

Angolan investment honeymoon looks to be over

When Angolan President, João Lourenço, took power a year ago, there was a wave of market optimism and fresh investor interest. But the 'honeymoon' seems to be over as investors are becoming concerned with entrenched state corruption and the persistently weak state of the economy.



President João Lourenço. Photo: Angop

According to a [report](#) by [EXX Africa](#), Lourenço has launched a high profile crack-down on corruption and sought to end industry monopolies. However, so far the only graft cases pursued by his administration have been politically motivated, thus allowing the new president to remove critics and to stake out his new political territory.

In fact, his touted anti-corruption stance is more indicative of concerted attempts to dismantle his predecessor's influences and consolidate total power over Angola's political institutions than any meaningful attempts at reform. This remains evident in the oil sector, where his government has been reluctant to pursue much-needed reforms. Entrenched patronage and rent-seeking structures have been put in place at state oil company, Sonangol, facilitating embezzlement at the highest level of the administration.

Cancelled infrastructure projects

Lourenço has also appointed prominent individuals tainted by corruption and mismanagement allegations into important government positions. Charges against former vice president, Manuel Vicente, who now holds sway over Angola's central bank and Sonangol, could be reinstated as soon as a new government takes power in Portugal or political sentiment in the US swerves into a different direction.

Meanwhile, recent contract cancellations of major infrastructure projects, officially touted as part of a transparency drive, are more likely motivated by a desire to seek fresh rents from foreign investors participating in those projects. 'White elephant' projects, like the new Angola airport, are undermining Lourenço's image as being reform-minded and transparent.

While the economic outlook is tentatively brighter than a year ago, the new government is seeking billions more in financing from Chinese banks to fund infrastructure expansion and to keep distressed state finances afloat. Just when concerns over Angola's debt sustainability were calming, the government is committing to another massive Chinese debt pile-up. This bodes ominously for the repayment of arrears to foreign contractors and even Angola's ability to service its latest Eurobonds.

Rising food prices, frequent strike action, and public sector cuts are triggering protests and increasing the risk of riots in Angola's cities. If Lourenço's government does not soon fully commit to broad oil sector reform and prudent fiscal management, as well as actively embrace transparency initiatives, the investment outlook for Angola is set to deteriorate sharply as investors lose faith in the president's stewardship of the economy.

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