

## AFRICA RISK CONSULTING

### Angola Monthly Briefing August 2023

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#### Angola Summary 17 August 2023

*Finance minister Vera Daves confirms on 8 August that Angola is facing a budget deficit of \$10 billion this year due to low oil production and a weak currency. The realisation prompts the treasury to revise public investment projects and consider the possibility of a further bond issue, as well as a new investment agreement with China. The Banco Nacional de Angola (central bank) exchange rate is currently Kz 825 to the United States dollar after trading between Kz 502 and Kz 506 since November 2022. Economic coordination minister Jose de Lima Massano and China's commerce minister Wang Wentao announce the signing of a new China-Angola Bilateral Investment Agreement on 13 August. US-headquartered Human Rights Watch (HRW) publishes a report entitled 'Angola: Grave Police Abuses Against Activists' on 7 August. The report details human rights abuses including extrajudicial killings that the police and security forces have allegedly carried out this year.*

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#### Angola faces a \$10 billion budget deficit

Finance minister **Vera Daves** announced on 8 August that **Angola** faces a budget deficit of \$10 billion this year due to low oil production and a weaker kwanza, prompting a raft of measures to help stimulate the economy.<sup>1</sup> The **Banco Nacional de Angola** (central bank) exchange rate is currently Kz 825 to the **United States** dollar (USD), after trading between Kz 502 and Kz 506 to the dollar since November 2022.<sup>2</sup>

The finance ministry set the 2023 budget based on the production of 1.18 million barrels of oil per day at an average price of \$75 per barrel, however, actual production has averaged only 900,000 barrels a day leading to a budget deficit. Increases in interest rates in international markets have exacerbated the situation.<sup>3</sup>

The government affirmed on 9 August during a meeting of the economic commission of the council of ministers that other risks have prevailed which also impact the budget, including the increased costs of debt servicing and higher cost of capital and goods and services.<sup>4</sup>

At the meeting, the "*immediate and effective implementation*" of measures to stimulate the economy was recommended.<sup>5</sup> Daves outlined budget cuts to capital projects and noted that all investment projects being financed by treasury resources will be suspended until the end of the year if they are less than 80% complete.<sup>6</sup>

Daves clarified that expenses in the budget that are 100% insured by internal or external financing will not be suspended. The executive also approved a law to suspend part of the 2023 expenditure, noting that it needed to adapt public expenditure to the current context of revenue collection, ensure the sustainability of public debt and reverse the anticipated budget deficit.<sup>7</sup> Daves explained that, by cutting expenses, a budgetary review of the OGE 2023 can be avoided, as this would impact on the preparation of the 2024 state budget. She further noted that essential services should be protected, to

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<sup>1</sup> Further Africa 8 Aug 2023

<sup>2</sup> BNA.com, accessed 17 Aug 2023

<sup>3</sup> Further Africa 8 Aug 2023

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

<sup>5</sup> Jornal de Angola 10 Aug 2023

<sup>6</sup> Jornal de Angola 10 Aug 2023

<sup>7</sup> Jornal de Angola 10 Aug 2023

ensure the "*elementary commitments*" of the state and allow the functioning of the organs of central and local administration.<sup>8</sup>

Daves said that Angola's plan to issue \$1 billion in debt securities this year depends on lower interest rates in international markets, even though this poses problems for the national treasury.<sup>9</sup> While the issue of Chinese debt repayment was not touched on, Daves has reportedly resumed repayment of capital to China, a further reason for the \$10 billion black hole in Angola's accounts.<sup>10</sup> A new agreement with China, whose terms are not fully known, may go some way to resolving the budget crisis.

### **Angola and China sign a new investment agreement.**

Economic coordination minister **Jose de Lima Massano** and China's commerce minister **Wang Wentao** announced the signing of a new **China-Angola Bilateral Investment Agreement** during the second meeting of the **Steering Commission for Economic and Trade Cooperation** between China and Angola, held in Angola on 13 August.<sup>11</sup> Wang met President **João Lourenço** (2017-present) on the previous day, to review the agreements.<sup>12</sup>

Wang gave few details of the new agreement but did review existing economic relations between the two, which are positive - Angola is China's second-largest trading partner in Africa and second-largest oil supplier to China.<sup>13</sup> Wang noted that China has already become an important investor in Angola, specifically in the areas of oil, mining, and agricultural processing, with bilateral trade between the two countries growing by 16% in 2022 to reach \$27 billion.<sup>14</sup> Wang further highlighted that Angolan mineral exports to China are also increasingly important, hinting that this may be where the new investment will be targeted.<sup>15</sup> At present, Angola's main mineral export is diamonds and is the country's second-largest export overall. The potential for Chinese investment in oil was noted by **Agência Nacional de Petróleo Gás e Biocombustíveis** (national oil, gas and biofuels agency), presenting the bidding process for oil concessions to at least a hundred representatives of companies in Beijing.<sup>16</sup>

Massano in return noted that the presence of China and its entrepreneurs have significantly contributed to the construction of new infrastructure in Angola.<sup>17</sup> According to Wang, China has built over 2,800 km of railway and 200,000 km of road in Angola, alongside approximately 100,000 units of social housing, 100 schools and 50 hospitals.<sup>18</sup> Another example of this is the **Dr Antonio Agostinho-Neto International Airport in Luanda**, which China considers to be an important example of the **Belt and Road Initiative** in Angola.<sup>19</sup> Transport minister **Ricardo Viegas D'Abreu** offered an update on the airport:

*"We're now in the final phase of the contract for the Antonio Agostinho-Neto International Airport. Currently, eighty percent of the construction work has been done, so we hope it will be completed by the end of this year."*<sup>20</sup>

The airport is being built by **China National Aero-technology International Engineering Corporation** and is the largest airport ever built by a Chinese enterprise outside China and one of the

<sup>8</sup> Jornal de Angola 10 Aug 2023

<sup>9</sup> Angop 5 Aug 2023

<sup>10</sup> Maka Angola 7 Aug 2023

<sup>11</sup> Xinhua 13 Aug 2023

<sup>12</sup> Angop 12 Aug 2023

<sup>13</sup> Angop 12 Aug 2023

<sup>14</sup> Angop 13 Aug 2023

<sup>15</sup> Further Africa 16 Aug 2023

<sup>16</sup> Jornal de Angola 16 Aug 2023

<sup>17</sup> Angop 13 Aug 2023

<sup>18</sup> Further Africa 16 Aug 2023

<sup>19</sup> CGTN 29 Jul 2023

<sup>20</sup> CGTN 29 Jul 2023

biggest in Africa.<sup>21</sup> The airport is an asset recovered from the Angola-based **China International Fund**, whose shareholders have been indicted for corruption (*see ARC Briefing Angola Apr 2022*.) Wang also pointed out that China is the biggest source of finance for Angola with Chinese banks providing financing of more than \$48 billion to Angola, but no public mention was made of the outstanding \$20 billion debt owed to China and if any arrangements have been made to potentially restructure this debt.<sup>22</sup> Regardless, the new agreement has indicated that ties between China and Angola continue to be strong and there is no scaling back of Chinese investment or involvement in the country.

### **Human Rights Watch calls for investigations into major Angolan police abuses**

Us-headquartered **Human Rights Watch (HRW)** published a report on 7 August titled ‘Angola: Grave Police Abuses Against Activists’, detailing human rights abuses including extrajudicial killings the Angolan police and security forces have allegedly carried out this year.<sup>23</sup> HRW interviewed 32 people that are allegedly victims of abuse and their relatives, witnesses, and security sources in Luanda and in **Cabinda** and **Bié** provinces between January and June this year.

A key event outlined in the report is from 15 February when men who identified themselves as **Serviço de Investigação Criminal (SIC)** (criminal investigative service) took eight young men into custody. On 17 February, families of the young men identified their bodies in a morgue, reporting that they had died from bullet wounds. A friend of the victims said that police had been monitoring the group, who were known for taking part in various anti-government protests across the city. Another friend of the group said: “Some of us had already been warned by neighbours that the police were after us. You know ... we sometimes organize local protests. We can be loud and troublemakers.”<sup>24</sup> SIC has denied the killings.

HRW obtained a statement from SIC confirming that police on 15 February received a complaint filed by friends and family regarding the eight men who had been forced out of the guest house by “men armed with pistols, making death threats, who then destroyed the video surveillance system.”<sup>25</sup> The statement added that police investigations were underway, but their bodies were found just two days later.

Other incidents reported include:

- Police officers opened fire on taxi drivers protesting an increase in fuel prices in **Huambo City** on 5 June. A police statement confirmed the killing of five people but media reported on 7 June that the number of deaths had increased to eight after three people died from their injuries in the hospital;
- The police detained political activist and rapper known as **Kamesu Voz Seca** for five days without charge after stopping his car one night at a roadblock in Luanda and finding flyers saying ‘President, go’ and similar messages;
- The authorities detained a taxi driver and accused him of promoting acts of rebellion after a video went viral on social media in which he imitates the late rebel leader **Jonas Savimbi** and calls for the removal from power of the ruling party **Movimento Popular de Libertação de Angola (MPLA)**. He was later released.<sup>26</sup>

HRW says that in recent years the government has made some attempts to improve law enforcement, incorporating human rights into the police training curriculum. The NGO called on Angola to

<sup>21</sup> CGTN 29 Jul 2023

<sup>22</sup> Angop 17 May 2023

<sup>23</sup> Human Rights Watch 7 Aug 2023

<sup>24</sup> Human Rights Watch 7 Aug 2023

<sup>25</sup> Human Rights Watch 7 Aug 2023

<sup>26</sup> Human Rights Watch 7 Aug 2023

impartially investigate and prosecute abusive acts and extra-legal killings by security force members and adopt concrete reforms.<sup>27</sup>

### Planner

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

13-14 September 2023 **Luanda (Angola)** Angola Oil and Gas Conference;

30 Sept 2023 **Luanda (Angola)** The **Agência Nacional do Petróleo, Gás e Biocombustíveis** (national agency for petroleum, gas and biofuels) launches the public tender for eight oil blocks in the onshore **Kwanza Basin**;

Sep 2023 **Luanda (Angola)** Government to launch the **Agriculture Stress Index System**, financed by the **United Nations's Green Climate Fund** with technical support from the **Food and Agriculture Organization**;

Oct 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**, to be completed;

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

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

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

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

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

Q 1 2024 **Lucapa (Angola)** The **Lucapa** photovoltaic power plant will start producing power;

Jul 2024 **(Angola)** Government is to carry out its second census;

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;

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

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

### Chronology

17 Aug 2023 **Luanda (Angola)** *Angop*. President **João Lourenço** attends the 43rd Ordinary Summit of Heads of State and Government of the **Southern African Development Community (SADC)** and takes over the one-year rotating presidency of SADC;

16 Aug 2023 **Luanda (Angola)** *Expansao*. **World Bank** extends the **Kwenda** rural poverty reduction programme until 2025 with additional beneficiaries and funding. The programme is set to reduce rural poverty by 2.3%, enough to offset the impact of the gasoline subsidy reform on poor rural populations;

15 Aug 2023 **Luanda (Angola)** *Angop*. The parliamentary year 2022-2023 ends;

<sup>27</sup> Human Rights Watch 7 Aug 2023

15 Aug 2023 **Luanda (Angola)** *Expansao*. **Agência Nacional de Petróleo Gás e Biocombustíveis** (national petroleum, gas and biofuels agency) places oil blocks previously belonging to **United States**-based **Cobalt Energy** in the **Kwanza Basin** up for auction, to allow **French** oil company **TotalEnergies** and state-owned **Sonangol** to make a final investment decision over the blocks;

14 Aug 2023 **Luanda (Angola)** *Expansao*. **Standard Bank Angola, Standard Chartered Bank Angola, VTB Africa** and the **Bank of China in Angola** still do not comply with new bank share capital requirements of Kz 15 billion (\$18.1m) that come into force in October;

13 Aug 2023 **Luanda (Angola)** *Angop*. Angola hosts a meeting of the Council of Ministers of the **Southern African Development Community (SADC)** before taking over the one-year rotating SADC presidency;

13 Aug 2023 **Luanda (Angola)** *Angop*. State-owned **Sonangol** launches its first five-year bond issue of Kz 75 billion (\$90.90m) at an interest rate of 17.5% per year, available to natural or legal persons who are residents or have established businesses in Angola;

13 Aug 2023 **Cunene (Angola)** *Angop*. President **João Lourenço** visits Cunene province to assess the progress of projects to combat drought in the southern province;

9 Aug 2023 **Luanda (Angola)** *Angop*. Agriculture and forestry minister **António Francisco de Assis** announces the revival of the coffee sector at the second summit of the group of 25 African coffee-producing countries;

9 Aug 2023 **Luanda (Angola)** *Expansao*. **Angola Cables** announces that the three main submarine cables, WACS, SAT3 and ACE, which connect the west coast of Africa to Europe ruptured about 150km from the **Congo River** estuary, which affects all international communications between the countries south of the **Democratic Republic of the Congo**;

7 Aug 2023 **Washington DC (USA)** *United States Department of State*. **United States** embassy in Angola launches the **Dinheiro Digital é Melhor** project with mobile operator **Africell** to improve and expand the use of mobile money applications in Angola in a two-year, \$5m project aimed at supporting the government's objective to increase financial inclusion and meeting the US' contribution to the **Partnership for Global Infrastructure and Investment**;

7 Aug 2023 **Luanda (Angola)** *Angop*. National assembly votes on a proposal to reduce Value Added Tax (VAT) on foodstuffs from 14% to 7%, except for the province of **Cabinda**, which will now have a single VAT rate of around 1%, due to the special economic regime in force;

7 Aug 2023 **Luanda (Angola)** *Angop*. State-owned **Banco de Poupança e Crédito** records profits of around Kz18.9 billion (\$22.9m) in the second quarter of 2023, following new management and a rescue plan following decades of losses;

7 Aug 2023 **Luanda (Angola)** *Angop*. **Fundo Garantidor de Crédito** (credit guarantee fund) signs a cooperation agreement with **Banco de Negócio Internacional (BNI)** to increase credit guarantees to micro, small and medium-sized companies and individual entrepreneurs, to benefit cooperatives and small farmers producing corn, beans, soy, coffee, eggs and chicken;

7 Aug 2023 **Luanda (Angola)** *Angop*. **Japan**-headquartered **Toyota Corporation** signs a memorandum of understanding with the energy and water ministry for a study of renewable energy for water supply infrastructures through the desalination of seawater using solar energy, to minimize the effects of drought in southern Angola;

7 Aug 2023 **Luanda (Angola)** *Angop*. **Luena Solar Energy Park**, in eastern **Moxico Province**, is at 88% completion and will have an installed capacity of around 26.9Mw, providing 171,000 inhabitants with electricity and supporting the output of the malfunctioning main power station;

2 Aug 2023 **Luanda (Angola)** *Energy Capital and Power*. **Unitel Angola** announces that the world's longest undersea connectivity cable, '2Africa', has made landfall and will be operated by Unitel Angola as part of a consortium comprising international telecommunications companies;

31 July 2023 **Luanda (Angola)** *Angop*. Insurer **Aliança Seguros** says the devaluation of the kwanza against the **United States** dollar and the euro in the Angolan foreign exchange market will force the company to readjust the value of the premiums for the services it provides;

29 July 2023 **Luanda (Angola)** *Angop*. **World Bank** confirms new commitments to Angola, including a training project for human resources for health estimated at \$200m, economic diversification programmes estimated at \$300m and projects for the improvement of public services;

29 July 2023 **Sumbe (Angola)** *Angop*. State-owned **Sonangol's** long-awaited research and development centre is scheduled for completion in September, and will provide oil research, specialised training for staff in the areas of oil and gas, research in mining, renewable energies with a focus on green hydrogen, biofuels and strategic minerals of the future;

28 July 2023 **Luanda (Angola)** *Angop*. **United Nations** secretary general **António Guterres** praises Angola's role in resolving conflicts in the **Democratic Republic of Congo (DRC)** and **Central African Republic (CAR)** saying that Angola, within the framework of multilateralism in Africa, is committed to continental pacification;

27 July 2023 **Luanda (Angola)** *Angop*. Government condemns the coup d'état in **Niger**, demanding the immediate release of ousted president **Mohamed Bazoum** and his family members;

27 July 2023 **Beijing (China)** *Angop*. Angola's Transport minister **Ricardo de Abreu** announces that national airline **TAAG** is expected to resume flights to **China** within six months, following the end of the **Covid-19** pandemic;

25 July 2023 **Luanda (Angola)** *Expansao*. Attorney general publishes a list of state assets seized, frozen or returned to the state since 2019, including hotels aircraft, money, companies and housing totalling \$19 billion;

25 July 2023 **Luanda (Angola)** *Angop*. Crude oil exports reach 94.63 million barrels in the second quarter of 2023, an increase of 6.71% compared to the first quarter. The barrels were sold at an average price of \$76.19 per barrel, totalling about \$7.16 billion in revenues;

25 July 2023 **Luanda (Angola)** *Angop*. Angola hosts the 26<sup>th</sup> meeting of the **Regional Committee of the International Conference on the Great Lakes Region (ICGLR)**, with the meeting noting that the event is taking place at a difficult time in international geopolitics, and there is need to strengthen the mechanism for conflict prevention in the region, prevent the illegal exploitation of minerals and find mechanisms to add value to the mining activity;

25 July 2023 **Luanda (Angola)** *Angop*. Foreign affairs minister **Téte António** represents Angola at the **2<sup>nd</sup> Russia-Africa Summit**;

22 July 2023 **Gaborone (Botswana)** *Daily News*. President **João Lourenço** makes a state visit to **Botswana** and meets with his counterpart **Mokgweetsi Masisi**, marking the implementation of the framework agreement for the promotion of bilateral cooperation and convening the inaugural **Botswana-Angola Joint Permanent Commission on Cooperation** meeting, to be held in Angola;

22 July 2023 **Luanda (Angola)** *Angop*. **United States** ambassador to Angola **Tulinabo Mushingi** says the US supports Angola's candidacy to chair the **African Union (AU)** due to Angola's experience in conflict management and as guarantor of peace processes in the **Great Lakes** sub-region;

22 July 2023 **Addis Ababa (Ethiopia)** *Angop* Angola and **Ethiopia** strengthen bilateral cooperation in the political, diplomatic, defence, security, trade, industry, logistics, agriculture, agribusiness, transport, infrastructure and energy sectors;

21 July 2023 **Cabinda (Angola)** *Deutsche Welle*. **United Kingdom**-based asset management company **Gemcorp** says its **Malembo Plain** refinery is behind schedule with mid-2024 now the completion date for phase 1 of the refinery and \$800m budgeted for the next 2 stages;

22 July 2023 **Windhoek (Namibia)** *Angop.* **Angola** attends the 25th meeting of the **Southern African Development Community (SADC)** Organ on Politics, Defence and Security Cooperation;

22 July 2023 **Luanda (Angola)** *Angop.* Angola and the **World Bank's International Finance Corporation (IFC)** sign a partnership agreement to introduce agricultural insurance through the Angolan agency for insurance regulation and supervision and protect farmers from damage caused by weather conditions and other climate-related shocks.;

20 July 2023 **Luanda (Angola)** *Angop.* **Azule Energy** and **United Kingdom**-headquartered **Afrenta (Angola) Ltd** announce an agreement to sell Azule's equity interests in Blocks 3/05 and 3/05A in shallow waters for \$48.5m to Afrenta, including payment of outstanding dues of up to \$36m, with completion expected by end of the year pending approval of the Angolan government;

17 July 2023 **Luanda (Angola)** *Angop.* Health minister **Silvia Lutucuta** says Angola is in need of 1,800 new primary health units nationwide, with 600 needed in Luanda as part of the strategy to improve health facilities across the country;

15 July 2023 **Luanda (Angola)** *Angop.* **United Kingdom**-headquartered **Standard Chartered Bank** and **Nigeria's Access Bank Plc** enter an agreement for the sale of Standard Chartered's shares in its subsidiaries in Angola and other countries to Access Bank;

15 July 2023 **Luanda (Angola)** *Angop.* Angola lifts the mandatory presentation of a SARS-Cov-2 vaccination certificate or a negative test for travellers entering and leaving its national territory although departures remain subject to any health surveillance requirements set by the country of destination;

15 July 2023 **Luanda (Angola)** *Angop.* Economic coordination minister **José de Lima Massano** announces that the strategic food reserve will be made up of nationally produced goods in order to promote an increase in domestic production and food security;

14 July 2023 **Luanda (Angola)** *Rigzone.* **United Kingdom**-headquartered **GemCorp Holdings** announces it has acquired a \$335m funding facility, led by **Africa Finance Corp. (AFC)** and **African Export-Import Bank (Afreximbank)**, for 71% of the cost of the **Cabinda** refinery project that it is building and part- funding;

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Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

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