

## AFRICA RISK CONSULTING

### Angola Monthly Briefing December 2023

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#### Angola Summary 13 December 2023

*President João Lourenço (2017-present) meets his United States (US) counterpart, Joe Biden (2021-present) to consolidate the US' Africa strategy pertaining to the \$1 billion Lobito Corridor project, conflict in the Great Lakes Region and the US-China trade conflict. The African Development Bank and the World Bank's Africa Finance Corporation have joined the US and the European Union in support of Angola, the Democratic Republic of the Congo, and Zambia to develop the Lobito Corridor and the new Zambia-Lobito rail line. The Office of the Attorney General (OAG) of Switzerland files an indictment against three individuals and the Netherlands arm, Trafigura Beheer BV, of commodities trading company Trafigura. In 2024, Angola expects to complete at least partial devolution of local government services in 2024, while part privatisation is anticipated of up to 10% of state oil company Sonangol, 5-10% of state diamond mining company Endiama and privatisation of national airline TAAG. Angola will continue to have a major foreign policy role across Africa in 2024, as African Union peace envoy for the Great Lakes Region, as chairman of the Southern African Development Community (SADC), and backed by US concerns over peace and stability in the DRC.*

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#### President Lourenço visits US, cements Lobito Corridor project

President **João Lourenço** (2017-present) met his **United States (US)** counterpart, **Joe Biden** (2021-present) at the **White House (Washington D.C)** on 30 November to consolidate the US' **Africa** strategy pertaining to the **Lobito Corridor** and the conflict in the **Great Lakes Region**.<sup>1</sup> The leaders focused on the Lobito Corridor project, the rail development that aims to improve the connection from Angola's ports to the continent's resource-rich interior and which runs for 1,300 km in Angola and a further 400 km in the **Democratic Republic of the Congo (DRC)**.<sup>2</sup> The corridor will have new **Zambian** rail links that will ultimately connect to **Dar es Salaam** in **Tanzania**.<sup>3</sup> The **All-American Rail Group (AARD)** signed a memorandum of understanding (MoU) with the Angolan transport ministry in December to support the necessary railway expansion in the north of Angola, with investment estimated at \$4.5 billion.<sup>4</sup> The project is to receive US funding of \$1 billion.<sup>5</sup> Lourenço described US engagement in the Lobito Corridor, as well as in telecommunications and energy, mainly green energy, as evidence of its support:

*"... because infrastructures like these will help the development not only of Angola, but the whole African continent."*<sup>6</sup>

The US is aware that the only way to ensure access to the "green" mineral resources of the DRC, lithium in particular, and other rare earths required for electric battery manufacturing, is peace in the region. Lourenço, in his role as **African Union (AU)** lead mediator in the conflict, as well as chair of the **Southern African Development Community (SADC)**, is critical to that peace.<sup>7</sup>

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<sup>1</sup> Voice of America 30 Nov 2023

<sup>2</sup> Voice of America 30 Nov 2023

<sup>3</sup> Angop 7 Dec 2023

<sup>4</sup> Jornal de Angola 10 Dec 2023

<sup>5</sup> Voice of America 30 Nov 2023

<sup>6</sup> Voice of America, 30 Nov 2023

<sup>7</sup> Voice of America, 30 Nov 2023

A further issue is the US' relationship with **China** in Africa, and how far it is aiming to compete with China's **Belt and Road Initiative** in Africa for natural resources.<sup>8</sup> Chinese companies are extensively invested in mining in the DRC. China has rebuilt much of the existing rail infrastructure, including the key **Benguela Railway** that runs from Lobito (**Benguela Province**) to **Dilolo** in the DRC.<sup>9</sup> US **Foreign Policy Research Institute Africa Program** senior fellow **Michael Walsh** believes the Lobito Corridor represents both competition and co-operation with China, for the US:

*"There's going to be a need to cooperate while also compet[ing] with China in order to make the Lobito Corridor a success, and I think that's... what's happening behind the scenes."<sup>10</sup>*

The US and Angolan leaders also agreed to hold a dialogue in 2024 *"focused on the secure and stable supply of energy and deeper commercial ties while advancing [their] shared climate goals."*<sup>11</sup> The US has agreed to invest more than \$2 billion in solar energy in Angola from 2024. In June, the **Export-Import Bank of the United States (EXIM)** approved a \$900m loan for two Angolan solar plants as it increases its focus on Africa and clean energy.<sup>12</sup> The US will also invest in infrastructure in Angola in 2024, building another 180 bridges in rural areas of Angola and investing in the digital economy, through telecommunications company **Africell**.<sup>13</sup>

### Multilateral funding and private investment will also fund Lobito Corridor

The US is not the sole funder of the multilateral Lobito Corridor project. The **African Development Bank** and the **World Bank's Africa Finance Corporation** joined the US and the **European Union** in support of Angola, the DRC and Zambia to develop the Lobito Corridor and the new **Zambia-Lobito Railway Line**, signing a seven-side Memorandum of Understanding (MoU) in October.<sup>14</sup> The MoU outlines the intentions of the signatories to collaborate across multiple sectors to realise the full economic potential of the Lobito Corridor, building on the **Lobito Corridor Transit Transport Facilitation Agency** agreement signed by Angola, Zambia and the DRC in January.<sup>15</sup> The MOU also provisions the investment in developing the Zambia-Lobito greenfield rail line. The new rail line, connecting northwest Zambia to the **Lobito Atlantic Railway** and the **Port of Lobito**, represents the most significant transport infrastructure that the US has helped develop on the African continent in a generation.<sup>16</sup>

Chinese investment will continue in elements of this major infrastructure project. The governments of Zambia and Tanzania agreed in November to bring in a Chinese concessionaire to operate the **Tazara Railway**, which will ultimately link the port of Dar-es-Salam in Tanzania to the Lobito Corridor through Zambia. The line was built by the Chinese government in the 1970s.<sup>17</sup>

The Chinese government selected the **China Civil Engineering Construction Corporation (CCECC)**, a subsidiary of the **China Railway Construction Corporation**, to negotiate a public-private partnership concession in the form of a build-operate-transfer model with Tanzania and Zambia to operate the TAZARA Railway. It is also expected to upgrade the railway – which China's President **Xi Jinping** (2013-present) has called *"a symbol of China-Africa friendship"* – at an estimated cost of \$1 billion.<sup>18</sup> The **Tanzania-Zambia Railway Authority (TAZARA)** said in a statement on 12 December that the CCECC had sent a task force of experts to conduct a comprehensive business and technical inspection of the railway, to assess TAZARA's operational and business model, setting the stage for

<sup>8</sup> Voice of America, 30 Nov 2023

<sup>9</sup> Xinhua News Agency, 13 Aug 2014

<sup>10</sup> Voice of America, 30 Nov 2023

<sup>11</sup> VOA, 30 Nov 2023

<sup>12</sup> Bloomberg, 6 Nov 2023

<sup>13</sup> Angop, 4 Dec 2023

<sup>14</sup> US Department of State, 26 Oct 2023

<sup>15</sup> US Department of State, 26 Oct 2023

<sup>16</sup> US Department of State, 26 Oct 2023

<sup>17</sup> South China Morning Post, 12 Nov 2023

<sup>18</sup> South China Morning Post, 12 Nov 2023

the submission by CCECC of an optimised TAZARA revitalisation proposal to the railway's shareholders by April 2024.<sup>19</sup>

In Angola, the **China National Chemical Engineering Company (CNCEC)** signed a contract for the construction of Angola's **Lobito Refinery** in October.<sup>20</sup> The international logistics company received operating rights for 20 years, in exchange for \$80m, immediately payable to the state, and investments of \$100m over the 20-year concession.<sup>21</sup>

A **European** consortium comprising **Swiss Trafigura Pte Ltd**, **Portugal**-headquartered **Mota-Engil Engenharia e Construção Africa SA** and **Belgian** rail company **Vecturis SA** signed a 30-year agreement to manage rail services and logistical support for the Lobito Corridor in November 2022. The consortium is owned 49.5% each by Trafigura and Mota-Engil, with Vecturis owning the remaining 1%. The consortium will also operate the DRC branch of the line.<sup>22</sup> Trafigura's involvement may be affected by the outcome of the bribery case, below.

### Swiss prosecutors charge Trafigura with bribery in Angola

The **Office of the Attorney General (OAG)** of Switzerland filed an indictment in the Swiss **Federal Criminal Court** on 5 December against three individuals and against Trafigura commodities trading company's **Netherlands'** arm, **Trafigura Beheer BV**. The OAG has charged a former Angolan public official with having accepted, between April 2009 and October 2011, bribes of more than €4.3m (\$4.64m) paid in Switzerland, and a further \$604,000 from the Trafigura Group, in relation to its activities in the petroleum industry in Angola.<sup>23</sup> The case is the first time that Swiss courts will judge criminal liability of a company for bribery of foreign officials.<sup>24</sup>

The OAG announced in July 2020 it had opened a criminal investigation against unknown persons on suspicion of bribery of foreign public officials. A former intermediary and a former senior executive of the Trafigura Group are also charged with involvement in the corruption scheme.<sup>25</sup> Trafigura Beheer BV is charged with failing to take all reasonable and necessary organisational measures to prevent the payment of these bribes.<sup>26</sup> The Trafigura Group's internal regulations at the time are alleged not to have been

*"... in conformity with international standards on preventing and combating corruption and not to have been apt to prevent the high risk of corruption associated with the Trafigura Group's activities in the petroleum industry in Angola".<sup>27</sup>*

In August 2021, the investigation located the first defendant, a former CEO of **Sonangol Distribuidora SA**, a subsidiary of the Angolan state-owned petroleum company **Sociedade Nacional De Combustíveis de Angola EP (SONANGOL EP)**.<sup>28</sup> Sonangol Distribuidora has had several roles in which Trafigura has been a partner. It is the branch of Sonangol that operates gas stations and markets fuels in Angola's internal fuel market, which is dependent on imported fuel derivatives in the absence of functioning refineries in Angola.<sup>29</sup> Trafigura was a long-term supplier of fuels for domestic use to Angola, until 2018. The **France**-headquartered company was also a partner in **Swiss Puma Energy**, with General **Leopoldino Fragoso do Nascimento (General Dino)** owning 15%, and which

<sup>19</sup> Xinhua, 12 Dec 2023

<sup>20</sup> Sonangol, 20 Oct 2023

<sup>21</sup> Jornal de Angola, 12 Dec 2023

<sup>22</sup> Trafigura, 9 Nov 2022

<sup>23</sup> Office of the Attorney General Switzerland 6 Dec 2023

<sup>24</sup> Office of the Attorney General Switzerland 6 Dec 2023

<sup>25</sup> Office of the Attorney General Switzerland 6 Dec 2023

<sup>26</sup> Office of the Attorney General Switzerland, 6 Dec 2023

<sup>27</sup> Office of the Attorney General Switzerland 6 Dec 2023

<sup>28</sup> Office of the Attorney General Switzerland, 6 Dec 2023

<sup>29</sup> Reuters, 17 Mar 2018

operated gas stations in Angola, until General Dino sold his shares following accusations of embezzlement against him by the US government in 2021.<sup>30</sup>

The bribery case is claimed to arise from Sonangol Distribuidora's other role as a ship chartering and bunkering entity. The Swiss prosecutor says that Trafigura Group and Sonangol Distribuidora concluded nine related contracts between June 2009 and July 2010, facilitated by bribery on the part of Trafigura. The Trafigura Group is alleged to have made profits amounting to \$143.7m from these contracts.<sup>31</sup>

Two further defendants were charged in early 2023, an unnamed former intermediary for the Trafigura Group in Angola, and the third defendant, former chief operating officer and member of the management board of Trafigura,<sup>32</sup> named by the UK-based **Financial Times** as former chief operating officer **Mike Wainwright**,<sup>33</sup> both on suspicion of bribery of foreign public officials.<sup>34</sup>

The commercial culture of Trafigura Beheer BV is also placed on trial. The company is accused of failing between April 2009 and October 2011 to take

*“all reasonable and necessary organisational measures to prevent the commission, within the company, of offences of bribery of foreign public officials”.*

### What to watch for in 2024

Angola expects to complete at least partial devolution of local government services in 2024, creating two new provinces by subdivision of the provinces of eastern **Moxico** (of over 220,000 square kilometres) and southern **Cuando Cubango** (of over 190,000 square kilometres), and recognising 417 new towns during 2024. The local government budget will be devolved and the long-term plan is that officials will be elected locally, although the timeline for this is less certain.<sup>35</sup> Any increase in local democracy will certainly impact positively on Angola's reputation.

The state-owned company privatisation process has been extended to 2026 but in 2024, part privatisation is anticipated of up to 10% of state oil company Sonangol, 5-10% of state diamond mining company **Endiama** and possibly state diamond trader **SODIAM**, although this latter has yet to be confirmed.<sup>36</sup> Privatisation of national airline **TAAG** is also expected to start.<sup>37</sup> Other privatisations and sales of major recovered assets, such as the **AAA Hotel** chain, continue under the **Programa de Privatizações (PROPRIV)** programme.

Angola will continue to have a major foreign policy role across Africa in 2024, as AU peace envoy for the Great Lakes Region, as chairman of SADC, backed by US concerns over peace and stability in the DRC and its effects on the massive infrastructure development of the Lobito Corridor.<sup>38</sup>

The development of new oil resources including refineries should be visible in 2024, together with the development of green energy in hydroelectric plants and solar energy throughout the year.

### Planner

<sup>30</sup> Petrol Plaza, 3 Jan 2022

<sup>31</sup> Office of the Attorney General Switzerland, 6 Dec 2023

<sup>32</sup> Office of the Attorney General Switzerland, 6 Dec 2023

<sup>33</sup> Office of the Attorney General Switzerland, 6 Dec 2023

<sup>34</sup> Office of the Attorney General Switzerland, 6 Dec 2023

<sup>35</sup> Angop, 30 Nov 2022

<sup>36</sup> ECOFIN, 8 Feb 2023

<sup>37</sup> Energy Capital Power, 6 Sep 2023

<sup>38</sup> Voice of America, 30 Nov 2023

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

Jun 2023-Jun 2025 **Luanda (Angola)** Angola extended its mandate as member of the Executive Council of the **United Nations Human Settlements Programme (UN-HABITAT)** for a further two years;

2023 **Luanda (Angola)** The launch of an agricultural drought monitoring system, the **Agriculture Stress Index System**, financed by the **United Nations (UN) Green Climate Fund** with technical support from the **UN Food and Agriculture Organization**, is delayed;

Q1 2024 **Lucapa (Angola)** The **Lucapa** photovoltaic power plant will start producing power;

Jul 2024 **(Angola)** Government to carry out its second census with technical and logistical support from the **United Nations Population Fund (UNFPA)**;

2024 **Cabinda (Angola)** First phase of **Cabinda Refinery** ends, and testing begins to measure the productive efficiency of the refinery;

2024 **Luanda (Angola)** Angola to create two new provinces and a further 417 municipalities during 2024;

2024 **(Angola)** Angola to begin exporting green hydrogen energy to **Germany**;

2024 **Luanda (Angola)** Completion of Angola's sole purpose-built gold refinery at **Viana** is expected;

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

2023-2026 **(Angola) Programa de Privatizações (PROPRIV)** (privatisation programme) extended to manage government divestment of 138 companies;

## Chronology

12 Dec 2023 **Luanda (Angola) Expansão. South Africa**-headquartered **Standard Bank of Angola (SBA)** and **Azule Energy Angola**, an Angola-based joint venture between **United Kingdom**-based oil company **BP** and **Italy**-headquartered oil company **ENI** announce a protocol for the allocation of benefits to Azule Energy staff, ranging from credit products to tailor-made services, at special prices and conditions, with a focus on housing credit;

12 Dec 2023 **Luanda (Angola) Expansão.** The **Organization of Petroleum Producing Countries (OPEC)** assigns a production quota to Angola of 1,110 million barrels/day (bpd) but Angola threatens to exceed this maximum and asks for 1,180 million bpd, above the 1,060 million bpd production it registered in the budget;

11 Dec 2023 **Luanda (Angola) Angop. Integrated Plan for Intervention in Municipalities (PIIM)** national co-ordinator **Márcio Daniel** says 1,138 projects linked to the PIIM, of the 2,358 registered projects, have been completed and 565 are more than 70% complete;

11 Dec 2023 **Luanda (Angola) Angop. National Assembly** speaker **Carolina Cerqueira**, speaking at the **2nd Conference on Human Rights** in Angola, says that public and private institutions and non-governmental organisations must ensure the defence, promotion and protection of human rights;

7 Dec 2023 **Luanda (Angola) Africa Renewal.** The **United Nations Conference on Trade and Development (UNCTAD)** says it is actively assisting the government of Angola in implementing an extensive **Train for Trade II** programme funded by the **European Union** and aimed at empowering thousands of Angolan entrepreneurs predominantly involved in micro small and medium enterprises;

5 Dec 2023 **Luanda (Angola) Angop.** Public works minister **Carlos dos Santos** announces that more than 3,000 kilometres of roads are being rehabilitated as part of the **National Road Rescue Programme**, using government funding;

5 Dec 2023 **Luanda (Angola)** *Angop*. **Banco Nacional de Angola** (central bank) says it has provided more than one billion kwanzas (\$1,202,645) in credit projects contracted through commercial banks between April and October, allocated to manufacturing industry, agriculture, animal production, forestry and fisheries and amounting to 16.36% of the overall bank credit portfolio;

3 Dec 2023 **Cabinda (Angola)** *Angop*. Attorney-general **Hélder Pitta Gróz** says there is a need to consolidate the functioning of the judicial regions, and the judiciary is being reorganised into regions;

2 Dec 2023 **Dubai (United Arab Emirates)** *Angop*. **Angola's** President **João Lourenço** emphasises his country's commitment to renewable energies, as one of the main pillars of adaptation to climate change, and a decisive step in the process of energy transition;

2 Dec 2023 **Luanda (Angola)** *Angop*. The **Tribunal da Contas** (court of auditors) signs three technical co-operation agreements with **Brazilian** institutions; its counterparts in the state of **Ceará, Baía** and the **Rui Barbosa Institute**;

2 Dec 2023 **Dubai (United Arab Emirates)** *Angop*. President **João Lourenço** chairs a high-level forum on the **Great Green Wall of Southern Africa Initiative**, which focuses on mitigating environmental phenomena in the region and promotes the integration of member countries on environmental issues, such as the fight against desertification, soil degradation and food insecurity;

2 Dec 2023 **Dubai (United Arab Emirates)** *Angop*. **Angola's** energy and water minister, **Baptista Borges**, announces that **United Arab Emirates** renewable energy company **Masdar** will develop a project for the construction of a 150-MW solar park in the municipality of **Quipungo (Huila Province)**, to provide clean electricity to 90,000 households in the region;

1 Dec 2023 **Addis Ababa (Ethiopia)** *Ethiopian Herald*. Ethiopia and **Angola** agree to increase their diplomatic relations in a range of fields;

29 Nov 2023 **London (United Kingdom)** *Reuters*. Unitel is suing billionaire businesswoman **Isabel dos Santos**, daughter of late former president **José Eduardo dos Santos**, in London, to freeze \$736m of her assets, following loans made to Isabel dos Santos' **Dutch** company, **Unitel International Holdings (UIH)**, in 2012 and 2013, when dos Santos was a Unitel director, to fund UIH's acquisition of shares in telecoms companies;

21 Nov 2023 **Luanda (Angola)** *Angop*. **National Assembly** speaker **Carolina Cerqueira** represents Angola at the 54th Plenary Assembly of the **Southern African Development Community (SADC) Parliamentary Forum** held in **Mauritius**, which brings together the leaders of the SADC parliaments, to discuss cooperation to improve disaster risk reduction and recovery planning in the SADC Region;

20 Nov 2023 **Lobito (Angola)** *Angop*. A protocol on the single port window to facilitate trade is signed between the **Maritime and Port Authority of Singapore**, the **International Maritime Organisation** and Lobito port, to facilitate the processing of goods and other clearances from the port;

### About Africa Risk Consulting:

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