

AFRICA RISK CONSULTING

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Angola Summary 20 February 2023

Angola's new flagship diamond mine, Luaxe, located close to Saurimo (Lunda Sul), lacks the \$200m capital investment necessary to bring the mine to full production of 5.7 million carats in 2023. The mine is a joint venture between Russian diamond mining company, Alrosa PJSC, Angola's state diamond company ENDIAMA UEE, and Catoca Lda, the country's largest diamond mine. There is a question as to whether the mine can attract new external investment, given the reputational risk and trading restrictions attached to the Russian miner due to United States (US) sanctions. Transparency International's Corruption Perceptions Index for 2022 has raised Angola's transparency score to 33/100, with a country ranking of 116/180. Angola's score has improved 13 points since 2017. Angola has asked Portugal to discover the financial routing of approximately €100m (\$107.2m) allegedly diverted from state-owned oil company Sonangol by its former chairperson, Isabel dos Santos, through Eurobic Bank. The rogatory letter also requests the seizure of documents from the Lisbon offices of two international consultancy companies, US-headquartered Boston Consulting Group (BCG) and PricewaterhouseCoopers (PwC). Angola is working on multiple strategies for green energy projects, including solar power and hydro-electric projects, and on net zero initiatives despite being a fossil fuel producer with significant environmental challenges.

Angola's new flagship mine lacks \$200m funding needed to open this year

Angola's new flagship diamond mine, **Luaxe**, located close to **Saurimo (Lunda Sul)**, lacks \$200m capital investment necessary to bring the mine to full production in 2023. The mine is a joint venture between **Russian** diamond mining company **Alrosa PJSC**, Angola's state diamond company **Endiama UEE**, and **Catoca Lda**, the country's largest diamond mine at present, in which Alrosa and Endiama are also shareholders.¹ The mine will not produce the expected 5.7 million carats in 2023 and there is a question as to whether the mine can attract new external investment, given the current reputational risk attached to the Russian miner.²

Russia's war in **Ukraine** and the consequent **United States (US)** sanctions against Russia have compounded the problems at Luaxe. In July 2022, the **US Department of the Treasury's Office of Foreign Assets Control (OFAC)** placed Alrosa on its sanctions list. The company now has significant problems in getting payments for diamond sales, which has a direct impact on its capacity to invest. A senior well-known and well-regarded US-based industry source says:

"Alrosa's goods are looked at as 'toxic'. What I'm hearing is that US sanctions on Alrosa are causing major problems through the industry. Apart from the ban on rough diamond imports into the US, banks are unable to process payments to Alrosa."³

The **Covid-19** pandemic is another reason cited for the delay in the mine's start-up, which Endiama chair **Ganga Júnior** previously announced would be in the second half of 2022.⁴ Mineral resources

¹ Expansão, 28 Jan 2023

² Rough Polished.com, 9 Mar 2021

³ Interview with industry source, Nov 2022

⁴ Expansão, 28 Jan 2023

and petroleum minister **Diamantino Azevedo** noted in March 2021 that the Covid pandemic had delayed the start-up:

"[After the] unfavourable situation due to the lockdowns caused by the COVID-19 pandemic, we are working to accelerate the start of production in Luaxe."⁵

Luaxe is a significant kimberlite mine. Alrosa believes it may turn out to be the largest diamond discovery in the last 60 years.⁶ The mine already produces about 1.7 million carats of diamonds,⁷ expecting a gross revenue of \$60m in the first years.⁸ Preliminary data point to a reserve of 350 million carats and a life of 30 years.⁹ The nearby **Catoca** mine, the fourth largest diamond mine in the world, produced about 5.6 million carats in 2022,¹⁰ 80% of the country's diamond production and 75% of all turnover in Angola's diamond sector.¹¹

Azevedo said at the **Mining Indaba 2023 in Cape Town (South Africa)** on 8 February that Angola has managed to attract three new major global companies that will invest in its mining sector but has not said whether any of them will buy into Luaxe.¹² Angola is currently the world's 4th largest diamond producer, valued at \$2 billion and the new mine will add significantly to its diamond output.¹³

Corruption levels perceived to be falling in Angola

Germany-headquartered non-governmental organisation **Transparency International's** Corruption Perceptions Index for 2022 has raised Angola's transparency score to 33/100, with a country ranking of 116/180.¹⁴ Angola's score has improved 13 points since 2017 according to TI when President João Lourenço (2017-present) came to power. Its 2022 country ranking is on par with Zambia, Ukraine and the Philippines.¹⁵

Transparency International CPI Rankings for Angola ¹⁶					
	2022	2021	2020	2019	2018
Ranking	116/180	138/180	142/180	146/180	165/175
Score	33	29	27	26	19

The improved score reflects legal action in Angola against several high-ranking politically exposed persons,¹⁷ including **Isabel dos Santos**, daughter of the late president **José Eduardo dos Santos** (1978-2017) and former chair of state-owned oil company **Sonangol**. Facing multiple criminal charges are two Angolan generals, **Manuel Hélder Vieira Dias Júnior 'Kopelipa'**, and **Leopoldino Fragoso de Nascimento** (aka **General 'Dino'**).¹⁸ Former prime minister **Manuel Vicente**, a close

⁵ Rough Polished.com, 9 Mar 2021

⁶ Northern Miner, 11 Dec 2019

⁷ Expansão, 28 Jan 2023

⁸ Expansão, 28 Jan 2023

⁹ Expansão, 28 Jan 2023

¹⁰ Further Africa, 10 Feb 2023

¹¹ Energy Year, 18 Oct 2022

¹² Angop, 8 Feb 2023

¹³ IDEX, 31 Jan 2023

¹⁴ Transparency International's Corruption Perceptions Index for 2022

¹⁵ Transparency International's Corruption Perceptions Index for 2022

¹⁶ Transparency International's Corruption Perceptions Index for 2022

¹⁷ Transparency International's Corruption Perceptions Index for 2022

¹⁸ Maka Angola, 14 Jul 2022

business associate of Kopelipa and Dino, is also expected to face criminal charges this year.¹⁹ These four are considered to be those closest to Jose Eduardo dos Santos.²⁰

Isabel dos Santos' Angolan assets investigated in Portugal

Angola has asked Portugal to discover the financial routing of approximately €100m (\$107.2m) allegedly diverted from Sonangol by Isabel dos Santos.²¹ Following legal action in Angola to take control of \$1 billion worth of assets belonging to Isabel dos Santos on 19 December (see *ARC Briefing Angola Jan 2023*), Angola sent a request for international judicial cooperation to Portugal, alleging diversion of funds from Sonangol during her tenure as chair of the company until November 2017.²²

Portugal's **Procuradoria Geral da República (PGR)** (attorney general's office) confirmed searches of **Lisbon**-headquartered **Eurobic Bank** by the **Ministério Público** (public prosecutor's office) of the **Departamento Central de Investigação e Ação Penal (DCIAP)** (central department of investigation and criminal action).²³

*"It is confirmed that searches are being carried out in execution of a request for international judicial cooperation received from the Angolan authorities. The searches are taking place in consulting companies and in a banking entity."*²⁴

Dos Santos was a shareholder of Eurobic until 2020 when the bank's board of directors decided to end the commercial relationship with entities controlled by her, adding it would investigate transfers worth tens of millions of dollars made by dos Santos.²⁵

Portuguese newspaper '*Observador*' cited bank sources who said the searches and seizure of documents were concentrated on the period from June to November 2017 and the investigators had seized documentation related to the work of **Nuno Ribeiro Cunha**, a senior employee of Eurobic private banking, and the Sonangol account manager at the bank, who was found dead in his home in January 2020.²⁶ Eurobic confirmed the search and the bank's cooperation with the authorities:

*"EuroBic announces that judicial steps were carried out today at its headquarters."*²⁷

The rogatory letter sent by Angola's PGR to his Portuguese counterpart also requested the seizure of documents from the Lisbon offices of two international consultancy companies allegedly implicated in the diversion of money from the oil company. US-headquartered **Boston Consulting Group (BCG)** and **PricewaterhouseCoopers (PwC)**, whose international co-ordinating company is based in **London (United Kingdom)**, had worked closely with Isabel dos Santos while she was chair of Sonangol. Both consultancies provided services to Sonangol as part of a restructuring process carried out during Isabel dos Santos' term.²⁸

Angola's supreme court also ordered the seizure of 70% of the shares owned by Isabel dos Santos in Lisbon-based company **UPSTAR Comunicação**.²⁹ Portugal's judicial assistance to Angola is crucial to recovering Sonangol's (and likely other) missing assets when elite assets were moved to Portugal during José Eduardo dos Santos' presidency.

Two further cases in Portugal originated in rogatory letters issued by Angola. Isabel dos Santos and **Mário Leite da Silva** (Portuguese businessman and former right-hand of dos Santos) are accused of

¹⁹ Lusa, 28 Nov 2022

²⁰ Maka Angola, 14 Jul 2022

²¹ Observador, 18 Jan 2023

²² Deutsche Welle, 19 Jan 2023

²³ Observador, 18 Jan 2023

²⁴ Observador, 18 Jan 2023

²⁵ BBC, 21 Jan 2020

²⁶ Observador, 18 Jan 2023

²⁷ Deutsche Welle, 19 Jan 2023

²⁸ Observador, 18 Jan 2023

²⁹ Observador, 18 Jan 2023

financial crimes committed in Angola, and the second is the request for an asset freeze in Portugal for the assets of Isabel dos Santos and her close business associates.³⁰ There are a further 15 DCIAP inquiries aimed at Isabel dos Santos and €5 billion (\$5.4 billion) in frozen assets in Portugal.³¹

Green energy initiatives in Angola

Angola is working on multiple strategies for green energy projects and net zero initiatives despite being a fossil fuel producer with significant environmental challenges. Mineral resources, oil and gas minister Diamantino Azevedo told the Mining Indaba in Cape Town that Angola is endowed with the potential for clean energy technologies and the country's initial efforts are concentrated on minerals such as lithium, iron ore, nickel, lead, cobalt, copper and rare earth elements, which include the raw materials for modern batteries.³²

In addition to mining the metals and minerals, Angola will benefit from them:

*"The Angolan government will not only promote the extraction of these minerals but will also require a significant part of the value chain of these minerals to be developed in the country."*³³

Processing the materials is not carbon-neutral and has environmental challenges. Processing raw materials like lithium, cobalt and nickel require chemicals and enormous amounts of water and can leave contaminants and toxic waste behind. Manufacturing batteries use fossil fuels and add to the production eco-footprint, according to the **Massachusetts Institute of Technology (MIT)**.³⁴

Angola already confronts a vast array of environmental challenges, among them deforestation, soil erosion, poor water quality, pollution from mining and oil production, and the impacts of climate change, including increasing droughts.³⁵ A recent **Afrobarometer** survey shows that (75%) of Angolans say pollution is a serious problem, and see environmental pollution in the cities, including the longstanding problems of failure to manage rubbish and plastics, as a major problem in their communities. Those polled want the government to do more to address pollution and protect the environment, though not at the cost of jobs.³⁶

The environment ministry says legislation is being introduced to preserve and protect the environment and to tighten up on the worst polluters in Angola, the oil and mining companies. Although there have been environmental rules for the extractive industry for many years, it is moot whether they are applied, as the major river pollution incident from the Catoca mine showed in July 2021 (see *ARC Briefing Angola Aug 2021*).³⁷

Where Angola can progress in developing green energy is in the provision of electricity supply. Angola is building its internal electricity supply from renewable energies; hydroelectric projects and photovoltaic plants – solar energy.³⁸ At present, only four out of ten Angolans (42.8%) have access to electricity. Angola has not been able to attract large investments for the distribution and installation of new transmission systems, which is where the worst bottleneck lies.³⁹

The paradox of a greener Angola is how a fossil fuel producer can mitigate the effect of hydrocarbons and of internal neglect. President João Lourenço's view is that *"Angola is receptive to making in a short*

³⁰ Observador, 18 Jan 2023

³¹ Observador, 18 Jan 2023

³² Jornal de Angola, 3 Feb 2023

³³ Jornal de Angola, 3 Feb 2023

³⁴ MIT Climate Portal, 15 Jul 2022

³⁵ Angop, 30 Jan 2023

³⁶ Afrobarometer, 17 Jan 2023

³⁷ Reuters 21 Aug 2021

³⁸ Expansão 10 Feb 2023

³⁹ Expansão 10 Feb 2023

time, in a few years, a complete energy transition".⁴⁰ This will depend on investment and on internal compliance which has been lacking for decades.

Planner

2019-2023 **(Angola) Programa de Privatizações (PROPRIV)** (privatisation programme) to manage government divestment of 138 companies;

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

30 Jan 2023 **Luanda (Angola)** Angola becomes annual **African** president of the **United Nations Educational, Scientific and Cultural Organisation (UNESCO)**;

Jul 2023 **Lobito (Angola)** The implementation of the Single Window for Trade Facilitation (JUMA), which the **International Maritime Organization (IMO)** is introducing in the **Commercial Port of Lobito**, is to be completed, providing digitisation of the port services;

2023 **Luanda (Angola) Angolan Diamond Exchange** to open on a preliminary basis;

Mar 2023 **(Netherlands) Isabel dos Santos** and **Angolan** banker, **Mario Leite da Silva**, to appear before a **Dutch** court to answer civil charges relating to Dutch company **Esperaza Holdings BV**;

Q1 2023 **Namibe (Angola) Caraculo** photovoltaic (solar) power plant in **Namibe** province comes online;

2023 **Luanda (Angola)** Angola and the **European Union (EU)** to open negotiations for a trade agreement;

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

Dec 2023 **Luanda (Angola) Aeroporto Internacional Dr Antonio Agostino Neto** expected to open;

Dec 2023 **Cabinda (Angola)** First phase of **Cabinda Refinery** ends and testing to begin to measure the productive efficiency of the refinery;

2023-2024 **Luanda (Angola)** Angola to create two new provinces and a further 417 municipalities by 2024;

Q 1 2024 **Lucapa (Angola)** The Lucapa photovoltaic will start producing power in the first quarter of 2024, from 12,090 solar panels, 80% funded by **Sweden** and 20% by **South Africa**;

2024 **(Angola)** Government is to carry out its second census; the first was taken in 2014;

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

⁴⁰ Angop, 9 Feb 2023

Chronology

15 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. **Standard Bank of Angola** says that it detected recent fraud by three employees and was able to recover part of the diverted funds after suspicious activity was discovered;

15 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. United States Agency for International Development (USAID) announces that it has additional resources available for Angola, within the framework of a strategic partnership with the government for the implementation of the **National Development Plan 2023/2027**;

15 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. **International Secretariat of the Extractive Industry Transparency Initiative (EITI)** makes a four-day visit to Angola to assess Angola's progress in implementing agreements with the EITI;

14 Feb 2023 **Luanda (Angola)** *Expansao*. **Portuguese** oil company **Galp** agrees to sell its upstream, oil exploration and production assets in Angola to **Somol-Sociedade Petrolífera Angolana S.A.** for \$830m, with \$655m receivable after the agreement and the remaining \$175m in contingent payments to be made in 2024 and 2025, depending on the price of Brent crude;

13 Feb 2023 **Luanda (Angola)** *Expansao*. Parliament approves the General State Budget (GEO) for the financial year 2023 following consultations in parliament, with only opposition party **UNITA** voting against the budget with 86 votes and all other position parties voting with the government, giving 124 votes in favour in total;

9 Feb 2023 **Luanda (Angola)** *Expansao*. Angola's **Angosat 2** satellite begins selling commercial services through the management office of the Programa Espacial Nacional (National Space Programme) allowing national telecommunications operators and the government to benefit from its bandwidth capabilities;

9 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. Infrastructure and Energy Security services of the Office of the **Presidency of the USA** visit the **Lobito** corridor and port, including the multipurpose terminal and the Mineral Port to look at the framework of infrastructure and identify business opportunities;

9 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. **Germany**-based **Deutsche Bank** executives visit Angola to expand their partnership with the **Banco de Desenvolvimento de Angola (BDA)** (Angolan Development Bank);

7 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. State-owned oil company **Sonangol** announces that it traded 89.3 million barrels of oil in Q4 2022, with resultant revenues of over \$7.7 billion, and total oil exports for 2022 were valued at \$39.94 billion;

7 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. **African Development Bank (AfDB)** Angola representative **Pietro Toigo** announces the bank has \$160m to invest in the implementation of infrastructure in Angola this year, particularly in the water sector;

7 Feb 2023 **Luanda (Angola)** *Angop*. King **Felipe VI** of **Spain** makes a state visit to Angola and the two countries sign a range of cooperation agreements in the diplomatic, economic and financial fields;

5 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. **Banco de Desenvolvimento de Angola** (Angolan development Bank) announces it invested \$1.2m in 17 industrial projects in **Lunda Sul** in 2022, under its credit support programme;

4 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. **Israeli** company **Dagan Ltd** intends to implement large-scale projects in the agricultural and aquaculture sectors in **Benguela** province, with an initial investment of \$300m to develop fish farming;

3 Feb 2023 **Amsterdam (Netherlands)** *Bellingcat*. Open source investigation organisation **Bellingcat** identifies **Isabel dos Santos**, currently subject to an international arrest warrant, as a resident in the **Bulgari Resort and Residence, Dubai (United Arab Emirates)**;

2 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. **Banco Nacional de Angola** (central bank) director of statistics **Joel Futi** announces that Angola spent \$2.8 billion on food imports in 2022, 13.6% of all imports;

2 Feb 2023 **Luanda (Angola)** *Angop*. Angola says the country needs over \$238.5m to complete the removal of landmines started in 2002, to comply with Agenda 2025 of the **Ottawa Treaty on Landmines**, with 1,095 areas to be cleared across the country;

2 Feb 2023 **Luanda (Angola)** *Jornal de Angola*. State-owned diamond marketing company **Empresa Nacional de Comercializao de Diamantes de Angola EP (SODIAM)** announces its annual results and a record turnover of \$ 2 billion in 2022 from the export of 9.2 million carats of diamonds, although acknowledges issues with three sets of audit figures;

2 Feb 2023 **Luanda (Angola)** *Angop*. Angola announces it spent about \$892m to import fuel in the last quarter of 2022, an 8% decrease in import costs compared to the previous quarter;

1 Feb 2023 **Luanda (Angola)** *Angop*. Minister of State and chief of the **Civil Affairs Office** of the Head of State, **Adão de Almeida**, says that Angola's constitution, in force since 2010, has ensured political stability, suggesting the constitution will not be changed in the short-medium term;

1 Feb 2023 **Luanda (Angola)** *Angop*. **Belgian** foreign affairs minister **Hadja Lahbib** visits Angola and discusses strengthening of cooperation in the political, economic, energy, transport, mine clearance, mining and port areas;

31 Jan 2023 **Luanda (Angola)** *Angop*. **French** oil company **TotalEnergies** announces that it will temporarily interrupt production from the **Dália** oil field, located in block 17, for 35 days from 20 February, to carry out maintenance service, losing 7 million barrels of oil;

31 Jan 2023 **Luanda (Angola)** *Jornal de Angola*. **India's** ambassador to Angola, **Pratibha Parkar**, says trade between India and Angola in 2022 is estimated at \$3.1 billion and India remains Angola's third-largest trading partner;

29 Jan 2023 **Luanda (Angola)** *Jornal de Angola*. **Netherlands**-based pan-African data centre developer and operator **Raxio Group** announces plans to develop the first neutral Tier III data centre in an operator in Angola, with 6MW of IT capacity;

28 Jan 2023 **Luanda (Angola)** *Jornal de Angola*. **Arab Bank for African Development** director general **Sidi Ould Tah** says the bank will give Angola's **Sociedade de Desenvolvimento da Barra do Dande** (Barra do Dande development company) investment funding to complete the **Barra do Dande Integrated Development Free Trade Zone**;

28 Jan 2023 **Lobito (Angola)** *Jornal de Angola*. Angola, the **Democratic Republic of the Congo (DRC)** and **Zambia** sign historic tripartite agreement to create the **Agency for the Facilitation of Traffic Transport of the Lobito Corridor**, to enable the countries to transport goods through the Lobito Corridor, which extends from the **Port of Lobito** to the mining areas of the province of **Katanga** (DRC) and **Copperbelt** (Zambia) via Angola's **Benguela** railway and the port of Lobito;

23 Jan 2023 **Luanda (Angola)** *Jornal de Angola*. **Sonangol**-owned **MSTelcom** establishes a strategic partnership with **South Africa**-based **Mint Africa** (**Microsoft** and global IT consulting, **Mint Group**) to bring Microsoft technological solutions to the Angolan market;

23 Jan 2023 **Luanda (Angola)** *Jornal de Angola*. **Turkey**-headquartered **Beko Plc** opens three assembly lines of Beko brand household appliances in Luanda, the company's first investment in **sub-Saharan Africa**, to produce 200,000 appliances a year;

21 Jan 2023 **Luanda (Angola)** *Jornal de Angola*. Luanda's **Banco de Comércio e Industria** (bank of commerce and industry) announces that a capital increase of 15 billion kwanzas (\$296 m), a recapitalisation plan required by the **Banco Nacional de Angola (BNA)** (central bank), was completed on 31 December;

13 Jan 2023 **Luanda (Angola)** *Fitch Ratings*. **United States**-headquartered **Fitch Ratings** affirms Angola's rating at B- with a positive outlook and estimates Angola's economic growth will decelerate to 2.7% in 2023, although the non-oil economy should remain buoyant.

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