

## Angola

Opportunities and challenges in a shifting business landscape



**President João Lourenço embarked on an ambitious economic and political reform drive upon taking office in September 2017. His administration marked a sharp change from the previous one led by former president Jose Eduardo dos Santos (1979–2017). Unlike his predecessor, Lourenço is pushing for the reduced role of the state in the economy through the sale of state-owned assets and efforts to incentivise private sector-led development. Lourenço's economic and political reform programme may not be a wholly genuine attempt to root out corruption, nor has it as yet been able to eradicate the culture of graft within the public sector. Nonetheless, his drive has improved transparency in some sectors, while his ability to engage with the international community to support his efforts has shown his commitment to this agenda.**

### Diamond mining the greatest beneficiary

The diamond mining sector has been at the forefront of the reform agenda since late 2017. Its development is a key priority for the Lourenço administration, given its key role in drawing in private investment and reducing Angola's reliance on oil. Its potential is enormous, with reserves estimated at 11 times global annual production. Investment could transform Angola into the world's largest diamond mining country.

The breaking up of major entities like state-owned National Diamond Company of Angola (Endiama) and ending the monopoly Angolan National Diamond Trading Company (Sodiam) had on diamond sales have been important steps in improving the way the sector is run and facilitating the environment for private foreign investors. It is arguably a much easier sector in which to do business now, while Angola's recent membership of the Extractive Industries Transparency Index (EITI) will support transparency.

### What about Isabel dos Santos?

The influence of Angolan businesswoman and former first daughter Isabel dos Santos has diminished steadily in recent years. Given her vast business empire, this will go some way in easing reputational risks for investors wary of possible association. In the diamond mining and oil sectors, Isabel and her associates have not been board members at state entities or able to control distribution since 2017, while in the telecommunications sector, she relinquished in August her 25% stake in state-owned company Unitel.

Her dominance in the retail sector is also waning, with her supermarket chain Candando closing several stores in June. Although she has denounced the Angolan's government actions against her, particularly the freezing of her assets over alleged embezzlement of state funds, she is broadly cooperative and likely to relinquish further assets in the country, paving the way for a more diverse competitive landscape across a range of sectors.



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### Telecoms with potential

The telecommunications sector will likely benefit from Isabel's exit from Unitel, enabling the government – now as majority shareholder – to progress more easily with its plans to unbundle the utility and privatise parts of it. Her presence at the company had become even more of a stumbling block for privatisation plans following the release of the #LuandaLeaks, a report which alleged she had embezzled millions of dollars from the state through the awarding of tenders to her own companies or ones in which she held shares, and affected businesses that may have had involvement with these firms. Of course, beyond Isabel, the sector has struggled to draw in outside investors, particularly after a major tender for a new licence was won by a local company with little experience but political connections in 2019. Nonetheless, ongoing privatisation plans and its role as a key economic sector suggest opportunity.

### Can reputational risks be managed?

While the operating environment in Angola is improving, it remains a risky investment destination. Lourenço will need to show he is able to continuously cement his authority in order to push forward his reform agenda to the desired degree, and investors will need to understand the broader political context to assess if these reforms can hold over the long term. Meanwhile, high-level and petty corruption risks remain, and companies will need to be aware of key figures in cabinet and business, and also those that hold an informal role but have an ear to the president.

### How can we help you?

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Stress-testing your growth strategy for Africa to re-align it with any fundamental changes in the political, regulatory and security environment triggered by COVID-19



Re-assessing your exposure to risk and reward for your operations in post-pandemic Africa



Building scenarios and monitoring key indicators to keep ahead of the curve in terms of risks and opportunities in the market



Identifying economies, sectors and companies, which are likely to emerge stronger from the pandemic or may present opportunities for investment in distressed assets



ESG, cyber and compliance due diligence of current or potential investments



Remote or in-person security, risk and compliance reviews to reconfirm your local risk exposure for projects/operations which you cannot visit in person

Looking to invest or grow your business in Africa? Contact us at [johannesburg@controlrisks.com](mailto:johannesburg@controlrisks.com) and one of our Africa experts will be in touch.