



The Angola

Economic and Political Risk

Briefing

A twice-weekly update and analysis of the latest political, economic and energy sector developments in Angola, from Zitamar Consulting LLP

In this issue:

Economy:

- Angola prepares for OPEC presidency amid calls to quit cartel ([Expansão](#))
- IMF cuts Angola 2020 growth forecast to -4% ([IMF](#))
- Inflation keeps rising as weaker kwanza pushes up prices ([INE](#))

Political Risk and Security:

- Health cordon around Luanda Province extended until 10 July ([DW](#))
 - DRC political tensions could affect Angola relations ([Novo Jornal](#), [Maka](#))
 - French development agency delays funding over PEPs ([Expansão](#))
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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.

Leader: Financial pressure grows on Lourenço

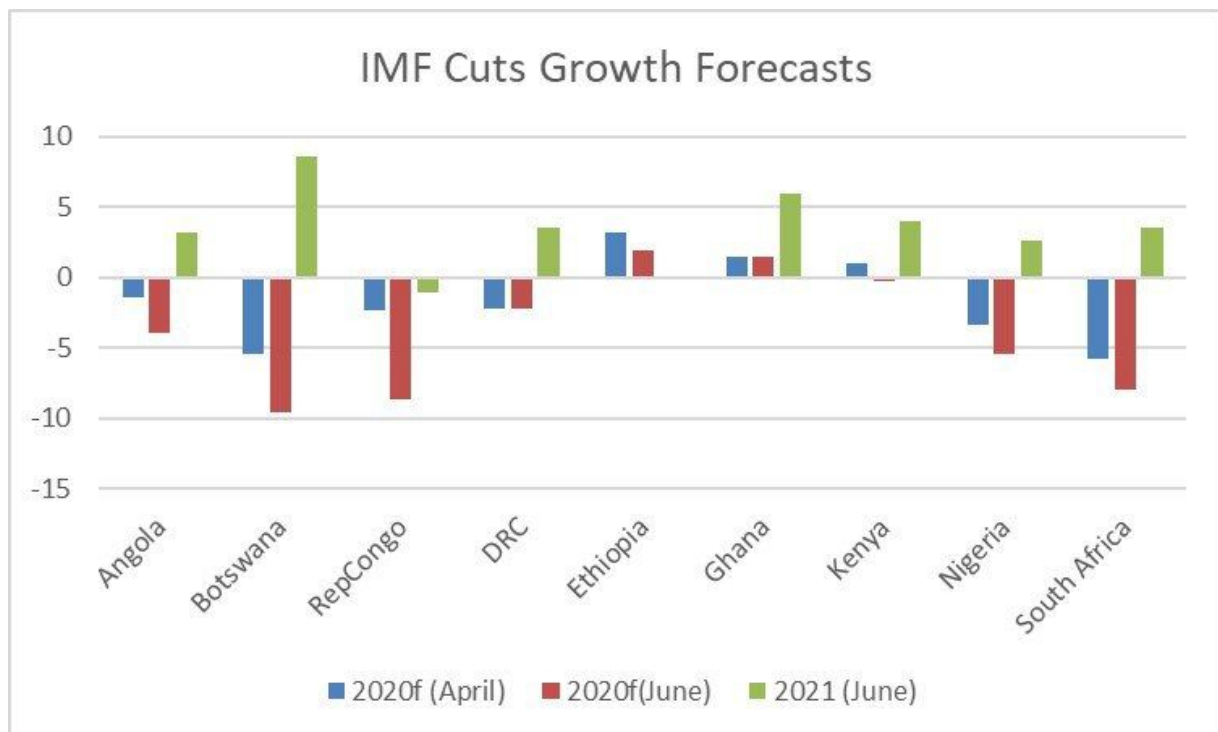
Welcome to the latest edition of the **Angola Economic and Political Risk Briefing**.

President João Lourenço is feeling the financial pressure on many different fronts this week. OPEC production cuts are beginning to bite, and the Angolan public are growing increasingly restive with the covid-19 restrictions in place in Luanda Province. Not only has the IMF cut its growth forecasts, but the pressure the Fund is putting on his government to meet international anti-money laundering compliance standards has led to some difficult questions from the French Development Agency.

Expansão's statistic on government contracts awarded without tender last year shows that there is still a long way to go in the anti-corruption and transparency drive, although efforts in this area could receive a boost from political developments over the border in the DRC.

For insight into these topics and more, read on.

Chart of the Day



See item: 'IMF cuts Angola 2020 growth forecast to -4% (IMF)' on p.3

Angola prepares for OPEC presidency amid calls to quit cartel ([Expansão](#))

Summary:

With Angola due to take over the OPEC presidency in January 2021, calls are intensifying for it to exit the oil cartel and maximise its hydrocarbon earnings to reduce current economic pressures, according to analysts surveyed by Expansão. Oil Minister Diamantino de Azevedo will begin heading council meetings in H2 2020 in preparation for Angola formally taking over the presidency for only the second time since its accession in 2007.

Analysis:

Angola exiting OPEC is very unlikely despite the urgent need to maximise oil revenue. The analysts cited by *Expansão* do not represent or correspond with the government's view, in our opinion. The Angolan government shares the frustration of smaller OPEC members with policy-making seen as increasingly dictated by the OPEC+ axis of Russia and Saudi Arabia, and their aim of undermining the profitability of newer higher-cost energy producers. However, leaving OPEC would bring little benefit as Angola is currently not in a position to aggressively increase its oil output due to its maturing fields and a drop in ongoing exploration (see [Angola Economic Briefing – 16 June](#)). We expect Angola to attempt to unify the more cash-constrained OPEC members to take a stronger position against Russia and Saudi Arabia, and try to shift the burden of the cuts increasingly towards the wealthier producers.

IMF cuts Angola 2020 growth forecast to -4% ([IMF](#))

Summary:

The IMF now expects the Angolan economy to shrink by 4.0% in 2020, down from its last growth forecast of -1.4% in April. The new figure in the latest edition of the IMF's Sub-Saharan Africa Regional Economic Outlook, released on 29 June. The expected contraction in economic activity for a fifth year straight reflects declines in oil production and prices, tightening credit conditions, and declining domestic business activity. The IMF expects firmer oil prices and policy support measures to help the economy bounce back with 3.2% growth in 2021, up from its 2.7% forecast in April. The multilateral cut its growth forecasts for Sub-Saharan Africa as a whole in 2020 and 2021 to -3.2% and 3.4%, respectively, from -1.6% and 4.0% previously.

Analysis:

The downgrade in the growth outlook from April is unsurprising and in line with the World Bank's latest projection (see [Angola Economic Briefing – 12 June](#)). The cut in the outlook is likely to largely reflect expectations for lower oil output following the cuts agreed by OPEC in mid-April and extended into H2 2020 at its most recent meeting earlier this month. A rebound in oil output is likely to lead the economic recovery in 2021, with both private and public consumption remaining suppressed. But the bigger bounceback that the Fund now sees in 2021 does not make up for the sharper contraction it now expects in 2020.

85% of government spending awarded without tender last year ([Expansão](#))

Summary:

A total of 85% of Angola's public spending last year went on contracts that were awarded directly, rather than through competitive tenders, according to calculations by Expansão based on data from the annual report of the National Public Procurement Service. Only 6% of contracts between the government and private companies were awarded through a competitive tender process.

Analysis:

The report illustrates some progress on President Lourenço's aim towards increased transparency and accountability, a requirement for more substantial financial support from multilaterals such as the IMF and the World Bank. Nevertheless, the high percentage of government contracts for goods and services awarded directly suggests continued opportunities for politically connected individuals. Angola has improved its standing in the Control of Corruption component of the World Bank's Worldwide Governance Indicators from the fourth percentile in 2015 to 12th in 2018 (latest available data) but clearly has a long way to go. The need to strengthen its domestic revenue mobilisation may give some extra impetus, but suspicions will linger that the roster of politically connected individuals benefiting from public contracts is being renewed under Lourenço rather than reduced.

Health cordon around Luanda Province extended until 10 July ([DW](#))

Summary:

Cuanza Norte and Luanda are the only two of Angola's 18 provinces currently with restricted border access, being enforced by both the Angolan Armed Forces (FAA) and the National Police (PN). The Angolan government is concerned that residents of the province are breaking restrictions to escape the covid-19 outbreak around the capital city. In particular people are fleeing from the Hoji-ya-Henda neighbourhood of Luanda which is one of the worst affected areas. Business and family problems are the main reasons given for unauthorized travel by offenders. Cases of falsified credentials have been recorded at the checkpoints out of the province. Health Minister Sílvia Lutucuta warned that citizens ignoring the regulations would be punished "severely".

Analysis:

It is becoming increasingly difficult to maintain the levels of restrictions currently imposed on Angola's capital city, especially as the province of Luanda is home to over 6.5 million Angolans [according to the 2014 census](#) — over a quarter of Angola's total population. The restrictions on movements for informal market traders are proving particularly unpopular. The southern borders with Bengo Province are relatively easy to police as there are few roads and it is mainly bounded by Quiçama National Park. However, the northern and eastern boundaries are porous with a lot of dirt roads and informal settlements, making them harder to control. There is risk of civil unrest at the checkpoints in these areas, as well as delays to vehicles travelling northwards on the EN100 and eastwards on the Estrada de Catete from Luanda's centre. There are also risks of further outbreaks of covid-19 on the main transport routes linking the heavily affected Luanda and Cuanza Norte provinces, such as the EN225 which passes through Caxito.

DRC political tensions could affect Angola relations ([Novo Jornal](#), [Maka](#))

Summary:

On 27 June the DRC's Minister of Justice, Célestin Tunda Ya Kasende, was briefly arrested then released following controversy surrounding his attempted judicial reforms. Kasende is a senior Front Commun pour le Congo (FCC) member, and one of former President Kabila's closest allies. The arrest came after a series of violent street protests by Union pour la Démocratie et le Progrès Social (UDPS) supporters against the judicial reforms. The FCC is in a fragile coalition with current President Félix Tshisekedi's UDPS following [a controversial December 2018 election](#). The arrest of Kasende comes a week after another prominent Kabila ally, Vital Kamerhe, was sentenced by the Kinshasa-Gombe High Court to twenty years in prison for corruption.

Analysis:

Like President Lourenço in Angola, Tshisekedi is a new ruler who was initially viewed as being a puppet of the former regime. However, he is now using an anti-corruption drive to weaken the previous ruler's political influence. Kasende's proposed reforms sought to undermine the independence of the judiciary and give more influence over judges to Kabila's FCC. With these latest arrests, there are indications that the FCC-UDPS coalition may collapse. This would lead to further civil unrest in Kinshasa. However, it would also likely strengthen President Tshisekedi's control. In terms of relations with Angola, this would be positive in that Tshisekedi is supportive of President Lourenço's attempts to recover funds from the DRC that he alleges were embezzled by Isabel dos Santos and her husband Sindika Dokolo (who is a citizen of the DRC). However, it could lead to Tshisekedi taking a harder line than Kabila over the ongoing maritime boundary dispute between the DRC and Angola around Cabinda Province. President Tshisekedi made a controversial public statement on this topic to [French broadcaster TV5 Monde](#) on 22 September 2019 while on an official visit to Belgium.

French development agency delays funding over PEPs ([Expansão](#))

Summary:

The Agence Française de Développement (AFD) has delayed the disbursement of funds from a €40m French credit line due to the presence of Politically Exposed Persons (PEPs) — including people linked to the MPLA's Central Committee and the state apparatus — in senior positions in some of the Angolan institutions applying for funding. The AFD has hired a consultant to run due diligence on these companies to ensure they comply with international standards and avoid conflicts of interest.

Analysis:

While the sums involved are relatively small, it is unusual to hear a French financial institution make such explicit reference to the PEP concerns around working in Angola. However, President Lourenço and Finance Minister Vera Daves are well aware of the importance of meeting international anti-money laundering compliance standards, and there is significant international pressure on them to do so. Between December 2015 and April 2016 Angola's supply of US Dollars was severely constrained after Bank of America, Standard Chartered, Citi, HSBC and JP Morgan all ended their US Dollar correspondent banking services for the country, citing compliance concerns relating to US anti-money laundering regulations. In December 2019, [the IMF noted](#) that: "The Government is committed to a comprehensive anti-money laundering (AML) / combating the financing of terrorism (CFT) Assessment of Angola in the context of the forthcoming FATF mutual evaluation". The [Luanda Leaks](#) of January 2020 put an embarrassing emphasis on how things had worked in the past in Angola, both in terms of government corruption but also the involvement of private sector actors, including French-registered companies. Due diligence investigations of the type announced recently by AFD will likely become more frequent in the future, as President Lourenço seeks to reassure both the IMF and international investors that Angola is a safe investment jurisdiction.