

# Angola: Global “Good Governance” Also Needed



David Sogge

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Working Paper / Documento de trabajo

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# Angola: Global “Good Governance” Also Needed

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June 2006

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# Introduction

From Ecuador to Equatorial Guinea, smaller oil exporters are becoming targets not only for investors but also for geo-strategists. Angola is no exception. Yet like so many other places driven by petrodollars, Angola shows many symptoms of the *rentier* state: politicians, businessmen and shareholders enjoy colossal surpluses on their bank accounts, while ordinary citizens face colossal deficits in public services, livelihoods and legitimate governance.

This essay offers a rapid tour of these horizons regarding Angola. Among its main points:

- International competition for Angola's oil and money is intensifying; Europeans and Americans are no longer the only competitors in the game;
- Poverty and inequality cast huge shadows in Angola's onshore life; after nearly 30 years of war, a hoped-for "peace dividend" has yet to be paid out for most citizens;
- Internally, the position of Angola's political class looks unassailable. It commands enormous patronage powers. It faces no major domestic opposition. This situation is unlikely to change in the absence of any countervailing social strata, such as might emerge from commerce or agrarian production;
- Externally, the position of the oil industry gives it leverage. But without international public pressure, it is unlikely to use that leverage to pursue transparency and democratic norms. Bringing oil industry firms to behave as global citizens is not impossible. A few global initiatives currently suggest ways forward, but require much more political backing and professional enforcement – neither of which exist today in the management of the global economy.
- Angola thus poses challenges not only of national democratisation and emancipation from poverty, but also of responsible, open governance at global levels.

Angola has been deeply marked by its external relations. This paper seeks to place trends there in a context of global powers and flows, especially those of petroleum and its enormous revenues – the riches that have induced war, corruption and poverty.

## Angola: The Setting

Africa's wretchedness, according to a leading development axiom, is due to its lack of openness, its failure to go global. Angola illustrates the idiocy of such simplifying propositions. Its exposure to global mercantile, military and political interests has been deep and unrelenting for five hundred years, yet few places have known more wretchedness.

Angola's story reflects globalisation at its oldest, and at its worst. Yet if continued, that kind of globalisation – unhindered predation from within and from outside – portends a grim future for the country. The challenge is to tame the predators. This will not be easy.

### Muck and Brass<sup>1</sup>

Extraction of Angola's human and material wealth has for centuries provided foreign interests with magnificent profits. Yet the ways and means of that extraction – slavery, war, forced labour, corruption, denial of respect for citizens and abuse of their rights – has rendered those profits exceptionally dirty. Since the early 1970s, the chief profit-maker has been oil – "the devil's excrement".

Oil bankrolls the state and political class. In 2005, it accounted for 80 percent of state revenue and 90 percent of export earnings. Yet as it employs fewer than eleven thousand people and has almost no forward or backward linkages with the onshore economy, the oil

<sup>1</sup> From the British expression 'Where there's muck there's brass' = Where there are dirty jobs to be done there is money to be made.

industry is an enclave. The diamond industry provides more jobs, but is similarly confined. If these extractive industry revenues were invested onshore and concentrated on citizens broadly, they could make Angola a genuinely productive and prosperous nation. But these industries' economic significance for Angola is mainly that of filling a small number of bank accounts – most of them offshore and secret. And despite a lot of hand-wringing in the West about Angola's poverty and mal-governance, nothing is stopping the rush of foreign banks, oil companies and other investors to tap Angola's wealth by fair means or foul.

Struggles over the control of oil and diamond revenues have driven politics and transformed the social and economic landscape. Oil made Angola a Cold War battlefield. That internationalised war ended in 2002, but geo-political manoeuvring around Angola's wealth has not. World demand for oil is intensifying. Regular oil supplies from the Middle East and Latin America look increasingly unreliable. Those factors make Angolan oil a matter of Western security. Americans see cheap fuel, after all, as one of their fundamental human rights.

Angola's governance has never been very effective or legitimate. Portuguese colonial rule was full of violence and corruption up to the end in 1975. According to the conventional view, failures in governance thereafter are due to domestic elites - their greed, their patronage practices and tribal disputes. But such views seriously misrepresent the country's history. For Angola's governance has long been driven by domestic *and* foreign forces. It is a hybrid thing. Sovereign powers are shared with powerful outsiders. Typically of countries expected to fulfil certain tasks (in this case providing oil) in the world system, Angola's governance is defective. In that system today, large private firms, especially in petroleum and finance, and a hegemonic United States, hold paramount powers. Acting in defence of Americans' seemingly sovereign human right to inexpensive fuel, they have discouraged strong forms of public international regulation of this profitable but opaque system. Angola's defective governance reflects a *global* elite preference for weak *global* governance.

## A Client in From the Cold

Until the early 1990s, US administrations considered Angola a dangerous outpost of Marxism, for which the only fitting response was a low-intensity Rollback war - and if possible, regime change. Today Western strategists describe weak or failed states as security threats; but in the 1980s it was precisely the *intention* of leading Western powers to weaken states. American success in achieving this aim in Angola, as in Afghanistan, Nicaragua and other targets, was stunning. But with the Cold War ending, and lucrative opportunities in Angola getting snapped up by France and other mercantile rivals, Americans came to see Luanda not as outcast but as client.

Today's Angola may have a distorted and fragile state, but for corporations it is more than ever a place to do business. Released from war since 2002 and propelled by a forceful rise in world oil prices, Angola's formal economy is booming. In the period 2002-2004, recorded GDP grew at a fast average annual rate of 9,7 percent; in 2005-2007, GDP growth is expected to gallop along at *18 percent* per year. Foreign reserves are swelling. Angola's government has begun running a surplus on its budget. It has paid off old official debts (including \$750 million in 2004 to a grateful and needy Portugal) and taken out new ones from bankers in China, Brazil, Britain and Israel, whose loans are backed by future oil revenues. In 2004, Angola bought, outside the oil sector, about \$6,6 billion in goods and services from abroad; by 2009, that total is expected to rise to about \$12,3 billion. If purchases for the oil sector are included, that total import bill will be \$19,6 billion - an attractive market by any standards<sup>2</sup>.

Rulers in Luanda have fashioned laws and policies that gratify foreign firms. According to a Washington DC think-tank's "index of economic freedom", a set of ratings based mainly on the friendliness of government policy toward foreign corporate interests, Angola is

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<sup>2</sup> IMF, *Staff Report for the 2004 Article IV Consultation*, IMF Country Report No. 05/228, Washington DC: IMF, July 2005.

doing well. Compared with 28 other oil and gas exporting states, Angola's ratings on seven of ten criteria of "economic freedom" were at median or above-median levels; its light 'fiscal burden' (taxes on corporations) earned it a particularly high score<sup>3</sup>. In 2005 a top official of the World Trade Organisation (WTO) had nothing but praise for the country's economic policies.

Of course, Luanda has rarely shown unfriendliness toward foreign big business – a point stressed by such figures as the banker David Rockefeller during the Cold War, when it was unfashionable to say nice things about the 'Marxist-Leninist' MPLA government. Yet, Rockefeller and other members of the American establishment were unable to stop US Secretary of State Henry Kissinger from mounting a long, savage war by proxies – South Africa, Zaire and the rebel movement Unita – against the MPLA government. That 27-year war cost the lives of up to a tenth of Angola's population, uprooted millions of people, led to the loss of billions of dollars in output and destroyed infrastructure. As with rollback wars elsewhere, Angola's fields and roadways are still sown with explosive mines; in 2004, two years after the war's end, they killed 73 and injured 114 persons.

Today there is no lack of *bonhomie* between the United States and Angola. Officials describe business relations as matters of longstanding loyalty. An American Ambassador recently remarked with satisfaction that the US had never been denied a single barrel of Angolan oil throughout the war. In those years, oil and oil profits kept flowing thanks to communist Cuba, whose troops guarded installations of the American Gulf Oil corporation against attack by US-backed insurgents. Indeed, large petroleum companies, mainly the American-backed Chevron (which took over Gulf Oil) and its rival, the French-backed TotalFinaElf, have

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<sup>3</sup> Compared were Algeria, Azerbaijan, Bahrain, Cameroon, Chad, Colombia, Congo-Brazzaville, Ecuador, Egypt, Equatorial Guinea, Gabon, Iran, Kazakhstan, Kuwait, Libya, Mexico, Nigeria, Oman, Qatar, Russia, Saudi Arabia, Syria, Trinidad and Tobago, Tunisia, Turkmenistan, the United Arab Emirates, Venezuela and Yemen. For 2005 Heritage provided no ranking for other major oil and gas producers, namely Brunei, Congo-Kinshasa, Iraq, Sao Tomé e Príncipe, and Sudan. <http://www.heritage.org/research/features/index/index.cfm>

been decisive presences, their fortunes interwoven with those of Angola's political class including the military.

Angola holds attractions for geo-strategists. The Bush administration, like many administrations before it, has pledged to reduce US dependence on foreign oil. Yet, even optimistic projections hold that the United States in 2025 will still have to import at least 60 percent of the oil it requires. Supplies from the volatile and dangerous Persian Gulf are anything but guaranteed. Diversifying foreign oil sources is thus a strategic imperative of the first order.

Angola has always sold most of its oil to the US, where it is currently among the top seven oil suppliers. Geo-strategists see Angolan oil, like that from other Gulf of Guinea exporters (Nigeria, Cameroon, Chad, Equatorial Guinea, Gabon, Congo Republic, Sao Tomé e Príncipe), as more secure than that coming from the Persian Gulf. Deep wells many tens of kilometres offshore are main sources in the Gulf of Guinea. On those distant platforms, problems such as strikes, local insurrection and crime (as in Nigeria) pose no serious hazards. Furthermore, these oilfields are closer to US and European refineries, making transport cheaper and easier to defend. Angola is not a member of often-vilified OPEC, a club including regimes like Venezuela and Iran that give Americans headaches. Thus, US security strategists have cultivated Angola as a partner on the Gulf of Guinea – which some observers now term an "American lake".

## New Competitors Arriving

World demand for oil is intensifying. Supply is slowing and may soon peak. Those trends, and the upward pressure they put on Angola's revenues, are strengthening Angola's bargaining position towards foreign firms and governments. China is today meeting more than 40 percent of its oil requirements through imports – much of them from Africa. Chinese investments in Africa, mainly in the oil sector, are booming. Typical of most powerful outsiders, it dresses

up oil deals with showy bits of aid. The *New York Times* recently reported: 'In Angola, which currently exports 25 percent of its oil production to China, Beijing has secured a major stake in future oil production with a \$2 billion package of loans and aid that includes funds for Chinese companies to build railroads, schools, roads, hospitals, bridges, and offices; lay a fiber-optic network; and train Angolan telecommunications workers.<sup>4</sup> In addition, under a secretive deal, China is building a new airport near Luanda, employing Chinese labour almost exclusively, to the vivid disappointment of many job-hungry Angolans. Like the Americans, China is developing low-key military relationships, providing the Angolan armed forces with telecommunications equipment and an elite combat troop training centre near Luanda.

Beyond the newcomer China, other non-Western mercantile powers are pursuing lucrative opportunities posed by Angola's wealth. South Africa is a major business presence, furnishing about 11 percent of Angola's recorded goods imports, as well as banking, consulting, health, education and other services. South Africans are said to have bought ranches and other large chunks of real estate, though the extent of their holdings is not publicly known since they use Angolans to front for their acquisitions.

Culturally and historically, engagement with Brazil has always been important. Luanda's annual *Carnaval de Victoria* is a transplant from Rio de Janeiro's *Carnaval*. Brazilian investments in such things as supermarkets and construction firms have grown since 1990. Much of these activities are supported with Brazilian credits granted in exchange for Angolan oil. Brazil supplies about six percent of Angola's recorded imports. Between both countries there are large unrecorded flows. Hundreds of Angolans loaded with trade wares arrive at Luanda daily on wide-body airliners from re-stocking trips to Rio de Janeiro and Johannesburg. Members of the Angolan elite stash their wealth in Brazilian banks. Brazilian economic advisors work in key Angolan ministries.

Similar imperatives in oil and banking deals are attracting Spanish, Portuguese and other European interests. The UK's Standard Chartered Bank organised consortia of West European banks to provide in 2003 a huge \$1.15 billion loan, followed in 2004 by a massive \$2.25 billion loan, on expensive terms, to Angola's state oil company. As a whole, EU countries are less reliant than the US on Gulf of Guinea (including Angolan) oil imports. However Spain and Portugal, which import more than 20 percent of their oil from the Gulf of Guinea, are exceptions to the European pattern. Angola's most important supplier of goods is Portugal, which in 2004 accounted for 18 percent of recorded imports. Portuguese bankers are also active; Banco Fomento Angola, a wholly-owned subsidiary of Portugal's Banco BPI, has become Angola's largest commercial bank; it is lending money for oil sector development and for such things as renovation of Angola's national airlines.

In short, Angola's oil and revenue streams are exciting the animal spirits of global business and the calculations of geo-strategists. As the scramble for their favour grows, Angola's elites find themselves in powerful bargaining positions. In the balance, however, is the soundness of their position toward ordinary citizens.

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<sup>4</sup> 'Q&A: China, Africa, and Oil', *New York Times*, 18 January 2006.

## Shadows Onshore

Angola's largely offshore and elite economy is booming. But onshore, large shadows loom: poverty and powerlessness.

While the overall shape of the economy is broadly known, detailed information is far from reliable or complete, even in sub-Saharan terms<sup>5</sup>. Yet, taking what data there are as indicative of orders-of-magnitude, there is evidence to support the following conclusions:

*A majority of Angolans suffer chronic material poverty.* In 2001, 68 percent of the population lived below the official poverty line of \$1,70 per day; 28 percent lived below the line of extreme poverty, \$0,76 per day. In cities, three out of every four persons do not get the minimum daily number of calories they need, because they cannot afford them.

*Angolans live short, unhealthy lives.* As of 2002, the World Health Organisation (WHO) estimated that an average Angolan can at birth expect a healthy life of 33.4 years (low even for Africa), and to lose on average about 17 percent of that life to ill-health and disability – a large proportion, even for Africa.

*Inequality is growing.* Around 2001, the richest 10 percent of the population received 42 percent of national income. In urban areas, the Gini index of income inequality rose from 0,45 in 1994-95 to 0,51 in 2001<sup>6</sup>. Access to quality health and education services, both increasingly privatised, is a privilege only the better-off can afford.

<sup>5</sup> There has been no general census of the population since 1970. Systematic information is unreliable or simply non-existent due to war and upheaval, shortcomings in skills and lack of organisation for research. Some Angolan officials, however, have simply discouraged research on the socio-economic situation. González de la Rocha, Mercedes, *Choices for the Poor: Lessons from national poverty strategies*, New York: UNDP, 2001. <http://www.undp.org/dpa/publications/choicesforpoor/ENGLISH/CHAP08.PDF>

<sup>6</sup> Sousa, Mario A., *Angola Country Paper*, International Conference on Poverty Reduction Strategy in Africa, Lusaka, Zambia: June 2002.

In comparative terms, Angola's scores poorly on world development and poverty rankings. Out of 103 developing countries in the UNDP's 2005 Human Poverty Index<sup>7</sup>, Angola ranked 83<sup>rd</sup>, placing it between turbulent Cote d'Ivoire and Congo-Kinshasa.

### Angola: comparative data

	Angola	Sub-Saharan Africa
Life expectancy at birth	41 years	46 years
Undernourished as % of total population	40 %	30 %
Children under 5 moderately or severely underweight	31 %	40 %
Education enrolment ratio, net; primary level	61	78
Combined gross enrolment ratio for primary, secondary and tertiary schools	30	50
Mortality, under 5 years, per 1000	260	179
Mortality, 0-1 years, per 1000 live births	154	104
Maternal mortality per 100,000 births	1700	1300
Population with access to improved drinking water	50 %	58 %
Population with access to improved sanitation	30 %	36 %
Human Development Index 2003	0.445	0.515
Human Poverty Index HPI-1	41.5	42.8
GDP per capita (PPP US\$)	\$ 2344	\$ 1856

Data from various years in the period 2000-2004

Sources :

UN Statistics, <http://unstats.un.org/unsd/mi/mi.asp>  
UNDP *Human Development Report 2005*

<sup>7</sup> The Human Poverty Index (HPI-1) measures poverty in developing countries. It focuses on deprivations in three dimensions: longevity, as measured by the probability at birth of not surviving to age 40; knowledge, as measured by the adult illiteracy rate; and overall economic provisioning, public and private, as measured by the percentage of people not using improved water sources and the percentage of children under five who are underweight.

Material poverty differs in scope and intensity between city and countryside, between women and men, and between different regions. Explanations for poverty are many and disputed. But backward technologies and lack of know-how – routinely cited as the reasons for Angola's poverty – explain only some of the reasons for persistent poverty.

Some economic history makes this clear. In the 1950s and 60s, Angola's onshore economy was anything but backward. The central highlands, an agrarian heartland, had one of Africa's most advanced commercial farming systems based on smallholder production. It was African farmers, not Portuguese settlers, who made Angola a net exporter of foodstuffs. In terms of the share of the labour force getting wages, Angola had southern Africa's largest proletariat outside South Africa.

Towards the end of the colonial era, Angola was on a distorted but nonetheless dynamic path of agro-industrial development, with a class structure to match. The World Bank almost never presents class analyses of any country. But it did so in a 1991 analysis, identifying the main classes (apart from unwaged rural residents) as follows:

- A dominant class of absentee owners/*rentiers*, resident mainly in Europe;
- Senior business people, including administrators and military officers;
- A lower middle class of small proprietors, petty officials and salaried employees;
- Both an urban and a rural proletariat;
- A 'lumpenproletariat' in the urban areas<sup>8</sup>.

A full account of poverty and social power in Angola would explain how this class structure has changed in the post-colonial period – and how much of it has remained the same.

Today's material poverty and inequality thus stem from an older political economy. But war and the new

extractive political economy have fundamentally recast the society and politics. Both in the war and the economy, the political stakes have been high and the struggles intense. Angolan citizens have faced the consequences, both immediate and longer-term. Among the consequences helping explain poverty, inequality and exclusion have been the following:

- *Collapse of former agrarian systems and the 'onshore' economy.*

With the panicked departure in 1974-75 of Portuguese settlers, who had monopolised rural trade, there came a collapse of vital economic circuits of labour, cattle, transport, warehousing and commodity trade. The resulting "goods famine" lowered returns to farmers and denied them crucial inputs such as plough parts and fertilizer. Farm surpluses for export and urban consumption dried up. Other politically-induced shocks followed: forced recruitment of rural people into armies, official neglect of small producers and asset-grabbing. The Luanda leadership had to feed the cities and army with imported food. They had no lack of petrodollars with which to pay, and no lack of Western merchants and humanitarian agencies ready to supply food - much of it heavily subsidised by Western taxpayers. Meanwhile, a major early dynamo of the Angolan economy – coffee – collapsed due to war and massive new output from Brazil, Vietnam and other tropical producers. Other agrarian exports also collapsed. De-agrarianisation is taking place everywhere in sub-Saharan Africa, but nowhere has it occurred so precipitously.

- *Population displacement*

In 1970, a mere 15 percent of the population, or about 850 thousand people, were urban residents. Today, after decades of forced urbanisation, at least half of all Angolans, perhaps seven million people, live in cities and towns. As water, drainage, sanitation and energy services have deteriorated and little has been added since 1974, urban squalor is widespread and life-threatening. Cities are overwhelmingly places of poverty. During the war, most middle class technical and professional people fled from the interior. Few of the poor and almost none of the middle classes see any

<sup>8</sup> World Bank, *Angola: An Introductory Economic Review*, Washington: World Bank, 1991, p. 186.

point in going back to the countryside. Thus Angola's hyper-urbanisation is permanent and will only increase.

- *Job loss and asset transfer*

Formal waged employment, both full time and seasonal, has never recovered its pre-war, pre-collapse levels. Livelihoods and living standards are today more precarious because of massive shifts in access (formal and customary) to land, shelter and other property. Land-grabbing in the countryside, especially of farms with infrastructure, intensified at the war's end. In the cities, where elites began grabbing apartments and other real estate in the 1980s, struggles are intensifying especially over urban land occupied by shackdwellers.

- *Competitive struggles for existence*

Most households participate in one or another part of the unregistered and untaxed bazaar economy of goods (especially smuggled, stolen, or otherwise untaxed and unregulated imports) and services (currency trading, repair work, hair styling, prostitution, mine labour). Trade is far more important than production. It drives national and international labour flows, including that from distant lands in West Africa; about half a million migrants – virtually all unregistered – are thought to reside in Angola. Upstream control over trade sectors is usually in hands of commercial tycoons and army officers with privileged powers to import goods. Men and especially women in informal trade, such as street vendors, suffer frequent official crackdowns. In north-eastern provinces, diamond workings have drawn hundreds of thousands of labourers, mainly from neighbouring Congo-Kinshasa. Angolan authorities have intimidated and, in recent years, expelled about three hundred thousand of these job-hungry migrants, despite widespread international protests.

- *Low and uneven provision of public goods and services*

Nearly three decades of war and official neglect saw the destruction of schools, health facilities, roads, power lines and water systems. Today basic services reach only a minority of people, mainly the better-off. Services are erratic and of poor quality. War and elite

consumption absorbed the lion's share of public resources. A United Nations-backed study concludes that in the 1990s, 'as a proportion of its total Government expenditure, Angola devoted to the health sector less than half as much as the countries of the [southern Africa] region and to the education sector less than a third'<sup>9</sup>.

The war explains, at least in part, why spending has been skewed. But elite politics explains a great deal as well. Government budgets reflect preferences of secure and well-off social strata. 'From 1997 to 2000, the amounts provided for scholarships to study abroad exceeded the funding provided for higher education within the country. The high percentage of expenditure on scholarships... has no parallel in other African countries'<sup>10</sup>. Around 2001, less than 35 percent of the population had access to state health services; of all births, about 23 percent were attended by skilled health staff, against an average of 41 percent in sub-Saharan Africa. Most of health spending goes to hospital-based curative services, including large amounts spent by the elite in South Africa and Portugal. Between February and May 2006 about 1500 Angolans died of cholera – a disease emblematic of bad public services and (as in much of Europe in the 19<sup>th</sup> Century) of elite indifference to the poor.

To meet demands of the International Monetary Fund (IMF) in the early 1990s, the government terminated food subsidies for the urban poor. There has been no serious effort to promote employment for the poor, such as in labour-absorbing public works projects. An effective public system of social protection for the chronically disadvantaged and elderly does not exist, though a new Social Protection law passed in 2004 makes that possible in principle. But there are no signs of an emergent welfare state and few clear signs of downward redistribution. Most Angolans survive by relying wholly on their own resources, chiefly family networks.

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<sup>9</sup> UNDP, IOM, UNICEF, WHO, *Public Financing of the Social Sectors in Angola*, Luanda: UNDP, 2002 (in partnership with Angolan Ministries of Education, Finance and Health), p. 13.

<sup>10</sup> *Public Financing of the Social Sectors in Angola*, p. 70.

- *Precarious security and disrespect of rights*

Angolans no longer suffer horrific human rights violations of the war years. But a 2005 report by a United Nations Special Representative confirmed what many Angolan and foreign observers have long asserted: many basic rights are abused. The justice, police and prisons systems perform badly – that is, they perform about as well as most other public sector systems. But colonial rule and the devastation of war explain only some of the justice and security deficits. The UN Representative found that authorities show active disrespect for rights and drag their feet when instructed to improve things. Such official attitudes help account for judicial impunity for police and soldiers, dispossession of property, curbs on free expression (especially outside Luanda) and serious impediments to collective action in civil society<sup>11</sup>. In response to the UN Special Representative’s report, Angola’s Foreign Minister denounced it as interference in Angola’s domestic affairs.

## A Peace Dividend?

Some public services are today being expanded as new teachers are hired and some social infrastructure rebuilt. But most public investment goes toward conventional objects of “high modernism”, such as a superhighway on the periphery of the capital city. Thus, a “peace dividend” has yet to be paid out for ordinary citizens, least of all to the poorest.

## State without citizens

The nation’s rulers - a constellation of politician-*rentiers*, petroleum sector technocrats and military officials – manage the state in their interests. A number of factors have contributed to the centralisation of power: laws, norms and a public sector apparatus inherited from the Portuguese; pursuit of a state socialist system of control; outcomes of struggles for supremacy within the MPLA<sup>12</sup>; struggles for military supremacy against insurgents; and centralised flows of revenues from extractive industries, chiefly oil.

Politics pivot around personal rule. The supreme seat of authority is in *Futungo de Belas*, the Presidential complex on a seaside hill on the outskirts of Luanda. The widely-used term *Futungo* refers to the cluster of personages and patronage networks centred around President Dos Santos. Opposition politics also pivots on “big men” – Jonas Savimbi being the most notorious – and there appears to be no departure from, let alone repudiation of that political style.

Multi-party democracy has been the law of the land since 1991. Opposition parties are tolerated, at least in

<sup>11</sup> UN Commission On Human Rights, *Mission to Angola. Promotion and Protection of Human Rights Human Rights Defenders*. Report Submitted by the Special Representative of the Secretary-General on the Situation of Human Rights Defenders, Hina Jilani, New York: United Nations, E/Cn.4/2005/101/Add.2 21 February 2005.

<sup>12</sup> In 1977 the security forces put down an attempted leftwing *putsch*; in the early-mid 1980s the inner circle of black African senior party figures set about marginalising *mestiço* and white party figures, some of whom held to social democratic and socialist ideals of the early years.

the capital city. Yet, for the reigning political class, active political competition is upsetting and unwelcome. It has in any case been discouraged since 1992, when America's then client, Jonas Savimbi of Unita, sent the country back to war after a narrow defeat in the country's first-ever elections. Today the authorities never tire of informing Westerners that elections are a high priority<sup>13</sup>, yet after repeated postponements Angolans are still waiting for their second chance to vote<sup>14</sup>.

The real heart of Angolan politics is managing patronage and pacts among elites. Most of this takes place discretely and away from public view. Buying off and co-opting opponents has long been standard operating procedure. The 1980s saw the MPLA create hundreds of new government jobs as means to reward defectors from an old ethnic-nationalist party, the FNLA, thus domesticating that political competitor. In the mid- and late 1990s there came generous support to defectors from Unita, some of whom in 1997 gained high official positions. All political parties represented in parliament receive significant subsidies and privileges including housing and automobiles.

Beyond Luanda, the authorities agreed to share some oil tax revenues with two oil-rich but thinly-populated provinces, Cabinda and Zaire, where separatist feelings have run high. Despite numerous studies and plans, enabling legislation in 1999, and a Ministry tasked with the matter, real decentralisation of public sector administration and spending has yet to occur. Some experiments to promote consultation among state and non-state bodies are, with donor backing, taking place in a few provinces. But provincial power is firmly supervised from Luanda. In principle, local level elections should take place a year after national level elections. If those elections indeed take place, they would signify a major advance toward democratic

accountability. But especially in the oil enclave of Cabinda and the diamond zones of the Northeast, Luanda is unlikely to encourage decentralised politics any time soon.

Important to the architecture of power in Angola are institutions not directly subject to constitutional provisions, parliament or other kinds of public oversight. The main off-the-books institution is the parastatal oil company Sonangol. A state-within-a-state, it operates in alliance with multinational oil firms, banks and other offshore interests. Together with the Central Bank and Finance Ministry it colludes to form 'a 'black hole' for the country's oil revenues, akin to the famed Bermuda triangle where shipping would disappear without a trace'<sup>15</sup>. Answerable to top leadership, the oil company has great autonomy to broker loans to bankroll investments, arms purchases or whatever the regime desires, but wishes to keep from public view. The arrangement has enabled the Angolan government to resist pressures even by the IMF. The accounts of Angola's national diamond company, Endiama, are even less transparent.

These acquisitive dynamics, and the habit of keeping things murky and non-attributable, illustrate the uses of *disorder as a political instrument*<sup>16</sup>. This way of managing political power - opaque, non-accountable authority, a weak and corrupted legal order, few boundaries between formal and informal sectors, active collusion by foreign corporations etc - also figures in domestic politics and international relations of other African states, including those not suffering war and big policy swings. But conditions in Angola, and the wealth up for grabs there, have made disorder an especially effective mechanism, serving a diverse range of interests. Behind the smoke and chaos of war, disorder was useful to both the MPLA and Unita.

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<sup>13</sup> International Foundation for Election Systems, International Republican Institute, National Democratic Institute, *ANGOLA Pre-Election Assessment Report*, Washington DC: March 2002.

<sup>14</sup> There has been serious speculation that elections would be held before the end of 2006. However, a statement in late January 2006 by President Dos Santos made that appear unlikely.

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<sup>15</sup> Hodges, Tony, *Angola. From Afro-Stalinism to Petro-Diamond Capitalism*, Oxford: James Currey, 2001, p. 124. For more detail, see Global Witness, *A Crude Awakening*, London: 1999.

<sup>16</sup> Chabal, Patrick and Daloz, J-P, *Africa Works. Disorder as Political Instrument*, Oxford: James Currey, 1999.

Citizens are peripheral actors. Reciprocity between the state and citizens is virtually non-existent. There is no politico-social contract by which citizens consent to meet legitimate demands (such as payment of taxes or compliance with rule of law) in return for state responsiveness, within its capacities, to respect citizen rights broadly and fairly. With rare exceptions – a peasant group recently challenged a government ruling in court<sup>17</sup> – citizens have no reliable public means of redressing injustices. Closing this enormous gulf between ordinary citizens and the political class is a fundamental challenge.

In the colonial period, Africans were not considered citizens; they did not matter politically because they were *indigenas* and subalterns. Nevertheless they were needed for their labour, their taxes, and to some extent their ability to consume Portuguese goods. Today Angolans may matter occasionally in political rituals (as ballot fodder) but not very much economically, since most of what the political class needs can be obtained without Angolan labour, taxes and consumption. The “resource curse” is fundamentally a political curse, in that it destroys reciprocity between rulers and ruled.

Angola illustrates a surprisingly little-studied aspect of globalisation and governance: elite aggrandisement in Africa can corrupt democracies *in the West*. Senior figures of the French Gaullist party and German CDU in the 1990s filled their party treasuries (and perhaps personal bank accounts) through complex schemes based on Angolan and other African oil revenues. Some of this corruption was brought to light in the “Angolagate” scandal of 1999-2003. Thanks to tenacious French justice officials, senior French businessmen and a former French Foreign Minister faced prosecution for their crimes. Angolan monies have also been detected in United States political campaigns and lobbying<sup>18</sup>.

<sup>17</sup> Pacheco, Fernando, personal communication.

<sup>18</sup> Global Witness, *All the Presidents’ Men. The Devastating Story of Oil and Banking in Angola’s Privatized War*, London: 2002.

## Leverage for Change

Is Angola “path dependent”, a nation doomed to autocratic governance and the hardening of privilege and poverty into caste-like social strata? What might move it out of a danger zone of autocracy and onto an emancipatory path towards open governance and equitable growth?

Forces for emancipatory change may gain leverage-points both within the country and outside it. In an extraverted political economy like Angola’s, what develops inside is closely tied to what happens – or not – outside. Let us consider first the internal forces, then the external, but bear in mind that both realms overlap and interact.

## Agents of the Status Quo

The economic underpinnings of the political class are not fully known, but broad patterns are detectable. According to Angola’s pop sociology, power is in the hands of “Thirteen Families”; a revised version speaks of “One Hundred Families”. Such terms suggest dynastic rule based on proprietary wealth and political connections – not on merit and performance. Wealth and political position are interwoven, but wealth is almost never acquired without political position, influence and protection. In January 2003 the Luanda newspaper *O Angolense* published a list of ten Angolans with alleged assets of over \$100 million each and 49 others with alleged assets of over \$50 million each. Most of those listed are or were officials of the government or ruling party. In response, the President’s office wrote to the paper’s editor: ‘We repute [sic] your disinformation as dangerous, as it aims not only to destroy the mentioned personalities, but the State institutions itselfs [sic]’<sup>19</sup>.

<sup>19</sup> Reported by ANGOP, 22 January 2003. <http://www.angola.org/news/NewsDetail.cfm?NID=11579>

New ways of elite enrichment developed after 1989 when the state joined the IMF and began privatising public assets. Out of public view, the political elite sold off state-owned businesses, farms, houses, apartment blocs and special export franchises to themselves and to their friends, even defectors from rival parties. Lucrative businesses like the franchise over exportable scrap metal - an abundant resource thanks to war and traffic accidents – were juicy plums for self-dealing. Some privatised assets today generate money for the ruling party, which is thought to own about 35 enterprises, from the hotel/restaurant sector to advertising.

*Rentiers* have thus emerged among officials, army officers and business people enjoying political patronage. Some assets are under foreign ownership, though large foreign investors enter only if they enjoy high-level Angolan connections and protection. It is common for Angolans to act as fronts for foreign interests, thereby making it hard to verify overall ownership patterns. South African investors are said to have acquired important diamond concessions. Lebanese traders have arrived. It is only a matter of time before Chinese traders, with their inexpensive consumer goods, begin setting up shops.

## Internal Agents of Change

In the 1940s and 1950s, a critical mass of people demanding self-determination emerged among Angolan urban intellectuals, minor functionaries and some farmer-traders, particularly in northern coffee zones. Their nationalist messages got sympathetic hearings from the urban and rural proletariats and some members of the emerging, but severely restricted African middle classes.

Today, as during the struggle against colonialism, some modest pressures for change may emerge from among mid-level state employees. Trade unions of teachers and nurses have sometimes shown militancy, and have therefore enjoyed widespread public approval. Some

leverage might one day emerge among commercial middle classes - traders, transporters, accumulating farmers and service providers – with assets and secured places in expanding markets. But for formal sector businesses, getting ahead doesn't depend on your competitive performance in open markets. Rather, it depends on cutting deals with well-positioned Angolans with good connections in higher circles of government. Business permissions and other advantages are allocated directly by the political class or indirectly by that class's suasion over foreign investors and traders. There is no alternative to the patronage of the ruling political class. Under these conditions, a countervailing, autonomous commercial and professional bloc is unlikely to emerge soon.

Angola is therefore not much different from Kazakhstan or Azerbaijan: hydrocarbon exporting lands run by family dynasties and their patronage clients. Those oligarchies own or supervise key sectors of commerce and industry thanks to oil wealth and alliances with foreign investors. Angola resembles oil-rich Gabon, where a wealthy dynastic ruler has held power since 1967. In Gabon, no rival socio-political bloc has emerged as commercial and professional strata have no real autonomy from the oil-based, dynastic political class. Regimes in these countries show remarkable staying-power. In Angola, however, levels of social well-being and education are lower than Gabon, and much lower than in Azerbaijan and Kazakhstan. Social schisms – vertically between classes and horizontally between ethnic groupings – are strongly marked and growing.

If Angola's historical record is any indicator of what may emerge in the future, rival socio-political blocs are more likely to persist in peripheral zones. Breakaway movements, and regional claimants to oil revenues, have regularly emerged in other African oil exporting countries like Nigeria, Congo-Brazzaville, Sudan, Cameroon and Chad. There, people tend to feel victimised because they belong to the "wrong" ethnic group or region, and to express grievances accordingly. So began decades of resistance from armed political opposition in the oil-rich enclave of Cabinda -

opposition previously encouraged and supported by foreign interests, including French oil companies and Western client regimes in the two Congos hostile to Luanda.

Following decades of both rural *and* urban scorched earth practices and countless forms of abuse and humiliation, Angolans are coping with the political effects of wounded collective self-esteem. Those stigmatised by ethnicity or region may feel this most acutely; in the urban jungle of Luanda, Bakongo and Ovimbundo people have sometimes faced violent hostility. Non-Angolan Africans are targets for abuse and expulsion. For electoral purposes some parties may tease out these resentments. But as long as parties depend on those at the commanding heights, and thus remain exposed to co-optation, any serious effort to mobilise people against Luanda on the basis of ethnic and regional grievances is unlikely to gain traction.

Another reason not to expect active popular mobilisation is repression. Angola's police routinely uses force to put down public protests, such as about families evicted from their houses. Overt intimidation occurs at the hands of formal and informal security forces, including the Rapid Intervention Police or 'ninjas' and the paramilitary Civil Defence Organisation, whose members were cited, in a recent US State Department report, as Angola's 'primary human rights abusers and responsible for most unlawful killings'<sup>20</sup>. Reports by Amnesty International and Human Rights Watch describe recurrent patterns of serious abuse by the police<sup>21</sup>. Citizens regard the police force as the least trustworthy institution in the country<sup>22</sup>. Beyond official security services, informal

groupings such as the National Spontaneous Movement – a party youth league serving as a rent-a-mob – have been deployed to tilt the balance of forces on the streets.

For these kinds of reasons, and the ugly memory of the war, Angolans are more resistant than ever to being mobilised for party politics. Citizens put very little trust in *any* political leader or party. The 2003 attitude survey indicates overwhelming popular distrust of political parties, which rank only slightly better than the detested police. This is hardly surprising in light of many betrayals meted out to citizens by *all* political leaderships, whether of the regime or opposed to it. Yet it is not clear that Angolans are now immune to political appeals to racial, ethnic or regional fears – all standard fare in prior political contestation.

Most organisational vehicles for emancipatory citizen action are not strong. However, a few have helped open spaces to challenge official abuse of civil and political rights and to promote reconciliation. In the civil domain, non-profit organisations have sprung up since the political 'decompression' of the early 1990s. Joining various church-based bodies, have been a wide variety of NGOs. Some 500 are said to exist, though perhaps only a few dozen operate full-time. Most NGOs represent initiatives of the salariat – teachers, middle managers, church pastors and so forth. Their orientation is chiefly towards the aid system, and its ever-shifting mix of donor interests and requirements. Most aim to provide basic health, training, education and community development services – something welcomed by government authorities unable or unwilling to provide such services. Several development-oriented NGOs show good professional standards, and a few have influenced public policy (such as on land rights) by carrying out good quality research and sophisticated approaches to decision-makers.

A few younger NGOs have concentrated on civil and political rights in particular settings: residents of low-income neighbourhoods facing abuse by the authorities or landlords (such as forced evictions); prison

<sup>20</sup> US Department of State, 2005, *Country Reports on Human Rights Practices for 2004*, Volume I, Submitted to the Committee on Foreign Relations U.S. Senate and the Committee on International Relations U.S. House of Representatives.

<sup>21</sup> A 2002 report by Amnesty International, *Policing to protect human rights. A survey of police practice in countries of the Southern African Development Community, 1997-2002*, urges (p. 102) major improvement in police training in Angola.

<sup>22</sup> International Republican Institute, *Survey Report of Angola*, Washington DC: IRI, 2004. <http://www.iri.org/pub.asp?id=7676767888>

conditions; journalists and trade unionists facing curbs on freedom of expression; women facing domestic abuse and violence. Built up by lawyers and enjoying the discreet protection of political figures, church leaders and outsiders like the Swedish Embassy and the Open Society Foundation, these NGOs are developing track records of effectiveness and public credibility. Independent media have made Luanda a place where criticism and debate are routinely available, at least for educated middle classes, in weekly newspapers and low-wattage radio.

However, for organised labour, community organisations and most citizens beyond Luanda, there is only limited political space for civil groups pursuing emancipatory agendas. Since the early 1990s Angola's political class has tried to create its own counterweights in civil society. The most prominent is the *Fundação Eduardo dos Santos*, a charity arm of the ruling party, to which foreign and domestic businesses are vigorously invited to make donations. In other parts of civil society, business and professional groups and 'home town' associations have emerged in response to opportunities in Angola and abroad. All these organisations have to avoid seeming to promote positions that might displease the country's rulers.

The fragility or absence of *public* institutions such as a competent and independent court system, including small claims courts to check abuse by landlords and builders, set limits to change driven by citizen pressure. These institutional deficits make possible the general disorder that has served elites well for many years. On occasion, a critical mass of activists and intellectuals has connected with poor people under threat, but such linkages are few and full of risks. It is a kind of low-level equilibrium trap.

Activism on rights and governance on the international plane, driven by knowledge-based activist organisations abroad like Global Witness and Human Rights Watch, has been much less inhibited and has achieved a great deal in raising issues and setting agendas in corporate behaviour.

## External Agents of Change

There is a further reason why civil actors remain weak and their political space constrained. Citizens do not matter much because foreign constituencies matter a lot, often in ways that frustrate public politics and emancipatory change.

"La nueva política de España hacia África deberá contar con la experiencia y la influencia de Angola."

Miguel Ángel Moratinos,  
Minister of Foreign Affairs, Luanda, 7 December 2005

Along with many others, Spain wants to intensify its relations with Angola. In December 2005, Spain's Foreign Minister Miguel Ángel Moratinos, accompanied by the Secretary of State for Cooperation, Leire Pajín, visited Angola. They spoke enthusiastically of the prospects for widened trade, investment and aid relations. Spain evidently wishes to clinch a sale of yet more Spanish-made military aircraft to the Angolan armed forces – a proposal eliciting critical remarks in Spain, sensitive to charges of being too close to regimes whose record in respect to democracy and human rights is somewhat less than satisfactory.

In many African settings, government policies and public investment depend heavily on foreign aid donors and lenders. That is not the case in Angola. The aid system began making itself felt only in the late 1980s, when waves of UN blue helmets, high-profile relief operations began. There have been humanitarian publicity coups such as Princess Diana's 1996 visit to highlight the crisis of amputees and anti-personnel mines. But unlike many African countries, Angolan public life does not pivot on foreign aid. Angola has long been known among donors as a difficult, even uncooperative player<sup>23</sup>. Donors continue disbursing aid disbursement, yet some have pulled back because they could not spend their money at a regular tempo and have gotten only mediocre results.

<sup>23</sup> See for example: Sanches, Adérito Alain, *EU Cooperation with Politically Fragile Countries: Lessons from Angola*, ECDPM Discussion Paper 11. Maastricht: ECDPM, 1999.

For Angola, unlike much of the rest of Africa, the IMF has not been a serious contender for power over the economy. The government has never taken out an IMF loan nor paid a lot of attention to the IMF's Staff Monitored Programme, begun in the late 1990s. In 2006, Angola pertinently ignored IMF warnings by setting up a national development bank, which is supposed to direct up to 5 percent of recorded annual oil revenues towards national private enterprise. In Mozambique, the donor community vetoed a similar government proposal for a development bank.

Angolan authorities know that only a modest portion of aid assigned to Angola actually enters the country in material terms, for use at the discretion of Angolans. They know that much is absorbed by expatriates, foreign agencies, consulting firms, NGOs and other intermediaries. They have also seen aid going overwhelmingly to the UN and private aid agencies - not to the state. Angolan authorities have never hidden their wish to supervise humanitarian and other forms of aid more closely. Also, at times they've not concealed their lack of confidence in the aid community while at the same time seeking advantage from it.

Donors such as Sweden, which began investing massively in a number of development sectors from 1977 to 2000, are now putting greater emphasis on their commercial objectives. The British government, on the other hand, appears to be keeping up its engagement with Angola for both aid and commercial purposes. This may also soon be the case for Spain.

International businesses profess a wish for a better world by advancing their members "global citizenship"<sup>24</sup>. Yet in the case of Angola, their actual practice of 'global citizenship' is limited and degraded. For oil companies, corporate social responsibility boils down to one thing: bigger profits<sup>25</sup>. Moreover, competitive and geo-political pressures expose

businesses to manipulation, whereby professions of corporate responsibility are easily trumped. Like other oil exporting poor countries, Angola illustrates the hollowness of many claims about corporate responsibility, or in any case the ease with which corporate responsibility measures can be set aside when business interests are at stake.

### Spanish aid for Angola

Spain has been among the lower-profile donors and lenders for Angola. From 1989 through 2004, net official aid disbursements by Spain for Angola totalled (in constant US dollars of 2003) about \$365 million. Of this aid, about two-thirds came as soft loans or export credits (of which less than one-tenth has been repaid). Only about 12 percent of Spanish aid for Angola has been channelled via the United Nations or other multilateral bodies. Most grant aid in recent years has been for humanitarian purposes (resettlement of displaced persons, street children, etc.) and for school building and health projects, but it also includes investments in maritime, fisheries and electric power development - that is, sectors in which Spanish businesses may gain advantages. From 1992 through 1998, the Guardia Civil carried out diverse activities. These included technical assistance for the Angolan police force, which is distrusted at home and condemned abroad for human rights abuses. In *The Master Plan for Spanish Cooperation 2005-2008*, Angola is second only to Mozambique among five 'Priority Countries' in sub-Saharan Africa. Health and education sectors are receiving more than 60 percent of Spanish aid. Support to urban drinking water systems, food production, civil society and the police in Angola are also being pursued. The Foreign Affairs Ministry channels a large part of its aid via Spanish NGOs and multilateral agencies such as Unicef. In 2003, about 35 percent of all Spanish bilateral aid for Angola was Official Decentralised Cooperation, that is, from Autonomous Communities and Local Entities.

Source of aid data: OECD-DAC <http://www.oecd.org/dataoecd> and MAEC, 2004, Seguimiento PACI 2003, Madrid: Subdirección General de Planificación y Evaluación de Políticas de Desarrollo

<sup>24</sup> See for example statements of the World Economic Forum.

<sup>25</sup> Wiig, Arne and Madalena Ramalho, 2005, *Corporate social responsibility in the Angolan oil industry*, Working Paper 2005:8, Bergen: Chr. Michelsen Institute.

Among a number of global transparency initiatives, two major efforts stand out. If put into effect, they might promote better public accountability by hydrocarbon and other industries that are, together with *rentier* regimes, at the root of the governance problems.

The first of these initiatives stemmed directly from investigations into the oil industry in Angola by the British NGO Global Witness: Publish What You Pay (PWYP), 'a coalition of over 280 NGOs worldwide call[ing] for the mandatory disclosure of the payments made by oil, gas and mining companies to all governments for the extraction of natural resources'<sup>26</sup>. Set up in June 2002, the PWYP began to threaten established interests. British Prime Minister Tony Blair moved rapidly to launch a counter-thrust: The Extractive Industries Transparency Initiative (EITI), which 'aims to increase transparency in transactions between governments and companies within extractive industries'<sup>27</sup>.

Although not happy about either initiative, global corporations and oil-exporting states favour the EITI because it leaves disclosure of information mainly to the discretion of national authorities. It is open-ended and lacks teeth. By contrast, the PWYP is disliked precisely because it would be mandatory. Business and government see the PWYP as intrusive into corporate secrecy, thereby putting corporations at a disadvantage towards competitors who refuse to disclose anything. The American official position, heavily influenced by the oil industry, does not favour PWYP. The American aim is to shift the burden of transparency from the corporations to oil-exporting states.

A Stanford University researcher concludes in ironic tones, 'it was up to the corrupt governments, in the US view, to publicize their own corruption'<sup>28</sup>. Business interests endorse the Blairite initiative because they know it is toothless.

<sup>26</sup> PWYP website: <http://www.publishwhatyoupay.org/english/>

<sup>27</sup> EITI website: <http://www.eitransparency.org/faqs.htm>

<sup>28</sup> MacMillan, John "The Main Institution in the Country Is Corruption: Creating Transparency in Angola", Working Paper 36, Center on Democracy, Development, and The Rule of Law, Stanford Institute on International Studies, 2005.

EITI claims that it has official Angolan endorsement. According to independent researchers, however, Angola has 'invented the category of "observer" for itself, thus avoiding a commitment to enact any EITI principles. It is quite common for production contracts to contain confidentiality agreements, and as long as the EITI remains voluntary it will not have the power to override them'<sup>29</sup>. Towards the PWYP initiative, on the other hand, Angolan authorities are evidently hostile. Within a month of its launch in 2002, Angola's parliament passed a Law on State Secrecy making international oil companies or others liable to prosecution for releasing data about their dealings with the Angolan state oil company Sonangol.

Meanwhile, the Angolan government is putting its best face forward to meet official international pressure about corruption and mal-governance. In July 2004, it signed up to the African Union's African Peer Review Mechanism, though it has not signed the African Union's Convention on Preventing and Combating Corruption. In 2003, Angola signed the United Nations Convention Against Corruption, which entered into force in December 2005. However, along with many others (including the US, UK, Spain and others) it has yet to ratify its adherence to this convention.

The heart of the problem is, however, offshore. The world petroleum industry casts a huge shadow. It darkens prospects for democratic governance in Angola, in other oil-exporting countries and the world community at large. The discrepancy between international public intentions to improve governance and actual practices is nowhere more flagrant than in the oil industry, particularly in Africa. An industry expert notes: 'In the Gulf of Guinea, the foreigners pump the oil, and sell it to themselves (often keeping two sets of books, and squirreling away the difference in Swiss bank accounts)'<sup>30</sup>. Yet the United Nations

<sup>29</sup> Platform Research, *Pumping Poverty. Britain's Department for International Development and the oil industry*, 2005, p. 23. [http://www.foe.co.uk/resource/reports/pumping\\_poverty.pdf](http://www.foe.co.uk/resource/reports/pumping_poverty.pdf)

<sup>30</sup> Yates, Douglas "Changing Patterns of Foreign Direct Investment in the Oil-Economies of the Gulf of Guinea" in Traub-Merz, Rudolf and Yates, Douglas (eds) *Oil Policy in the Gulf of Guinea, Security & Conflict, Economic Growth, Social Development*, Berlin: Friedrich-Ebert-Stiftung, 2004, p. 49.

Convention Against Corruption explicitly requires states to prosecute companies for such practices.

Far from practicing 'global citizenship', corporations routinely show contempt for normal obligations of citizenship. Their approach to tax obligations illustrates this contempt. As of 2004, American oil and gas firms legally held no less than 882 dummy companies in places such as the Cayman Islands, Bermuda and Liechtenstein - none of which has ever produced a drop of oil<sup>31</sup>. Given widespread deregulation and secrecy, it cannot be known who keeps accumulated oil revenues where. Globally, firms and rich individuals are thought to hold about \$11.5 trillion in tax shelters completely beyond public purview and control. These are monies that might otherwise be used for public good, exemplified in such things as the Millennium Development Goals.

Oil firms are major practitioners in promoting tax avoidance and evasion, but they are not alone. Corporations of all kinds, according to an Oxford economist, routinely deny, both 'legally' and illicitly, about \$100 million per year in taxes they owe to governments of low-income countries<sup>32</sup>. Asked about this massive leakage, Nobel Prize economist Joseph Stiglitz said, 'It's in the interest of some of the moneyed interests to allow this to occur. It is not an accident; it could have been shut down at any time'<sup>33</sup>.

Large oil and gas corporations are building on their contractual arrangements with national authorities in places like Angola (Production Sharing Agreements and Host Government Agreements) in order 'to gain almost complete control not just over the laws that apply to their activities but over the very development of the host states' natural resources'. More leverage over countries like Angola comes from Bilateral Investment Treaties, which enable corporations 'to

challenge national laws (including environmental laws), local administrative regulations, taxes and other governmental actions that are deemed detrimental to the value of their investments'<sup>34</sup>.

For Angola to gain a fair share of oil revenues, and improve chances that those funds will benefit Angola's people broadly and fairly, transparency is required. That requirement should cover not merely resources managed by Angola's elite, the usual focus of attention, but also those managed by foreign corporations. That would make feasible recent proposals to share oil revenues directly with citizens, such as one recently made about Iraq in the US establishment journal *Foreign Affairs*<sup>35</sup>. Such proposals may seem radical, but they have advantages over current alternatives in capturing at least some revenues and seeing that they are spent according to democratic and socially beneficial norms. Current alternatives, such as special reserved funds in Chad and Azerbaijan intended for social purposes, have not produced results expected.

Despite losses to national treasuries, and dangers to national security (as al-Qaeda has demonstrated), Western powers continue to show little serious effort in devising and enforcing control over these non-transparent, unregulated global flows. A few very modest moves towards public oversight and regulation are underway, and merit attention. Two among them are:

*OECD Project on Harmful Tax Practices*. Among potentially positive proposals from this effort is a model agreement that would empower governments to override corporate secrecy rules.

*OECD Guidelines on Multinational Enterprises*. The 2005 report of UK Government's Commission for Africa states: 'although voluntary, OECD governments

<sup>31</sup> Williams, Bob and Werve, Jonathan, *Gimme Shelter (From Taxes)*, Washington DC: Center for Public Integrity, 2004.

<sup>32</sup> Cobham, Alex, "Tax evasion, tax avoidance and development finance", Working Paper Number 129, Finance and Trade Policy Research Centre, Queen Elizabeth House, University of Oxford, 2005.

<sup>33</sup> Komisar, Lucy, "After Dirty Air, Dirty Money", *The Nation*, 18 June 2001, p. 16.

<sup>34</sup> Hildyard, Nicolas and Muttitt, Greg, *Turbo-Charging Investor Sovereignty. Investment Agreements and Corporate Colonialism*, The Corner House, 2005, p. 44. <http://www.thecornerhouse.org.uk/pdf/document/HGAPSA.pdf>. As of June 2005, Angola had signed Bilateral Investment Treaties only with Cape Verde, Portugal, UK, Italy and Germany.

<sup>35</sup> Birdsall, Nancy and Subramanian, Arvind, "Saving Iraq from its Oil", *Foreign Affairs* July/August 2004.

are obliged to promote and ensure adherence to the guidelines. The G8 has already committed to 'encouraging the adoption of voluntary principles of corporate social responsibility by those involved in developing Africa's natural resources. That obligation now needs to be implemented'<sup>36</sup>.

Beyond these cautious official measures, which depend on "soft law" and the goodwill of participants, more rigorous and mandatory steps will be required. Research by policy activist groups, from Friends of the Earth to Global Witness to the Corner House, is pushing back the curtains of opacity around extractive industries and the autocratic *rentier* states normally associated with them.

A few Western European governments have granted modest funds and otherwise backed this research and proposals for reform. Yet given the seriousness and scope of the issues, more attention is urgently required. In light of the massive and growing tensions around petroleum assets and their interplay with violent repression and violent resistance in many corners of the world, governments should be moving more vigorously to build a sound basis in knowledge and public consensus. On such a basis, there may be built laws and institutions capable of curbing risks the current system poses for peace and security.

## Conclusion

Poverty and disrespect of other citizen rights reveal failures by Angola's leadership, but they are not wholly home-grown, as if Angola were on a self-contained island. They are reproduced where rules and incentives lead Angola's political class to account neither to citizens nor to any public authority external to Angola. *Angola's problems of domestic governance are at the same time problems of global governance.* Indeed they cannot be understood within a strictly domestic frame of reference, that of a geographically bounded nation-state.

Global citizenship claimed for large corporations implies not only rights but also duties. Western corporations talk a lot about their public responsibilities, but in most cases their practice is shallow and expedient, confined chiefly to their departments of public relations. Practices may be even shallower in corporations from non-Western zones, such as China, that are rapidly expanding into places like Angola. Capitalism's advance may create wonders of engineering and profit-making, but if the past is any guide to the future, the social and political consequences in Angola will not be pretty. International voluntary "soft law" approaches may help, but ultimately hard, publicly judicable and enforceable law is the *sine qua non* if autocratic regimes like Angola's are to lose their foremost protection – collusion with large corporations and opaque financial circuits – and be pushed toward genuine social responsibility and democratic governance.

<sup>36</sup> *Our Common Interest: Report of the Commission for Africa*, section 5.2.4, paragraph 49. cited in: The Corner House and Rights and Accountability in Development, 2006, *The UK National Contact Point's Promotion and Implementation of the OECD Guidelines for Multinational Enterprises.*

*Response to the Stakeholder Consultation.*

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From Ecuador to Equatorial Guinea, smaller oil exporters are becoming targets not only for investors but also for geo-strategists. Angola is no exception. Yet like so many other places driven by petrodollars, Angola shows many symptoms of the *rentier* state: politicians, businessmen and shareholders enjoy colossal surpluses on their bank accounts, while ordinary citizens face colossal deficits in public services, livelihoods and legitimate governance.

This essay offers a rapid tour of these horizons regarding Angola. Among its main points:

- International competition for Angola's oil and money is intensifying; Europeans and Americans are no longer the only competitors in the game;
- Poverty and inequality cast huge shadows in Angola's onshore life; after nearly 30 years of war, a hoped-for "peace dividend" has yet to be paid out for most citizens;
- Internally, the position of Angola's political class looks unassailable. It commands enormous patronage powers. It faces no major domestic opposition. This situation is unlikely to change in the absence of any countervailing social strata, such as might emerge from commerce or agrarian production;
- Externally, the position of the oil industry gives it leverage. But without international public pressure, it is unlikely to use that leverage to pursue transparency and democratic norms. Bringing oil industry firms to behave as global citizens is not impossible. A few global initiatives currently suggest ways forward, but require much more political backing and professional enforcement – neither of which exist today in the management of the global economy.
- Angola thus poses challenges not only of national democratisation and emancipation from poverty, but also of responsible, open governance at global levels.

Angola has been deeply marked by its external relations. This paper seeks to place trends there in a context of global powers and flows, especially those of petroleum and its enormous revenues – the riches that have induced war, corruption and poverty.

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