
Angola Monitor

Issue 3/14

The Angola Monitor covers the politics, economics, development, democracy and human rights of Angola. It is published quarterly by Action for Southern Africa (ACTSA).

This issue covers:

Political News: DRC Angola maritime border dispute resurfaces; Preliminary census results expected in September; Chinese Premier visits Angola; President appoints new defence minister; Brazil: Presidential visit strengthens political and economic ties; Angola and Cuba sign agreement of cooperation; Building British interests in Angola and Priorities for International Cooperation.

Economic News: Luanda rated as the most expensive city; Portuguese banking crisis could affect Angola; Loan agreed for energy sector overhaul; Demand for dollars remains strong; Cement imports remain high despite ban and new investment in textile industry should produce jobs.

Human Rights News: DRC Nationals charged with provocation of war and Police beat and detain 20 protestors.

Aid and Development News: Mine clearance makes way for return of 5,000 people and Drought risk reduced in some areas.

This issue is also available in Portuguese.

We welcome readers' responses to the Angola Monitor. Please send your comments to info@actsa.org. For more news and information on Angola and southern Africa visit the ACTSA website www.actsa.org.

Political news

DRC Angola maritime border dispute resurfaces

Angola's attempts to extend the area over which it has exclusive maritime rights have been blocked by an ongoing dispute with the Democratic Republic of Congo (DRC). Both countries claim they have rights over a narrow rectangular corridor of sea, about 12 miles wide and 200 miles long, from the mouth of the River Congo where the DRC meets the Atlantic coast (between Angola and Cabinda). The disputed area includes some of Angola's most lucrative oil concessions including blocks 14 and 15 which are expected to produce almost 350,000 barrels a day in two years' time.

Angola claims that the DRC's rights are limited to a small triangle of sea at the mouth of the River Congo, according to the 1884 Berlin Agreement. The DRC claims that 1982 Montego Bay Law of the Sea Convention gives the country rights to a long narrow corridor of sea stretching into the Atlantic.

Angola's interpretation of its maritime borders was accepted by President Mobutu Sese Seko of Zaire in 1974, but in May 2009 the DRC parliament approved a new map laying claim to a larger area of sea. Angola immediately disputed the claim and initial attempts by the DRC to push for the area were followed by the expulsion of Congolese migrants from the diamonds fields in northern Angola.

Angola is seeking to extend its maritime rights beyond the current 200 mile Exclusive Economic Zone to 350 miles off its coast, including a potentially oil rich area. However, the UN Commission on the Limits of the Continental Shelf, which was due to consider the plan in July and September has had to postpone its assessment as the UN cannot consider any extension if maritime borders are in dispute.

The DRC's claim over the disputed area of sea is not expected to be successful as the change in maritime borders is likely to be highly disruptive both for Angola and the multinational oil companies operating in its waters.

Preliminary census results expected in September

Angola's first census since 1973 was concluded on 31 May, reaching over 99 per cent of the population. According to Camilo Ceita, director general of the National Statistics Institute (INE), those missing represented only "500 households out of a total of over 5 million, so we can consider that our target has been reached."

The census took place between 16-31 May, 10,000 people were involved and seven million forms were completed, one by each family. The process is estimated to have cost approximately US\$200 million, significantly higher than the INE's earlier estimate of US\$73 million a year ago. The INE initially expected to announce preliminary results within 18 months of the census, but said in July that these are now expected in September.

Chinese Premier visits Angola

Chinese Premier Li Keqiang spent two days in Angola as part of his first visit to sub-Saharan Africa, including Ethiopia, Kenya and Nigeria, from 4-11 May. It was the first visit to the country by a Chinese Premier in eight years.

The delegation of 129 people was focused on building economic cooperation, but discussions seemed to suggest a change towards a more long term relationship, and collaboration focused on Angola's 2013-17 National Growth Plan, which aims to diversify the economy.

Angola is China's second largest trade partner in Africa and trade between the two countries exceeded US\$35bn in 2013, much of which was the export of oil to China and import of building materials (mainly cement) to Angola. China has provided over US\$10bn in financing to Angola to date, largely for infrastructure projects and has tended to provide its own workforce and receive payment in oil. This has led to some criticism, particularly as this approach has not enabled Angola to build its own industries and skills base, or reduce its 26 per cent unemployment rate.

The visit has been reported as evidence that China would like to change its relationship with Africa. Ahead of the visit speeches focused on more long term collaboration with countries on the continent and were less focused on oil and resources. Meetings in Angola took a similar approach. Agreements were signed between the two countries covering agriculture, manufacturing, finance, health and energy.

The Premier met with representatives of the 260,000 Chinese workers based in Angola, a quarter of the Chinese population in Africa. He responded to growing concerns about poor labour standards and lack of respect for environmental regulations by stressing the importance of Chinese companies following local customs and laws, and protecting the environment and the interests of local communities.

The Chinese government sees an opportunity for further collaboration through Angola's National Development Plan 2013 to 2017 and announced new loans worth US\$170m through the China EximBank for a number of projects including improvements to the electricity supply in Moxico province, an agro industrial project in Zaire province and a management training institute in Lubango. An additional payment of US\$28 million for 'development projects' was announced as well as a US\$1.5 billion project between the China Africa Development Fund and the national police for a Chinese construction company to build accommodation for police officers.

There were also discussions about the establishment of a regional airline based in Angola. China already has interests in aviation with a stake in Sonangol's airline SonAir through China Sonangol and a new Chinese funded airport being built in Luanda.

President appoints new defence minister

President dos Santos announced a surprise mini reshuffle on 22 April, in which he changed his ministers for defence and veterans.

Cândido Pereira dos Santos Van-Dúnem who has been minister for defence since 2010 has become veterans minister and has been replaced by Major General Joao Manuel Goncalves Lourenço. Mr Van-Dúnem will be responsible for dealing with the growing discontent amongst ex-service people, particularly over pensions.

Major General Goncalves Lourenço was secretary general of the MPLA until 2003. He has been a member of the party's Central Committee since 1985 and Politburo since 1989. He has also been governor of Moxico and Benguela provinces and vice president of the National Assembly.

The new defence minister was 16th on the MPLA's parliamentary list at the last election and enjoys popular support within the party. He was previously considered a potential presidential successor, until he returned to the back benches after apparently falling out with the President in 2003. He will run an extremely powerful ministry. In 2013 military expenditure increased by 36 per cent to US\$6.1 billion, according to the Stockholm International Peace Research Institute, making it the largest defence spender in sub-Saharan Africa. Spending on security in 2014 is expected to represent 18 per cent of government expenditure.

Some are speculating that Major General Goncalves Lourenço return to the front benches could make him a potential successor to President dos Santos, but most believe the most likely successor is vice president Manuel Vicente. President dos Santos has remained silent on his succession plans to date and was reported in May to have told the MPLA's Central Committee that his succession would not be on the agenda until the 2016 Congress.

Brazil: Presidential visit strengthens political and economic ties

President dos Santos visited Brazil in mid-June. A US\$2 billion loan was announced during the visit to improve energy infrastructure. This is expected to be used for the construction of the Lauca hydroelectric project on the river Kwanza in Kwanza Norte province which is expected to be completed in 2017. It is likely that Brazilian companies will be responsible for the construction.

Brazil is Angola's third largest trading partner and has longstanding political and economic links. It was the first country to recognise Angola following its independence in 1975 and is believed to have provided up to US\$8 billion in loans since the end of the war in 2002. Brazil has significant business interest in Angola, particularly in construction and state oil company Sonangol has interest in Brazil's offshore oil concessions. Trade between the two countries in 2013 was US\$2 billion, primarily oil from Angola and machinery, sugar and meat from Brazil, and Angola's national airline TAAG runs a regular service between the two countries.

Brazil has also pledged to support Angola in its bid to sit as a non-permanent member on the UN Security Council. The announcement was made by Brazilian President Dilma Rousseff following a meeting with President dos Santos on 16 June.

This was the first visit to Brazil by President dos Santos since 2010 when he signed a strategic partnership agreement with President da Silva. President Rousseff chose Angola for her first visit to Africa following her election in 2011. President dos Santos was met with small protests in Belo Horizonte, calling for better human rights.

Angola and Cuba sign agreement of cooperation

President dos Santos followed his visit to Brazil with a visit to Cuba on 18 June where he was received by President Raul Castro. The Angolan President toured the development at Mariel Harbour, which is being developed as Cuba's principle port. Cuba has had links with the MPLA since 1965 and played a significant role in the war against apartheid South Africa, including the battles at Cuito Cuanavale in 1987-88. During the visit the two presidents signed an agreement of cooperation on infrastructure construction and transport covering the period 2014-17.

Building British interests in Angola

Britain's Minister for Africa Mark Simmonds took a business delegation to Angola for two days in June in a bid to improve trade and increase business for British companies.

During the visit he was expected to meet with President dos Santos, the minister of finance, Armando Manuel, and a number of other key ministers.

Britain's trade with Angola is growing rapidly and a number of major companies including BP (oil), Diageo (alcoholic beverages) and Aggreko (generators) have a presence in the country. According to the UK government British exports to Angola increased by 65 per cent in the first quarter of 2014, in comparison with the same period in 2013. Exports from Angola to Britain have also increased. Mr Simmonds described the growth as "quite extraordinary" and wants to expand it. He is considering establishing a UK Angola chamber of commerce. China also established a chamber of commerce in Luanda in March 2014.

Mark Simmonds was accompanied by British construction companies for a meeting with the minister of urban construction, Waldemar Pires Alexandre, to promote their interest in contracts for infrastructure building work. He also met with secretary of state for geology and mining, Miguel Bondo to discuss interests in the mining sector and the Kimberley Process (global certification scheme for diamonds, run by the diamond industry, governments and civil society, designed to reduce the flow of conflict diamonds). Angola is vice chair of the Kimberley Process and will become its chair in 2015.

Priorities for International Cooperation

On 13 June Maria Ângela Bragança, Secretary of State for Cooperation, addressed an audience at Chatham House (The Royal Institute of International Affairs) in London on Angola as a global influence.

The minister spoke about the country's National Development Plan 2013-2017 and the government's attempts to diversify the economy and reduce its reliance on the oil sector. She said that achieving this plan was reliant on stability in the immediate region and the continent.

Angola currently holds the presidency of the International Conference on the Great Lakes Region (ICGLR) and is using this as a platform to promote itself as a candidate to become a non-permanent member of the Security Council of the United Nations for 2015–16.

The minister said President dos Santos has set out three priorities for his presidency of the ICGLR: For member states of the ICGLR to adhere to the Pact on Security, Stability and Development signed in 2006; to encourage cultural interchange and economic development between member states; and to promote secure borders and conflict resolution within the region.

Maria Ângela Bragança also outlined the government's economic development priorities for Angola. Key is the diversification of the economy and reducing its dependency on oil. The government is keen to build its relationship with the international financial institutions, improve financial management and prioritise infrastructure programmes, particularly by encouraging foreign private investment. Political and macro-economic stability and improving the business environment for foreign investors is also a priority, with the aim of bringing Angola closer to the fastest growing economies in sub-Saharan Africa. In terms of international links Angola will prioritise its relationship with the Community of Portuguese-Speaking Countries, Africa and particularly SADC, the EU and Asia.

Economic news

Luanda rated as the most expensive city

Luanda has been named as the most expensive city in the world for expatriates for a second consecutive year by global consultancy, Mercer. Prices in the capital are driven up by the lack of domestic production, and most items are imported to the country, including foods, clothes, medicines and machinery. A three star hotel in central Luanda currently costs US\$280 per night and four star rooms cost about US\$430. A meal at a waterfront restaurant costs about US\$50, without drinks.

The government has made numerous pledges to bring down costs, in a bid to increase foreign investment, but with little effect to date. Unreliable electricity supply and poor transport infrastructure in some areas also increases prices as does the fact that Angola does little trade with its neighbours and is outside the SADC free trade area. Attempts to encourage domestic production, in part through a higher import tax, may increase prices further in the short term.

Portuguese banking crisis could affect Angola

The crisis hitting Portugal's largest bank, Banco Espirito Santo, could have a knock on effect on its Angolan subsidiary Banco Espirito Santo Angola (BESA), with reports of a US\$5.7 billion guarantee from the Angolan government for significant non performing loans.

The Espirito Santo family's holding group Espirito Santo International, which part owns Banco Espirito Santo, applied in mid July to be placed under creditor protection "due to a significant part of its debt maturing".

BESA is Angola's second largest Bank and is understood to include senior members of the MPLA, government and the dos Santos family among its shareholders. It is 55.7 per cent owned by Banco Espirito Santo.

At the end of June Banco Espirito Santo denied there were any problems at BESA, but on 19 July Portugal's Expresso published what it claimed to be a copy of the "Internal Presidential Order Number 7" authorising the bailout, signed by President dos Santos on 31 December, 2013, "to protect fundamental interests for the equilibrium of the Angolan financial system."

BESA's previous chief executive, Alvaro Sobrinho has been accused by Expresso of authorising loans worth US\$1.6 billion to five 'unknown' companies linked to him. BESA also made significant loans to property developers during the property boom, following the end of the war in 2002, which remain unpaid. The property market in Angola was significantly affected by the global banking crisis.

Two possible scenarios have been floated for the future of the bank. One is that the Angolan government nationalise BESA, but the most likely scenario is that Angolan shareholders will buy out Portuguese interests in the bank. This seems particularly likely if the Banco Espirito Santo share is devalued.

Loan agreed for energy sector overhaul

The African Development Bank (AfDB) has agreed a US\$1 billion loan with the Angolan government for a major programme to overhaul the country's energy sector. Angola has an inefficient energy sector and irregular power supply. Those who can afford it rely on diesel generators, making manufacturing and business expensive.

The loan for the Angola Power Sector Reform Support Programme, is the largest awarded to Angola by the AfDB. It will focus on three areas – restructuring the energy sector and improving the regulatory framework, increasing financial transparency and encouraging private sector investment. Privatisation of

state assets has long been on the agenda for the Angolan government, but there are concerns about the impact it may have on energy prices and jobs, particularly as Angola has a high level of unemployment.

Demand for dollars remains strong

Angola's foreign exchange law, introduced in 2013 is being seen as a success by the National Bank (BNA), despite a growing gap between official and unofficial exchange rates and oil production levels being lower than expected. The foreign exchange law was intended to reduce Angola's reliance on the US dollar. It requires oil companies and associated businesses to make payments using the kwanza and use Angolan banks.

In recent months the demand for the dollar has grown, leading to some shortages. There is a growing gap between the official dollar exchange rate offered by the banks and the unofficial exchange rate offered by street traders sparking fears that inflation may increase. The shortage of dollars has been blamed on the BNA, who are accused of rationing dollars, and the US Federal Reserve for introducing strict anti-money laundering procedures, but the most significant factor is the lower than forecast oil production.

In an attempt to tackle money laundering the government introduced new legislation in 2013, and in recent months the BNA has introduced financial screening technology to improve its banking security.

Cement imports remain high despite ban

Angola introduced new legislation on 1 March banning all cement imports. This along with new customs tariffs intended to promote local suppliers, were supposed to boost Angola's cement industry, but so far the figures tell a different story. For the first four months of 2014 cement continued to be the most imported product with estimates that imports topped 630 million tonnes.

Angola has a huge appetite for cement for its post war reconstruction programme and the oil industry. Until now much of this has come from China. However, in March US\$112.6 million was invested in Nova Cimangola by the ministry of finance. Nova Cimangola is a public private partnership which is understood to count Isabel dos Santos (daughter of the President) amongst its shareholders.

New investment in textile industry should produce jobs

Three renovated textile factories are due to begin production by the end of 2014, providing an estimated 2,700 new jobs. The renovations to Africa Textil in Benguela, Textang II in Luanda and Santec in Kwanza Norte have been paid for with a US\$1 billion loan from the Japan Bank for International Cooperation. Funding will also pay for the building two additional factories in 2015. The renovated factories were built when Angola was a Portuguese colony, but ceased production during the civil war.

The government is also planning to revive cotton production in Angola. A 74,000 hectare plantation, part funded by South Korea, is planned in Kwanza Sul in order to help meet the Ministry of Agriculture's target of 100,000 tonnes of cotton produced per year.

Textile production in Africa is currently struggling to compete with Asian countries, despite many countries benefitting from preferential tariffs from the US African Growth Opportunity Act (AGOA). Angola has higher production costs due to the irregular electricity and poor transport infrastructure and doesn't benefit from AGOA, so will struggle to compete against other textile producing countries.

Human rights news

DRC Nationals charged with provocation of war

Amnesty International launched an urgent action on 3 June after Angola convicted eight men, most of whom are from DRC, on 16 April, for provocation of war or retaliation against Angola and illegally staying in Angola.

The eight men, and one other who was acquitted, were arrested on 22 November 2012 in Cabinda. According to Amnesty International "They were reportedly initially held incommunicado for a month; beaten with firearms; kicked with military boots; slapped and punched." Amnesty International now fears that some of them will be sent to DRC where they risk torture, ill treatment or possibly the death penalty.

Kadate Lekumu, Faustino Mananga Gomes, Ilunga Mukendi Cianda, Richard Nsabwa Mukendi, Boyeye Marc Eyoku and Mbuasi Kitunta François, all from the DRC, were sentenced to one year and six months imprisonment for illegally staying in Angola and provocation of war or retaliation against Angola. David Bucur and Eduardo Pongo Muaca, both from Angola, were sentenced to two years and eight months imprisonment for provocation of war or retaliation against Angola and promotion of and accessory to illegal entry into the country. Akanza Toto was acquitted, but has not been seen since the decision, raising concerns that he has been sent back to the DRC.

The eight men remain in prison pending appeal. An application for bail was rejected. There has been no investigation into the allegation that the men were tortured following their arrest. Amnesty International have requested supporters write to the Angolan government, expressing their concerns.

Police beat and detain 20 protestors

The Angolan Revolutionary Movement, a youth group, reported that 20 of its members were beaten and detained by police when they protested on 27 May at Luanda's Independence Square. 27 May is the anniversary of the 1977 opposition protest during the civil war, described as an attempted coup at the time, which was followed by thousands of deaths. The events of 1977 are covered in a recently published book, 'In the Name of the People: Angola's Forgotten Massacre' by Lara Pawson.

The group was protesting the death of three activists by security forces, two in May 2012 and one in November 2013.

Protestor Manuel Nito Alves told media "Police detained 20 of us as soon as we arrived at Independence Square for the protest... Inside the police van they beat us with sticks, drove us to Catete, 60 km away from Luanda, and released us there several hours later." The police and Interior Ministry did not respond to media requests for comment.

Aid and development news

Mine clearance makes way for return of 5,000 people

An area of 5.9 square km in Moxico province has been cleared of landmines by DanChurchAid (DCA), making way for 5,000 people to return to the area. The area known as Alto Campa, 6km outside Luena was laid with mines in the mid 1980s to protect the local airfield from rebels.

Residents of the area fled to Zambia, the DRC and other parts of Angola during the civil war because of the threat of mines exploding. The area has now been returned to the provincial government.

Moxico remains the most contaminated province in the country by landmines, restricting access to large areas of fertile agricultural land. DCA has been working in the area since 2004.

Drought risk reduced in some areas

The farming areas of Malanje, Huambo, Bié, and Huila (which normally produce a surplus) are expected to enjoy a better harvest than last year due to better rainfall, but output in much of the country, although expected to be better than the previous year, will be below average. The price of staple foods remains high due to previous shortages, but is expected to drop in the coming months due to the improved harvest.

Some areas previously affected by drought in south west and central Angola had a good level of rainfall from late February to the end of May and reservoirs are now full. However, some areas of Kwanza Sul and Benguela provinces are still affected by a lack of rain, which is impacting on production. The Ministry of Social Affairs says it is providing food assistance in these areas as well as Cunene, although there are reports that it is not reaching some areas. It is expected that food security will continue to be a challenge in Benguela and the less populous areas of Cunene through to September.

The articles in the Angola Monitor do not necessarily represent any agreed position of ACTSA itself.