

## AFRICA RISK CONSULTING

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#### Angola Summary 21 January 2016

**Concurrent trials in Luanda re-focus the international community's attention on Angola's justice system and its human rights record. Inflation rises faster than expected due to the kwanza's devaluation, leading to significant rises in living costs. Eni has announced fresh oil production in the country's offshore oil fields. However, this milestone comes against diminishing global oil prices that have already begun weakening the country's economy.**

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#### Court cases highlight Angola's poor human rights record

Angola's judicial system has opened the new year with three major court cases that have re-focused the international community's attention on the country's poor human rights record. The first is the continuing trial of the 17 activists accused in June 2015 of preparing acts of rebellion. The trial drew international censure when one of the activists, musician **Luaty Beirao**, went on a hunger strike, alleging unlawful detention (see *ARC Angola Briefing October 2015*). The trial began in December 2015, and resumed briefly in mid-January, after the Christmas recess.<sup>1</sup> The **Serviço de Investigação Criminal (SIC, Criminal investigation services)** was set to provide evidence to the court, since the defence had challenged the validity of video footage and the legality of its use by prosecutors in the trial. The evidence concerned both the legality of the arrest and videotapes of the group's meetings.<sup>2</sup> When several witnesses failed to appear on 18 January, the court suspended the trial until 25 January, with the same witnesses recalled to give evidence.<sup>3</sup>

*"High level sources unconnected to the government noted that police agents had infiltrated this group before their arrest. The recent report on the trial shows that the group's meetings were videotaped. I have little doubt that this group used tactics based on non-violent dissent advocated by their intellectual mentors to make the government react in an arbitrary manner, and have succeeded. This does not make them guilty, though it appears the State has some evidence to produce as well. Putting them on trial in what looks to be a weak case has achieved some of the dissenters' objectives."*<sup>4</sup>

In **Huambo (Huambo Province)** the trial began on 18 January of **Julino Kalupeteka**, leader of the **Sétimo Dia a Luz do Mundo (Seventh Day Light of the World)** sect.<sup>5</sup> Kalupeteka is charged with the murder of nine police officers who died during a security force operation to arrest him in April 2015.<sup>6</sup> Kalupeteka faces charges of murder and attempted murder of police officers, civil disobedience, resisting arrest, and illegal possession of firearms.<sup>7</sup>

Police arrested Kalupeteka and ten sect officials in April 2015, after the sect had advised its members to sell their goods and houses and retreat to the hills, believing that the world would end in 2015.

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<sup>1</sup> Jornal De Angola Angola, 11 Jan 2016

<sup>2</sup> ANGOP, 12 Jan 2016

<sup>3</sup> Angop, 18 Jan 2016

<sup>4</sup> Source, analyst

<sup>5</sup> Human Rights Watch, 19 Jan 2016

<sup>6</sup> RFI, 19 Jan 2016

<sup>7</sup> Human Rights Watch, 19 Jan 2016

Local authorities reportedly went to restore order and persuade the members to return home.<sup>8</sup> Kalupeteka and his followers assaulted 10 policemen. An arrest warrant was issued, which Kalupeteka resisted. An armed confrontation with the police followed.<sup>9</sup>

According to **Human Rights Watch**,

*"The government says nine police officers and 13 armed members of the "Light of the World" sect died – but few believe the official version. Opposition groups and local activists say the death toll of unarmed sect followers at **Mount Sumi** in Huambo Province was significantly higher and allege it was a massacre. Angolan authorities say Kalupeteka's bodyguards attacked them with firearms and machetes when they went to arrest him, and, in response, officers killed 13 of the leader's guards. Opposition groups and activists say that after the initial clash, which resulted in the death of a number of police officers, reinforcements went in to 'revenge' the deaths and used excessive and lethal force against hundreds of unarmed sect followers, killing many in the process."<sup>10</sup>*

At issue is the conduct of the police in apparently retaliating for the killings of police officers, and whether the facts will be brought out in court. If a massacre is proved – and it is widely believed that there was one, whether true or not – it will force the government to take action against the Huambo police command or tacitly admit that there is impunity. Ignoring any evidence of unlawful killings by the police is the generally anticipated response.

The third case, which has drawn the condemnation of the **United Nations Working Group on Arbitrary Detention (UNWGAD)**, concerns the conviction of **Cabindan** human rights activist **José Marcos Mavungo**. The UNWGAD published a statement on 6 January in which it argued that Mavungo's arrest and detention were arbitrary and in violation of international law.<sup>11</sup> It called on the government of Angola to immediately release Mavungo and grant him compensation.<sup>12</sup> Police arrested and detained Mavungo in March 2015 on charges of rebellion for organising a demonstration against human rights violations and bad governance in the Cabinda region of Angola. He was convicted in September 2015 and sentenced to six years in prison.<sup>13</sup>

The **American Bar Association (ABA)** and rights groups who were campaigning for Mavungo's release had petitioned UNWGAD for the body's opinion of the case. ABA president **Paulette Brown** said in response to UNWGAD's opinion:

*"Freedom of expression and peaceful assembly are fundamental to a democracy and no one should be detained for legitimately exercising these rights. The ABA calls upon the government of Angola to respect the UNWGAD's decision and immediately release José Marcos Mavungo."<sup>14</sup>*

**Amnesty International** also considers Mavungo a prisoner of conscience and argues that his conviction is based on trumped up charges:

*"The conviction of José Marcos Mavungo is politically motivated and is the latest example of suppression of freedom of expression and blatant disregard for human rights in the country...José Marcos Mavungo's conviction yesterday appears to be based on his involvement in organizing a peaceful demonstration and his alleged association with a group of unknown men said to have been found with explosives and flyers a day before the demonstration. No evidence of José Marcos*

<sup>8</sup> Club-K net, 17 Apr 2015

<sup>9</sup> ANGOP, 19 Jan 2016

<sup>10</sup> Human Rights Watch, 19 Jan 2016

<sup>11</sup> "New Law Enables Indefinite Detention of Dissenters" Maka Angola 11 January 2016

<sup>12</sup> ABA, 6 Jan 2016

<sup>13</sup> Amnesty International Angola, 15 Sept 2015

<sup>14</sup> Paulette Brown, media statement

*Mavungo's relationship with these men or of his involvement in the production of the flyers was presented during the trial.*<sup>15</sup>

The cases of the seventeen activists and Mavungo are clearly political in nature. They reflect the government's culture of forcibly silencing dissent and criminalising freedom of expression.

*"Two of these three cases highlight the ways in which the Angolan State is perceived as using the legal system for repressing dissent. The case concerning the deaths and allegations of a massacre in Huambo Province raise questions about possible police impunity and suppression of evidence. All three cases are potentially in contravention of international law."*<sup>16</sup>

### Depreciation of kwanza causes rise in inflation and living costs...

Angola is recording continuing rises in basic costs – food, fuel and local transport – related to the devaluation of the kwanza (Kz), as a result of the oil price collapse. These particularly affect the capital **Luanda**. According to the **Instituto Nacional de Estatística de Angola (INEA)**, national institute of statistics, inflation reached 14.3% during 2015, and rose 1.6% in Luanda alone between November and December 2015, against a government estimate of 7-9% inflation in 2015.<sup>17</sup>

The government also announced price increases for oil derivatives, electricity, water and local taxi fares in January 2016. The state-owned oil and gas company, **Sociedade Nacional de Combustíveis de Angola (Sonangol)** began the process, announcing that as of midnight on 1 January, a litre of petrol would cost Kz160 (\$1.10) and diesel Kz135 (\$0.90 cents). All other fuel derivatives underwent similar rises, including Jet A1.<sup>18</sup>

Sonangol imports much fuel for domestic use, since Luanda lacks refinery capacity.<sup>19</sup> However, the dollar shortage has severely affected imports in Angola due to the collapse in oil prices, which has directly impacted the government's fuel price subsidies. Although Sonangol has a production arm, **Sonangol Pesquisa e Produção**, which was set up to supply the domestic market, it is not operational,<sup>20</sup> leaving fuel for domestic use much more vulnerable to the present crisis.

*"The fuel price subsidy is important to the **Movimento Popular de Libertação de Angola (MPLA)**'s support in Angola. It keeps prices low and affordable for most, particularly in Luanda. If this changes, the MPLA could lose its considerable support base among the population."*<sup>21</sup>

Luanda's communal taxi fares also rose by 50% in January, from Kz100 to a maximum value of Kz150 (\$1).<sup>22</sup> Increased power and water tariffs for most of the population also came into force on 1 January. The chief executive officer of the **Instituto Regulador do Sector Electrico (IRSE)**, institute of electricity sector regulation) **Luís Mourão**, notes that the prices still protect the poorest sectors:

*"A low income category has been put in place to serve mainly those who do not own electric appliances, especially living in the rural area. This category will pay \$0.12 per kWh, against the previous \$0.22."*<sup>23</sup>

The cumulative effect of price rises is clearly recorded in Luanda and is likely affect all the country's major cities. Angola is not significantly dependent on food imports, but the increase in transport costs as well as power and water will cause knock-on rises in food prices, as well as the direct impact of

<sup>15</sup> Amnesty International, 15 Sept 2015

<sup>16</sup> Source, analyst

<sup>17</sup> LUSA, 18 Jan 2016.

<sup>18</sup> Sonangol announcement, 30 Dec 2015.

<sup>19</sup> Sonangol Annual report 2014

<sup>20</sup> Sonangol PP website and Sonangol Annual report 2014

<sup>21</sup> Source, analyst

<sup>22</sup> Angop, 9 Jan 2016.

<sup>23</sup> Angop, 6 Jan 2016

price rises in water, electricity and fuel on everyday life. Inflation has already outstripped the government's targets and will continue to do so this year.

### ...as Eni announces fresh offshore oil production

Italy-based Eni has announced that it has commenced oil production from the offshore **Mpungi** oil field, located within **Block 15/06** in the **West Hub Development Project**.<sup>24</sup> This will ramp up the country's oil production to approximately 100,000 barrels of oil per day in the first quarter of 2015.<sup>25</sup> In a statement, ENI's chief executive officer **Claudio Descalzi** indicated that the company had achieved the milestone on schedule and within budget, which reflected the company's excellent track record of efficiency, technology and innovation.<sup>26</sup> The Mpungi oil field production follows other similar milestones in the West Hub's **Sangos** field in November 2014 and **Cinguvu** field in early April 2015. The West Hub project lies in the **Angolan Deep Offshore**, 350km north-west of Luanda, and encompasses several fields, including the Sangos, Cinguvu, Mpungi, **Mpungi North**, **Ochigufu** and **Vandumbu** fields.<sup>27</sup>

Eni is an Italian multinational oil company with headquarters in **Rome**, and is active in 83 countries with a staff of 84,000 employees.<sup>28</sup> It operates in the areas of research, development, production, transportation, refining and distribution of petroleum and gas products.<sup>29</sup> The company has been present in Angola since 1980, with a net production of 105,000 barrels of oil equivalent per day.<sup>30</sup>

The announcement comes amidst a depressed global commodity market, with oil prices hovering around \$30 per barrel. Increased oil production is thus unlikely to translate to direct economic benefit for Angola, which exports crude instead of refined oil and its derivatives. Angola imports oil despite being one of the world's foremost oil exporters. This has given rise to debates about the country needing to implement beneficiation policies, especially expanding local refining. However, economist **Lago Carvalho** indicated that the current market conditions make the construction of a new oil refinery in the country unprofitable due to high construction, exploration, and maintenance costs.<sup>31</sup> Carvalho estimated that the costs would be three times more than a similar project in **Europe** or the **United States**. A refinery operates with a minimum of operative personnel, with all maintenance work done by specialised companies, and requires a fixed staff of 50 people. In the case of a new refinery in Angola, it would need hundreds of workers and expatriate technical staff.<sup>32</sup> Instead, Carvalho suggests that the government could consider buying or renting a refinery abroad, repatriating the products to Angola, and selling the surplus in a world market.<sup>33</sup>

### Implications

The year has not started well as far as Angola's human rights record is concerned, with high profile court cases re-focusing international interest on ongoing human rights abuses. The UNWGAD has questioned the impartiality of the country's judicial system due to continued targeting of civil society activists. The outcome of the religious sect's case will determine the government's accountability and strength of the rule of law in the country. Increased state repression is often an indicator of impending escalation of political instability, which would make Angola an unsafe investment destination. This works against the government's current efforts to manage the current economic slump resulting from low global oil prices.

<sup>24</sup> Rigzone, 11 Jan 2016

<sup>25</sup> Rigzone, 11 Jan 2016

<sup>26</sup> Media statement, 11 Jan 2016

<sup>27</sup> World Oil, 11 Jan 2016

<sup>28</sup> Eni website

<sup>29</sup> Eni website

<sup>30</sup> Rigzone, 11 Jan 2016

<sup>31</sup> Angop, 19 Jan 2016

<sup>32</sup> Angop, 19 Jan 2016

<sup>33</sup> Angop, 19 Jan 2016

The government faces challenges to its fuel subsidy programme, due to the depreciating kwanza and low oil revenues. Economic problems make a popular uprising against the MPLA likely, especially if prices and inflation continue to rise.

The fresh oil output from the Mpungi oil field is a notable milestone from the offshore exploration area, led by Eni petroleum. However, this comes amidst a weak global oil market. Prospects for increasing domestic refining capacity in order to maximise value addition remain dim, given the substantial costs and time needed to execute such a project.

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