

AFRICA RISK CONSULTING

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Angola Summary 29 July 2024

Angola has until the end of July to comply with last year's recommendations of the Financial Action Task Force (FATF) Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), or risks being grey listed again. The International Monetary Fund (IMF) published its first post-financing programme report on Angola on 15 July, showing low GDP growth and high inflation in 2023. The IMF also assesses Angola's indebtedness and debt repayments, noting that debt increased to 73.9% of GDP in 2023, up from 56.1% of GDP in 2022, driven by a significantly weaker exchange rate.

Angola faces potential Financial Action Task Force grey listing again

Angola has until the end of July to comply with last year's recommendations of the **Financial Action Task Force (FATF) Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)** or risk being grey listed again. The grey list identifies countries that are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing.¹

The FAFT grey listed Angola in 2010 after identifying strategic **Anti Money Laundering (AML)/Combating the Financing of Terrorism (CFT)** deficiencies and removed it in 2016 (*see ARC Briefing Angola Feb 2016*). Grey listed countries are expected to resolve the identified deficiencies in their money laundering strategy, but being grey listed has a reputational impact on a country's standing.²

The ESAAMLG analysed many of the major corruption trials, and other criminal cases that have taken place in Angola, to discover whether the legal system was deploying AML/FT laws. ESAAMLG said that to a limited extent:

"Angola is making progress in enhancing its systems for achieving an effective identification, investigation and prosecution of ML cases."

The group noted that Angola is investigating and prosecuting only a limited number of money laundering cases identified as being in line with the country's AML/FT risks but has not yet developed risk-informed national policies and strategies to address identified AML/FT risks.³ ESAAMLG also found that Angolan authorities are investigating and prosecuting cases only to the limited extent of anti-corruption cases

*"There is no systematic pursuit of ML [money laundering] investigations and prosecution in all high proceed-generating offences in order to mitigate the ML risks that these offences pose."*⁴

Angola has been scrambling to make up the identified deficiencies since March. The government approved an updated and amended law on **Preventing and Combating Money Laundering, Financing of Terrorism and the Proliferation of Weapons of Mass Destruction** on 27 April, saying that the law will *"provide the national financial system with ...greater legal certainty"*.⁵

¹ FATF, accessed, 25 Jul 2024

² www.FATF-GAFI.org, 21 Jul 2024

³ ESAAMLG, Jun 2023

⁴ www.FATF-GAFI.org, 21 Jul 2024

⁵ Jornal de Angola, 27 Apr 2024

Banco Nacional de Angola (BNA) (central bank) also adopted new regulations on 22 March in a bid to implement Angola's AML/CFT laws (see *ARC Briefing Angola Apr 2024*).⁶ Banks must now engage in a risk assessment process every 12 months and freeze suspicious accounts. Among the regulations, the BNA proposes remedying some startling lacks:

- Banks may not open anonymous accounts or accounts under fictitious names.
- Banks must keep and preserve information for any operation equal to or higher than \$15,000;
- The ultimate beneficiary owner (UBO) of corporate clients must always be identified;
- Banks must also obtain or assess the source of the client's funds and wealth;
- Additional risk management procedures to be taken for high-risk clients such as politically exposed persons (PEPs) and others.

The BNA has begun to take action ahead of the deadline. On 20 June, the BNA imposed fines of Kz 456.5m (\$516,448) on state-owned **Banco Poupanço e Crédito** and Portuguese-owned **Banco Caixa Geral de Angola**, for money laundering in 2021.⁷ On 7 July, the BNA published a **Sectoral Risk Assessment of Money Laundering**, finding a high risk of money laundering in Angola's banking industry:

"Banking financial institutions have a high level of risk (high threats and high vulnerabilities). Non-bank financial institutions have a medium-high level of risk".⁸

ESAAMLG's findings were not completely negative. The body found Angola was compliant for seven and largely compliant for 15 of the FATF's 40 recommendations, but highly effective and substantially effective for none of FATF's effectiveness and technical compliance ratings.⁹ It remains to be seen whether Angola has taken enough steps in the last five months to mitigate its non-compliance and technical ineffectiveness.

International Monetary Fund assesses Angola's progress

The **International Monetary Fund (IMF)** published its first post-financing report on Angola on 15 July, showing low GDP growth and high inflation in 2023. The IMF noted that GDP growth declined to 0.9% in 2023 from 3% in 2022, though this was higher than the expected very low level of 0.5%.

Angola and the IMF Fund signed an **Extended Fund Facility (EFF)** agreement for the period 2018 to 2021. Under the EFF, Angola borrowed \$4 billion to improve macroeconomic stability, promote sustainable economic growth and reduce poverty.¹⁰ The initial amount was \$3.7 billion but due to the **Covid-19** pandemic, the Angolan government requested further support, increasing its EFF to \$4.4 billion.¹¹ The IMF provided a staff-monitored programme which advised the country on reducing debt and increasing economic stability.¹²

Angola's inflation reached its highest in two years, at 28% in April 2024. The IMF said inflation is expected to peak in the first half of 2024 and start declining thereafter:

"This uptick in Consumer Price Index (CPI) inflation—largely concentrated in food items—reflects higher-than-expected lagged effects from last year's currency depreciation and in part, supply constraints."¹³

In **Luanda (Luanda Province)**, the capital where about 9 million people - or 25% of Angola's population - live, inflation reached 30.16% in May, the highest since June 2017. This was partly due to

⁶ Jornal de Angola, 29 Mar 2024

⁷ Lusa, 12 Jun 2024

⁸ BNA, 14 Jun 2024

⁹ www.knowyourcountry.com/Angola, 21 Jul 2024

¹⁰ Angop 27 June 2024

¹¹ Angop 27 June 2024

¹² Angop, 24 Jun 2024

¹³ IMF, 15 Jul 2024

high transport costs as well as CPI inflation.¹⁴ Luanda's inflation rose to 42.8% in June 2024 compared to 2023, as a result of high prices in transport, health, clothing and footwear, and food and non-alcoholic beverages.¹⁵ The central bank attributed high inflation levels to the scaling back of fuel subsidies and last year's currency depreciation. The IMF insisted on fuel subsidy cuts to use that social budget more efficiently. In 2022, Angola spent Kz 1.9 trillion (\$2.3 billion) subsidising fuel which the IMF estimated was 40% of government spending on social programmes.¹⁶ The bank expects inflation to start falling in August.¹⁷

In its report, the IMF said that Angola's 2024 budget assumes a sharp cut in fuel subsidy. The government on 23 April increased diesel prices by about 48% to 200 kwanzas (\$0.24) a litre with the price of other fuel, like petrol and liquefied petroleum gas, unchanged.¹⁸ Fuel subsidies for regional travel and passenger transport also ended on 30 April this year. The removal of these subsidies is one of the major drivers of consumer inflation and food price rises and there are concerns about the potential destabilising effects of these rises. Subsidy cuts in 2023 led to rioting and some deaths. Finance minister **Vera Daves de Sousa** said that Angola was committed to removing all fuel subsidies in a way that would not lead to any backlash.¹⁹

The IMF has also recognised the political risks of its strategies, with the resident representative **Victor Lledo** saying that several IMF programmes require the government to guarantee minimum levels of spending in social areas, such as health and education, or to expand access to social protection systems for the most vulnerable groups.²⁰

Despite the attempts to broaden and stabilise Angola's economy, oil, with its risks, remains the backbone. The IMF forecast that Angola's economic growth will recover in the near term, supported by growth in oil production and stable oil prices this year. However, there are risks of declining oil production or a fall in international oil prices. Additional risks also stem from negative international currency markets and a failure of Angola's fuel subsidy reform.²¹

Angola reduces its indebtedness

Angola's external debt is another area of IMF concern and involvement, as it has been a significant drain on the economy and foreign exchange. The IMF confirmed in its July report that Angola's debt rose to 73.9% of GDP in 2023, equal to approximately \$63.55 billion. This is a share increase from 56.1% of GDP in 2022, equal to approximately \$42.2 billion. The increase has been driven by a significantly weaker exchange rate.²²

Despite the increase, Angola will reduce its indebtedness this year. On 19 March, Angola agreed with **China** to lower its debt servicing by between \$150m and \$200m per month in 2024. Almost 40% of the central government debt is owed to China. The IMF believes this deal will ease Angola's liquidity pressures in the near term.²³

Total central government debt remained high at 68.4% of GDP in 2023 and is projected to be \$61.6 billion in 2024. Not all of Angola's debt is direct government borrowing - a further 5.5% is external debt belonging to state oil company **Sonangol** and state airline company **TAAG**.²⁴

No one has yet estimated how much of this government borrowing was embezzled under former president **José Eduardo dos Santos**' (1979-2017). General **Manuel Hélder Vieira Dias Júnior** (also

¹⁴ Lusa 13 Jun 2024

¹⁵ Expansao, 19 July 2024

¹⁶ Reuters, 11 Mar 2024

¹⁷ Bloomberg, 19 Jul 2024

¹⁸ Reuters, 23 April 2024

¹⁹ Reuters, 23 April 2024

²⁰ Angop, 30 June 2024

²¹ IMF, 15 Jul 2024

²² IMF, 15 Jul 2024

²³ IMF, 15 Jul 2024

²⁴ IMF, 15 Jul 2024

known as Kopelipa), who was one of the three men closest to dos Santos, was in charge of the Chinese loan disbursement as head of the office of national reconstruction. Kopelipa is currently awaiting trial for embezzlement, fraud, falsification of documents, influence peddling and abuse of power.²⁵ The IMF also noted that Angola has shown no noticeable progress in anti-corruption measures in 2023, due to delays in programme implementation.

Lledo expects Angola to repay \$2.8 billion to the IMF by 2028, equal to 70% of the \$4.4 billion debt incurred under its EFF. Lledo confirmed that Angola has already repaid \$176m since 2021.²⁶ He explained that the IMF is monitoring the country's progress, including economic and financial policies and identifying potential risks to economic growth and financial stability, as well as recommending economic policy adjustments appropriate to deal with the situation.²⁷

Despite Angola's indebtedness, Lledo said that the IMF is always open to discussing new financing with Angola, either through demand from the government or in case of need recognised by the IMF's various loan modalities, such as the balance of payments requirements:

*"On our side, we have not identified the need for balance of payments financing in the short term that would justify an engagement with the Monetary Fund, but we are always open to discussing with the Government of Angola possible financing."*²⁸

The IMF is cautiously certain that Angola can manage and repay its high debt load, barring a massive drop in GDP.²⁹

Planner

- 2020-2025 **(Angola) World Bank** to provide funding to increase economic diversification for five years;
- 2023-2026 **(Angola) Programa de Privatizações (PROPRIV)** (privatisation programme) extended to manage government divestment of 138 companies;
- Jun 2023 - Jun 2025 **Luanda (Angola)** Angola extends its mandate as a member of the **Executive Council of the United Nations Human Settlements Programme (UN-HABITAT)** for a further two years;
- Q3 2024 **Lucapa (Angola)** The Lucapa photovoltaic power plant will start producing power;
- July 2024 – July 2026 **(Angola)** Angola takes up the rotating presidency of the **Peace and Security Council of the African Union (CPS-AU)**;
- Aug 2024 **(Angola)** Angola to pass the rotating **Southern African Development Community (SADC)** president to **Zimbabwe**;
- Sept 2024 **(China)** President **João Lourenço** to attend **China-Africa Summit**;
- 2024 **(Angola)** First phase of the construction of the **Barra do Dande Ocean Terminal** to be completed;
- 2024 **(Angola)** Angola to create two new provinces and a further 417 municipalities during this year;
- 2024 **(Angola)** Angola to begin exporting green hydrogen energy to Germany;
- 2024 **(Angola)** Completion of Angola's sole purpose-built gold refinery at **Viana** is expected;
- 2- 3 Oct 2024 **Luanda (Angola) Angola Oil & Gas 2024 Conference & Exhibition 2024**;
- Dec 2024 **Cabinda (Angola)** Completion of the deep-water port **Porto do Caio** is expected;

²⁵ Jornal de Angola, 10 Feb 2024

²⁶ Angop, 27 June 2024

²⁷ Angop, 27 June 2024

²⁸ Angop, 27 June 2024

²⁹ IMF, 15 Jul 2024

Jan 2025 **Houston (United States)** Angola launches the next round of licensing oil and gas concessions, inviting exploration and production companies in the United States;

Chronology

24 Jul 2024 **Rome (Italy)** *ANGOP*. The **United Nations (UN) World Food Programme (WFP)** welcomes a generous contribution of \$ 1.65m from the UN **Central Emergency Response** to scale up its humanitarian response to communities affected by the **El Niño**-fuelled drought in southern Angola, the most severe drought in 40 years in **Huíla** and **Cunene** provinces;

23 Jul 2024 **Luanda (Angola)** *ANGOP*. **Portugal's** prime minister **Luís Montenegro** arrives in Luanda for a three-day state visit to Angola, as part of strengthening bilateral cooperation between the two countries;

23 Jul 2024 **Luanda (Angola)** *ANGOP*. **Portugal's** ambassador to Angola **Francisco Alegre Duarte** says the trade balance between Angola and Portugal is valued at more than €2 billion (\$2.16 billion) with over 1,250 Portuguese companies operating in Angola and approximately 5,000 Portuguese companies exporting goods and services to Angola;

20 Jul 2024 **Luanda (Angola)** *ANGOP*. The new national minimum monthly salary of Kz 70,000 (\$80.22) per month for Angolan workers in general, and Kz 50,000 (\$57.30) for micro-enterprises and start-ups, will enter into force in September and rise to Kz 100,000 (\$114.60) after a year;

20 Jul 2024 **Luanda (Angola)** *ANGOP*. The 90,000 square kilometre Angolan component of the cross-border area of the **Okavango-Zambezi Regional Project (KASA)** conservation area opens to visitors for the first time since the project was launched in 1993;

20 Jul 2024 **Luanda (Angola)** *ANGOP*. President **João Lourenço** (2017-date) visits **Accra (Ghana)** to take part in the 6th biannual coordination meeting between the **African Union (AU)**, the **Regional Economic Communities (RECs)** and the **Regional Mechanisms (RM)**;

20 Jul 2024 **Luanda (Angola)** *ANGOP*. Finance ministry announces it has placed a total of \$1.4 billion in the foreign exchange market since January, which was sold to the 22 banks operating in the Angolan market;

19 Jul 2024 **Luanda (Angola)** *ANGOP*. **Instituto de Desenvolvimento Agrário (IDA)** (institute for agrarian development) head **Miguel Filho** says family-run small-scale farming in Angola is responsible for more than 80% of all agricultural production in the country;

16 Jul 2024 **Luanda (Angola)** *ANGOP*. **United Arab Emirates (UAE)** says it will intensify economic relations with Angola, investing in the energy, technology and maritime logistics sectors;

15 Jul 2024 **Luanda (Angola)** *ANGOP*. Foreign affairs minister **Téte António** chairs a virtual ministerial meeting on the role of mediation and reconciliation for the resolution of the conflict in eastern **Democratic Republic of the Congo (DRC)** focussing on the **Luanda** and **Nairobi Processes**;

8 Jul 2024 **Luanda (Angola)** *ANGOP*. President João Lourenço and **East Timor's** President **José Ramos Horta** sign three agreements to strengthen bilateral cooperation;

4 Jul 2024 **Luanda (Angola)** *ANGOP*. Angola is recognised as a member of the **World Anti-Doping Agency (WADA)** enabling the country to participate in the **Olympic Games** this year, after the late enactment of anti-doping laws;

2 Jul 2024 **Luanda (Angola)** *ANGOP*. President **João Lourenço** says that at least ten million citizens in **Luanda Province** will have piped water after the major **Bitá** and **Quilonga** water supply projects are completed in 2027;

2 Jul 2024 **Luanda (Angola)** *ANGOP*. Speaker of Angola's parliament **Carolina Cerqueira**, speaking at the **Southern African Development Community (SADC) Parliamentary Forum 55th Plenary**

Assembly, says that SADC should develop a common energy market capable of boosting industrialisation in the region;

1 Jul 2024 **Luanda (Angola) ANGOP**. Interior minister **Eugénio Laborinho** says more than 100,000 firearms have been destroyed since 2008 as part of the process of disarmament of the civilian population, and weapons of war have been withdrawn from private security companies, since 2022;

1 Jul 2024 **Huambo (Angola) ANGOP**. **Chinese group Huamhua Investment** begins construction of **Shopping Huambo**, a large shopping mall, valued at \$12m;

27 Jun 2024 **Luanda (Angola) ANGOP**. **Banco Nacional de Angola** (central bank) deputy governor **Maria de Fontes Pereira** says it will review its cyber security strategies with a strategy based on data protection policies and incident response mechanisms;

27 Jun 2014 **Luanda (Angola) ANGOP**. President **João Lourenço** expresses optimism that a definitive solution to the conflict in eastern **Democratic Republic of Congo (DRC)** can be found and that the DRC's President **Félix Tshisekedi** Rwanda's President **Paul Kagame** will meet to discuss peace;

27 Jun 2024 **Washington DC (United States) World Bank**. The **World Bank** implements the eight-year **Angola Digital Acceleration Project**, as part of its **Inclusive Digitalisation in Eastern and Southern Africa (IDEA)**, to be financed by a \$300m loan and implemented and coordinated by the **Instituto de Modernização Administrativa** (institute for administrative modernisation);

27 Jun 2024 **Uige (Angola) ANGOP**. Mineral resources secretary of state **Jânio Correa Victor** says increasing geological knowledge and updating the inventory of Angola's mineral resources is crucial to increasing the production of diamonds, gold, ornamental rocks and ferrous metals;

22 Jun 2024 **Luanda (Angola) ANGOP**. Luanda's new international airport, the Dr. **António Agostinho Neto International Airport**, will start passenger flight operations later this year, but serious problems remain with road and rail links to the airport;

22 Jun 2024 **Luanda (Angola) ANGOP**. **Banco Nacional de Angola** (central bank) says gross credit to the non-financial sector is increasing, totalling Kz 6.7 trillion (\$7.7 billion), an increase of approximately Kz 1.5 trillion (\$1.7 billion) compared to the same period in 2023, with 89.4% lent to the private sector and 10.6% for public sector indebtedness;

26 Jun 2014 **Abidjan (Côte d'Ivoire) ANGOP**. President **João Lourenço** Lourenco begins a three-day state visit to Côte d'Ivoire to relaunch cooperation agreements, after 41 years;

25 Jun 2024 **Luanda (Angola) ANGOP**. The Luanda provincial government, **Casais Angola**, and **Austrian** company **Doppelmayr** announce plans to implement a cable car in Luanda to carry 8,000 passengers per hour in both directions. If approved, it will come into operation in the first quarter of 2027;

25 Jun 2024 **Luanda (Angola) ANGOP**. The national police sign an agreement with the **South Korea**-based **Hyundai Autoever** consortium for the implementation of over 200 video surveillance cameras in Luanda, increasing coverage to five of the province's nine municipalities.

About Africa Risk Consulting:

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