



**ANGOLA:**

**27 September 2021**

## ECONOMIC CHALLENGES AND CONSTITUTIONAL CONTROVERSY DRIVE ELECTIONS OUTLOOK

*Controversial proposals to amend the constitution have sparked renewed protests in Angola as public frustration with the government's failure to tackle corruption and revive the economy continues to mount. The timing of these proposals, less than a year before the next general elections, has generated suspicion and a backlash from opposition groups. The ruling party risks losing its majority in parliament unless it can get its privatisation agenda back on track and revitalise the economy.*

After several quiet months, protests have once again picked up in Angola in response to continuing economic hardship, as well as controversial electoral reform proposals put forward by the government. Among other reforms, President João Lourenço's People's Movement for the Liberation of Angola (MPLA) has introduced a bill to centralise vote counting during elections. Opposition parties, led by the National Union for the Total Independence of Angola (UNITA), have denounced these proposals as an attack on transparency ahead of elections scheduled for next year. On 11 September, hundreds of UNITA supporters rallied in the centre of the capital Luanda. It follows a series of smaller protests across the country in recent months, many of which have been violently dispersed by security forces (see [ANGOLA: HOPES FOR ECONOMIC RECOVERY ARE DAMPENED AS POLITICAL TENSIONS RISE AGAIN](#)).

Recent constitutional, electoral, and political reforms proposed by the government have also stirred discontent. In March 2021, Lourenço used his executive powers to ask parliament to initiate a review of the country's constitution as the ruling MPLA embarks on a wide-ranging reform agenda. While UNITA and other opposition parties support some of the proposed changes as necessary to bring Angola's political and economic institutions up to speed with SADC standards, other proposals have invited widespread suspicion.

PANGEA-RISK examines the ongoing controversy over the proposed constitutional amendments and how this might impact next year's elections. The ongoing progress of Angola's privatisation programme, as well as the country's economic outlook, will also be assessed.

### Angola street protests

The recent uptick in protests comes after much larger demonstrations in October and November 2020. The grievances were accurately captured in PANGEA-RISK's survey poll at the time (see [ANGOLA: POLITICAL VIOLENCE AND STATE CORRUPTION IMPERIL IMF AND CREDITOR RELATIONS](#)). For several weeks, Angola was gripped by nationwide anti-government protests amid growing disillusionment with Lourenço's rule. Motivated by rising unemployment, high living costs, and anger over the government's failure to deliver on its anti-corruption agenda, hundreds of protesters, many of them young Angolans, marched in Luanda and other cities.

### MAP OF ANGOLA



The protests came as a surprise to the Lourenço government, which has been battling to revive the oil-dependent economy amid the global pandemic. In 2017, Lourenço was elected on a platform to diversify the country's economy and privatise struggling state-owned enterprises, plans which have since stalled.

Last year's protests threatened to spiral out of control. Tensions were inflamed after security forces fired tear gas and even live ammunition at the demonstrators. To quell the unrest, Lourenço held meetings with students and youth group leaders and broadcast the talks on live TV. Initially, Lourenço's intervention seemed to have worked and no further major protests were reported in 2020. However, in March this year, youth groups once again rallied in Luanda, citing a lack of progress since their meeting with Lourenço. More protests were reported in August and then as recently as September, as youths and opposition party supporters continue to criticise the socio-economic conditions facing the country.

### Controversial proposed changes to the constitution



ANGOLA PRESIDENT JOÃO LOURENÇO

The last time the constitution was reviewed was in 2010. Back then, the country was still ruled by former president José Eduardo dos Santos, who stepped down in 2017 after 38 years in power. Lourenço's government believes that a review of the constitution is necessary to deal with the effects of the Covid-19 pandemic, to clarify some of the grey areas surrounding separation of powers, and to prevent some of the excesses seen under Dos Santos' rule.

One of the key changes proposed is the clarification of the institutional relationship between parliament and the executive branch on the issue of political oversight. Under Angola's current constitution, the president holds extensive powers and is in a position of pre-eminence over the legislative and judicial arms of the state. The president can pass laws by decree without the need to consult parliament. The constitution also gives the president the power to appoint judges to all the highest courts as well as the governor of the Angolan Central Bank.

By contrast, the power of parliament is severely limited, and it cannot summon ministers or other members of the administration without the president's consent. The government has shown willingness to cede some of these powers. For example, the Lourenço administration proposed turning the Central Bank into an independent entity with separate regulatory powers. This was one area the government and opposition agreed on, and parliament unanimously passed the proposal in September 2021. Other proposals remain far more controversial, however.

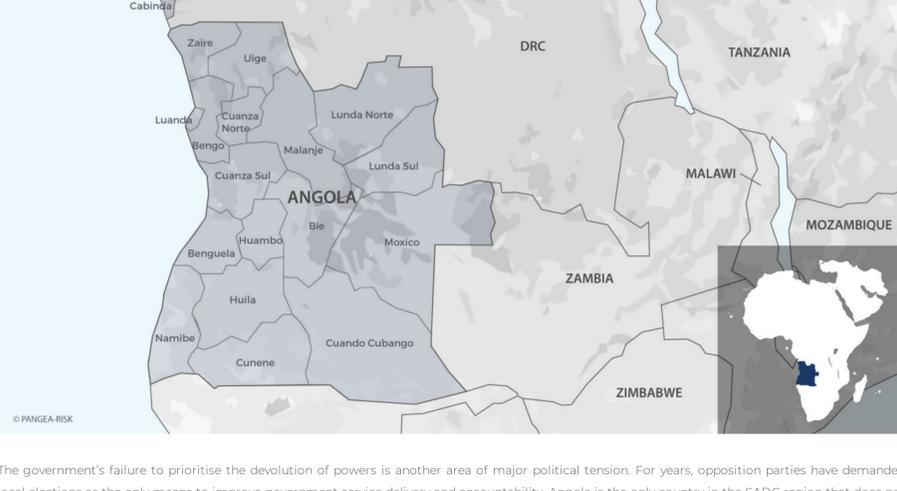


ANGOLA CENTRAL BANK IN LUANDA

Lourenço's administration has introduced a series of electoral reform proposals that, among other changes, would centralise vote counting rather than do it at the local and provincial level. Opposition groups claim this change would encourage fraud. UNITA has proposed counter measures to prevent fraud, including biometric identification requirements for voters as well as civilian oversight in the counting of ballots. In the wake of mounting criticism from opposition parties, Lourenço backed down on plans to centralise vote counting. However, other controversial plans remain unchanged and the government has turned a deaf ear to opposition criticism or ideas.

A proposal to increase the number of provinces has been a major sticking point. In July, Lourenço submitted a proposal to parliament to alter the territorial makeup of five of the country's 18 provinces, a move which would see the creation of three new provinces. According to the government, these changes would lead to better provisioning of public services and greater synergy between local government and civilian needs. Opposition parties have criticised the proposal as untimely, labelling it a distraction from the pressing need to establish a framework for local elections. They have also questioned whether the government has ulterior motives for wanting to redraw provincial boundaries so close to the election season.

### MAP OF ANGOLA



The government's failure to prioritise the devolution of powers is another area of major political tension. For years, opposition parties have demanded local elections as the only means to improve government service delivery and accountability. Angola is the only country in the SADC region that does not hold local elections. Instead, under the current system of centralised governance, the ruling party appoints all state officials at the sub-national (provincial, governor, municipal, and district administrators). While acknowledging the need for reform, the Lourenço government has stalled on this issue and has instead proposed a phasing in of local elections. Opposition group claim that this would allow the government to continue appointing officials at all levels of governance for years to come.

### All eyes on the election



There are several outstanding questions about the timing of the government's electoral and political reform package ahead of general elections which are scheduled for August 2022. The president is seeking re-election, and despite the challenges he has faced, is expected to win. However, many believe that the MPLA will lose its outright majority in parliament. Young voters are restless and increasingly frustrated with the ruling party. In October 2020, a survey conducted by PANGEA-RISK found that two out of three Angolans were deeply dissatisfied with their government, and this sentiment appears to have only increased in the past year (see [ANGOLA SURVEY: EXX AFRICA SURVEY FORECASTS ANGOLA SPIKE IN UNREST AND INSTABILITY RISKS](#)).

Meanwhile, opposition parties are capitalising on growing frustration with government. There has been talk of a potential alliance between UNITA and smaller opposition parties Bloco Democrático and Prajá Servir Angola. If it sticks, it could pose a serious challenge to the MPLA come election time. Some local experts have suggested that the president is already anticipating a backlash at the polls, and that the MPLA is trying to push through its reform agenda while it still has a majority in parliament.



FORMER ANGOLAN PRESIDENT JOSÉ EDUARDO DOS SANTOS

The MPLA is not going to go away without a fight though. The return of former president Dos Santos to the country in mid-September after more than two years in self-imposed exile in Spain comes at a crucial time. The MPLA is due to host its annual congress in December where it hopes to project an image of unity. According to some reports, Dos Santos might currently be involved in behind-the-scenes talks with MPLA leaders. Dos Santos remains a strong political force within the party, and there have been unconfirmed reports that he could act as a mediator between the party's different factions and unite the ranks ahead of next year's elections.

### Economic reform agenda moves ahead



SONANGOL BUILDING IN LUANDA

While all eyes are on the battle over constitutional and electoral reforms ahead of next year's elections, the government's economic privatisation agenda has been quietly moving ahead. Following his election, Lourenço pledged to diversify the country's oil-dependent economy and embarked on a sweeping process of privatising over 190 state-owned companies and reforming oil giant Sonangol. A crucial part of the diversification agenda is the 2019-22 Privatisation Programme (PROPRIV) under which the government plans to divest ownership of state companies and assets in various sectors, including mineral resources, transportation, telecommunications, health, agriculture, and construction.

Many of the planned privatisations have stalled as the government fights to contain the Covid-19 pandemic and ongoing political tensions through private investment funds. In April this year, PANGEA-RISK reported that the government had so far only divested 39 state-owned assets with a value of approximately USD 580 million (see [ANGOLA: HOPES FOR ECONOMIC RECOVERY ARE DAMPENED AS POLITICAL TENSIONS RISE AGAIN](#)). Since then, the government has slightly scaled back its plans, setting a new goal of divesting ownership or stakes in only 139 state-owned companies or assets. It has withdrawn proposals to privatise 70 fishing companies, while adding an additional 17 unspecified companies to the list.

While progress has been slow, the government has privatised the PROPRIV agenda in recent months. As of the start of September, a swathe of state-owned companies were in the process of being privatised. Among these include Banco BAI, Banco BCI and Caixa Angola; telecommunications company Multitel; downstream oil company Sonangol; construction giant Cimangola; and the agro-industrial project of Aldeia Nova.

Government representatives have also held a series of investment roadshows to woo British, European, Middle Eastern, and American investors with a platter of privatisation offerings. The government's plan to divest as much as 30 percent of state-owned oil giant Sonangol is the biggest prize of all. It is expected to bring in USD 6.4 billion for the government, but has been beset by delays. So far, little progress has been made towards plans to privatise non-core aspects of Sonangol, which is haemorrhaging cash.

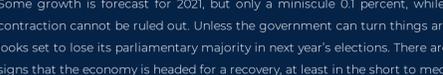
In 2020, Sonangol registered a USD 4.1 billion net loss off the back of a drastic reduction in revenues from sales of crude oil due to the pandemic. It did, however, sell its loss-making trading arm Puma Petrol to a Swiss subsidiary trading company Trafifigura for USD 600 million in April 2021. In June, Sonangol also announced the sale of eight flagship offshore oil blocks, but so far investors have not been forthcoming. Ongoing concerns over transparency, as reported by PANGEA-RISK in an October special report in February, are keeping many investors wary of purchasing Angolan state assets (see [SPECIAL REPORT: US ADMINISTRATION STEPS UP INVESTIGATION INTO ANGOLA PRESIDENT AND BUSINESS PARTNERS](#)).

### INSIGHT

President Lourenço's administration faces various challenges, from growing public discontent over a struggling economy, opposition to its constitutional and political reforms, and delays to its flagship privatisation agenda. Low commodity oil prices and the ongoing globalised year scuppered Angola's once promising economic outlook. In 2020, the economy registered its fifth consecutive year of recession, contracting 5.1 percent (see [ANGOLA: FIVE YEARS OF RECESSION SPIKE DEFAULT RISKS](#)).



Some growth is forecast for 2021, but only a miniscule 0.1 percent, while a sixth consecutive annual contraction cannot be ruled out. Unless the government can turn things around, and quickly, the MPLA looks set to lose its parliamentary majority in next year's elections. There are already some encouraging signs that the economy is headed for a recovery, at least in the short to medium term. However, with sovereign debt payments set to increase beyond this time horizon, Angola's long-term economic recovery remains uncertain.



Government revenues are set for a big increase this year due to higher average oil prices in 2021. Sovereign debt peaked at 124 percent of GDP at the end of 2020 but is expected to fall below 100 percent of GDP by year end. Increasing government revenue is forecast to produce a fiscal surplus of 1.2 percent of GDP in 2021. An increase in VAT and income tax collections has pushed non-oil revenue up to 9 percent of GDP by the end of 2020 from a low of 5.9 percent in 2017. Despite this, the economy remains heavily reliant on oil revenues, and with oil prices expected to reverse their gains in 2022, Angola's fiscal surplus is unlikely to last. Its debt servicing costs are also increasing.

Credit rating agency Fitch estimates that Angola faces USD 5.2 billion (7.4 percent of GDP) of external principal and interest payments in 2021, followed by USD 4.7 billion in 2022, and USD 6.5 billion in 2023. So far, disbursement payments from the IMF, a reprofiling of an estimated USD 20 billion in bilateral debt from Chinese official lenders, as well as its participation in the Debt Servicing Suspension Initiative (DSSI), have enabled the Angolan government to meet its medium-term debt service obligations.

However, the long-term outlook remains uncertain. Unless it can broker a new disbursing programme with the IMF, the government will have to increase its commercial borrowing, which comes with higher costs. It has already begun to do so, having recently secured USD 11 billion in financing from Standard Chartered for a water supply project in Luanda. The sale of state assets through the ongoing privatisation programme will provide some additional external funding, but the most valuable assets like Sonangol are now unlikely to be sold until after 2022.