

AFRICA RISK CONSULTING

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Angola Summary 15 April 2022

Angola has raised \$1.75 billion in overseas debt through the issuance of Eurobonds which it will use for its budget or to repay or refinance outstanding debt, aiming to exchange debt in foreign currency that expires in the short term and settling rising debt with China. The new Luanda airport, Novo Aeroporto Internacional de Luanda (NAIL) (new international airport), is expected to start commercial operations at the beginning of 2024, more than 25 years after the project was first mooted in 1997. The Tribunal Constitucional has so far given approval to 11 political parties to run in Angola's next general elections, scheduled to be held in the third week of August. Angola watchers are expressing the possibility that the ruling MPLA could lose the elections and an opposition coalition led by centre-right party UNITA take over.

Angola issues Eurobonds to refinance external debt and raise cash

Angola has raised \$1.75 billion in overseas debt through the issuance of **Eurobonds**. The government will use the proceeds of the sale, concluded on 7 April, for its budget or to refinance or repay outstanding debt.¹ One of the objectives was to exchange debt in foreign currency that expires in the short term: in 2025, with an interest rate of 9.50%, and in 2028, with an annual rate of 8.25%.² In addition to exchanging debt of \$750m, Angola realised \$1 billion in cash, achieving its two objectives, but placed less than the \$3 billion anticipated at the end of March when the government implemented the strategy.³ The finance ministry said in a presentation in February that it planned to raise \$2.8 billion by selling foreign-currency denominated bonds in the first quarter.

The government chose **Citigroup** and **Deutsche Bank** to ensure the placement of up to \$3 billion in foreign currency debt securities. At the time of the issue, Angola owed \$8 billion to international investors through foreign currency securities, equivalent to 16% of the total government foreign debt, which stood at \$51 billion at the end of the third quarter of 2021, according to the **Banco Nacional de Angola (BNA)** (central bank).⁴ The 10-year debt offering, the first since 2018, was priced to yield 8.75%, less than the initial guidance, and was more than two-times oversubscribed.⁵ **Portugal**-based financial advisory service **Eaglestone Advisory SA** analyst **Tiago Dionisio** described the placement as a positive step for Angola:

*"The strong demand in this debt sale shows that Angola clearly remains on investors' radar screens when looking at **sub-Saharan African** countries."⁶*

Underlying the bond issue was serious alarm in Angola. Finance minister **Vera Daves** told an audience of Angola's largest companies in March that Angola might resort to a bailout if it were not capable of paying its debts, and that only the country's crude oil production staved off bankruptcy.⁷ It was precisely the rise in crude oil prices that sent Angola to the Eurobond market, when it became clear that rapidly rising oil prices due to the **Ukraine-Russia** war meant that Angola would have to increase its debt repayment instalments to **China**, as part of its pandemic debt relief agreements in

¹ Bloomberg, 7 Apr 2022

² Bloomberg, 7 Apr 2022

³ Presidential Order No. 65/22 of 30 March 2022

⁴ Expansao, 8 Apr 2022

⁵ Bloomberg, 7 Apr 2022

⁶ Expansao, 8 Apr 2022

⁷ Angop, 30 Mar 2022

early 2021.⁸ While the oil price windfall should improve Angola's internal budget, it has had the opposite effect on repaying the country's largest creditor.

Daves committed Angola to both reducing its debt to China and refinancing debt through multilateral and commercial alternatives.⁹ Angola owes more than \$20 billion to Chinese entities, including \$14.5 billion to the **China Development Bank (CDB)** and almost \$5 billion to the **Export-Import Bank of China (China Eximbank)**.¹⁰ In January 2021, the CDB and the **Industrial and Commercial Bank of China** agreed a three-year debt relief package of at least \$4.9 billion from 2020 to 2023, according to data tracked by the **China Africa Research Initiative**. Luanda also received an undisclosed amount of debt relief from China Eximbank.¹¹

The Eurobond issue allows Angola to reschedule repayments of the higher priced bonds due in 2025, at least, and provides \$1 billion in cash to settle its pressing repayments to China, with a bond issue that will be redeemed in 2032.

Luanda's new international airport is 16 months from being operational

Luanda's new airport, **Novo Aeroporto Internacional de Luanda (NAIL)** (new international airport), is expected to start commercial operations at the beginning of 2024, more than 25 years after the project was first mooted in 1997. At present, the airport appears to be a white elephant, unlikely to be profitable, and difficult to manage. NAIL is the largest public work in Angola's post-independence period.¹²

The airport is acknowledged to have excess capacity, being designed for 15 million passengers per year,¹³ ten times more annual passengers than Angola has ever recorded. Angola recorded 1.5 million air passengers in 2018, the highest ever levels, 1.4 million in 2019 and 356,000 in 2020, as the pandemic closed borders and shut down air travel.¹⁴ Even so, the airport was designed with capacity to grow to 45 million passengers a year in a second phase, with the construction of a third runway, and 65 million in a third phase, with one further terminal.¹⁵

A foreign operator of major airport ventures will manage the new airport, with expressions of interest already being made by **French** multinational **Vinci Airports Group**, **Spain**-headquartered **Aena**, **Germany's Fraport AG** and **Airports Company of South Africa Limited**.¹⁶ The operator will have to find 1,200 trained and qualified staff to run the airport, but an even greater problem will be to run it at a profit. For this, the airport will likely have to be developed into a regional hub. The airport is expected to operate at full capacity of 15 million passengers by 2041.

The NAIL project is one of the legacies of the corrupt China-Angola joint venture, **China International Fund (CIF)**, which signed a contract with the government of Angola to build it in May 2015, at a cost of \$6 billion. When the contract was terminated in 2017, CIF confirmed that it had received \$4.2 billion, with the airport far from complete. In 2005, a prefeasibility study by a **United States** company had estimated the construction cost of a new international airport on the same site at \$250m.¹⁷

The CIF was previously led by **Sam Pa**, imprisoned for corruption in China in 2015. In October 2020, **Manuel Helder Vieira Dias Junior "Kopelipa"**, minister of state and head of the Military Affairs Office under former president **José Eduardo dos Santos (1979-2017)**, and General **Leopoldino Fragoso do Nascimento "Dino"** surrendered properties acknowledged to have been purchased by

⁸ South China Morning Post, 11 Mar 2022

⁹ South China Morning Post, 11 Mar 2022

¹⁰ Reuters, 11 Jan 2021

¹¹ South China Morning Post, 11 Mar 2022

¹² Expansao, 27 Mar 2022

¹³ Expansao, 27 Mar 2022

¹⁴ World Bank data accessed 12 Apr 2022

¹⁵ Expansao, 27 Mar 2022

¹⁶ Expansao, 27 Mar 2022

¹⁷ World Bank data accessed 12 Apr 2022

CIF with public funds.¹⁸ Kopelipa was also head of the **Gabinete de Reconstrução Nacional** (office of national reconstruction), which in 2007 became responsible for contracting for the new airport.¹⁹ As representatives of **China International Fund Angola, Lda (CIF)** and **Cochan S.A**, they surrendered a vast portfolio of companies, commercial undertakings and residences to the attorney general's asset recovery department.²⁰

In 2017, the **João Lourenço** (2017-present) government decided to complete the airport, with a budget of \$1.4 billion.²¹ On 9 April, transport minister **Ricardo de Abreu** announced that the project is subject to about six months slippage and that the \$1.4 billion budget had already been exceeded. **Aviation Industry Corporation of China (AVIC)**, which is constructing the airport, confirmed that construction of NAIL will be completed in the first quarter of 2023, as expected, and that the project is 90% built.²² Once construction is complete, nine months of safety testing and certification will follow.²³

Countdown to August's general elections

The **Tribunal Constitucional (TC)** has given approval for 11 political parties to run in Angola's next general elections, scheduled for the third week of August, to elect 220 deputies to the single chamber **Assembleia Nacional**, Angola's parliament. Voters will elect 130 members by proportional representation while 90 members will be elected by provincial districts. The leader of the winning party overall becomes president; separate elections for the presidency do not take place. **Gabinete dos Partidos Políticos do Tribunal Constitucional** (office of political parties of constitutional court) director **Mauro Alexandre** said a further 12 parties are seeking the court's approval, which is available at any time up until the elections are held.²⁴

The breakdown of political parties, with their current seats, is as follows:²⁵

Party	No of Seats	Alignment	Presidential candidate
Movimento Popular de Libertação de Angola (MPLA)	150	Centre left	João Lourenço
União Nacional para a Independência Total de Angola (UNITA)	51	Centre right/nationalist	Adalberto Costa Júnior,
Frente Nacional de Libertação de Angola (FNLA)	1	Centre right	Ngola Kabangu
Partido Democrático para o Progresso – Aliança Nacional Angolana (PDP-ANA)	16	Opposition parties Centre – centre left	Part of the Convergência Ampla de Salvação de Angola – Coligação Eleitoral (CASA-CE)
Partido da Aliança Livre da Maioria Angolana (PALMA),			
Partido Angolano do Pacífico (PPA)			
Partido da Salvação Nacional de Angola (PNSA)			
Partido de Apoio à Democracia e Desenvolvimento de Angola – Aliança Patriótica (PADDA-AP)			
Partido de Renovação Social (PRS)	2	Centre left	Benedito Daniel

¹⁸ Angop, 15 Oct 2020

¹⁹ Expansao, 27 Mar 2022

²⁰ Angop, 15 Oct 2020

²¹ Angop, 9 Apr 2022

²² Angop, 9 Apr 2022

²³ World Bank, data accessed 12 Apr 2022

²⁴ Angop, 6 Apr 2022

²⁵ Wikipedia Angolan political parties 10 Apr 2022

Party	No of Seats	Alignment	Presidential candidate
Bloco Democratico	0	Centre – centre left	Was part of Casa CE coalition Part of Frente Patriótica Unida Filomeno Vieira Lopes
Partido Democrático do Atlântico (PDA).			António Alberto Neto

The TC's role is to ensure that political parties are lawfully established in accordance with the current constitution of 2010, with, among other criteria, a steering committee, 7,500 legally required members' signatures supporting the party, and 150 citizens as members in each province where they intend to start political party life.²⁶

Opposition **UNITA**-related coalition groups trying to register as political parties accuse the TC of being a political tool of the ruling **MPLA**. The **Frente Patriótica Unida** led by **Abel Chivukuvuku** of **PRA-JA Servir Angola** movement, **Adalberto Costa Júnior** of UNITA and **Filomeno Vieira Lopes** of **Bloco Democratico**, is awaiting recognition as a political party because the TC has not recognised PRA-JÁ Servir Angola. Mauro Alexandre says that in the last three years, the TC has received requests from the commissions that set up the Frente Patriótica Unida and the political project PrA-JA Servir Angola, and has rejected both after concluding that " *they are not their own political or legal entities*".²⁷ PRA-JA Servir Angola says a cassation process is underway at the **Supreme Court** that aims to overturn the TC's ruling on Abel Chivukuvuku's project.²⁸

With the final confirmation of rights to operate for established political parties, elections in Angola will now begin to dominate the news coverage and Angola's political life. Angola watchers are expressing the possibility that the MPLA could lose the elections and the opposition coalition led by centre right party UNITA take over in Angola.²⁹

Covid-19 update

Restrictions to curb the spread of Covid-19 in Angola have eased amid declining case numbers. Minister of state and presidential military house head **Francisco Furtado** says the new presidential decree on the situation of public calamity in Angola will last for six weeks, from 1 April until 14 May.³⁰ Furtado noted improvements in Covid-19 rates:

"During March, the Covid-19 situation did not have major changes, until February 4 we recorded a rate of 0.86% and today we've had 31 consecutive days without death, with 97% of Covid cases being asymptomatic"

Social controls have been eased. Current measures are:

- face masks to be worn on public roads, markets and in enclosed places;
- vaccination recommended for children under 12 years of age;
- national and foreign citizens recommended to carry out pre-travel Covid tests in the countries of origin and destination;
- vaccination certificates or complete immunisation remain required for trips to the interior of the country;
- completion of a travel registration form from the country of origin is suspended;

²⁶ Ver Angola, 6 Apr 2022

²⁷ Ver Angola, 6 Apr 2022

²⁸ DW, 10 Apr 2022

²⁹ ARC political source, Belgium, 21 Mar 2022

³⁰ Lusa, 31 Mar 2022

- isolation for citizens arriving in Angola without complete immunisation is maintained;
- the entire workforce can now return to employment;
- sports venues in Angola can have 100% occupancy but masks must be worn and certificates of vaccination produced;
- sale and consumption of alcoholic beverages on public roads and at gas stations remains prohibited.

Angolan health authorities have vaccinated almost 18 million people against Covid as of 6 April, out of a target population of 21 million. Of these, 11.8 million have had a first dose, 6.17 million have had a second dose and 339,602 have had a booster dose.³¹

Planner

May 2022 **Lobito (Angola)** Winner of public tender for 30-year contract for management and maintenance of the **Lobito Corridor** railroad infrastructure will be announced; bidders must have technical and financial capacity and extensive experience in operating this type of infrastructure;

16 -19 May 2022 **Luanda (Angola)** Angola hosts the 8th Edition of the **Africa Oil Congress and Exhibition (CAPE VIII)** to promote and support investment in the national oil sector;

May 2022 **Luanda (Angola)** The 35th Annual Ordinary Session of Heads of State and Governments of the **African Union** holds **Summit on Terrorism in Africa** proposed by Angola in 2020;

Aug 2022 **(Angola)** National elections;

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

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

2022 **(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;

2022 **Talatona, 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 **London Court of Arbitration**, to resolve issues of UIH alleged debt of \$400m to **UNITEL**;

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

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

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

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

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

2023 **Luanda (Angola)** **Novo Aeroporto Internacional de Luanda (NAIL)** (new international airport) expected to open;

³¹ Angop, 6 Apr 2022

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

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

9 Apr 2022 **Washington DC (United States)** *Angop.* **Angolan** delegation headed by minister of state **Francisco Pereira Furtado**, Chief of General Staff of the **Angolan Armed Forces**, **António Egídio de Sousa e Santos**, and **External Intelligence Service** deputy director **Mário António da Costa**, meet US Secretary of Defence **Lloyd Austin** in Washington for talks on the memorandum of understanding in the defence sector signed in 2017;

7 Apr 2022 **Luanda (Angola)** *Bloomberg.* **Angola** raises \$1.75 billion in overseas debt, becoming the second **African** nation to tap the **Eurobond** market since the start of the war in **Ukraine**;

7 Apr 2022 **Luanda (Angola)** *Angop.* **Serviço de Investigação Angola (SIC)** (criminal investigation service and **Corpo Especial de Segurança para Minerais Estratégicos (CESME)** (special security corps for strategic minerals) announce they are now co-operating in preventing illegal mining and ore trafficking;

6 Apr 2022 **Luanda (Angola)** *Angop.* **Catoca Mining Company** announces that its diamond prices have dropped 14% over the last three weeks, following **United States** and **United Kingdom** sanctions against **Russian** diamond giant **Alrosa**, a shareholder in Angola's most important diamond mine;

6 Apr 2022 **Luanda (Angola)** *Angop.* The **World Bank** approves \$300m financing to improve water supply and strengthen water resources management for greater climate resilience, in conjunction with the **Agence Française de Développement (French development agency)**, which is loaning \$150m;

6 Apr 2022 **Luanda (Angola)** *Angop.* Portuguese state saving bank **Caixa Geral de Depósitos** says it will finance new infrastructure construction projects, as part of planned growth in Angola;

6 Apr 2022 **Luanda (Angola)** *Angop.* Portugal's foreign affairs minister, **João Gomes Cravinho**, announces he will visit Angola on 12–13 April, as part of strengthening of cooperation between the two countries;

5 Apr 2022 **Luanda (Angola)** *Expansao.* **Banco Nacional de Angola** (central bank) announces that Angola's banks carry bad debt of up to 20.3% (\$2.8m /1.225 billion Kz) of the total credit granted (\$13.7m /6.0 billion Kz. at of end of 2021);

5 Apr 2022 **Luanda (Angola)** *Angop.* Endemic drought in the arid southern **Cuenene, Namibia** and **Huila Provinces** is continuing as government attempt to mitigate it, opening the **Cunene River Water Transfer System** in **Cafu**, which will benefit 235,000 families, 250,000 animals and the irrigation of 5,000 hectares of agricultural fields;

4 Apr 2022 **Luanda (Angola)** *Angop.* **Agencia Nacional de Petroleo, Gas e Biocombustiveis (ANPG)** (national agency for oil, gas and biofuels) opens proposals received for developing eight oil blocks in the **Lower Congo** and **Kwanza Basins** from pre-selected companies, including **Angola, Australia, Norway, Italy, Qatar, France, the United Kingdom, Namibia** and **China**;

4 Apr 2022 **Luanda (Angola)** *Angop*. Angola celebrates 20 years since the signing of the **Luena Peace Accords** with UNITA, ending Angola's 27-year civil war;

2 Apr 2022 **Luanda (Angola)** *Angop*. **African Union** commissioner for political affairs, peace and security **Bankole Adeyoe** visits Angola in preparation for an **Extraordinary Summit on Terrorism and Unconstitutional Change of Regimes in Africa** to be held in **Malabo (Equatorial Guinea)**;

1 Apr 2022 **Luanda (Angola)** *Expansao*. Government announces that it has restructured the **Projecto de Apoio ao Credito (PAC)** (credit support project) to finance national production, and 41 billion Kz (\$93.5m) will be available in the first phase;

31 Mar 2022 **Luanda (Angola)** *Expansao*. Ministry of industry and commerce says only 17% of 2,693 industrial units identified across the country have a licence to exercise their activity;

30 Mar 2022 **Luanda (Angola)** *Angop*. Angola's government is making \$1.7m available for 25-year home loans of up to 50 million kwanzas (\$113,977), at an interest rate of 7.5%, from commercial banks in Angola;

30 Mar 2022 **Luanda (Angola)** *Angop*. **International Finance Corporation (IFC)** says it looks to provide technical and financial assistance to IFC-compliant companies in the agricultural sector through its office in Angola;

30 Mar 2022 **Luanda (Angola)** *Angop*. National director for the economy, competitiveness and innovation **Joffrana Xavier** says the economy and planning ministry has provided at least 68 billion kwanzas (\$162m) to the agricultural sector in order to improve productivity in the five-year period 2018-2022;

30 Mar 2022 **Luanda (Angola)** *Angop*. The economic commission of the cabinet council reports that Angola's 2018-2021 national development plan had an execution rate of around 65.75%;

25 Mar 2022 **Luanda (Angola)** *Expansao*. **United Kingdom-based Tax Justice Network** reports capital flight in Angola at \$103 billion, facilitated by impunity for tax havens, which includes the activities of international corporations but also that of middlemen such as lawyers and consultants in moving money offshore;

24 Mar 2022 **Luanda (Angola)** *Expansao*. **Banco Nacional de Angola** (central bank) announces it will issue a new instruction for granting bank credit with the aim of supporting the **Programa de Apoio à Produção, Diversificação das Exportações e Substituição das Importações (PRODESI)** import substitution and export diversification programme, supporting credits requested to finance the acquisition of raw materials and treasury support;

21 Mar 2022 **Luanda (Angola)** *Expansao*. **Canada-based Institute for Water, Environment and Health (INWEH)** reports that Angola guarantees drinking water to only 40% of its citizens, according to the **United Nations University**, yet in 2020, **African** countries had an average of 71% coverage in terms of basic drinking water services;

21 Mar 2022 **Luanda (Angola)** *Expansao*. **Banco Angola Investimento** holds its Annual General Meeting to approve the annual report and accounts for the financial year 2021;

21 Mar 2022 **Luanda (Angola)** *Expansao*. Competencies are being transferred to local governments from ministries and from provincial governments to municipal administrations, in a major decentralisation of administration, making provincial governments and local administrations responsible for licensing and supervising more than 3,000 activities related to trade, energy, mineral resources, transport power supplies and others.

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