



ANGOLA FLASH-NOTES

A whiff of reform in the air

1) Lean times in the National Assembly, November 13th

1) Spare a thought for the long-suffering members of the National Assembly. Since mid-2015, when the oil price collapse began to squeeze the fiscus, they have had to manage without such essential perks as subsidized fuel and mobile phone-service.

Now, just as they were anticipating a relaxation of this austerity¹, **they are having to swallow the indignity of foregoing the top-of-the-line Lexus SUV** ordered for each of them last April.

2) The worthy representatives are said to be unimpressed by the ‘economical’ alternatives - as BMW, Volvo or Toyota sedans – that the Speaker has suggested. Given the condition of the country’s roads, they claim, **the SUV is a necessity not a luxury**.

3) We welcome the Speaker’s spirit of frugality, especially since the **price-tag for the original Lexus procurement order was USD 78 million** – implying a unit cost of USD312,000². However, it would be just as interesting to see what break-costs the announced cancellation has entailed³. Indeed, it is a marvel that the vehicles have not already been delivered to Luanda.

4) Terminating such a scandalous transaction offers João Lourenço – a.k.a. ‘J-Lo’ – **an opportunity to introduce some transparency into the management of public purse**. This would help draw a metaphorical line underneath the notoriously opaque dos Santos era, but then again, this might be asking too much, too soon ...

¹ I.e. with Brent north of USD 60 per barrel.

² As discussed in our flash note, “[An apt metaphor for the GINI coefficient](#)”, May 29, 2017.

³ I.e. more than six months after the order was signed.

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2) IMF mission concludes visit, November 15th

Whereas the Fund’s end-of-mission statement was only released yesterday, as the team left Luanda, the finance ministry had issued its own upbeat assessment the previous day.

In its telling, the mission had welcomed the Interim Recovery Plan announced in mid-October, viz.: *“Our provisional assessment is that it contains a number of positive elements, including the introduction of a VAT¹ and the prospective move towards a flexible exchange rate”*.

Far more restrained in tone, the IMF’s release makes three key points:

¹ This measure had proved a deal-breaker when initially recommended by the IMF mission 17 months earlier, as discussed in our Note ‘[Quod erat demonstrandum](#)’; June 16, 2016.

- 1) The mission's purpose was simply to lay the groundwork for the Article IV consultation, scheduled for early 2018. In other words, **a funded programme is not on the agenda currently**.
- 2) Although the economy appears to have turned the corner after contracting in 2016, **"significant macroeconomic imbalances remain"**, with growth projected at a mere 1.1% and the (improved) current account deficit at 5.2%.
- 3) These imbalances **"need to be tackled decisively"**, the team warns, noting that the **wide spread between the parallel and official market exchange rates** as well as the backlog of unfulfilled foreign exchange purchase requests in the banking system.
- 4) It is worth noting that the **statement diplomatically avoids quantifying** either the **"black" dollar premium** (Kz 400 vs. the official rate of Kz 168), **or the inflation rate** (26.34% vs. the clearly aspirational year-end target of 18%).

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③ Exit the Princess, November 16th

1) Viva 'J-Lo' - for having arranged **the defenestration of the Isabel dos Santos**¹, less than 60 days into his tenure! We regard this move as arguably no less seismic than the ongoing drama in Harare.

There is, of course **a second shoe to drop - this one relating to the FSDEA², Angola's sovereign wealth fund**, of which Isabel's younger brother José Filomeno (a.k.a. Zénu), has served as chairman since it was established in 2012.

2) From the outset, **the operations of the Fund have been a study in heterodoxy**. In 2012, 100% of its assets under management were allocated to Quantum Global, a little known private-equity fund, run by a childhood friend and long-standing business partner³ of the said Zénu.

Among a host of shocking details, the recent *Paradise Papers* revelations provide evidence that **transfers from the FSDEA to Quantum were routinely channelled through a web of shell companies domiciled in Mauritius and the British Virgin Is.**

3) UNITA, the principal opposition party, has already tabled a motion before the National Assembly calling for a forensic audit of the sovereign wealth fund. It is a little too early to tell, but **maybe the Augean stables will finally get their long overdue mucking-out.**

¹ I.e. the former '1st daughter', and Africa's richest woman (according to *Forbes*), who has been removed as chairman of SONANGOL, the national oil company that has long served as a cash-cow for the Angolan government and, more specifically, the dos Santos family. Since then, J-Lo has also replaced the central Bank governor (as well as the heads of the national intelligence agency and the national police force).

² I.e. the Fondo soberano do Estado de Angola.

³ A Geneva daily reports that in 2011 a Zug court convicted the individual in question of financial mismanagement and breach of fiduciary duty. He was duly sentenced to a fine and a suspended sentence of 350 days, which implies that he was still under probation at the time he 'won' the mandate from the sovereign wealth fund. See "[Les milliards du peuple angolais font la fortune d'un entrepreneur suisse](#)", by Christian Brönnimann in *24 Heures*, 4 novembre, 2017.

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