 Dec 2020

² Focus Economics, 15 Dec 2020

³ Jornal de Angola, 14 Dec 2020

⁴ Angop, 14 Dec 2020

⁵ Angop, 14 Dec 2020

⁶ Angop, 14 Dec 2020

Slightly increased oil revenues due to higher oil prices have allowed for an increase in parts of the social budget this year. The executive allocated 5.6% of the budget to health and 6.83% to education, an approximate weight of 12.5% of the 2021 OGE but still low compared to real need.⁷ Angola's oil revenues were estimated to reach AKz 3.7 billion (\$56.28m) by the end of 2020, with the rising price of crude on the international market influenced by the start of vaccination against **COVID-19**.⁸

The budget for the economy and planning sectors focuses on the increase of domestic production, mainly promoted by the private sector, not public resources. Secretary of state for planning **Milton Reis** said necessary increases in national production and import substitution, especially of the high consumption goods that the country has capacity to produce, were partly dependent on drawing financing from the private sector, and the government is looking for private sector support to foster diversification of the national economy and sustainable economic development:⁹

*"Public resources will be used to reorganise activities to promote access to credit and increase national production."*¹⁰

Opposition parties **Uniao Nacional pela Independência Total de Angola (UNITA)** and **Convergência Ampla de Salvação de Angola-Coligação Eleitoral (CASA-CE)** voted against the budget.¹¹ The CASA-CE parliamentary group said that 2021 OGE is *"incapable and inadequate"*

*"... to reduce the condition of extreme poverty and misery in which a good number of Angolans are immersed. The payment of the national debt and the respective interest consumes a good part of the pie."*¹²

United States (US)-based ratings agency **Fitch Ratings** also expressed concerns over the high debt level:

"Angola's rating now incorporates the real possibility of a default event resulting from the high level of public debt. ...Angola's overall debt burden may mean that the IMF can no longer approve remaining programme disbursements, or agree to a follow-on programme once the current programme ends in 2021, without significant debt restructuring that includes private-sector participation."

The IMF's new disbursement, below, represents both approval of the 2021 budget's privatisation plans and provides the economic lifeline that may enable Angola to attract necessary investment.

... and IMF agrees \$487.5m disbursement

The IMF on 11 January agreed a disbursement to Angola of about \$487.5m after completing a fourth review of the country's \$3.7 billion loan programme and following the passing of the budget. The IMF noted that the December budget includes non-oil revenue gains and restraints on non-essential expenditures, and that:¹³

*"[Angolan authorities] have maintained a robust policy response in the face of these challenges and remain resolutely committed to the program."*¹⁴

Finance minister Vera Daves de Sousa said she expected more than \$700m in the next IMF tranche, after securing three years of payment relief from **Chinese** creditors.¹⁵ Fitch Ratings points out how crucial this support is for Angola's investment plans:

⁷ Jornal de Angola, 14 Dec 2020

⁸ Angop, 14 Dec 2020

⁹ Jornal de Angola, 14 Dec 2020

¹⁰ Jornal de Angola, 14 Dec 2020

¹¹ Deutsche Welle, 14 Dec 2020

¹² Deutsche Welle, 14 Dec 2020

¹³ Reuters, 12 Jan 2021

¹⁴ Reuters, 12 Jan 2021

¹⁵ Reuters, 12 Jan 2021

“The fiscal deficit forecast in Angola’s 2021 draft budget is achievable although there are downside risks to non-oil revenue collection targets. A depreciating Angolan kwanza and stagnating GDP growth will contribute to keeping the sovereign at risk of default, even as debt re-profiling efforts have lowered near-term debt-servicing costs... Without IMF support, we believe that Angola would be hard pressed to find sufficient sources of external financing.”¹⁶

Daves believes that the budget constraints facing Angola mean that direct investment in Angola by private partners now has a very significant role:

“We are building a future through our reform programme that prioritises direct investment not just with China but with other partners... We want the Angolan economy to grow due to private investment. It is not easy because we come from a model in which the oil sector is the most influential in the economy but if we maintain this model we will always have to deal with the same consequences. We want the private sector to contribute to the growth of the economy, to create jobs for our young people.”¹⁷

Debt renegotiation and IMF support are also crucial. Daves says she expects to see the results of the negotiations and the flexibility of the creditors at the end of the three-year moratorium, which will allow Angola to prepare to start repaying the debt. She also ruled out any revision of the debt profile:

“We have no such intention. We are doing our best to make our creditors trust in our ability to pay and furthermore to prepare ourselves if a more severe shock strikes.”¹⁸

Although Angola’s 2021 budget tends to address the impact of COVID-19 indirectly, as exacerbating pre-existing problems rather than requiring a new line of policy, the possibility of an increased impact or of another oil price collapse remains. Daves said that about 40% of Angola’s projects were not realised last year due to COVID-19.¹⁹ The IMF acknowledges that the COVID-19 pandemic continues to impact Angola’s economy and population, while the pre-existing issues of oil production and prices remain weak.²⁰

Spain-based analysts **Focus Economics** noted that Angolan authorities have vowed to continue with reforms to address the economic imbalances resulting from the pandemic amid growing public dissatisfaction with the government, even though past reform implementation under the auspices of the IMF-backed programme has been patchy.²¹

The question for Angola and for **João Lourenço’s** (2017-present) presidency is whether the 2021 budget and IMF support can bring in sufficient investment to begin to address the exacerbated social and economic imbalances and improve social conditions and employment, and whether conditions will remain stable enough for him to do so.

Isabel dos Santos attempts to disprove fraud and recover voting rights at Eurobic

Isabel dos Santos is attempting to regain her voting rights over her 42.5% shareholding in **Portugal**-based **Eurobic Bank**, following an offer by **Lebanese** investor **Roger Tamraz** to buy her shareholding.²² Tamrez is a well-known banker and oil magnate with global business interests.²³ Negotiations began last September but there were concerns that Tamraz might not be an acceptable purchaser for the regulator, the **European Central Bank**.²⁴

¹⁶ Focus Economics, 15 Dec 2020

¹⁷ VerAngola, 13 Jan 2021

¹⁸ VerAngola, 13 Jan 2021

¹⁹ VerAngola, 13 Jan 2021

²⁰ Reuters, 12 Jan 2021

²¹ Focus Economics, 15 Dec 2020

²² Deutsche Welle, 6 Jan 2021

²³ Wikipedia accessed 12 Jan 2021

²⁴ Jornal Economico, 10 Oct 2020

Tamraz offered €143m (\$173.9m) for 47.5% of Eurobic, the 42.5% owned by Isabel dos Santos and 5% owned by Angolan banker **Sebastião Lavrador**, a shareholder in several dos Santos assets. At the time the offer was accepted and in October, Isabel dos Santos, with counterparties EuroBic and her holding companies, **Finisantor Holding Limited** and **Santoro Financial Holding**, filed a precautionary lawsuit against the **Banco de Portugal**, Portugal's central bank, for removing her voting rights at Eurobic.²⁵ In January, dos Santos filed an administrative action against Banco de Portugal, challenging the administrative withdrawal of her voting rights, the implication being that she wants to sell her shareholding to Tamraz, after a potential sale to Spain-based bank **Abanca** fell through. The indicators suggest that at least part of the board of Eurobic oppose this new buyer and her voting rights will ensure the sale goes through.²⁶

While attempting to liquidate part of her frozen shareholdings in Portugal, dos Santos faces legal action from three Portuguese banks over an outstanding loan. Portugal-based **Novo Banco**, **Caixa Geral de Depósitos** and **Banco Comércio Portugues (BCP)** filed a new lawsuit on 25 December against dos Santos' **Maltese** holding company, **Winterfell Industries**.²⁷ The trio of banks is claiming repayment of €26.39m (\$32.09m) loaned under the deal to purchase part of Portugal-based **Efacec Power Solutions SGPS SA** in 2015. Dos Santos owned 71% of Efacec but her shareholding was temporarily nationalised in July 2020.²⁸

In an attempt to reassert her rights in Portugal, where the majority of her assets are held, and push back against some of the legal allegations made against her, dos Santos delivered invoices and documents to the Portuguese prosecutor's office in mid December, alleging to show that a company linked to her, **Dubai-based Matter Business Solutions**, used Angolan state-owned oil company **Sonangol**'s disputed \$135m to pay consultants, as she claimed at the time. It was the claims by Angola's attorney general of suspected fraud and money laundering relating to these payments that led to EuroBic deciding to sever its business relationship with Isabel dos Santos, since a EuroBic account was used for one of the suspected transfers, of \$57m.²⁹

Dos Santos claims that the documents that she delivered show that the companies that Matter Business Solutions paid US-based management consulting firms **Boston Consulting Group (BCG)**, **PricewaterhouseCoopers (PwC)**, and **McKinsey & Company**; Portugal-based law firm **Vieira de Almeida**, Madeira-based **Odkas Consulting**, and Portugal-based consulting firm **Neves de Almeida Lda**, *"for the work done for the Angolan oil company and signaled that fact by passing bills"*.³⁰ Sonangol accounts transferred payments to these companies through banks such as BCP, Eurobic, Spain-based bank **Santander** and Portugal-based bank **BPI**, between August and December 2017. Isabel dos Santos said she used these amounts to pay companies hired within the scope of the work of the Sonangol restructuring project.³¹

If the administrative tribunal in **Lisbon** and the Portuguese attorney general accept these documents, at least part of the charges against dos Santos will be brought into question and she will recover at least the EuroBic voting rights. The implications may be far wider than this and affect other charges against dos Santos, who is using every legal mechanism at her disposal to recover her frozen business empire.

²⁵ Jornal Economico, 10 Oct 2020

²⁶ Novo Jornal, 5 Jan 2021

²⁷ Novo Jornal, 5 Jan 2021

²⁸ Novo Jornal, 5 Jan 2021

²⁹ Forbes Africa, 24 Jan 2020

³⁰ Novo Jornal, 15 Dec 2020

³¹ Novo Jornal, 15 Dec 2020

Planner

2019-2022 **(Angola) Programa de Privatizações (PROPRIV)** (privatisation programme) to manage government divestment of 195 companies;

2020-2025 **(Angola) World Bank** to provide funding to increase economic diversification for a five-year period;

Jan 2020-Dec 2021 **Rome (Italy) Angola** serves on **World Food Program (WFP)** Executive Committee;

Q1 2021 **London (United Kingdom)** Hearing of **Melbourne Investments v SODIAM** takes place at **London Court of Arbitration**, despite death of shareholder and manager **Sindika Dokolo**;

9 Jun 2021 **(Angola)** Tenders close for oil blocks CON1, CON5 and CON6, of the **Terrestrial Basin of the Lower Congo**, and blocks KON5, KON6, KON8, KON9, KON17 and KON20, of the **Terrestrial Basin of Kwanza**;

2021 **Luanda (Angola) Jose Filomeno dos Santos** and other defendants appeal sentences in the 'case of \$500 million', to be heard in the **Supreme Court**;

2021 **(Angola)** First local and municipal elections are in the planning stages but implementation is delayed by **Covid-19** and an election date will be set, probably for 2022;

Q1 2021 **(Angola) Cabinda Lifua A** oil platform scheduled for completion to support offshore **Takula-Bloc-0** field Cabinda; Lifua B and C phases will follow;

2021 **(Angola)** Six offshore oil blocks and free areas of oil blocks 31 and 32 will be offered for tenders;

Dec 2021 **Talatona, Luanda (Angola)** \$60m **Huawei Technology Park** to be completed

Q4 2021 **Luanda (Angola) Angolan Diamond Exchange** to open;

2022 **(Angola)** National elections;

2022 **(Angola)** Angola to host 10th **African, Caribbean and Pacific Group** summit;

2022 **(Angola)** End date for **Banco Poupança e Crédito's** recovery plan;

2022 **Luanda (Angola)** Luanda's **Novo Aeroporto Internacional de Luanda (NAIL)** (new international airport) expected to open;

2025 **(Angola)** Three major refineries at **Lobito** with capacity to refine 200,000 barrels/day, **Soyo** (100,000 barrels/day) and **Cabinda** (60,000 barrels/day), are expected to give Angola crude oil refining capacity of 360,000 barrel per day this year, meeting domestic needs and ending fuel imports;

2027 **(Angola)** State-owned oil company **Sonangol's** Strategic Exploration and Production Plan 2020-2027 gives Sonangol 10% of national production by this date, producing 120,000 barrels per day.

Chronology

11 Jan 2021 **Luanda (Angola)** *Business Recorder*. Finance minister **Vera Daves de Sousa** says **Angola** has secured three years of payment relief from **Chinese** creditors and the **International Monetary Fund** has approved a disbursement to Angola of about \$487.5m after completing a fourth review of the \$3.7 billion loan programme;

5 Jan 2021 **Luanda (Angola)** *Angop*. Government announces new **Lei de Compras Públicas** (public contracts law) will come into effect on 23 January and the **Serviço Nacional de Compras Públicas** (national public procurement service) will suspend contracts with procedural flaws;

5 Jan 2021 **London (United Kingdom)** *Chatham House*. United Kingdom-based policy institute **Chatham House** predicts 2021 will be a slow recovery year for many **African** states including **Angola**, which is badly exposed and hit by a sharp downturn in commodity demand, having reached in 2020 a debt-to-GDP ratio just short of 120%;

4 Jan 2021 **Luanda (Angola)** *Angop*. Justice and human rights ministry announces that two million citizens have been registered to date during nationwide mass registration and identity cards campaign;

4 Jan 2021 **Luanda (Angola)** *Angop*. **European Union** provides medical supplies valued at €378,179 (\$400,000), including 4,000 **Covid-19** rapid tests, to Angola's ministry of health;

3 Jan 2021 **Luanda (Angola)** *Angop*. Angola assumes presidency of **Organization of the Petroleum Exporting Countries (OPEC)** for 2021, represented by mineral resources, oil and gas minister **Diamantino Azevedo**;

1 Jan 2021 **Luanda (Angola)** *Angop*. **Tribunal da Contas** (court of auditors) must now approve all state contracts worth over 11 billion kwanzas (\$16.7 million) and budgets of state-owned central and local administration bodies and other entities worth over 600 million Kwanzas (\$913 thousand);

1 Jan 2021 **Luanda (Angola)** *Angop*. Angola says it is not yet fully prepared to carry out free trade as a member of the **African Continental Free Trade Area (AfCFTA)**, despite being a signatory;

31 Dec 2020 **Luanda (Angola)** *Angop*. **Agência Nacional de Petróleo, Gás e Biocombustíveis (ANPG)** (Angolan national petroleum, gas and biofuels agency) announces international tenders for nine blocks in the basins of the **Lower Congo** and **Kwanza** rivers, with an entry fee of \$1m allowing access to data packages for the basins;

30 Dec 2020 **Luanda (Angola)** *The Exchange*. Angolan government has selected **Dubai**-based port operator **DP World** as the preferred bidder for a 20-year concession to operate the multipurpose terminal (MPT) at the port of Luanda, commencing formal discussions on the concession agreement, with DP World investing \$190m in the terminal;

30 Dec 2020 **Luanda (Angola)** *Angop*. Angola's Consumer Price Index recorded price rises of 2.59% in food and non-alcoholic beverages and over 2.10% in other consumer goods during October and November;

29 Dec 2020 **Luanda (Angola)** *Angop*. Attorney-general **Hélder Pitta Gróz** says Angola's National Asset Recovery Service has recovered \$5.4 billion since 2019, with at least \$2.7 billion in cash and \$2.6 billion in real estate and shares being recovered from **Switzerland, the Netherlands, Luxembourg, Portugal, United Kingdom, Singapore, Bermuda**, and other countries;

29 Dec 2020 **Luanda (Angola)** *Angop*. Construction of the new **Chicapa II Hydroelectric Development Project**, generating 32 megawatts of power in eastern **Lunda Sul**, will start in 2021;

29 Dec 2020 **Luanda (Angola)** *Angop*. The **Empresa Pública de Águas de Luanda (EPAL)** (Luanda water company) says the capital's current daily water producing capacity stands at 75% of the 1.5

billion litres needed, noting that EPAL is 17 years behind in terms of water supply development, with the previous supply project dating to 2003;

28 Dec 2020 **Luanda (Angola)** *Angop*. Angola's net foreign exchange reserves stand at \$8.14 billion at 23 December, sufficient to cover 10 months of import but down from \$11.33 billion in January 2020;

28 Dec 2020 **Luanda (Angola)** *Angop*. The **Banco Nacional de Angola** (central bank) says a new AKz 5,000 (\$7.60) banknote will circulate from January 2021, the fifth new banknote to be put into circulation since March 2020;

28 Dec 2020 **Luanda (Angola)** *Angop*. Economy and planning minister **Sérgio dos Santos** announces that 661 import substitution projects estimated at 727 billion kwanzas (\$1.1 billion) were approved and funded in 2020 under the Production Support, Export Diversification and Import Replacement Programme (PRODESI);

27 Dec 2020 **Luanda (Angola)** *East African*. **Angola** suspends air, land and sea connections with **South Africa, Australia, Nigeria** and the **United Kingdom** due to the discovery of the new **coronavirus** variant, **SARS-CoV-2**;

21 Dec 2020 **Luanda (Angola)** *Angop*. Angola will start receiving the first of 12 million doses of the **Covid-19** vaccine in February 2021;

21 Dec 2020 **Luanda (Angola)** *Angop*. Council of ministers agrees the new law strengthening the role of the **Banco Nacional de Angola** (central bank) including its powers of financial regulation and monitoring over financial and non-financial institutions;

21 Dec 2020 **Luanda (Angola)** *Angop*. The **Autoridade Nacional de Inspeção Económica e Segurança Alimentar (ANIESA)** (national authority of economic inspection and food security) starts work, merging inspection roles previously within industry, trade, tourism, environment, transport, health, agriculture and fisheries sectors;

21 Dec 2020 **Luanda (Angola)** *Angop*. **India's** ambassador to Angola, **Pratibha Parkar**, says India imported crude oil worth \$3.7 billion from Angola, its second major crude oil supplier, and exported goods worth \$0.3 billion to it in financial year 2019-20;

19 Dec 2020 **Luanda (Angola)** *Angop*. State-owned **Angola Airlines (TAAG)** presents its restructuring including the reduction of operating costs, a review of operational policies and procedures, renegotiation of existing contracts to ensure more competitive prices and matching the fleet to the needs of the markets where the company operates;

19 Dec 2020 **Luanda (Angola)** *Club-K Net*. **Grupo Gema Sociedade de Gestão e Participações Financeiras**, whose shareholders are former council of ministers secretaries **José Leitão** and **Carlos Feijó**, former public administration, labour and social security minister **António Pitra Neto**, former **Banco Nacional de Angola** (central bank) governor **António Gomes Furtado**, and **Joaquim Carlos dos Reis Júnior**, who has served as council of ministers and **MPLA** deputy, is considering dissolution due to debt problems since 2018;

14 Dec 2020 **Luanda (Angola)** *Angop*. The inaugural flight of **Qatar Airways** weekly flights from **Doha (Qatar)** to Luanda takes place;

13 Dec 2020 **Luanda (Angola)** *Angop*. Angola receives the last 10 of 100 locomotives worth \$430m from **United States**-based **General Electric (GE)**, funded by the **Public Export Support Agency of Canada**;

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