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Angola Economic Briefing – Issue #1

Welcome to the Angola Economic Briefing — a twice-weekly update and analysis of the latest political, economic and energy-sector developments in Angola, from Zitamar Consulting LLP.

The Angola Economic Briefing is produced by the team behind [Zitamar News](#), Mozambique's premier English-language business news service since 2015 — in partnership with Angola-focused [Moxico Risk Consulting LLP](#), and Mark Bohlund, a seasoned Africa economist formerly of IHS Markit and Bloomberg.

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China: 'relevant departments' in contact with Angola on debt relief ([Reuters](#))

Summary:

Chinese officials have been in contact with Angolan counterparts to discuss Angola's request for debt relief, a spokesperson for China's ministry of foreign affairs confirmed at a press briefing on June 3. On June 2, the Angolan Ministry of Finance said it was in advanced stages of talks with some countries that import Angolan oil to reprofile borrowing arrangements, with negotiations expected to conclude in the "very near future". The statement added that Angola had, in consultation with the IMF, decided to join the G20 Debt Service Suspension Initiative (DSSI) and applied to negotiate a debt service standstill of its bilateral direct loans.

Analysis:

The statement from the Ministry of Finance confirms that Angola has joined the handful of nations that have so far joined the G20's DSSI scheme. The announcement is unsurprising given Angola's challenging balance-of-payments position following the sharp drop in the global oil price since early March, which has exacerbated an ongoing fall in hydrocarbon revenue due to declining output since 2016. China lent \$43 billion to Angola between 2002 and 2018 according to data from the China-Africa Research Initiative at Johns Hopkins University, making it by far the largest debtor to China in Africa. A part of this sum has been lent by state-owned but commercially-run banks and may thus not be considered government-to-government lending and included in the debt reprofiling. Negotiations with China are likely to lead to a suspension of bilateral debt service payments through the end of 2020, with Angola's participation in the DSSI also precluding any commercial borrowing during this period. As such it is a credit positive for the next six months, but Angola's debt sustainability remains highly challenging over the coming three to five years.

FLEC separatists announce 12 deaths in renewed Cabinda clashes ([DW](#))

Summary:

FLEC spokesperson António do Rosário announced that clashes occurred between the Angolan Armed Forces and FLEC separatists in the village of Chuvovo, Massabi region, on Tuesday 2 June, that led to the death of four Angolan Armed Forces soldiers, six civilians and two FLEC separatists. The communique noted that the incident occurred "due to provocation by the Angolan Army that violated the recently decreed ceasefire in the Cabinda territory".

Analysis:

These clashes occurred in the north-west of the Cabinda exclave, on the border with the neighbouring Republic of Congo (RoC). The ceasefire that António do Rosário is referring to was declared on 13 April by FLEC as a result of the covid-19 pandemic. It was then extended for 30 days on 14 May. The Angolan Armed Forces have in the past conducted cross-border raids into the Republic of Congo in pursuit of FLEC separatists, who are believed to have based on the RoC side. The clashes come during a period of increased tensions between the Angolan government and FLEC, following the dismissal of the FLEC founder's son António N'zita from his Angolan government job in Switzerland in late March.

BNA Financing of Two Banks Deemed Illegal ([Novo Jornal](#))

Summary:

Financing provided by Banco Nacional de Angola for two local banks, including the now defunct Banco Angolano de Negócios e Comércio (BANC), contravened existing regulations according to a statement by the audit committee in the central bank's 2019 Financial Report. The repo financing with BANC and Banco Poupanca de Creditores (BPC), which amounted to AOA 232bn (\$734m) at the end of 2019, exceeded the 90-day maximum timeframe outlined in the Central Bank Act. State-owned BPC remains operational but has transferred a substantial share of its non-performing loan book to ReCredit, the public bad-loan recovery institution.

Analysis:

The IMF included a number of structural benchmarks for 2020 in Angola's Extended Fund Facility around strengthening the financial sector, and the BNA's non-compliance with existing regulation will undoubtedly undermine relations with the fund, and is likely to complicate the completion of the third review of the EFF programme that was due on March 31, and the associated, much-needed disbursement of \$561m in IMF loans. But Angola is one of the few African nations yet to receive IMF funds to combat the Covid-19 outbreak, and this fact coupled with the sharp drop in oil prices could mean a higher degree of leniency.

Govt requests bids for agro-industry, textile firms ([Jornal de Angola](#))

Summary:

Twelve state-owned agro-industrial firms, and management contracts for three textile industries, are on the block for privatisation, the Institute of Management of State Assets and Holdings (IGAPE) announced on 3 June . The agro-industrial assets up for sale include physical facilities such as grain silos, cold storages, tomato-processing plants, canning facilities and a slaughterhouse as well as land leases and other concessions. The tender process will be open to foreign companies and the price of the assets will be negotiated with participating firms. The price of the management contracts for the textile firms will be established through an evaluation process.

Analysis:

The sale of the agro-industrial and textile firms is part of the ProPriv privatisation programme to offload 195 fully or partially state-owned assets by 2022. The proceeds of the privatisations have so far been modest in comparison with the sharp drop in oil revenue since 2014. However, the way the sale process is being run may give an indication of the transparency and fairness to be expected in the sale of the government's stake in more valuable assets such as oil company Sonangol, diamond monopoly Endiama and telecoms operator Unitel. President João Lourenço is under pressure to curb the sale of state assets at preferential price to politically connected individuals, which was rife during his reign of his predecessor José Eduardo do Santos.

Schools to reopen in June after covid-19 shutdown ([Noticias de Angola](#))

Summary:

Angola's universities and high schools will reopen on 13 July, the President's Chief of Staff Adão de Almeida announced last week, and primary schools will open on 27 July. The situation with daycare centres and kindergartens was not clarified in the announcement. The Ministry of Education will also approve and release an adjusted school year calendar before the resumption of classes, which have been on hold since late March.

Analysis:

Teachers' unions and other groups are saying this reopening is premature, and do not believe the measures the Angolan government has promised (including reduced class sizes and reduced teacher-student contact time) can be achieved in the timeframe given. Main opposition party UNITA, teachers' union SINPROF and the Angolan Student Movement (MEA) are all calling for reopening to be postponed until September, while the National Association of Private Education (ANEP) is arguing in favour of the government's plan. This increases the risks of a public sector national teachers strike from 13 July onwards. We saw such a strike in April 2018 and SINPROF threatened a strike in November 2019.

Property tax package goes to final vote ([Angop](#))

Summary:

Angola's Constitutional Court rejected a habeas corpus appeal from former Minister of Transport Augusto Tomás on 3 June, relating to alleged excessive pre-trial detention before his September 2019 Supreme Court trial.

Analysis:

Augusto Tomás was one of the most high profile victims of President Lourenço's anti-corruption drive soon after the new president took office in September 2017. Tomás was convicted of embezzlement and various other charges relating to conflicts of interest while he was Minister of Transport (2008-17). The failure of his case at the Constitutional Court makes it highly likely he will remain in prison for the rest of his eight year and four month sentence (reduced down from fourteen years at appeal). It also sends a strong message to other political elites currently under investigation for corruption-related charges, including former President dos Santos's children Isabel dos Santos and José 'Zenú' Filomeno dos Santos.