

AFRICA RISK CONSULTING

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Angola Summary 16 March 2023

The International Monetary Fund's (IMF) executive board completed its Article IV consultations with Angola on 22 February. The consultations propose that positive growth and better control of inflation are likely over the next 2 years. Angola's growth is estimated to be 3.5% in 2023 and reach 4% in the medium term while annual inflation declined significantly to 13.8%. However, reforms to the banking sector and state-owned enterprises are called for, together with a continuing emphasis on anti-corruption initiatives. Procurator Geral de Republica (PGR) (attorney general's office) charges Exalgina Gambôa, presiding judge of Angola's Tribunal das Contas (court of auditors) with embezzlement, extortion, and corruption on 28 February. Her son, Hailé Vicente da Cruz, is also accused of extortion and corruption. PGR also issues a search and seizure warrant for Judge Joel Leonard, head of the Tribunal Supremo (supreme court) on 11 March. The warrant is in connection with alleged serious irregularities. Azule Energy announces contracts at the end of February for the infrastructure for its new major offshore Agogo west oil field, with a cumulative value of \$7.8 billion. Azule Energy is Angola's largest independent oil and gas producer.

IMF Article IV consultations produce positive outlook for 2023/4

The **International Monetary Fund's (IMF)** executive board completed its Article IV consultations with **Angola** on 22 February, suggesting that positive economic growth and better control of inflation are likely over the next 2 years and that Angola has succeeded in finding “hard-won economic stability.”¹

The IMF says that Angola's growth is estimated to be 3.5% in 2023 and that overall growth is expected to reach 4% in the medium term. Annual inflation declined significantly to 13.8% at end-December, from 27% in December 2021, driven by lower global food prices, a stronger kwanza, and previous efforts by the **Banco Nacional de Angola (BNA)** (central bank) to tighten monetary policy. The IMF is, however, concerned about higher-than-expected budgeted capital expenditure and fuel subsidy costs.² Angola's current fuel subsidies for imports for domestic use are costing the government between \$3 billion and \$4 billion a year.³

The IMF acknowledged that Angola has successfully reduced its external debt, saying that the public debt-to-GDP ratio fell by an estimated 17.5% of GDP to an estimated 66.1% of GDP, aided by a stronger exchange rate.⁴ Angola and **China** are also currently reviewing agreements relating to the reciprocal promotion and protection of investments between them and the operation of the guiding committee for economic and trade cooperation.⁵

However, clear risks remain in the near term, including a larger-than-expected decline in global oil prices and renewed global food price pressures, as well as possible adverse weather conditions that impact the agriculture sector, such as the drought that affects the southern provinces of Angola.⁶

¹ IMF 2022 Article IV Consultation Angola, 22 Feb 2023

² IMF 2022 Article IV Consultation Angola, 22 Feb 2023

³ Jornal de Angola, 8 Mar 2023

⁴ IMF 2022 Article IV Consultation Angola, 22 Feb 2023

⁵ Angop, 28 Feb 2023

⁶ IMF 2022 Article IV Consultation Angola, 22 Feb 2023

Risks from mismanagement and corruption are also addressed in the report. The IMF expects the government to strengthen revenue administration and public financial management, and reform state-owned enterprises, including oil company **Sonangol EP**, diamond miner **Endiama UEE** and diamond trader **Empresa Nacional de Commercialização de Diamantes de Angola UEE** all of which are expected to be partly privatised.⁷

The central bank is expected to adopt a more comprehensive approach to dealing with problem banks and nonperforming loans and is inspecting all banks with high levels of bad credit. Approximately 10 banks, including the chronically underperforming **Banco Poupanca e Credito** (savings and loans bank), are believed to be under such scrutiny.⁸ These banks will have to increase their provisions and present up-to-date and scheduled overdue credit resolution strategies and objectives. The most recent BNA data indicates that 21.1% of the bank's gross credit, or Kz 6.5 billion (\$12.8m), is in default.⁹

The IMF's report is not entirely uncritical, expecting the government to recognise the need to make further progress on its anti-corruption strategy and on strengthening governance, transparency, and its anti-money laundering and counterterrorism financing regime, including publication of the audited **Covid-19** expenditure reports.¹⁰

The IMF hopes that inclusive and sustainable growth will be the outcome of all these policies. It is certainly the IMF's view that Angola is dealing with its problems, but whether structural reform will lead to the expected social investment and improvement in social conditions has yet to be seen.¹¹

Head of Angola's audit court charged with corruption offences.

The **Procurator Geral de Republica (PGR)** (attorney general's office) charged **Exalgina Gambôa**, presiding judge of the **Tribunal das Contas** (court of auditors) since 2018, with embezzlement, extortion and corruption on 28 February. Her son, **Hailé Vicente da Cruz** was also accused of extortion and corruption.¹² The attorney general's office said the investigation into Gambôa was opened "*in reaction to information and public complaints*".¹³ Complaints were first aired in 2022 when journalist and campaigner **Rafael Marques** alleged that:

"Judge Gambôa repeatedly authorised payments from the court of auditor's reserve fund to cover nearly four million US dollars in redecoration and furnishing expenses for her [official] residence."¹⁴

The residence itself, a house in the exclusive **Malunga Condominium** in **Luanda's Talatona** district, was purchased by the government in 2020 for approximately \$3.5m. It is not clear why Gambôa was entitled to an official residence, but senior officials and directors of state companies are entitled to very high levels of perquisites including cars and other subsidies.¹⁵ More evidence of Gambôa's misuse of the court's budget came with the publication of the court's 2021/22 accounts in February, where additional diversions of funding were found. Gambôa is alleged to have routinely authorised payments from the court's funds for her three adult children to fly business class to and from **Lisbon (Portugal)**.¹⁶

⁷ IMF 2022 Article IV Consultation Angola, 22 Feb 2023

⁸ IMF 2022 Article IV Consultation Angola, 22 Feb 2023

⁹ Expansao, 13 Mar 2023

¹⁰ IMF 2022 Article IV Consultation Angola, 22 Feb 2023

¹¹ IMF 2022 Article IV Consultation Angola, 22 Feb 2023

¹² Jornal de Angola, 1 Mar 2023

¹³ Lusa, 1 Mar 2023

¹⁴ Maka Angola, 20 Jun 2022

¹⁵ Maka Angola, 20 Jun 2022

¹⁶ Maka Angola, 23 Feb 2023

Da Cruz is on the board of Luanda-based **UNITEL Money** and before that was on the board of **Banco Yetu**, where the audit court holds several accounts. It is allegedly through these accounts at Banco Yetu that the court's funds were diverted, leading to the charges of extortion and corruption against da Cruz.¹⁷

President **Joao Lourenço** (2017- present) invited Gambôa to step down on 21 February, two days before the publication of Marques' recent allegations.¹⁸ She appears to have reluctantly agreed to step down as president of the court on health grounds, then back-tracked, not resigning until 1 March, the day after the PGR announced the charges against her.¹⁹

The case is seen as a consequence of Lourenço's failure to reform the judiciary and put in place systems to ensure ethical behaviour by government officials, weakening the fight against corruption.²⁰ Judge **Joel Leonardo**, head of the **Tribunal Supremo** (supreme court) is, since 11 March, also the subject of a search and seizure warrant issued by the PGR, for alleged serious irregularities.²¹ Marques said:

*"The case of Exalgina Gambôa is key to understanding why Angola's Justice system is incredibly dysfunctional. Safeguards against this kind of behaviour are codified in Angolan law. However, no adequate enforcement mechanisms are currently in place."*²²

The court of auditors is the body that oversees the probity of government and public sector accounts and is the enforcement mechanism for these contracts, and those of publicly owned companies. Any non-performing contract should be identified by this court for further action. It is a front-line body for identifying corruption, albeit one that has historically underperformed.²³ The judge's failures demonstrate that oversight is still extremely lax.

Azule Energy awards contracts worth \$7.8 billion for major offshore oil project

Azule Energy, Angola's largest independent oil and gas producer a 50/50 joint venture between **United Kingdom**-headquartered **BP** and **Italy**-headquartered **Eni**, announced contracts at the end of February for the infrastructure for its new **Agogo** west oil field with a cumulative value of \$7.8 billion.²⁴

Eni's Angolan subsidiary, **Eni Angola SPA**, is the operator of the Agogo field. Eni has a 36.84% participating interest in Angola's offshore block 15/06, while the other partners are Sonangol P&P (36.84%) and Angola registered **SSI Fifteen** (26.32%), a joint venture between Sonangol and China's **Sinopec Group**.²⁵

The Agogo oil field was discovered in March 2019 with an initial prospect of up to 650 million barrels of light oil in place. The field is in 1,700m-deep waters, approximately 180km off the coast of Angola. Further appraisal of the field has indicated the presence of up to one billion barrels of oil in recoverable reserves and it has west and east hubs.²⁶

Adriano Mongini, Azule Energy CEO, commented on the contracts with oil engineering companies:

*"The signing of these contracts marks the start of a new wave of major investment in the deep water of Angola and it will deliver a significant value of activities for the country's oil and gas industry."*²⁷

¹⁷ Maka Angola, 23 Feb 2023

¹⁸ Angop, 27 Feb 2023

¹⁹ Angop, 1 Mar 2023

²⁰ Maka Angola, 23 Feb 2023

²¹ Club-K, 11 Mar 2023

²² Maka Angola, 23 Feb 2023

²³ Maka Angola, 23 Feb 2023

²⁴ World Oil, 28 Feb 2023

²⁵ NS Energy, 28 Feb 2023

²⁶ NS Energy, 28 Feb 2023

²⁷ World Oil, 28 Feb 2023

The contracts include a new floating production storage and offloading (FPSO) vessel. The new **Agogo Integrated West Hub** will produce hydrocarbons from Agogo and **Ndungu** fields via both the existing Ngoma and the new Agogo FPSO that will be operational from about mid-2025. The two fields will reach a peak of production of 175,000 barrels per day.²⁸

Yinson Holdings bhd of **Malaysia** will build the Agogo FPSO and provide field operations and maintenance services. The contract has an aggregate value of approximately \$5.3 billion and will operate for fifteen years, with the option to extend for a further five years. FPSO Agogo is expected to commence operations in the fourth quarter of 2025.²⁹

United States-based energy technology company **Baker Hughes** has been contracted for subsea production systems and aftermarket services, representing the first major new greenfield project awarded in offshore Angola in more than five years.³⁰

Norway-based **Aker Solutions** and **Subsea 7 SA**, Italian company **Saipem SPA** and UK-domiciled **TechnipFMC**³¹ will manufacture the various types of pipelines and supporting technology needed to carry the oil to the FPSO, entailing about 100km of rigid flowlines, 100km of flexible flowlines, and 100 km of umbilicals.³²

The Agogo Integrated West Hub is the largest deep-water project in Angola. It will consist of 36 wells and a second FPSO with a production capacity of 120,000 barrels of oil per day from 2025. The new field is an important contribution towards the increase of the country's oil production, with a life of at least 15 years.³³

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;

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

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**;

23 - 24 April 2023 **London (United Kingdom)** Angola to attend an **African** summit held by the UK government;

Q2 2023 **Luanda (Angola) Portugal's** Prime Minister **António Costa** to make a state visit to Angola;

Jul 2023 **Lobito (Angola)** The implementation of the Single Window for Trade Facilitation (JUMA) to be completed, providing digitisation of the port services;

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

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

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

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

Dec 2023 **Cabinda (Angola)** First phase of **Cabinda Refinery** testing begins;

²⁸ NS Energy, 28 Feb 2023

²⁹ Yinson Holding Press release, 28 Feb 2023

³⁰ Baker Hughes press release, 28 Feb 2023

³¹ Aker Systems press release, 28 Feb 2023

³² Oil and Gas Journal, 28 Feb 2023

³³ World Oil, 28 Feb 2023

2023-2024 **Luanda (Angola)** Angola to create two new provinces and a further 417 municipalities;
 Q 1 2024 **Lucapa (Angola)** The **Lucapa photovoltaic** will start producing power;
 2024 **(Angola)** Government is to carry out its second census;
 Dec 2024 **Cabinda (Angola)** Completion of the deep-water port, **Porto do Caio**, in **Cabinda** province is expected;

Chronology

14 March 2023 **Luanda (Angola)** *Jornal de Angola*. **United States**-based **Fitch Solutions** says that oil refining capacity in Angola will more than double by 2025, from the current 100,000 barrels of oil per day to almost 250,000;

13 March 2023 **Luanda (Angola)** *Jornal de Angola*. Government and the **World Bank** announce a joint project to accelerate sustainable economic diversification and job creation from 2023 to 2029;

13 March 2023 **Tokyo (Japan)** *Angop* President **João Lourenço**, on a 3-day state visit to **Japan**, meets Prime Minister **Fumio Kishida** to discuss bilateral cooperation and Japanese investment in Angola in the sectors of renewable energies, agriculture and health and the possibility of new credit lines from Japan;

13 March 2023 **Luanda (Angola)** *Angop*. **National Assembly** agrees to vote on 17 March on whether to approve sending a military contingent of peacekeeping and support to the eastern region of the **Democratic Republic of Congo (DRC)**;

11 March 2023 **Luanda (Angola)** *Jornal de Angola*. **Centro Regional de Energia Renovável e Eficiência Energética da África Central** (regional centre for renewable energy and energy efficiency of central Africa) is inaugurated to develop renewable resources to combat energy poverty and produce energy at low cost in the central African region;

11 March 2023 **Luanda (Angola)** *Jornal de Angola*. Angola joins the **Global Forum on Transparency and Exchange of Tax Information**, a body which includes all **G20** countries, the **OECD**, international financial centres and several developing countries, combating offshore tax evasion through the implementation of internationally agreed standards for on-demand information exchange (EOIR) and automatic exchange of financial account information (AEOI);

9 March 2023 **Luanda (Angola)** *Jornal de Angola*. Transport ministry announces the launch of tenders for the design, construction, exploration and management of the logistics platforms of **Arimba** and **Lombe**, in the provinces of **Huíla** and **Malanje**;

9 March 2023 **Luanda (Angola)** *Jornal de Angola*. **Vera Daves**, finance minister, announces Angola is preparing to set up a \$5 billion real estate investment fund to manage recovered assets received in the fight against corruption;

8 March 2023 **Nairobi (Kenya)** *Angop*. Attorney general's office has reportedly opened an investigation into the finances and assets of Angola's ambassador to **Kenya**, **Sianga Abilio**, previously a director of **Sonangol**;

8 March 2023 **Washington (US)** *IDEX Online*. **James O'Brien**, head of the **United States** office of sanctions coordination says US and **European Union** officials will consult diamond industry leaders on further measures against **Russia** for its "*unprovoked war in Ukraine*", opening up the possibility that new measures will affect trading from Russian diamond miner **Alrosa**'s two partly-owned diamond mines in **Angola**, **Catoca** and **Luaxe**;

8 March 2023 **Luanda (Angola)** *Jornal de Angola*. **Agência Nacional de Petróleo, Gás e Biocombustíveis** (national agency for oil, gas and biofuels) and **Cabinda Gulf Oil Company Limited**

(CABGOC), a subsidiary of **United States**-based **Chevron**, announce the start of oil production at the **Lifua-A** field, forecast to produce 6,500 barrels per day;

7 March 2023 **Luanda (Angola)** *Jornal de Angola*. The **Luxemburg**-headquartered **European Investment Bank** will finance projects in Angola in the energy and water, health, and agro-industry sectors, estimating that €60 million (\$62m) is available for agro-industrial projects, €50 million (\$52m) for health resilience and is discussing new energy and water projects;

6 March 2023 **Luanda (Angola)** *Jornal de Angola*. Government and the **African Development Bank** are discussing financial cooperation in the agriculture sector, issues related to infrastructure, and the reforms that the state is carrying out in the agricultural sector;

6 March 2023 **Doha (Qatar)** *Angop*. Economy and planning minister **Mário Caetano João** says that Angola is working with the **United Nations** to become a Middle Income Country in 2024.

5 March 2023 **Luanda (Angola)** *Jornal de Angola*. Angola signs contract with **French** company **Airbus Defence and Space** for the **ANGEO-1** land observation satellite, to be used for the development of infrastructure, mapping of natural resources, and maritime surveillance;

4 March 2023 **Luanda (Angola)** *Jornal de Angola*. Secretary of state for planning, **Milton Reis** says government will move towards Public-Private Partnerships (PPP) as a mechanism to advance development programs and infrastructures and that PPP projects in the water subsector and other areas are underway;

3 March 2023 **Luanda (Angola)** *Radio Frances International*. **Frances's** President **Emmanuel Macron** signs an economic agreement with Angola during his four-nation tour of central **Africa** aimed at renewing frayed ties with the continent and developing new kinds of partnerships;

3 March 2023 **Luanda (Angola)** *Jornal de Angola*. State minister **Adão de Almeida**, announces that **France** is the second largest foreign investor in Angola and the volume of trade in goods traded between them in the period 2020-2022, amounts to nearly \$4 billion;

3 March 2023 **Luanda (Angola)** *Jornal de Angola*. **Ganga Júnior**, president of the board of directors of state diamond company **Endiama UEE**, says Angola is aiming to produce about 12 million carats of diamonds in 2023 against production of about nine million carats in 2022;

3 March 2023 **Luanda (Angola)** *Lusa*. **United States** finances the training of more than 200 Angolan judges, prosecutors, investigators and customs officials in the investigation and trial of cases of illegal wildlife trafficking, aiming to strengthen capacity in combating illegal extraction and timber trafficking;

2 March 2023 **Luanda (Angola)** *Jornal de Angola*. **World Bank** agrees to finance \$37m for the rehabilitation and expansion of the low-voltage electrical system in the city of **Benguela**;

2 March 2023 **Luanda (Angola)** *Human Rights Watch*. **United States**-headquartered **Humans Rights Watch**, says the **Angolan** authorities should immediately suspend forced evictions and demolitions from alleged illegal housing in Luanda and those owners of houses already demolished should receive prompt reparations;

1 March 2023 **Luanda (Angola)** *Jornal de Angola*. **United Kingdom**-headquartered engineering and energy technology company **TechnipFMC** announces that it has secured a \$250m contract with the **French** oil and gas multinational **TotalEnergies**, for the engineering, acquisition and supply of flow lines and connectors for the **Girassol Life Extension** project, located in offshore Angola Block 17;

1 March 2023 **Luanda (Angola)** *Jornal de Angola*. **World Bank** selects Angola as one of the first 40 to carry out a pilot study on the ranking of the World Bank's "*Environment Favourable to Business between Countries*";

1 March 2023 **Luanda (Angola)** *Jornal de Angola*. **African Development Bank** visits Angola to prepare a new strategy document for 2024 to 2028, discuss the bank's role and evaluate the results of the 2017-2021 period, extended to 2023;

1 March 2023 **Luanda (Angola)** *Angop*. **South Korea's** President **Yoon Suk-Yeol Park** sends her special envoy **Heong-Joon** to meet President **João Lourenço** to discuss strengthening cooperation in the fields of telecommunications, information, energy, ports and maritime industry;

28 Feb 2023 **Luanda (Angola)** *Angop*. State oil company **Sonangol** has taken delivery of a Suezmax oil tanker with a capacity of 1 million barrels of crude oil, built by **South Korea's Hyundai Samho Heavy Industry** with a second tanker to be delivered in September 2023;

21 Feb 2023 **Luanda (Angola)** *New Era*. **Bank of Namibia (BoN)** and **Banco Nacional de Angola (BNA)** sign an agreement to formalise technical collaboration and partnership between the two central banks, to prioritise trade facilitation through payment system integration, to explore retail payment options and examine the possibility of trade-related guarantees;

About Africa Risk Consulting:

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