

AFRICA RISK CONSULTING

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Angola Summary 26 October 2022

President João Lourenço (2017-present), in his state of the nation address to the Assembleia Nacional (national assembly) at the opening of the parliamentary year on 16 October, presents an almost identical government line-up, and policies targeted mainly at the younger sector of the population. International Monetary Fund (IMF) African department division head Luc Eyraud says in the IMF's recently published regional outlook for sub-Saharan Africa that Angola is on the right track for economic recovery. The IMF's view is that Angola's outlook is more positive than other countries, showing a modest increase in gross domestic product (GDP) in 2022 of 2.9% and projected growth of 3.4% in 2023. The finance ministry indicates that Angola's tax revenue from oil exports grew by 72% to \$6.3 billion between January and August this year, compared to the same period in 2021. The average price of a barrel of oil rose about 40%, from \$62 to \$102, but the ministry notes that two other factors played a role in the increased income - an increase in the price of Angola's liquefied natural gas (LNG) production and a major tax regularisation payment by oil Block 0 operated by Chevron.

New government sets out its policies

President **João Lourenço** (2017-present), in his state of the nation address to the **Assembleia Nacional** (national assembly) at the opening of the parliamentary year on 16 October, presented an almost identical government line-up, and policies targeted mainly at the younger sector of the population.¹ Lourenço's main policies include:

- Investing in infrastructure and staffing for secondary and tertiary education
- Increased investment in infrastructure and staffing in the health sector;
- Implementing a national unemployment programme;
- Reducing inflation to single figures;
- Continuing the battle against corruption and impunity;
- Reaching a positive budget balance in 2022;
- Reducing public debt from its current rate of 66.2% of GDP to the sustainable level of 60%.²

Substantially missing from Lourenço's speech were policies to increase real diversification of the economy, the future role of the media in light of technical changes being introduced, and the lack of independence of the courts and institutions of economic and social regulation.³ This is, however, not surprising as Lourenço's team to lead the ministries and government departments is almost identical as at the end of the first term (2017-2022).

The government now has 30 ministers, of whom ten are women, including highly respected **Vera Daves**, who remains finance minister, and **Marcy Cláudio Lopes**, the new justice and human rights minister.⁴ The introduction of two new ministries suggests a stronger emphasis on environmental and sustainability issues in the new government. The culture, tourism and environment ministry has been split in two as has the agriculture and forests ministry, now separated from fisheries and marine resources. The ruling **Movimento Popular de Libertação de Angola (MPLA)** made few changes to

¹ Expansao, 25 Sep 2022

² Jornal de Angola, 16 Oct 2022

³ Expansao, 25 Sep 2022

⁴ Expansao, 25 Sep 2022

the government line-up despite failures in the recent elections and the very low electoral turnout (*see ARC Briefing Angola Sep 2022*).⁵

One major political change was not announced in Lourenço's speech but lies ahead. Lourenço created the **Comissão Interministerial para a Elaboração e Implementação do Plano Integrado de Institucionalização das Autarquias Locais**, (inter-ministerial commission for the elaboration and implementation of the integrated plan for the institutionalisation of local authorities) on 18 October following the process of partial administrative decentralisation that took place during his previous administration. This is the policy that will allow municipalities to hold local elections and carry out administration, rather than being administered by political appointees from **Luanda**. The commission's creation was delayed due to the **Covid-19** pandemic.⁶ Failure to deliver on the expectation of more regional autonomy during the last parliament may have cost the MPLA votes in the August elections.⁷

The commission is headed by the state and head of the civil house minister, **Adão de Almeida**. The secretaries of the president, for political and parliamentary affairs and state reform affairs, are also part of the commission.⁸

Municipalities are expected to come into being in 2024. At that point, some remodelling of the government may also be carried out, with a more dynamic programme of reform.⁹

IMF says Angola on track for economic recovery

International Monetary Fund (IMF) African department division head **Luc Eyraud** has said in the IMF's recently published regional outlook for **sub-Saharan Africa** that Angola is on the right track for economic recovery. The report, published on 14 October, notes:

*"The economy began to recover in 2021, sustained by higher oil prices and the relaxation of containment measures, in addition to a recovery of the non-oil sector; by 2022, growth is expected to be more robust, despite some contrary winds."*¹⁰

Eyraud has warned that maintaining budgetary discipline is fundamental to ensure debt sustainability. The IMF says that Angola's public debt is expected to reduce from 86.4% in 2021 to 56.6% at the end of 2022, and to 52.5% in 2023, a result of current budgetary discipline and payment agreements to creditors.¹¹

China remains both Angola's external largest debtor and largest trading partner, with a stable and well-established relationship. Angola owes more than \$20 billion to Chinese entities, including \$14.5 billion to the **China Development Bank** and nearly \$5 billion to the **Export-Import Bank of China**. Angola has also borrowed from China's largest lender, the **Industrial and Commercial Bank of China Limited**. Angola secured three years of payment relief from Chinese creditors in January 2021 but will refinance this debt.¹²

China has major infrastructure projects in Angola and the volume of trade between Angola and China for the first eight months of 2022 recorded a 29.9% increase compared to the same period in 2021, at \$19 billion.¹³ Finance minister Vera Daves said in February that Angola will reduce its debt to China

⁵ Expansao, 25 Sep 2022

⁶ Jornal de Angola, 18 Oct 2022

⁷ Expansao, 25 Sep 2022

⁸ Jornal de Angola, 18 Oct 2022

⁹ Expansao, 25 Sep 2022

¹⁰ Jornal Economico, 18 Oct 2022

¹¹ Jornal de Angola, 19 Oct 2022

¹² Reuters, 11 Jan 2021

¹³ Jornal de Angola, 2 Oct 2022

by refinancing through multilateral and commercial alternatives and “*seek the least expensive financial solutions possible*”.¹⁴

Eyraud pointed out two other factors allow Angola to improve its debt position, namely higher than expected oil production and prices, which has eased budgetary pressures, and the appreciation of the exchange rate, which has led to a slowdown in inflation.¹⁵ The kwanza’s appreciation of between 30% - 40% of the against the **United States (US)** dollar is also playing a role in Angola’s capacity to repay its debts.¹⁶

Daves and economy and planning minister **Mário Caetano João** were present in **Washington (US)** for the release of the IMF’s **World Economic Outlook**. Angola expressed, during the event, interest in working intensively with the **World Bank’s International Finance Corporation**, to capture direct private investment and finance local initiative. Angola also voiced that it would like more involvement of the **World Bank Multilateral Investment Guarantee Agency (MIGA)** in major projects in Angola.¹⁷

The IMF’s view is that Angola’s outlook is more positive than other countries, showing a modest increase in gross domestic product (GDP) in 2022 of 2.9% and projected growth of 3.4% in 2023. Reductions in the increase of consumer price rises are also significant for Angola.¹⁸ Angola’s early debt repayments due to the increase in oil prices, as well as increased oil revenue, are stabilising the country in the short term. However, **Banco Nacional de Angola** (central bank) governor **José de Lima Massano** said that despite these improvements, Angola still has major challenges ahead.¹⁹

High oil prices buffer Angola’s economy.

The finance ministry published data in September showing that Angola’s tax revenue from oil exports grew by 72% to \$6.3 billion between January and August this year, compared to the same period in 2021. The average price of a barrel of oil rose about 40%, from \$62 to \$102, but the ministry noted that two other factors played a role in the increased income - an increase in the price of Angola’s liquefied national gas (LNG) production and a major tax regularisation payment by oil Block 0 operated by US oil major **Chevron**.²⁰ Chevron’s Angola subsidiary, **Cabinda Gulf Oil Company Limited (CABGOC)**, extended its Block 0 concession offshore at **Cabinda** until 2050 in December 2021. CABGOC is the operator with a 39.2% interest, resulting in the tax regularisation payment.²¹

Angola’s trend was reinforced by the **Organization of the Petroleum Exporting Countries Plus (OPEC+)** when the organisation announced cuts in its members’ oil production on 5 October.²² As oil prices began to fall, OPEC+ decided to contain the fall in prices in a scenario of weak demand, as a response to rising interest rates in the west and a weaker global economy. Cuts in the order of two million barrels per day – equal to 2% of global supply – will take effect from November.²³

It is the rise in oil price rather than the production cut that will affect Angola, since the country has consistently been unable to meet its allocated OPEC output quota. Oil prices began to trade upwards again in the second week of October with **London’s** Brent crude oil price, Angola’s benchmark price,

¹⁴ Nature News, 8 May 2022

¹⁵ Jornal Económico, 18 Oct 2022

¹⁶ Jornal de Angola, 2 Oct 2022

¹⁷ Jornal de Angola, 2 Oct 2022

¹⁸ IMF World Economic Outlook 2022

¹⁹ Angop, 4 Oct 2022

²⁰ Expansao, 19 Sep 2022

²¹ Business Wire, 6 Dec 2021

²² Reuters, 5 Oct 2022

²³ Reuters, 5 Oct 2022

rising to \$94.54 per barrel. OPEC+ aligned the production adjustment to the average oil prices set by the organisation's members in their 2022 budgets of \$90 per barrel.²⁴

The US administration called the surprise decision to reduce oil production short-sighted and accused OPEC+ of colluding with **Russia**, saying it would continue to assess whether to release further strategic oil stocks to lower prices²⁵. A **White House** spokesman said:

*"President **Joe Biden** [2021- present] is disappointed by the short sighted decision by OPEC+ to cut production quotas while the global economy is dealing with the continued negative impact of Russian president **Vladimir Putin's** [2000-2008; 2012-present] invasion of **Ukraine**."*²⁶

For **African** oil producing countries, including Angola, the current geopolitics of oil means some protection against recession, even if this means continuing dependence on oil revenues. The IMF's Eyraud, when asked about economic diversification in Angola, said that *"continuous structural reforms to enhance the non-petrol sector are crucial for these efforts,"* noting that the oil sector has improved this year more than expected.²⁷

These were also the conclusions reached by Angola's secretary of state for oil and gas, **José Alexandre Barroso**, speaking at the **African Petroleum Producers' Organisations (APPO)** in Luanda on 10 October. Angola assumed the chair in 2022.²⁸ Barroso said that high oil prices in international markets should lead to the need of an urgent commitment to the energy transition and to policies of considerable internal investment of oil income, which has signally failed to happen in the past.²⁹

The APPO meeting reviewed the organisation's long-term strategy and discussed the creation of a fund to leverage the African oil industry, as well as issues related to financing options for oil and gas projects and operations, infrastructure cross-border structures and regional markets.³⁰ At present though, the African oil industry remains entirely dependent on OPEC's policies.

²⁴ Jornal de Angola, 16 Oct 2022

²⁵ Reuters, 5 Oct 2022

²⁶ Reuters, 5 Oct 2022

²⁷ Jornal Económico, 18 Oct 2022

²⁸ Angop, 10 Oct 2022

²⁹ Angop, 10 Oct 2022

³⁰ Angop, 10 Oct 2022

Planner

2019-2022 **(Angola) Programa de Privatizações (PROPRIV)** (privatisation programme) to manage government divestment of 138 companies ending in 2022;

Dec 2022 **Luanda (Angola)** Angola becomes chair of the **Organisation of African, Caribbean and Pacific States (OACPS)** during the Summit of Heads of State and Government from 6-9 Dec;

2022 **(Angola)** Angola is president of the **African Petroleum Producers Organization (APPO)**, after being elected in 2021;

2022 **Luanda (Angola) Huawei** Technology Park to be completed;

2022 **Luanda (Angola) Jose Filomeno dos Santos** and other defendants appeal sentences in the “*case of \$500 million*”, to be heard in the **Supreme Court**;

2022 **London (United Kingdom)** Hearing of **UNITEL SA v Unitel International Holdings (UIH)** takes place at the **London Court of Arbitration**, to resolve issues of UIH’s alleged debt of \$400m to UNITEL;

2022 **Luanda (Angola) Angolan Diamond Exchange** to open on a preliminary basis;

29 Nov-1 Dec 2022 **Luanda (Angola)** Angola Oil & Gas 2022 Conference and exhibition;

10-13 Dec 2022 **(Angola)** Angola to host 10th **African, Caribbean and Pacific Group** summit;

Dec 2022 **Namibe (Angola) Caraculo** photovoltaic (solar) power plant in **Namibe** province comes online, producing an initial 25 megawatts of power, with a further 25 megawatts to follow;

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

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

2023 **Luanda (Angola)** Angola and the **European Union (EU)** to open negotiations for a trade agreement after Angola was approved for membership of the trade mechanism signed in 2016 between six countries in the **Southern African Development Community (SADC)** region and the EU;

Jul 2023 **Luanda (Angola)** Angola’s sole purpose-built gold refinery expected to open in **Viana, Luanda**;

Dec 2023 **Luanda (Angola)** The new international airport, now named **Aeroporto Internacional Dr Antonio Agostino Neto**, is expected to open;

2023 **(Angola) Luaxe** mine (**Lunda Sul**) expected to begin production of 5.7 million carats of diamonds;

Dec 2024 **Cabinda (Angola)** Completion of deep-water port, Porto do Caio, in Cabinda Province is expected;

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;

Aug-Sep 2027 **(Angola)** National Elections

Chronology

17 Oct 2022 **Luanda (Angola) *Expansao***. **Banco Nacional de Angola (BNA)** announces that eight of the 23 banks currently operating in the domestic banking market, including local **Comercial do Huambo, Banco Valor, YETU, Banco Comercial Angolano**, the branch of the **Bank of China in Angola, Standard Bank Angola, Portuguese Finibanco** and **Russian VTB Africa**, are obliged to increase their minimum share capital to 15 billion Kz (\$3.6m);

16 Oct 2022 **Luanda (Angola) *Expansao***. Pilots working for national air carrier **TAAG** suspend their strike after three days, following the offer of a salary increase of 20%;

15 Oct 2022 **Luanda (Angola) *Jornal de Angola***. President **João Lourenço** says **Angola's** net international reserves have reached a balance of \$13.6 billion;

13 Oct 2022 **Luanda (Angola) *Expansao***. **Angola's Angosat 2 satellite** is launched from **Baikonur Cosmodrome Kazakhstan**;

11 Oct 2022 **Luanda (Angola) *Expansao***. Ghana based **pan-African** survey organisation **Afrobarometer** finds that fewer than half of Angolans have heard of climate change, including just one in four rural residents, despite the effects on rural life of increasing floods and drought;

10 Oct 2022 **Luanda (Angola) *Jornal de Angola***. An **Angolan** plane sent to **South Africa** to collect **Chevron** workers that failed to wait for permission to land in **South Africa** is released to return to Angola;

8 Oct 2022 **Luanda (Angola) *Expansao***. **Xtagiarious Finance** owner **Edson de Oliveira** is arrested for operating a pyramid scheme offering 20% returns on savings and investment, which fraudulently garnered him hundreds of millions of kwanzas.

8 Oct 2022 **Luanda (Angola) *Angop***. **Angola** and **Zambia's** border along the **Cuando River** is reopened at **Rivungo** in the far southeast, two years after its closure due to **Covid-19**;

8 Oct 2022 **Luanda (Angola) *Angop***. **Adão de Almeida**, head of the presidency's civil affairs office, announces he will head an inter-ministerial commission to improve registration of births and the issuance of identity cards in **Angola**;

5 Oct 2022 **Luanda (Angola) *Angop***. President **João Lourenço** says Angola has had no cases of deaths from **Covid-19** for two months, after easing pandemic lockdown measures, and has immunised 45% of the population against Covid;

5 Oct 2022 **Luanda (Angola) *Expansao***. Civil aviation authority **Autoridade Nacional da Aviação Civil** says Angola only has 18 airports out of 49 registered with it, of which 23 are state-owned but inoperative, even where they have received investment, and only the main international airport in **Luanda** has a licence for international flights;

5 Oct 2022 **Luanda (Angola) *Angop***. The last three of the ten locomotives acquired by government from **China** in 2020 arrive and are assigned to the **Luanda** railway to connect to the new airport, once open;

27 Sep 2022 **Luanda (Angola) *Expansao***. **Angolan** exports to **China** in first six months of 2022 reach \$9.9 billion, as China remains Angola's largest trading partner, mainly importing oil;

24 Sep 2022 **Luanda (Angola) *Deutsche Welle***. Thousands of opposition party **União Nacional para a Independência Total de Angola (UNITA)** supporters demonstrate in **Luanda** over alleged electoral fraud although UNITA has not yet released any evidence of this;

24 Sep 2022 **Luanda (Angola) *Expansao***. The **United Nations Development Program** says **Angola's** score in the 2021/2022 Human Development Index (HDI) has fallen for the third consecutive year, due to poverty affecting life expectancy, after rising every year since 2002;

20 Sep 2022 **Luanda (Angola)** *Angop.* Health minister **Silvia Lutucuta** announces the start of a nationwide measles vaccination campaign countrywide following an outbreak in south-east Angola.

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