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A Case Study of Oil Production and Political Longevity in Angola

Ashley N. Bybee
Stephanie M. Burchard

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Executive Summary

Background

This is the second report in a series of deliverables that examine the relationship between oil production and political stability in African countries. The first report explained political stability from the commercial perspective and defined those features that make an attractive investment environment for petroleum companies. This report uses Angola as a case study to identify some testable hypotheses regarding the relationship between oil production and political stability in other African countries. Angola was selected because its high production levels over a sufficient length of time provide some historical context (in a relatively less complex environment than Nigeria), and because Angola represents a strategic geopolitical partner for the U.S. Government (USG) in Africa. The third deliverable in this series will present a statistical analysis of possible political trajectories for new African oil producers such as Liberia, Sierra Leone, Ghana, Uganda, and Kenya to anticipate what oil production might portend for the future of these regimes.

The qualitative data documented in this report were collected during IDA's field research in Luanda and Cabinda, from November 3 to 13, 2012. IDA assessed the themes presented here to be significant observations that provide insight into the relationship between oil production and political stability in Angola, and possibly transferable to other African oil producers.

Broadly speaking, IDA defines political stability as encompassing political longevity (the duration of a leader's power) and challenges posed to the regime or, conversely, the absence of significant social upheaval. For the purpose of this research, however, IDA has isolated the first component of this definition to frame its findings. Political longevity (of the dos Santos regime), therefore, is the main dependent variable examined although references are made to political stability where appropriate. The purpose of using such a narrow definition is to provide more detailed insight into the factors that could affect the duration of time a leader holds power. This is valuable information for the USG to consider when weighing policy options, planning scenarios, and other interventions in a foreign country.

Findings

Presented here is a summary of the most significant observations from field research in Angola that might prove to be relevant in other oil-producing countries. Some themes relate oil production directly to political longevity; others describe an indirect relationship.

Angola's Oil-Dependent Economy

An economy that is dependent on a single export is vulnerable to a host of economic, security, and social challenges. In Angola, the high level of offshore production from Cabinda – a region quite distant from the seat of political power (Luanda) – has provided the basis for a separatist insurgency that has festered for years. Angola's economic focus on its oil and gas (O/G) sector, while neglecting other productive sectors, has rendered the country vulnerable to price fluctuations in the global oil market. Its weak political, economic, and social institutions have failed to address or mitigate any of these pressures, and the absence of a legitimate, enforceable legal framework to manage the equitable distribution of oil revenues has allowed dos Santos to take advantage of a never-ending revenue stream, thus ensuring the longevity of his presidential tenure (although there have and continue to be vocal opponents to his authority). The extent to which other countries can hedge against negative effects such as these depends on the volume and location of the oil, the country's ability to diversify its economy, and the strength of its institutions at the time the resource is discovered.

A Culture of "Angolization" and Local Content

Angola's focus on promoting Angolan participation in the O/G sector (Local Content or LC) and encouraging the development of Small and Medium-sized Enterprises (SMEs) reflects a genuine desire to boost the stature of Angolan business and strengthen the private sector. Though the vast majority of businesses operating in the O/G sector are foreign-owned, the emergence of new Angolan businesses is one indication that the Angolan private sector is indeed growing in terms of market share and capacity. It is still too early to observe the effect of this shift on the duration of the dos Santos regime, but one might surmise that higher levels of LC reflect a healthier local economy, a stronger private sector, and a growing middle class – all of which are likely to demand economic and/or political reform.

National Oil Companies Versus International Oil Companies

Sonangol, Angola's national oil company (NOC) run by close friends of dos Santos, has allowed the ruling party (the Peoples Movement for the Liberation of Angola or MPLA) to maintain its hold on power by keeping the country's revenues concentrated in the hands of dos Santos's inner circle. At times, it has served as a pseudo-bank, lending cash against future oil revenues, which is simple to do since it has more financial liquidity than the government's budget. Conversely, in countries where a government relies on international oil companies (IOC) to run its oil operations, it runs the risk of becoming beholden or indebted to those companies, adding a layer of foreign influence or leverage that could threaten the ruling party's hold on power

Economic Growth Without Human Development

Although Angola has experienced impressive economic growth due to high levels of oil production, it has failed to translate this into social and economic development for its population. Numerous protests faulting the MPLA for failing to invest oil revenues in the local economy and local human resources represent a potential challenge to the political longevity of dos Santos' regime.

The Politicization of and Limitations Placed on Independent Non-Governmental Organizations and Civil Society Organizations

Civil society (individuals and organizations in society that are independent of the government, e.g., traditional authorities, non-governmental organizations (NGOs), youth groups, religious institutions, or academia) is generally viewed by the MPLA as oppositional and potential bastions of support for parties who seek regime or at least leadership change in Angola. Therefore, the MPLA has deliberately imposed restrictions that have impeded the growth of civil society. Civil society serves a critical function in a democratic society by allowing access to information representing all political parties. Repressing it is one way for the MPLA to limit political opposition.

Political Strength of the MPLA in Government

The desire for control over the state's resources (oil revenues) is one factor that has contributed to dos Santos' consolidation of executive power, which was most recently strengthened in the 2010 constitution. As a result, oil production in Angola has contributed to political longevity in the short-term by encouraging dos Santos to adopt whatever means necessary to protect his hold on power. Oil revenues have also allowed him to engage in patronage and fund political campaigns to support reelection efforts. Growing support for the opposition as well as considerable dissension within the MPLA is an indication that there is greater potential for regime or social change today than in previous years, although government measures to suppress opposition might counteract this trend.

MPLA Control/Manipulation of Media and Dissemination of Information

Media repression is one possible tool to foster political longevity by limiting the public's knowledge of questionable government practices or poor policies. This is particularly important in oil-producing countries, where public oversight of oil revenues and government expenditures are monitored in many ways through the media. Due to extensive censorship of the state-run media in Angola, it has been relatively ineffective at exposing government waste and abuse and, to date, has not posed a direct threat to the political longevity of the dos Santos regime. Similarly, low internet penetration in Angola, as with the much of the rest of Africa, has limited the dissemination of information through social media and other means offered by the internet.

Role of the Youth Population

The youth population in Angola represents a challenge to the MPLA's control on power since many among them support opposition parties. This was evidenced most recently by the numerous youth-led protests in Luanda prior to the August 2012 elections. Oil does not appear to be a direct source of their grievances, but the indirect effects of the "Resource Curse," i.e., the deficiency in delivery of social services through the elite's preference to use oil rents for patronage purposes rather than investing in the local economy and the workforce, could be politically destabilizing in the future.

The Political-Business Cycle of Infrastructure Construction

Angola's infrastructure reconstruction, made possible by massive oil-backed loans from Chinese banks, clearly reflects a political-business cycle, where the MPLA has strategically timed certain projects to coincide with elections to secure public support. These projects have also been a means through which patronage is disbursed. To date, this strategy appears to be effective, as the residents of Luanda and other prominent cities seem to appreciate the investments in public infrastructure. One can envision, however, a time when citizens might begin to object to the politicization of public policy for personal gain. Then a groundswell of support for opposition parties could impact the political longevity of the dos Santos regime.

The *Fundo Soberano Angolano* or Sovereign Wealth Fund

Angola's Sovereign Wealth Fund (SWF) or *Fundo Soberano Angolano* (FSA) is administered by the President's son, has no legal standing or investment strategy, and receives no oversight from parliament or civil society. Therefore, it is widely perceived to be a sham instituted by the President to enrich himself and his family, and ensure the future of his regime. In Angola, the democratic institutions necessary to effectively manage and oversee such a fund are not strong enough to hedge against the opportunities for corruption that oil wealth presents.

Challenges Facing the Private Sector

The "private sector" in Angola is dominated by MPLA party members (particularly the dos Santos family) who have historically been inextricably linked with Angolan business interests. These firms have posed little threat to political longevity in the country as they serve the interests of dos Santos, ensuring that he has sufficient resources to sustain his regime. The growth of Angolan business, including some truly private firms, however, appears to be elevating the prominence of the private sector at the national level. This emerging cadre of young business leaders might represent a viable alternative to the existing network of MPLA-affiliated politicians/business owners.

Land Ownership in Urban Centers

Land ownership in urban centers has become a major concern among those facing forcible evictions and relocations to make way for vast public works projects. Unless the government takes genuine steps to address these grievances, Luanda's urban dwellers can be expected to become a potential source of social upheaval for the government.

Social Implications of China in Angola

The vast majority of Chinese laborers who are in Angola work for firms that have been awarded infrastructure construction contracts. These contracts are funded with oil-backed loans, which have become the preferred method of repayment for Chinese loans. The social implications of this Chinese presence (assimilation into the local communities and participation in the local economies) could become a political issue in future elections.

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Global Coverage Analyses Program – Africa

Economic and Demographic Issues

Oil and Political Stability

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Angola Case Study

Introduction

There is a plethora of academic literature explaining the implications of natural resources for states and societies. Specifically, scholars have made great strides to explain the unintuitive correlation between an abundance of natural resources and poor economic development, perpetuation of conflict, heightened corruption, poor governance, and a host of additional negative effects. Scholars such as Jeffrey Sachs, Paul Collier, Michael Ross, Richard Auty, and Philipe Le Billon have contributed greatly to this field of research and have attempted to show how an abundance of resources, otherwise known as the "Paradox of Plenty," can actually foreshadow a negative future for those countries endowed with such wealth.

Political stability and political longevity, however, have not been factors considered in this field of research. Broadly speaking, IDA defines *political stability* as encompassing *political longevity* (the duration of time a leader holds power) and challenges posed to the regime or, conversely, the absence of significant social upheaval. For the purpose of this research, IDA has isolated the first component of this definition to frame its findings. Political longevity, therefore, is the main dependent variable being examined although references are made to political stability where appropriate. The purpose of using such a narrow definition is to provide more detailed insight into the factors that might affect the duration of time a leader holds power. Given recent and upcoming presidential elections in many new or future oil-producing African countries, the ability to understand what oil production portends for the future of these regimes is an important line of inquiry.[1] This is also valuable information for the USG to consider when weighing policy options, planning scenarios, and other interventions in a foreign country.

Angola is one of Africa's top oil producers, second only to Nigeria, although Angola has in recent years surpassed Nigeria when heightened instability in the Niger Delta affected its production levels. Angola has been exporting crude oil since the 1960s, with a major push in the 1980s to replace agriculture as its primary export. Since 2000, a second push increased its oil production 147 percent, and it joined OPEC in 2006.[2] Oil now accounts for more than 95 percent of export revenues and more than 75 percent of government revenue. In 2010, Angola exported almost 1.8 million barrels per day (BPD) of crude oil. The majority of crude oil exports went to China (45 percent) and the United States (23 percent), representing 17 percent and 4 percent of those countries' total crude oil imports, respectively.[3] Thus oil is now crucial to the Angolan economy, and these days, most discussions of Angola, regardless of the topic, typically reference its oil and gas (O/G) sector.

Angola is also home to one of Africa's longest serving presidents, Eduardo dos Santos, who has led the country since 1979. He and his party, the People's Movement for the Liberation of Angola (MPLA) have controlled Angola and its oil revenues for almost 35 years. Political stability in Angola has therefore correctly been described as "*frozen but stable*."[4] Due to the respect dos Santos still enjoys for delivering peace to Angolans; his manipulation of the media, constitution, and other political institutions to limit the power and influence of his opponents; and his disbursement of patronage using the state's oil wealth to maintain the support of the country's political elite, he and the MPLA have ensured political longevity. Political stability, however, is less secure, since there has been a persistent challenge to the MPLA and dos Santos' regime from the National Union for the Total Independence of Angola (known by its Portuguese acronym UNITA), which is the second largest political party and primary opposition. It has vied for political power in Angola since the beginning of the Civil War but, for the reasons cited above and others detailed in this report, has failed to pose a viable threat to the dos Santos' regime.

The Angolan case, therefore, provides an ideal opportunity to examine the impacts oil production has had on the political longevity of the current regime. There are, of course, other factors related to oil production that affect political longevity in Angola, including demographic trends, access to information, health of the private sector, and government provision of public goods. IDA believes that a holistic analysis of these factors as they exist in Angola can provide some valuable insights that could be tested in other countries to help explain what impacts political longevity in an oil-producing country. In doing so, Angola might also provide some lessons learned for Africa's newest and future oil-producing countries, namely Ghana, Liberia, Sierra Leone, Uganda, and Kenya.

Methodology

The approach for this case study was one of qualitative assessment, since quantitative data (statistics and numerical evidence) on issues like freedom to operate, politicization, cooptation practices, influence levels, or efficiency are hard, if not impossible, to come by. Anecdotal evidence is valuable in this type of analysis as well as the triangulation of information and our own judgment of interviewees' perceptions and statements.

The method employed for data collection was field interviews. The IDA team spent seven full days in the capital city of Luanda and one day in Cabinda (city).[5] During this time, we conducted 17 formal interviews with local business leaders, Angolan and international NGOs, one government-affiliated NGO, one parastatal institution, one law firm, and one foreign journalist. The team also benefited from many informal discussions with various individuals encountered throughout the course of the trip.

Unless otherwise indicated, all assertions, suppositions, and normative statements documented in this report were collected through the aforementioned interviews. Since the vast majority of qualitative data points documented in this report are the synthesis of several different points of view, attribution is not made.

The substance contained in this report is divided into two major sections: themes relating directly to oil production and themes relating indirectly to oil productions. These themes mirror IDA's discussions, in which respondents either focused on the direct impacts of oil production or cited other factors as having a more significant influence in Angola. IDA deduced that the other factors are still related indirectly to oil production, most often as manifestations of the MPLA's control over and unequal distribution of oil revenues. IDA has included the themes that it assesses are the most consequential or have the greatest explanatory power that might be relevant or transferable to other African oil-producers.

Direct Impacts of Oil Production

The following insights are directly related to Angola's O/G sector and may provide relevant insights to be further examined in phase 3.

Angola's Oil-Dependent Economy

Angola is a prime example of a national economy that is dependent on a single export – oil. Angola also showcases the deleterious effects that typically accompany an undiversified economy, namely the dreaded "Dutch Disease" and associated "Resource Curse." The term "Dutch Disease" is used to describe the macroeconomic implications when revenue generated by a boom in a particular sector (such as what occurs after the discovery of a natural resource like oil or natural gas) results in an appreciation of the local currency and, consequently, a sharp decline in the competitiveness of other non-booming sectors such as manufacturing. This is exacerbated by economies that come to rely heavily on that single export, since resource dependence renders a country vulnerable to a sudden drop in the price of the commodity (revenue volatility), depletion of the resource, and poor economic growth due to abandonment of non-booming sectors. Furthermore, lucrative windfall rents (charged to companies for the commodity's extraction) deter the development of a diversified economy, which could compensate for the dependence on one resource. The Resource Curse refers to an expanded set of additional security and social problems that typically characterize a country "blessed" with great natural resources, including corruption, conflict, political instability, and growth of illicit markets.

These political, economic, social, and security afflictions have all manifested themselves throughout Angola's oil-producing history, most notably during the country's Civil War from 1979 to 2002. Figure 1 illustrates Angolan oil production since it began in earnest in 1965 and provides some estimates until 2015. Some of the country's most significant historical developments are listed below.

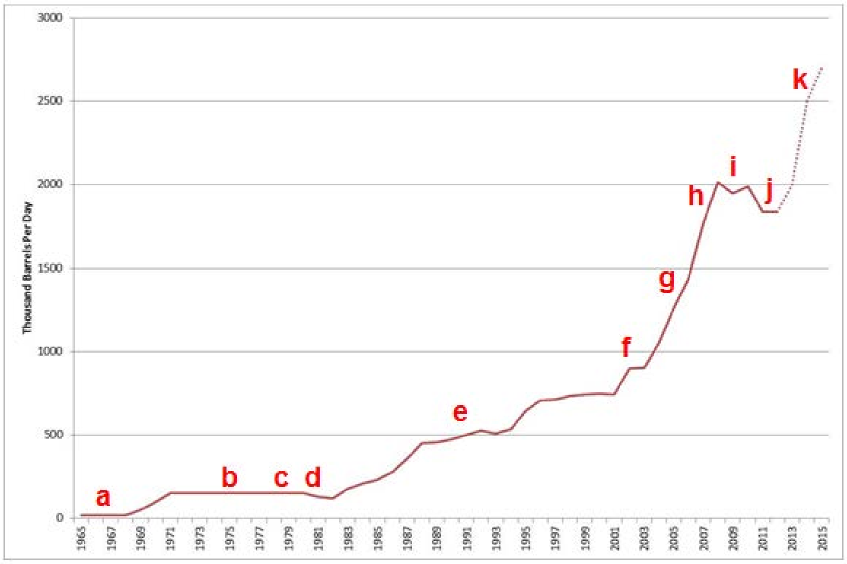

Figure 1. Angolan Oil Production (predicted to 2015)

(Source: Production data from the U.S. Energy Information Administration, Prediction data from EnergyInsights.net)

a During the colonial period Angola was a major African agricultural exporter. It was the world's fourth largest exporter of coffee and a major exporter of maize. Massive oil reserves had not yet been discovered, and oil production was very low.

b 1975: Following a decolonization agreement and the contested appointment of the MPLA party leader Agostinho Neto as president, a Civil War ensued, including low-intensity conflict in the oil-rich Cabinda province. The conflict disrupted Angola's agricultural sector and exports.

c 1979: Following the death of Agostinho Neto, Eduardo dos Santos assumed power.

d 1980: Oil replaced agriculture as Angola's primary export. The MPLA's control of the country's oil sector allowed it to sustain its military operations with oil revenues, while UNITA, led by Jonas Savimbi, seized control of key diamond mines, sustaining its operations with those revenues.

e Oil production gradually increased during the Civil War, arguably providing the MPLA with the resources it required to finance its operations, thus prolonging the conflict. Even during several peaceful interludes, UNITA refused to surrender its only source of revenues – diamond mines – unless it had sufficient resources to finance its political activities, which the MPLA deliberately withheld.

f 2002: Following the death of Savimbi, dos Santos announced a countrywide ceasefire. For most of the Civil War period, the MPLA had allowed the enduring conflict in Cabinda to fester so long as it did not interfere with its extraction of oil from Cabinda's offshore waters, which accounted for 60 percent of national production during the war years. By 2002, the effective defeat of UNITA allowed the Angolan Army to redeploy its full military and intelligence capabilities against the Cabindan separatists.

g 2004: In desperate need of reconstruction, Angola sought assistance from traditional international donors (U.S. and Europe) who were not particularly forthcoming given their own domestic challenges and combat operations overseas. China, however, offered $2 billion in oil-backed loans, while stipulating that the majority of construction projects employ Chinese contractors. The existence of such vast oil reserves gave the MPLA the ability to borrow massive amounts of money using oil as collateral.

Coupled with the end of the civil war where the MPLA had previously consumed the vast majority of oil revenues to sustain its operations, these symbiotic deals with China arguably prompted the major increase in oil production.

2004 – 2008: Increased oil production resulted in double-digit growth for Angola. Despite engaging about half of the workforce, agriculture’s contribution to GDP averaged between 7 and 9 percent.

h 2007: Angola joined OPEC and had to comply with the cartel-imposed production levels.

i 2008: Parliamentary elections secured victory for the MPLA. The impact of the global recession was reflected in slower economic growth in Angola amid the fall in oil prices, resulting in a fiscal and balance of payments crises experienced by Angola in 2009.

j 2009: OPEC cut Angola’s production target to 1.51 million BPD in January 2009 in response to plummeting oil prices.

k 2012: Petroleum products accounted for more than 95 percent of total exports. Because the O/G sector is a capital-intensive sector, however, it created very few jobs for Angolans.[6] Corruption and patronage made possible by abundant oil revenues came to characterize dos Santos’ management of the Angolan government more than ever. Continued deepwater drilling off Angola’s coastal waters by IOCs was expected to further increase Angola’s production in the coming years, positioning it as one of the world’s fastest expanding oil producers.

The separatist movement in Angola's northern exclave of Cabinda is worth a closer examination since it has roots in the oil economy. Cabindan separatists argue that they have their own distinct and separate identity, history, and culture that warrant their independence from Angola. A major aspect of their struggle, however, included grievances over the Government of Angola's (GOA) management of oil revenues, which are extracted from their province (which amount to approximately 60 percent of Angola's total output), yet are not invested locally or used for the benefit local Cabindans. These grievances have been exacerbated by the presence of large IOCs in the province, whose corporate footprint has presented a number of challenges. In 1999, an oil spill near the Malongo oil base dealt a severe blow to the struggling local fishing industry. Chevron-Texaco compensated 10 percent of the affected fishermen with $2,000 each, but locals have attributed reduced fish stocks to continued pollution.[7] The existence of the Malongo base has also been a source of tension with locals. Malongo is a gated and affluent community of between 3,000 and 4,000 people from which Chevron conducts its offshore operations and where employees (mainly expats) have access to all the luxuries of home, including nice housing, restaurants, schools, and even a polytechnic.[8] Malongo, and what it represents, (luxury, affluence, and opportunity associated with the O/G sector,) has long been a source of local resentment. Attacks by rebels or terrorists have periodically occurred against Chevron's facilities and its workers.[9] In response to this ongoing, low-intensity conflict, and recognizing the potential for Cabinda to deteriorate into a situation similar to the Niger Delta, the government has recently pressured Chevron to make some changes. Locals reported to IDA that the government has asked Chevron to "open its gates" and integrate its Malongo-based employees into the local community. The government wishes to avoid the perception that it is protecting corporate oil interests at the expense of Cabindans.

Impact on Political Longevity

Historically, thanks to its repressive tactics and willingness to go to war to protect its control of oil revenues, the MPLA has been able to ensure the longevity of its regime. There are aspects of a country's oil economy that could, however, impact political longevity in other ways. One must consider the volume of oil produced, or the amount of proven reserves if production has not yet commenced, and assess the potential for it to influence the political trajectory of a country since resource wealth encourages instability by increasing the value of the state as a target. This could vary based on other economic indicators, e.g., as a percentage of GDP, GDP per capita, or equality of national income distribution. The prize for the Angolan state, for example, provided at least one impetus for a 26-year long Civil War.

One must also consider the timing of the oil discovery, and the type of regime or strength of the country's institutions *at that time*. The extent to which oil revenues will affect political longevity (and political stability broadly speaking) will likely depend on the strength and independence of the country's political, economic, and social institutions and its ability to equitably manage massive oil revenues at the time of discovery. In the case of Angola, discovery occurred during a major war, which arguably detracted from its ability to capitalize on that resource until it achieved independence from Portugal. It wasn't until the beginning of the Civil War that the MPLA (whose leader, Neto, had been appointed President) was in a position to capitalize on the country's oil. The ensuing conflict was in itself an indication of political instability in that the MPLA protected its control over the state's oil wealth, and therefore the state itself, at all costs. Moreover, the Portuguese left Angola with comparably weaker (some have even argued more "backward") political, economic, and social institutions than other European colonizers, which arguably have contributed to the country's poor management of its economy.[10]

As the Cabinda example demonstrates, the location of oil reserves (i.e., proximity to the national capital and distribution throughout the country) has also been shown to influence the type of conflict that can occur, since resource wealth increases the value of sovereignty in a mineral-rich region.[11] *Lootability*, i.e., the ease with which a natural resource can be extracted and transported by individuals or other unregulated groups, has also been proven to influence the nature of a conflict.[12] The extent to which these factors also affect political longevity remains to be tested, but one can hypothesize that the existence of foreign corporate enclaves associated with IOCs in oil-producing regions will engender more local resentment than otherwise would exist. Oil production concentrated close to the capital can be predicted to have a positive impact on political longevity since it makes it easier for the state to control revenues, thus ensuring the permanence of the ruling party's regime. Conversely, oil production concentrated far from the capital is more likely to result in a secessionist movement that threatens the ruling party, such as is the case in Cabinda. Finally, the fact that Angola has escaped many of the problems plaguing Nigeria, whose oil is onshore, supports the notion that offshore oil production will be less politically destabilizing. The visibility of onshore production and the ease with which oil is looted contributes to political instability.

In addition to these security concerns, there are several macroeconomic aspects of an oil-dependent economy that could prove to be politically destabilizing. Excessive borrowing using oil as collateral is particularly concerning, given some forecasts that a glut in the oil market will materialize in 10 to 20 years, causing a decline in its price.[13] Under this scenario, the Angolan government will have less capital with which to pay a now more expensive debt, causing the government to borrow more to cover principal, interest, and penalties, potentially leading the country into a downward economic spiral. In recent years, the GOA has enjoyed (and arguably become accustomed to) high oil prices, which have secured dos Santos' position of power. The aforementioned scenario, however, is not unheard of, and in fact occurred in the neighboring Republic of Congo, where the government could not escape its rising debt amid falling oil prices, and was compelled to take on new loans to repay the old ones. In that case, the oil company Elf had significant leverage over the Congolese political scene since they were able to charge exorbitant interest rates to the government and secure new oil concessions at extremely low prices.[14] Ultimately, Elf created the conditions whereby the government became deeply indebted through its oil-backed lending, allowing the company to secure its hold on Congo's internal politics.

Finally, existing academic research has shown that the ability of the government to diversify the country's economy – attracting investment in agriculture, manufacturing, and other non-oil sectors – has a significant impact on the economic development of that country.[15] IDA asserts that in Angola (and probably other oil-producing nations), this finding is also relevant to political stability. Continued dependence and overreliance on oil revenues will keep Angola on its current trajectory, most likely exacerbating existing social, economic, and political issues that we see today. A diversified economy should create more opportunities for more Angolans and create the conditions necessary for them to demand greater accountability from the MPLA, possibly challenging its monopoly on power.

A Culture of "Angolization" and Local Content (LC)

The policy of "Angolization" dates back to 1979 when a law was passed that established that oil companies covered by this law should employ Angolan workers, guaranteeing them the necessary technical and professional education, and that foreign workers can be hired only when qualified Angolan workers are not available. The substitution of expatriate workers for Angolan workers is called "Angolization."[16] Since 2002, this concept has been broadened to encompass the set of actions – local recruitment, training, purchases of local goods and services – that are designed to develop the industrial infrastructure and skills of the people in countries that host O/G projects. This has been termed "Local Content" (LC) and is generally measured as a percentage of investment, hours worked, equipment manufactured, or number of jobs created.[17]

In Angola, the push for LC came in 2002 with the passage of several laws governing the role and treatment of Angolan companies in the O/G sector.[18] Sonangol worked with Nigeria, Brazil, and Norway to craft many of these laws. Emerging from these laws were several programs that were instituted to help Angolan companies and workers achieve greater LC. The *Centro de Apoio Empresarial* (Business Support Center, known by its Portuguese acronym CAE) is an example of one such initiative to promote the participation and sustainable development of SMEs in the Angolan O/G industry.

According to several local business owners that IDA interviewed, CAE is a popular and reputable institution in Angola's O/G sector. It was established in 2005 to provide advice and support to SMEs that aspire to be active participants in Angola's O/G sector.

Most notably, CAE provides an avenue for SMEs to become certified, which is a demonstration of their adherence to international quality standards. CAE certification is not currently required by IOCs, but many local service providers and suppliers have expressed it is an impressive certification and a valuable asset to many SMEs. CAE, which was established under the Ministry of Petroleum and Sonangol, today falls under the purview of the Chamber of Commerce and Industry but continues to be fully funded and coordinated by Sonangol. As such, its services are entirely free.

Despite significant progress made in encouraging LC, Angola has not been able to achieve the level of LC to which it aspires. Estimates of the number of O/G-related jobs in Angola vary, but range from 0.5 to 2 percent, which is far less than envisioned by LC advocates. This is due to a number of reasons, most notably the shortage of a skilled workforce and a local manufacturing and construction sector. In terms of capacity-building, a common complaint expressed to the IDA team is that the GOA has not ensured the availability and provision of technical training for those who want it. Many interviewees lament the high price of technical training, which precludes many ordinary Angolans from enrolling. For example, many polytechnics and private schools are $500 to $750 per month, effectively restricting attendance to the children of the affluent political elite.

China has admitted that it has found it difficult to fulfill its LC obligations (set at 30 percent in most contracts) due to lack of technical expertise in Angolan firms.[19] Interviewees confirmed this and noted that although costly (considering their salary, air fare, and accommodation costs, and given that two people need to be hired for one position due to their 28-day rotations), expatriates are necessary for most jobs. This is why Angolan law allows for the use of expatriates, despite efforts to decrease reliance on them. By law, the GOA gives expats three years to complete a job, after which time the company must justify the use of a foreign worker over a local resource. This is a very bureaucratic and time-consuming process that is designed to encourage companies to hire locally. In reality, it reveals how critical expat workers are to the O/G sector, since companies endure the burdensome process to ensure their use. Without local engineers, project managers, and companies capable of fabricating hydraulics and other high-tech tools used in the oil sector, most equipment has to be imported.

The GOA (Sonangol) is currently drafting yet another LC law to encourage greater participation from Angolan businesses. The exact contents and details of this law are not available to the public, but many informed sources believe it will mandate higher LC levels, and might even pressure IOCs to use CAE-certified companies.

Impact on Political Longevity

The laws that have been passed in Angola to encourage LC are impressive and ambitious. They seem to reflect a genuine desire from the GOA to increase the level of

Angolan participation in the Angolan economy, which has historically been dominated by foreign firms. To that end, one can assert that some of the same arguments (described above) to explain the relationship between the private sector and political stability can also be used to explain the relationship between LC levels and political stability: namely, that higher LC (measured by more jobs created for Angolans, among other metrics) reflects a healthier local economy and a stronger private sector. One must be careful when assessing LC levels and differentiate between awarding contracting to Angolan companies with direct ties to the government and expanding opportunities for Angolan companies that are truly private without ties to the MPLA. Both qualify as LC, yet increasing their participation in the local economy could have significantly different effects. The increased use of companies owned or affiliated with government officials might solidify the MPLA's place in the Angolan economy, perpetuate patronage, generate revenues for the party, and ensure its position in power for the foreseeable future. Conversely, increasing the participation of independent Angolan firms should improve the health of the local economy, encourage local business, and empower the private sector. An empowered private sector and growing middle class could ultimately challenge the ruling party, creating political instability in Angola.

GOA National Oil Companies Versus International Oil Companies

Current African oil producers fall into one of two categories: those where national oil companies (NOCs) dominate the market and those where international oil companies (IOCs) are the primary actors. Angola falls into the first category, where Sonangol plays a central role in the country's O/G industry, but only after IOCs made the initial discoveries.[20]

Today, Sonangol is the heavyweight in Angola's O/G sector. Unlike some other country's NOCs, Sonangol has developed a reputation for being a highly professional, sophisticated, and competent organization, especially by African standards. Despite rampant corruption and frequent scandals,[21] Sonangol has become increasingly competent over the years and there is reportedly a high degree of stability in its senior management. Sonangol has made a concerted effort to focus on education and training for its employees, particularly in technical fields and the hard sciences where Angola has traditionally been quite weak. In fact, all high-level executives have some western training. As a result, Angola has been able to rely on Sonangol to run its oil operations, rather than require the assistance and expertise of an IOC.

That said, IOCs also play a huge role in Angola's O/G industry. Chevron, Total, ExxonMobile, and BP all have oil concessions in Angola. Other smaller companies are also active, such as Agip, as well as China's Petrochemical Corporation (Sinopec). See Table 1.

Table 1. Angolan Oil Production (2007 Estimates)

Operator	Barrels Per Day (BPD)
Chevron	620,000
Total	590,000
ExxonMobile	520,000
BP	100,000
Sonangol	110,000

Source: KPMG

Impact on Political Longevity

The aforementioned Elf case provides at least one example where reliance on IOCs to run a country's oil operations risks the country's becoming beholden or indebted to those companies, adding a layer of foreign influence or leverage that could threaten the ruling party's hold on power. A logical inference is that keeping a country's oil operations concentrated in the hands of an NOC ensures the ruling party has control over oil revenues, thus consolidating its position of power.[22]

A potential political-economic concern for Angola is the tendency of the government to use Sonangol as a pseudo-bank since it has more financial liquidity than the government's budget. By lending cash against future oil revenues, Sonangol has become a major locus of power. To date, dos Santos has controlled its political influence by strategically appointing his cronies into those positions of power.

Indirect Impacts of Oil Production

Whereas the previous section presented themes that relate oil production directly to political longevity, the themes presented below describe an indirect relationship. These themes are prevalent in Angolan politics, economics, and society, and might provide relevant insights to be further examined in phase 3.

Economic Growth Without Human Development

Angola has experienced impressive economic growth in the last five years, but this has not translated into equal or even similar human development for Angolans. Despite Angola's almost constant discovery of new oil fields and a continual stream of oil revenues, the basic dimensions of human development, such as a long and healthy life, knowledge, and a decent standard of living, still rank among the lowest in the world (148th of 187.)[23]

The explanation for this is simple. First, a 26-year civil war certainly monopolized the majority of government revenues, which were used by the MPLA to sustain its operations against UNITA. During that era of war, revenues were not available for investment in public projects. Yet even since the end of the war, government revenues

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earned from oil production have not been spent on the provision of social services or invested into the local economy. Unlike many Asian countries that do not have natural resources and were forced to capitalize on their human resources, the GOA has done little to grow its non-oil sector or improve the capacity of its workforce.[24] Instead, it has allowed corruption and mismanagement of public funds to characterize its spending habits, lining the pockets of the political elite while perpetuating inequalities with the rest of the population. The public investments the GOA has made have been facilitated by loans obtained from foreign investors such as China and have concentrated on large infrastructure projects. Due to the authoritarian nature of the Angolan state where dos Santos can dictate how funds are spent and the terms of contracts, one can argue that these investments are as much a means for the self-enrichment of dos Santos and his inner circle as for the development of Angola's economy and society. As a result, Angolan citizens now suffer not only from lack of development but also from the lack of accountability and corruption within their government.[25]

According to the international NGO executives that IDA interviewed, an important effect of Angola's economic growth has been the withdrawal of many NGOs, citing the country's emergence as a middle-income country as negating the need for their presence. Although some believe this has been used as a convenient excuse for many NGOs, who have actually departed due to dwindling international funding, the fact remains that the number of NGOs operating in Angola today is drastically lower than five years ago.[26] As a result, the vibrancy and strength of civil society are continuing to decrease at a time when public oversight of government is more important than ever.

Impact on Political Longevity

Under the current regime, where dos Santos is quick to suppress any seeds of discontent that might challenge his power, this trend of economic growth without development has yet to have a negative impact on the political longevity of his regime. The numerous protests that occurred prior to the 2012 election, however, where various elements of civil society called for more public investment in social services and local development, indicate a clear demand for change. Youth protesters called for greater access to higher education, employment, poverty reduction; better housing conditions; improved supply of water and electricity; and improved democratic institutions. Military veterans called for their pensions to be paid. These are sources of social strife, and the MPLA might need to improve its provision of such services to avoid future social unrest. If ignored, these demands could eventually be manifested in increasingly violent ways in order to effect change. It is important to recall that these grievances were many of the same ones that prompted the Arab Spring, which could resonate with Angolans if their demands are not addressed. (The low level of education and access to information, however, make Angola an unlikely candidate for an Arab Spring type rebellion in the near to medium-term future.)

The Politicization of and Limitations Placed on Independent NGOs/CSOs

Civil Society is generally viewed as *oppositional* in Angola today. The MPLA sees Angolan NGOs and other CSOs as potential bastions of opposition support and views international NGOs as overly critical of Angolan politics and interfering in the country's internal affairs. Based on the impressions of international NGO staff operating in Luanda, the role of civil society in Angola has varied significantly over the years. NGOs first formed in the 1980s amid a burgeoning peace movement, and their numbers peaked in the late 1990s. By 2003, there was a notable decline in their numbers, corresponding with the post-911 environment that diverted many countries' attention (and funding) to Iraq, Afghanistan, and domestic issues. Since many NGOs relied on international donor financing, this took a toll on their ability to maintain operations abroad. As mentioned previously, the emergence of Angola as a middle-income country in recent years reportedly prompted many NGOs to depart, though their lack of funding might alternatively have explained their departure.

Historically, there have been a number of factors impeding the growth of an independent civil society in Angola today: historical legacy of socialist rule, a highly presidential political system where power is centralized with one individual, and the urge by the ruling elite to control oil resources.[27] Combined, these factors established the foundation for an authoritarian state where alternate sources of information and influence were not tolerated.

Today, the deliberate restrictions placed on civil society by the MPLA cannot be overstated. According to one local NGO staff member, the situation is not as bad as in Ethiopia but is certainly worse than in Zimbabwe. By law, NGOs are supposed to have full autonomy, but restrictions include giving the government the right to determine what projects each NGO can implement, and requiring the NGO to report to the government on their activities, including banking and financial details. According to interviews with NGO staff, the government is selective in its enforcement of such laws, clearly impeding the operations of certain NGOs perceived to be unfriendly to the government, such as the Open Society Initiative for Southern Africa (OSISA), which is run by an Angolan. Official registration is withheld from NGOs such as OSISA, which forces them to operate in constant fear of expulsion. Registration would provide a certain amount of security, allowing them to speak more openly without fear of government repression. One international NGO reported extensive censorship of its civic education programs,[28] while the Director of an Angolan NGO described how his organization was monitored closely (perhaps infiltrated) by security forces who also prevented its ability to organize public events. The same individual was denied a visa to travel to South Africa to speak at a conference on the Millennium Development Goals. Another informed observer recalled when UNICEF wanted to conduct an informal survey of Angolan youth using radio and Facebook on progress made toward achieving the Millennium Development Goals, but government monitors removed responses that reflected poorly on the government. Perhaps the most blatant oppression of Angolan civil society was the 2006 banning of the Civic Organization of Cabinda, otherwise known as Mpalabanda. The government claimed Mpalabanda was deliberately instigating public disorder, while in fact it was publishing human rights reports regarding the state of human rights in Cabinda. According to an interview with its leader, he was imprisoned for 11 months for allegedly conducting "crimes against the state" (terrorism).

The government's objective in implementing these laws is to restrict the ability of civil society to operate in the political arena (monitoring transparency, accountability, governance, participation, or human rights) while allowing them to operate in certain confined spaces, such as service delivery, poverty alleviation, and the provision of social projects within the parameters of government regulation.[29] To assuage concerns of the international community, however, the GOA has encouraged certain government-funded "NGOs" to operate. This second tier of civil society is a group unto itself as the organizations within it have been coopted by the MPLA and therefore enjoy a much freer operating environment than their truly independent counterparts. NGOs in this category include the following:

- *Organização da Mulher Angolana* (OMA, Organization of Women in Angola)[30]
- *Juventude do MPLA* (JMPLA, Youth of MPLA)
- *Organização dos Pioneiros Agostinho Neto* (OPA, Agostinho Neto Pioneer Organization)
- *Movimento Social Espontâneo, Associação dos Jovens provenientes da Zâmbia* (AJAPRAZ, Spontaneous Social Movement for Youth Association from Zambia)
- FUNGO (LIDDHO)

There is also a category of NGOs that have been established and run by Angolans, but whose political affiliations remain unclear.

- *Acção para o Desenvolvimento Rural e Ambiental* (ADRA, Action for Rural Development and Environment)[31]
- *Mãos Livres – Associação de Juristas e Jornalistas na Defesa e Difusão dos Direitos Humanos e da Cidadania* (ML, "Free Hands")[32]
- *Associação Justiça Paz e Democracia* (AJPD, Organisation for Justice, Peace and Democracy)[33]

- *Acção para o Desenvolvimento, Pesquisa e Cooperação Internacional* (ADPCI, Angolan Action for the Development, Research and International Cooperation)

These and other government-controlled foundations for sports, culture, and social work (such as the *Fundação Eduardo dos Santos* (FESA) and *Fundo de Solidariedade* Social LWINI of the first lady Ana Paula dos Santos) are all used to implement the MPLA's strategy and to show legitimacy.[34] According to informal discussions while in Luanda and Cabinda, the Catholic Church is unquestionably a friend of the government, but does not appear to be overly politicized.[35]

Impact on Political Longevity

In an open, democratic society, CSOs and NGOs serve the critical function of monitoring government practices to ensure they promote transparency, accountability, and sound management of the public budget. Under these circumstances, effective civil society has the potential to affect political longevity as it can encourage the replacement of ineffective or corrupt politicians by raising demand for transparency and accountability. In a liberal democracy, these demands are most often voiced through peaceful protests, while in authoritarian regimes, more violent tactics might be necessary to overcome government oppression.

Angolan civil society has been deliberately suppressed over the years and is therefore not nearly as mature, sophisticated, or well-informed as in many other African countries. This is due in part to the historical legacy of socialist/authoritarian rule, but also to the massive resource wealth at stake and the incentive this provides for the President and his inner circle to limit transparency while enriching themselves. There is some demand for political accountability and better governance, but civil society simply lacks access to the information it needs to make its case. It also lacks experience organizing broad-based debates around such major policy issues. As a result, CSOs and NGOs are relatively ineffective in Angola and pose little challenge to the dos Santos regime.

Political Strength of the MPLA in Government

According to most Angolan media sources, dos Santos enjoys widespread public support. It is undeniable that his highly controlled political messaging strategies and public relations campaign has helped to maintain his support base. In several discussions in Luanda, IDA heard unwavering support for dos Santos, referring to him as "very intelligent" and a "good President." Other informal discussions indicated a different opinion of the President, however. Independent and foreign media outlets are also considerably less confident in dos Santos' widespread appeal, and many claim that his recent win with 72 percent of the national vote was likely the result of voting fraud.[36] If that is true, votes were likely stolen from UNITA, which reportedly received 19 percent

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of the national vote (this was up 8 percent since 2008). *Convergencia Ampla da Salvacao de Angola-Coligacao Eleitoral* [Convergence Wide Salvation Angola Coalition] (CASA-CE) received only 6 percent and, according to one expert, attracts support from the youth and the more educated segments of the population who are fed up with the MPLA.[37]

The MPLA's tolerance for opposing views and lively debate has declined since the politically vibrant "heydays" of the 1980s. Despite the existence of a one-party state at that time, there was, according to some experts, much more space for political debate and opposing views in the National Assembly. Ministers enjoyed more control over their portfolios and were allowed to operate with much less interference from the president. Even the 1991 constitution was thought to be quite liberal, affording considerable power to Parliament and Ministers and allowing for considerable debate.

The 2010 constitution, however, is seen by many as a "presidential coup," increasing the power of the Presidency at the expense of the legislature and other political institutions. On the surface, it appears to expand civil rights, but also places new limitations on them. The absence of direct presidential elections, i.e., where voters cast ballots for the candidate they support, removes what few measures existed that guaranteed the president would be accountable to his constituents. Now, the leader of the winning party is appointed President and he personally appoints all Ministers, ensuring the government is run by a small group of the President's inner circle. The constitution also abolished the position of the Prime Minister, replacing it with a Vice President who is accountable only to the President.

Even Ministers have lost significant control over their own budgets, which have been transferred to the President's highly secretive offices by presidential decree. Because the negotiations and budgets of this office are not subject to public oversight, they serve as an ideal place to conduct sketchy and corrupt negotiations. More broadly speaking, the only space for the opposition to operate in government is in the National Assembly. Through means described elsewhere in this report, however, opposition parties are consistently denied access to information and resources necessary for them to build the capacity to operate effectively as legislators. They don't have aides, researchers, or experts on staff who can collect data and advise them on policy options. The same applies to opposition candidates running for office in their districts. They are not privy to the information required to build their own political campaigns, and as a result, tend to focus their platforms on standard anti-MPLA messages. At UNITA rallies, party members will often show Savimbi speeches – a testament to their lack of policy initiatives. It is largely thanks to their ethnic and regional loyalties that they receive the support that they do in certain locales, though they also benefit from the anti-dos Santos bloc.

The manner in which the 2010 constitution was adopted, i.e., during the 2010 Africa Cup of Nations (which Angola was hosting and therefore occupied the attention of most citizens) and without any formal review from civil society, supports the notion that it was an unnecessary and unpopular piece of legislation. That the vote to adopt the constitution took place by hand deterred many parliamentarians from opposing it, fearing the consequences of voting against the President.

There has apparently been some pushback from various parliamentarians and upstanding Ministers who want to regain control over their lost budgets. They have not passively accepted the growth of "secret presidential budgets" and are working with CSOs, the media, and even through the party's own apparatus to reclaim their lost budgets and oversight for their respective sectors. To his credit, dos Santos seems to have acknowledged that he does not have the expertise to manage budgets that are best handled by professionals. This is why, apparently, he is accepting the process of decentralization, i.e., the shift of some government functions and decision-making from the national level to the local level. Even so, he is probably also concerned by the repercussions of relinquishing this control.

Impact on Political Longevity

Historically, the MPLA has enjoyed a monopoly on power, first under a one-party system and then under a dominant party system with restricted electoral competition. As in many resource-rich countries, the ruling party's access to the state's resource wealth has contributed to these models in two major ways. First, it raises the stakes on power, encouraging leaders to adopt whatever means necessary to protect their control over those resources. Second, it provides the resources necessary to engage in patronage and fund political campaigns to support reelection efforts. These resources also negate the need to effectively tax the population to fund government spending, which, in turn, further undermines government accountability to its citizens. In Angola, this has fostered political longevity for dos Santos insofar as no opposition party has been able to challenge the power of the MPLA.

Further research would be required to determine those factors that have allowed or caused the MPLA's political opposition to pose enough of a threat to its power base that it deemed it necessary to modify the constitution in order to suppress those threats. The extent to which this is oil-driven is unclear, although it is difficult to ignore that Angola's recent impressive economic growth has been driven by its oil sector, assisted greatly by massive Chinese investment (with no obvious end in sight).

Even without knowing the extent to which it is oil-driven, it is evident that growing support for the opposition as well as considerable dissension within the MPLA itself is increasing the likelihood that dos Santos' firm grip on power will soon come to an end. Given dos Santos' age (70), the succession process, particularly who might be selected, is high on peoples' radars. By law, his Vice President, Manuel Vicente, would assume power, although Vicente' unpopularity among many Angolans could spark some significant backlash. If mishandled, this process could launch a politically destabilizing power struggle within the MPLA. In other words, the prospect of major regime or social change is more likely today than in previous years, although government measures to suppress opposition could counteract this trend.

MPLA Control/Manipulation of Media and Dissemination of Information

State-run news organizations in Angola have been a valuable tool for dos Santos to control his own image while spreading MPLA rhetoric and propaganda critical to maintaining its political power base. He portrays a very controlled message and image to the Angolan people. He has reportedly never granted an interview during his tenure as president and is rarely seen in public. Until this campaign, Angolans were unaware he had five children. He also used pictures from 1992 for this year's campaign posters to convince voters he is younger than 70 years old (Figure 2).

Figure 2. dos Santos' 2012 Campaign poster in Luanda

The Angolan press depicts the President as a vibrant young man acting in the best interest of his people (often referring to him as "God") and portraying oppositional forces as unpatriotic and deliberately inciting unrest. The Angolan press often perpetuates the notion, particularly in rural areas where UNITA is strong, that a vote for the opposition is essentially a vote for return to war. Dos Santos frequently censors content where necessary to protect his and the MPLA's image. Opposition groups seeking to challenge the approved "party line" on contentious issues (namely, UNITA but also independent CSOs/NGOs) are granted very little access to public media outlets. Likewise, potentially destabilizing news from abroad also receives limited coverage for fear it might spark similar protests at home (such as coverage of the Arab Spring, where Muammar Gaddafi's death received one brief mention by the Angola Press Agency (ANGOP) while the uprising in Tunisia was ignored altogether). In addition to controlling content, the GOA has been known to manipulate the price of newspapers to dissuade readership during politically strategic times. For example, before the August 2012 elections, the government raised the price of newspapers and lowered the price of beer to curtail any possible mention of dos Santos or the MPLA in a negative context.

Some so-called "private" media outlets do exist, but many of these have been purchased and are run by MPLA party members or retired veterans who are loyal to the President and toe the party line. Newspapers in this category *include O País, Expansão, Exame, Angolense, A Capital, Semanário Angolense, Novo Jornal*, and *Angolansense*. Radio stations include *Rádio Nacional de Angola, Televisão Pública de Angola, FM Rádio LAC, FM Rádio Comercial de Cabinda, FM Rádio 2000, FM Rádio Morena, Rádio Mais, and TV Zimbo*. Other truly independent news sources also exist, such as *Folha8, Agora, Angol Noticias, Rádio Despertar* and *Radio Ecclesia*. Their content is highly critical of dos Santos and the MPLA and highlights their mismanagement of public budgets and the corruption within the party. A common message has been to remind readers that dos Santos is the son of immigrants from São Tomé and Príncipe, implying that he is not truly Angolan. Several of these news outlets have endured harassment and other forms of repression by the government, and their distribution is severely curtailed.

Impact on Political Longevity

Regardless of location, a free and independent media (i.e., one that is free of interference from an overreaching state, as exists in most liberal democracies) always presents challenges to ruling parties. In these countries, the press has a potentially destabilizing effect on political longevity, because it could undermine ruling regimes by raising awareness of questionable government practices or poor policies. This is particularly important in oil-producing countries, where public oversight of oil-revenues and government expenditures is monitored in many ways through the media.

In Angola, however, the repression of the media at the hands of the MPLA has, to date, prevented the spread of oppositional and unwanted information quite effectively. Even considering Angola's low literacy levels, other forms of state-run media, such as television and radio, also convey the MPLA's desired message. Moreover, the MPLA has curtailed any dissemination of unfavorable information relating to the oil sector, in particular details pertaining to contracts that might raise red flags if noticed by the public. To that end, the government has arguably been successful in limiting the potentially destabilizing impact of the press. Conversely, the media has been relatively ineffective at

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exposing government waste and abuse and, to date, has not posed a direct threat to political longevity.

Role of the Youth Population

Angola's youth population presents challenges to the government on several fronts. First, its rate of growth (2.6 percent per year, which is high even by African standards) is resulting in a major demographic shift in Angola. In 2011, more than 60 percent of Angola's population was under 20 years old.[38] Unlike the older generation of Angolans who are war-weary and still grateful to dos Santos for delivering peace to the country, members of this younger generation do not have such memories. Instead, they have higher expectations of their government, some of which is fed by growing use of social media and access to the internet. Remarkably, Angola's oil does not appear to be a direct source of grievances, unlike in some other oil-producing countries such as Ghana.[39] Based on IDA's limited observations while in Luanda and Cabinda, there is not a great expectation or widespread desire that youth work in the O/G industry, though many aspire to it. With the possible exception of Cabinda, there does not even seem to be much resentment that expatriates dominant Angola's most lucrative industry. Rather, the younger population seems to prefer to focus their grievances on the need for social reform.

Since the majority of these youth live in urban centers, they will continue to place pressure on already inadequate infrastructure and social services (e.g., education, power, water, food, sanitation) As described previously, Angola's oil has contributed to this deficiency in delivery of social services through the elite's preference to use oil rents for patronage purposes rather than investing in the local economy and the workforce. Therefore, it is possible that oil production might have indirectly contributed to the grievances expressed by large portions of Angola's youth. If not addressed by the authorities, this could lead to the related challenge of disaffection, disillusionment with the government, and eventually demands for change through protests. These factors appear to have provided the impetus for the numerous youth-led protests that occurred during the lead-up to the August 2012 elections. The violent manner in which the protests were suppressed and the leaders apprehended supports the notion that authorities view the youth population as a potentially destabilizing force in society and challenge to their power.

Protests were led not only by youth groups but also retired military veterans, civil rights activities, and musicians, many in a loose confederation known as the Revolutionary Youth.[40] (IDA heard rumors that the MPLA attempted, unsuccessfully, to coopt the leader of this group, Dionisio Goncalves Casimiro "Carbono," by offering him a car.) Participants in these protests reportedly came from all walks of life, including university students, children of political elite (mainly UNITA supporters), and youth from the urban slums, all of whom demanded improvements in the government provision of social services.

The international press has reported a litany of youth-led protests in Luanda and other major cities that were either violently suppressed or thwarted altogether by preemptively arresting leaders and organizers. A Human Rights Watch (HRW) report described several such events, such as the June 14 arrest of the university student and protest organizer Gaspar Luamba, who was abducted by civilian-clothed men in the Luandan suburb of Viana. Luamba told HRW that the assailants intimidated and interrogated him, demanding to know whether opposition parties were funding his organization. He was unhurt but felt his life was threatened.[41] Another notable youth icon is the rapper Luaty Beirão, who claims to have unleashed a wave of protests throughout Angola following a performance at a packed Luanda nightclub where he criticized a number of Angolan officials and told them to "Go F—yourselves." He ended the concert by displaying an anti-dos Santos banner and called for the audience to join an anti-government protest days later.[42] Beirão openly declared his intention to vote for UNITA and helped to draw several thousand supporters to the party's protest on 25 August.[43] Beirão has also been embraced by CASA-CE, whose strategy appeared to be to engage with the charismatic figures that were associated with anti-dos Santos protests. According to HRW, Beirão was even framed by Angolan authorities who placed cocaine in his luggage before flying to Lisbon Airport.[44] Figures like Beirão have been a thorn in the side of the Angolan authorities, particularly in the lead-up to election when they wielded extraordinary influence over the massive youth population.

Other examples exist, as does the same government response – violent suppression by security forces with physical intimidation, use of tear gas, and arrests. In some cases, these groups are thought to have been infiltrated by government spies, which could explain how authorities knew to arrest leaders before the protests actually occurred. Yet another, non-violent tactic by the government has been to prevent such protests by buying off the youth. *Maratonas* or MPLA-sponsored parties in Luanda and its suburbs are one such example. At these events, the MPLA provides food, beer, and entertainment to raise support for the party (or at least counteract the appeal of opposition parties).

Impact on Political Longevity

The youth population in Angola clearly represents a challenge to the ruling party's monopoly on power since many among them support opposition parties. This is why the government responded with such force to its protests. A compounding concern of the MPLA was the Arab Spring, which, it was feared, could resonate in Luanda. Although there is currently no strong evidence to support this claim, the perception among the MPLA was that the dos Santos regime could suffer the same fate as, for instance, Hosni Mubarak or Muammar Gaddafi. The extent to which this anti-government sentiment resonates across Angola is unclear. Although several well-documented protests took place, and many arrests were made, the government's prevention of others (by arresting leaders before the protests could take place) makes it difficult to gauge the strength of the youth movement. The logical assumption, however, is that it is strong with the potential to grow as access to social media and other online resources increases.

Unlike youth in African countries that have recently discovered oil reserves (such as Ghana or Uganda),[45] Angolan youth do not appear to have great expectations of working in the O/G industry. In the case of Ghana and Uganda, this expectation has been perpetuated by those governments, which has caused serious backlash that they must now contain. The O/G industry in Angola has been in operation for so long now that one explanation might be that workers have accepted that their lack of technical training and corruption within the system preclude them from entering that workforce. As a result, this aspect of the youth population in Angola does not appear to be politically destabilizing. The indirect effects of oil production, however, namely the lack of investment in the local economy, represent a major social issue, which the government must address to aid in its political longevity.

The Political-Business Cycle of Infrastructure Construction

Two back-to-back wars lasting 41 years left Angola economically devastated and in desperate need of reconstruction. In 2002, following the end of the Civil War, the victorious MPLA began the arduous task of reconstruction, which has benefited greatly from Chinese assistance. China's involvement in Angola dates back to the early years of the anticolonial struggle when it provided significant military assistance to the MPLA. During the Civil War, its support shifted regularly between the MPLA, UNITA, and the National Liberation Front of Angola (FNLA). Following the end of the conflict in 2002, China's relationship with Angola shifted from one based on defense and security assistance to economic assistance.

Angola is now China's most important African trading partner, with crude oil representing more than 95 percent of all Angolan exports to China. Figure 3 illustrates how this relationship has developed since 1995, with trade picking up significantly in the early 2000s.

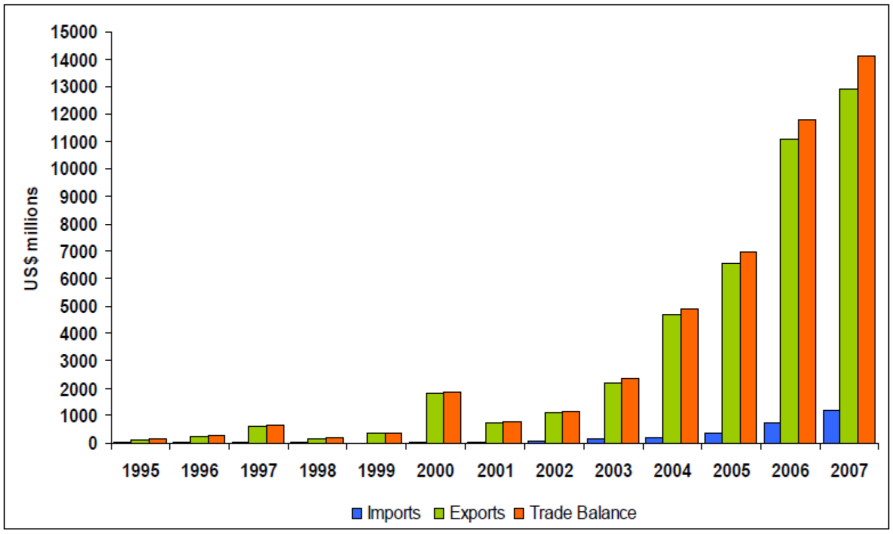

Figure 3. China-Angola Trade Volume (1995 - 2006)

(Source: Xinhua's China Economic Information Service)

In March 2004, the Export-Import Bank of China (EximBank) loaned Angola $2billion to Angola (to be repaid with oil) to fund the country's post-conflict reconstruction. Since then, these types of oil-backed loans have characterized the bilateral relationship and have paid for the vast majority of Angola's reconstruction, including road, railway, school, hospital, sanitation, airport, and residential construction.[46] The observation of many, including IDA, is that the quality of this construction is poor, but serves the immediate needs of both the Angolan and Chinese governments. The political implication of this bilateral relationship aside, infrastructure construction in Angola has clearly come to dominate Chinese investment in Angola. The GOA should, in theory, be able to fund its own reconstruction through the sale of its vast natural resources, and the investment of those revenues into the local economy. Corruption and mismanagement of these revenues have prevented this, but the GOA has nonetheless recognized the need for infrastructure construction and has taken advantage of Chinese assistance to accomplish this.

Importantly for the political longevity of the dos Santos regime, the MPLA has coordinated such construction through a clear political-business cycle, i.e., it has strategically timed certain projects to be completed in the lead-up to elections in order to secure public support and increase the party's reelection chances. For example, regional airports, roads, and some smaller projects such as parks were completed in 2012. These projects have been strategically concentrated in the large urban centers of Luanda, Cabinda, Benguela, and other provinces along the coast. There has been less reconstruction in the more rural provinces, where the numbers of voters are significantly less. This trend is consistent with the MPLA's pattern of also timing efficient public service delivery to correspond with the lead-up to elections. Prior to the August 2012 vote, much of the Angolan population enjoyed reliable power, water, and other government services. Many Luandans complained to IDA that since elections, the provision of these services has collapsed.

Large infrastructure projects have also been a means through which patronage is disbursed. Oversight for these projects typically resides in the President's private executive office, or in the highly secretive Office of Military Affairs. Because the negotiations and budgets of this office are not subject to public oversight, they serve as an ideal place to conduct sketchy and corrupt negotiations. According to one informed source, the terms of contracts with Chinese companies normally require that 30 percent of contracts under Chinese loans be awarded to Angolan companies. These companies are typically owned by friends and family of the President (some of whom may be politicians, clearly representing a conflict of interest), who end up benefiting personally from Chinese loans. This is, effectively, the overhead bribe that dos Santos factors into most Chinese contracts. The remaining 70 percent of the loan can be awarded to Chinese companies.

A recent and controversial example of such patronage in the infrastructure sector is the construction of "satellite cities" in Viana (Figure 4), Nova Cidade de Kilamba (Figure 5), and other suburbs of Luanda. Built by Chinese firms (specifically the state-owned China International Trust and Investment Corporation (CITIC) at a reported cost of $3.5 billion per project) and financed through the President's military office, these condos are supposedly intended for any Angolan who would like to purchase them. In reality, the government has given priority to certain segments of the population, namely members of the middle class who have demonstrated loyalty to the MPLA. Government authorities reportedly solicited the names of professors, doctors, lawyers, and other key members of the middle class from MPLA-affiliated organizations.[47] Journalists were also given right of first refusal in return for favorable media coverage of the President, since the timing of the condo sales coincided with the August elections. Despite the MPLA's best effort to "court" the middle class, the high cost of these condos (between $120,000 and $250,000 and therefore well out of reach of the estimated two-thirds of Angolans who live on less than $2 a day) and inconvenient location (18 miles outside of Luanda with no public transportation) have made them unattractive to potential buyers.[48] Moreover, mortgages are difficult to obtain (due to the lack of capital in banks), and the absence of a legal mechanism to provide titles to homeowners is yet another deterrent to purchasing property in Angola. IDA was told that urban planners were not consulted for these projects, which might have mitigated some of these problems. As a result, of 22,500 units built in Nova Cidade de Kilamba (pictured in Figure 5), only 500 are currently occupied. This is why these communities are commonly referred to in the press as "Ghost Towns." Purportedly the Sonangol real estate office intends to adjust the price of the houses of Kilamba to attract more occupants.[49]

Figure 4. Mostly Unoccupied Condos in Viana

Figure 5. Mostly Unoccupied Condos in Nova Cidade de Kilamba

Although Chinese investment is welcome in Angola, particularly when other sources of foreign investment and assistance have been less forthcoming, there will likely be some negative effects of China's cheap construction. Numerous reports have highlighted the poor quality of Chinese construction. While in Kazanga, a suburb of Luanda, the IDA team observed first-hand a road built in 2009, which had completely eroded away (Figure 6). It stands to reason that in the coming years, many of these roads, and possibly other Chinese-built infrastructure, will need to be replaced. The future cost of poor-quality construction is yet to be determined, but could well be significant.

Figure 6. Chinese-built road in Kazanga

Impact on Political Longevity

Infrastructure construction is much needed throughout Angola, and the MPLA has clearly taken advantage of the opportunities these contracts provide for corruption and self-enrichment. Moreover, the MPLA has timed and targeted projects for politically strategic regions and municipalities. Its purpose for doing so is to raise support for the President and the MPLA's public policies ahead of elections. Infrastructure construction is an ideal focus since it benefits many segments of the Angolan population. Targeting academics, lawyers, doctors, and people with professional qualifications is a common tactic to build support among the middle class in hopes that this will translate into political support for the ruling party. Because natural resource wealth raises the stakes on political power, leaders are more inclined to take whatever measures are necessary to secure their control over the state's apparatus. To date, there appears to be broad appreciation for such policies, with little criticism directed at the government. As a result, infrastructure construction as a tool to maintain support for the dos Santos regime and political stability more generally has been relatively successful in Angola.

The extent to which the public recognizes these projects are largely politically motivated or used as a means for corruption is unclear and would require further research. Should it become evident that a significant portion of the population objects to the politicization of public policy for personal gain, a groundswell of support for opposition parties could challenge the future of the dos Santos regime.

The *Fundo Soberano Angolano* (FSA) – Angola's Sovereign Wealth Fund

Like many countries endowed with great natural resource wealth, Angola has instituted a state-owned investment fund with an initial deposit of $5 billion raised through the sale of oil. The FSA was launched in October 2012, although previous versions of the fund existed, the most recent of which was called simply the *Fundo Petrolífero* or "Oil Fund." The Oil Fund was proposed in 2010 in response to calls from the International Monetary Fund (IMF) for Angola to create a more "medium-term approach" to its spending.[50] These name changes apparently generated some confusion, though by now the issue seems to have been clarified sufficiently. The fund is purportedly intended to invest in infrastructure, hospitality projects, domestic agriculture, sanitation, power generation, and other non-oil sectors of the Angolan economy that are predicted to exhibit strong growth in the coming years.

There are a number of questions surrounding this fund, most of which have been raised by political activists such as Rafael Marques de Morais – an Angolan journalist who runs the anti-corruption watchdog website *Maka Angola*. His primary concern is that the FSA was never submitted to the National Assembly and therefore has no legal standing or framework. Although an impressive website makes claims to the contrary (www.fundosoberano.ao), it has no official investment policies and is accountable only to the executive.[51] British press reports that a Swiss-based investment firm called Quantum Global (described below) purchased a piece of prime London real estate for $350 million on behalf of the FSA have prompted some journalists to ask how a national fund that has no legal standing can purchase property overseas.[52]

Some journalists, analysts, and informed citizens whom IDA interviewed are also concerned by the fund's management, which is currently run by a three-member board including Armando Manuel (a close advisor to the President,) Hugo Miguel Evora Goncalves (a relative of former Minister of the Economy), and – most alarming – the President's eldest son, Jose Filomeno de Sousa dos Santos, commonly known as "Zenú." Appointing the President's son (who holds no official position in government) is a blatant example of nepotism. The FSA's assets are managed by the Swiss-based investment firm "Quantum Global"[53] where one of Zenú's close friends, Jean Claude Bastos de Morais, is a central player. Incidentally, de Morais was convicted in Switzerland for "repeated qualified criminal mismanagement" in 2011.[54]

Figure 7. Jean Claude Bastos de Morais

(Source: www.quantumglobal.ch/about-us/advisory-board/jean-claude-bastos-de-morais/)

De Morais and Zenú also co-own Angola's first investment bank, Banco Kwanza Invest, although Zenú purportedly resigned from his board position in October 2012.[55] Serving in both positions is a clear conflict of interest, although Zenú claims there is no connection between Banco Kwanza and the FSA. Additional convoluted and incestuous personnel connections between Quantum Global and Banco Kwanza (on the surface unrelated to Zenú) still raise conflict of interest concerns.[56]

Given these concerns regarding the nature and management of the FSA, many of those informed sources that IDA interviewed view it as a ruse to be touted as a national tool to hedge against future price fluctuations in oil market, while actually serving as a slush fund for the dos Santos family and its friends to enrich themselves. Obvious weaknesses in its stated purpose, i.e., to develop Angola's tourism industry, have been identified, such as how building hotels will meet Angola's chronic development needs and why/how prospective African hospitality students would want to study in the continent's most expensive capital, where little English is spoken.[57] Given the performance of previous goodwill funds such as the Eduardo dos Santos Foundation created in 1996 by the President and the more recent Lwini Fund controlled by the first lady, Ana Paula dos Santos, poor management and rampant corruption are expected to characterize this fund as well.

Interestingly, the FSA has not been well-advertised to the public for reasons that are unclear. While several foreign media sources came to Luanda following its announcement and the fund has received significant media coverage from sources like the *New York Times*, *CNN*, and *Euromoney*, there has been very little mention or discussion of the fund in the local Angolan press. In fact, its establishment was announced immediately following the most recent elections, leading many to believe that dos Santos was less interested in appealing to Angolans than impressing an international audience. It is also possible that he might have been embarrassed that it is so clearly flawed by nepotism or that he might not have wanted to want to raise expectations and then be obliged to report on the fund's progress.

Impact on Political Longevity

Some oil funds in oil-producing countries have been quite effective at hedging against the negative impacts of volatile oil prices and providing a cushion of savings for future generations, once oil revenues dry up. These funds are generally believed to be managed by independent, non-corrupt entities and have legal standing in their countries. They are often used to explain how countries and territories such as Norway, the Shetland Islands, or Alaska have been able to benefit from their vast oil wealth without suffering the dreaded effects of the Resource Curse or Dutch Disease.[58] While it cannot be authoritatively stated that oil wealth has contributed to democracy in these countries, it has certainly not hindered it. It can be said, however, that democracies existed in these countries *before* the discovery of oil, including the institutions that allowed those governments to successfully capitalize on oil wealth, most notably the rule of law and public oversight of government activities.

In more fragile or transitioning democracies, such as those that exist in Africa, the argument can be made that the aforementioned institutions, among others, are not strong enough to hedge against the opportunities for corruption that oil wealth presents. Libya's SWF under Muammar Gaddafi, known as the Libyan Investment Authority (LIA), certainly provided ample opportunities for the politicization of foreign investment and the personal enrichment of the Libyan dictator. The fund was also characterized, however, by a surprisingly high level of professionalism and a coherent investment strategy with legitimate financial motives. Democratic development was clearly neglected in Libya, but the LIA ultimately left Gaddafi's successors with approximately $5 billion in investments.[59]

In authoritarian countries, there should be minimal expectations that leaders will resist the temptation to seize personal control of the state's national resources. Claims that sovereign wealth funds, or variations thereof, established by benevolent leaders acting in the interests of the population should be assessed with caution. Funds need to be examined for genuine independent management, a sound investment strategy, and oversight by parliament and civil society alike.

Challenges Facing the Private Sector

Doing business in Angola presents a unique set of challenges and opportunities. The country has experienced impressive growth over the last few years, reflecting new investments primarily by large corporations. This growth has been accompanied, however, by a concomitant increase in challenges facing the private sector, which have only recently become major obstacles to encouraging economic activity.

There is a litany of complaints voiced by business owners operating in Angola. First and foremost, there is a serious lack of access to capital that has impeded the ability of SMEs to secure the financing they need to establish businesses in Angola. Despite the presence of a multitude of banks, they do not have funds available to lend to investors that would allow SMEs to establish businesses.[60] For businesses that are able to secure loans, however, a new government program guarantees 70 percent payment on the loan and caps the interest rate at 5 percent. These loans need to be in certain sectors (including but not limited to O/G) and cover low and high risk projects.

The 2011 passage of the Private Investment Law – applicable to both domestic and foreign private investment – also has significant implications for SMEs. This law contains a list of guarantees and tax incentives that are intended to safeguard and promote investments in Angola, but only for investments of $1 million or more. It was designed in

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part to regulate the repatriation of profits and therefore reduce opportunities for money laundering, but an unintended consequence has been to crowd out many SMEs who – due to the credit crunch in Angola – don't have $1 million to invest.

A serious issue in Angola is the overwhelming presence of government-owned or connected businesses, which crowd out truly private SMEs from the most lucrative sector, i.e., oil and gas. The dominance of Sonangol in the O/G industry makes it difficult for SMEs to compete, let alone be significant players. At best, Angolan businesses aspire to be service providers, but even then are often forced to partner with international companies before they can service the industry. This difficulty in penetrating the O/G industry is common elsewhere around the world (even in the U.S.) because the high risk of investments and high cost of operations precludes many less well-endowed firms. For Angolan firms, the problem is multiplied due to the lack of a skilled workforce and the practical limitations placed on firms that don't have political connections and therefore access to government contracts.

Some (but not all) of the Angolan business owners IDA interviewed also lament the Foreign Corrupt Practices Act (FCPA) and related Dodd-Frank Wall Street Reform and Consumer Protection act. Both are designed to improve accountability and transparency in the U.S. financial system and prevent corruption, but have also raised concerns among Angolan companies looking to do business with American firms. The concern is that business transactions considered to be ordinary by some African standards will be considered illegal under these laws. Adhering to the requirements set forth in Dodd-Frank, most notably disclosure requirements, will fundamentally undermine the African business culture. This could raise tensions between U.S. investors and the Angolan government, creating more opportunities for foreign investors that do not have such stringent anti-corruption requirements, such as China. Likewise, adhering to FCPA is fundamentally inconsistent with some African customs and business practices.

The bureaucracy that local and foreign SMEs alike must navigate in order to register their businesses in Angola is difficult and expensive, although this appears to be improving. Traditionally, Angolan business owners had to navigate through 10 to 12 different government agencies to pay the necessary fees and attain the necessary authorizations for registration, which was time-consuming and expensive. Recently, this process was streamlined and the *Guiche Ujnico de Empluse* (GUE) was established as a one-stop shop to attain all the necessary paperwork. This process was even more burdensome and time-consuming for foreign companies who had to work through the notoriously bureaucratic *Agência Nacional de Investimento Privado* (ANIP or the National Private Investment Agency).

Additional complaints voiced by Angolan business owners include language and cultural differences with many foreign investors (Brazilian companies are the exception due to their shared language and histories), insufficient infrastructure to facilitate

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commercial activity (communications and transportation), concerns over property rights, and most importantly, the lack of capacity of the Angolan workforce.

Impact on Political Longevity

The private sector in most countries is generally accepted to be the "engine of growth" that creates opportunities for businesses and citizens alike, raising standards of living and creating the conditions where local communities can thrive economically. The different global models that exist for capitalism demonstrate that there are different philosophies regarding the best way to encourage economic growth with varying degrees of impact on political stability. Arguably, a state-run economy coupled with highly limited freedoms on speech, as in China, offers little space for the private sector or business leader to challenge the ruling party, and therefore have had minimal impact on political longevity. In the U.S., on the other hand, the health of the private sector and the national economy is a huge topic of debate and is often featured prominently in national elections.

In Angola, the government recognizes the vast opportunities that exist for the private sector to grow the economy through investment in and development of Angolan extractive industries. Nonetheless, the limitations that it places on the private sector – some by design and others as a result of the political, economic, and social institutions already in place – have deterred certain investments that could further contribute to the country's development. The ease and cost of establishing a business, the competitiveness of the investment environment (presence of corruption or government-affiliated firms that crowd out smaller investors), and the laws in place regulating the private sector are all factors that affect the "health" of the private sector and therefore the position that it occupies in the national dialogue of the country. To date, the "private sector" in Angola has been dominated by government-associated businesses, most of which are connected to high-ranking MPLA members, most notably the President. The very gradual expansion of the private sector in Angola to include some truly private firms, however, appears to be elevating the prominence of the private sector at the national level. This emerging cadre of young business leaders appears to offer a viable alternative to the existing network of MPLA-affiliated politicians/business owners.

Land Ownership in Urban Centers

As the GOA seeks to develop its cities and implement new construction and infrastructure projects, land ownership has become a growing concern among urban dwellers. Currently, fewer than 10 percent of people in urban areas have titles to the land on which they reside. This has resulted in the forcible and at times violent evictions of thousands of people living in informal housing areas with little or no notice.[61] The lack of legal land ownership also has major implications for the government's urbanization plans, since many urban development projects will require a large-scale relocation of people to make room for new housing projects. There was initially a plan to move them to the outskirts of town, similar to Apartheid-era townships. After further consideration, they are now planning to move people into nearby high-rise buildings. This plan is very expensive and will accommodate only a small number of Angolans; it is not clear whether this plan will include means for acquiring titles for resettled citizens.

According to the *2004 Land Law and the Law of Territorial and Urban Management*, the government can only expropriate land for specific public use, and must declare this purpose when it does so. It also mandates that anyone whose land is expropriated for public use has a right to compensation, and that projects that may have a significant social or environmental impact undergo an impact assessment. In theory, this law should provide people with protection against forced evictions. In practice, the law places the onus on individual citizens to register their land and secure titles, which is entirely unrealistic given the notoriously slow Angolan bureaucracy. Moreover, many Angolans are illiterate and do not know how to go about this process, nor do they have the formal identification documents required to complete the process.[62]

Impact on Political Longevity

The issue of land tenure is often raised in the context of rural populations, where residents live on and farm land for which they have no legal documents proving ownership. Weaknesses of this "customary law" have been exacerbated by large-scale land acquisitions (commonly referred to as "land grabs") in the rural countryside of many African countries. This has had a notable impact on political longevity in some countries, such as Madagascar whose government was overthrown by the opposition who objected to its willingness to sell one third of the country's arable land to foreign investors.

Land ownership is less often discussed in the context of urban populations, although the situation in Luanda provides a prime example of how the lack of legal land ownership could sow the seeds for future conflict. With urbanization plans high on the government's priority list, massive (potentially forcible) eviction and relocation of Angolans to make space for new infrastructure projects could present a significant social challenge for the government.

Social Implications of China in Angola

In addition to the role Chinese firms play in realizing dos Santos' political-economic agenda, there could be significant social implications of the Chinese population in Angola. Estimates vary, but most researchers agree that there are at least 400,000 Chinese in Angola. According to several interviewees, some of them come from Chinese prisons. Because they are permitted (tacitly) to enter Angola without visas, the government is unable to track their exact numbers.

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During its interviews in Luanda and Cabinda, IDA sensed growing hostility among locals toward the presence of Chinese workers in Angola. There is palpable resentment over the use of Chinese labor where Angolan labor could suffice. The influx of Chinese companies has not been accompanied by a concomitant increase in skills transfer. Many jobs (though not all) do not require a high degree of technical competence and could easily be performed by local Angolans. The Chinese government clearly has its own political and economic agenda, which is served by exporting workers to Africa, but this is in direct contradiction to the GOA's stated goal of providing employment for and building the capacity of the Angolan workforce. Second, not only are Chinese workers taking jobs away from Angolans in the formal construction and technical sectors, but they have recently become active in the informal economy. Locals complain that Chinese are now competing with Angolan street hawkers and, because of their cheap products, have actually crowded out local vendors in some markets. Chinese have also established numerous small pharmacies where they are quickly developing a reputation for selling counterfeit drugs. Not only are these activities further crowding out Angolans from the pharmaceuticals market, but counterfeit drugs represent a major public health problem.[63] A third common complaint is the refusal of most Chinese workers to learn the local language or otherwise assimilate into local communities. They sleep on the construction sites to where they are assigned and rarely venture into local neighborhoods. They are widely perceived to be racist, and, although physical altercations are rare, they are reportedly on the rise. That said, there have supposedly been an increasing number of marriages between Chinese men and Angolan women, prompting many to wonder how biracial children will assimilate – and more importantly be accepted – into local communities.

Impact on Political Longevity

Although not an officially stated policy, most analysts agree that Chinese infrastructure projects in Africa provide a pressure valve for excess Chinese capacity in engineering, construction, and menial labor. Keeping workers employed in Africa prevents unemployment and restiveness at home, although it may well be fomenting seeds of discontent in Angola's large cities.

So far the Chinese issue has not been a political one that has featured prominently in Angolan elections, as it has in Zambia and even Ghana. Unlike in those countries where opposition parties have the freedom to launch viable political campaigns, the dominance of the MPLA in Angolan politics and its control over all information outlets ensure that this issue remains inconsequential. Furthermore, because Chinese labor is so essential to the development of the Angolan economy, it is highly unlikely that the government will do anything but protect this resource. Should the circumstances change and there be an opening for the opposition in Angola to pose a viable challenge to the MPLA, hostility

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toward Chinese labor could be an effective campaign message that resonates with a large segment of the Angolan population.

Conclusion

Summary: Factors Affecting Political Longevity in Angola

This case study synthesizes invaluable insights collected from Angolan citizens with IDA's knowledge of the O/G industry and Angolan politics to highlight the most important factors that have affected the political longevity of the dos Santos regime. In addition to oil production, there is a range of social, political, and economic variables that have placed Angola on the trajectory where it sits today. Table 2 summarizes the most significant factors identified during the course of this research that affect political longevity in Angola today.

Table 2. Factors Affecting Political Longevity in Angola, 2012

Factors Supporting Political Longevity	Factors Challenging Political Longevity
• Strong economic growth that reflects well on the dos Santos regime • Well-entrenched governing party (MPLA) and the authoritarian style of dos Santos: – Monopoly of oil revenues, including the FSA – Control of information dissemination through the media and civil society – Suppression of opposition • Weak political, economic, and social institutions to counterbalance dos Santos • Inextricable links between MPLA party members and Angolan business interests • Politicization of infrastructure construction and provision of social services	• Growing Angolan private sector and business leaders offering a viable alternative to the existing network of MPLA-affiliated business owners • Growing dissatisfaction over lack of investment in local economy and public services: – Youth – Urban population – Military veterans • Internal divisions within the MPLA creating space for opposition candidates • Growing resentment of Chinese workers "crowding out" local businesses; other social implications

Possible Hypotheses to be Tested in Phase 3

Many of these factors and the influence they have in Angola (as described in the body of the report) can be translated into testable hypotheses to be considered in the next and final phase of this research. Possible hypotheses are proposed below, which will be further considered and refined for statistical testing in phase 3, based on the availability of sufficient data.

- The extent to which a country can hedge against the negative effects of an oil-dependent economy depends on the volume and location of the oil, the country's ability to diversify its economy, and the strength of its institutions at the time the resource is discovered.

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- A NOC contributes to political longevity by providing a vehicle through which the ruling regime can control oil revenues.
- In oil-producing nations, economic growth without concomitant social development will threaten political stability.
- In oil-producing nations, a vibrant civil society and a free press are threats to the political longevity of a ruling regime because they expose government abuses (such as mismanagement of oil revenues) and facilitate access to information endorsing all political parties, thus leveling the playing field for all candidates.
- In oil-producing nations, massive public infrastructure projects are politically expedient in the short-term, but threaten political longevity in the long term.
- In oil-producing nations, SWFs are largely unsuccessful in preserving countries' oil wealth for the use of future generations unless they are operated by genuinely independent managers, have a sound investment strategy, and are overseen by parliament and civil society.
- In an oil-producing nation, a truly apolitical private sector and growing middle class threaten political longevity by demanding economic and political reform.

These hypotheses will compare Angola's experience with those of other oil-producing countries to identify those variables that prove to have the greatest explanatory power across the spectrum of states. With this information, IDA can begin to lay out the most likely scenarios and political trajectories for new oil-producing countries such as Liberia, Sierra Leone, Ghana, Uganda, and Kenya.

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Endnotes

[1] Elections were held in Liberia and Uganda in 2011, Sierra Leone and Ghana in 2012, and Kenyan elections are scheduled for March 2013.

[2] "Angolan oil production has doubled since 2003," *US Energy Information Administration*, October 14, 2011, Accessed January 14, 2013 at: www.eia.gov/todayinenergy/detail.cfm?id=3490

[3] Ibid.

[4] Alex Vines, Markus Weimer, "Angola: Assessing Risks to Stability," Center for Strategic and International Studies, June 2011.

[5] Cabinda is the capital of the Cabinda Province – an exclave located to the north of the DRC and south of the Republic of Congo, with the Atlantic Ocean bordering it to the west. It shares no border with Angola.

[6] "Skills shortages in the global oil and gas industry: How to close the gap, Part II Case Studies: Nigeria and Angola," (Centre de Recherches Enterprises et Societes,) December 2008, available at http://www.cres.ch/SKILLS%20SHORTAGE%20PART%20II%20pdf.pdf

[7] Minorities at Risk Project. (2009) "Minorities at Risk Dataset." (Assessment for Cabinda in Angola,) College Park, MD: Center for International Development and Conflict Management. Available at: http://www.cidcm.umd.edu/mar/assessment.asp?groupId=54003

[8] It should be noted that some Angolan workers in Malongo characterize the working conditions as oppressive and unjust, claiming unequal pay with expats despite their "slave labor."

[9] Al Guevara, "Gooooood Morning Malongo!" The Malongo Memoirs, available at: http://redroom.com/member/al-guevara/writing/the-malongo-memoirs-gooood-morning-malongo-a-day-in-the-life

[10] William Minter, *Portuguese Africa and the West*, (New York and London: Monthly Review Press, 1972.)

[11] Philippe LeBillon, "The Political Ecology of War: Natural Resources and Armed Conflicts." *Political Geography* 20, no. 5 (2001): 561-84.

[12] Paul Collier and Anke Hoeffler, "On Economic Causes of Civil War," *Oxford Economic Papers* 50 (1998); Richard Snyder and Ravi Bhavnani, "Diamonds, Blood, and Taxes: A Revenue-Centered Framework for Explaining Political Disorder," *Journal of Conflict Resolution* 49, no. 4 (August 2005); Michael Ross, "The Political Economy of Armed Conflict: Beyond Greed and Grievance," International Peace Academy, (London: Lynne Rienner Publisher, 2003).

[13] Leonardo Maugeri, "Oil: The Next Revolution" Discussion Paper 2012-10, Belfer Center for Science and International Affairs, Harvard Kennedy School, June 2012.

[14] "Time for Transparency: Coming Clean on Oil, Mining and Gas Revenues," (Global Witness, March 2004).

[15] Michael Ross, "Chapter 2: The Natural Resource Curse: How Wealth Can Make You Poor," In *Natural Resources and Violent Conflict, Options and Actions*, Eds. Ian Bannon and Paul Collier, (Washington DC: World Bank Press) p. 20.

[16] "Skills shortages in the global oil and gas industry: How to close the gap, Part II Case Studies: Nigeria and Angola."

[17] "Expanding Local Content in our Industrial Projects," Total Website, available at: http://www.total.com/en/our-challenges/driving-shared-development-/our-actions/employment-and-economic-development/local-content-201060.html

[18] Some of these laws governing LC include: the Oil Activities Law (Law 10/04) which gives preference for local suppliers if up to 10% more expensive and lower taxes for local oil companies; the Oil Taxation Law (Law 13/04) which deems certain training and social expenses deductible; the Oil Customs Law (Law 11/04) which makes training equipment exempt from import duties and provides tariff protection of domestic market; the Law for the Promotion of Business for Local Private Companies (Law 14/03)which gives preference for local companies for concessions; the Mandatory Hiring and Training

of Angolan Citizens (Decree 20/82 and Law 17/09) which requires a minimum of 70% nationals in the organization and regulation of work visa application; Fund for Training and Development of Human Resources (Decree 14/10) which provides a 0.5% Training tax and makes a company's efforts deductible; the Contracting Services from Local Companies in the Oil Industry (Decree 127/03 and 48/06) which establishes three competition regimes; the Exchange Regime for Petroleum Sector (Law 02/12) which requires the use of the local banking system; and the Private Investment Law (PIL, Law 20/11) which requires an assessment of impacts on economy and job creation. (Source: http://localcontentangola.com/local-content)

[19] Alex Vines, Markus Weimer, "Angola: Assessing Risks to Stability."

[20] Angolan onshore oil was discovered in 1955 in the Kwanza Valley and a refinery was quickly built in Luanda to process it. But it wasn't until the 1960s when the Cabinda Gulf Oil Company (CABOG), (now ChevronTexaco,) discovered offshore oil in Cabinda. Since that time, the government has been directly involved in oil exploration through its state oil company Sonangol (Sociedade Nacional de Combustíveis de Angola). Sonangol recognized the value to be gained by attracting foreign investors and developing its O/G sector, and so divided its offshore fields into thirteen exploration blocks. Through Production Sharing Agreements (PSAs), Sonangol encouraged IOCs to invest in Angola. In 1978, legislation was passed that permitted Sonangol to acquire a 51 percent interest in the Cabinda concession and in all onshore concessions, although IOCs remained operators. This new law gave Sonangol exclusive rights to petroleum and gas exploration and made it the sole oil concessionaire, regulator, and tax gathering agent. In 1990, Angola witnessed another oil boom, when the government established close to 30 offshore and onshore blocks which were operated by fourteen companies with more than 30 companies holding licenses.

[21] "Angola: End Silence on Missing Funds and Clarify US$32 Billion Accounting Gap," Human Rights Watch, January 17, 2012, available at: http://www.hrw.org/news/2012/01/17/angola-end-silence-missing-funds

[22] Several of the conclusions presented in the following paper provide some evidence supporting this inference: Peter Hartley and Kenneth Medlock, "A Model of the Operations and Development of a National Oil Company," A report prepared in conjunction with the James A. Baker III Institute for Public Policy at Rice University and the Japan Petroleum Energy Center, March 2007, available at: http://128.42.206.130/programs/energy-forum/publications/docs/NOCs/Papers/NOC_Model_Hartley-Medlock.pdf

[23] Human Development Index 2011, United Nations Development Programme. Poverty has been reduced from 68% to 50%, but this is still not on pace with growth.

[24] Steven Radelet and Jeffrey Sachs, "Asia's Reemergence," *Foreign Affairs*, (Winter 1997).

[25] Though not an excuse for the GOA's inaction on the provision of social services, it should be noted that the government does not have an accurate count of its population, so planning for and delivering such services for all who need them would be difficult, even under normal circumstances. A census is scheduled for next year.

[26] Exact numbers are unknown, but according to one estimate, there were approximately 350 NGOs operating in Angola five years ago; Today there are approximately 15-20 that are truly independent.

[27] Inge Amundsen, Cesaltina Abreu, "Civil Society in Angola: Inroads, Space and Accountability," CHR. Michelsen Institute, October 2006.

[28] These media projects focused on women rights and youth issues. These were not permitted on public TV but were available on DSTV as well as Catholic and Methodist radio stations.

[29] Inge Amundsen, Cesaltina Abreu, "Civil Society in Angola: Inroads, Space and Accountability," CHR. Michelsen Institute, October 2006.

[30] OMA has been described as "the women's mass movement of the ruling party MPLA." Luzia Inglês Van-Dúnem is the ex-Secretary General of OMA, and now President of the Angola National Commission. She is the wife of Afonso Van-Dúnem M'Binda who was the Minister of External Relations 1985-1988. See: http://www.cabinda.net/List_Henchmen_MPLA_Angola.htm

[31] In an informal discussion with a staff member of ADRA, the individual implied their organization was one of the few non-political Angolan NGOs. It has a line item in the public budget and must deliver a report to the government each year, yet it has a reputation for being a rogue organization. It focuses funds where needed in the community which is not always consistent with government-supported projects.

[32] In an informal discussion with an informed observer, the individual implied Mãos Livres is a thorn in the side of the government. It is funded primarily by the UN Human Rights Division and offers free legal assistance to Angolans seeking justice.

[33] This NGO was initially supported by George Soros's Open Society Institute and therefore has a reputation for being independent. IDA was unable to confirm this.

[34] Inge Amundsen, Cesaltina Abreu, "Civil Society in Angola: Inroads, Space and Accountability."

[35] According to one interviewee, the Baptist Church dominates in the North (an FNLA stronghold. People in the north are thought to be very smart and studied outside of Angola); the Anglican church dominates in the South (a UNITA stronghold); and the Methodist church dominates in the middle of the country (MPLA stronghold)

[36] Images of UNITA's Demonstration in Luanda, *Maka Angola*, August 27, 2012, http://makaangola.org/2012/08/27/imagens-manifestacao-da-unita-em-luanda/?lang=en; Claudia Gastrow, "Angolan Elections 2012: beer and circuses no longer enough," *African Arguments*, Royal African Society, August 30, 2012, http://africanarguments.org/2012/08/30/angolan-elections-2012-beer-and-circuses-no-longer-enough-by-claudia-gastrow/

[37] Claudia Gastrow, "Angolan Elections 2012: beer and circuses no longer enough."

[38] "Angola: Youth Makes Up Over 60 percent of Population," *AngolaPress*, May 11, 2011, http://allafrica.com/stories/201105120149.html

[39] Ashley Bybee and Eliza Johannes "Neglected but Affected: Voices from the Oil-Producing Regions of Ghana and Uganda," Institute for Defense Analyses, 2012.

[40] Peter Wonacott, "Youth Protests Shake Politics Across Africa," *Wall Street Journal*, August 30, 2012, http://online.wsj.com/article/SB10000872396390444914904577615711122800778.html

[41] "Angola: Protesters Detained, Disappeared," *Human Rights Watch*, July 5, 2012, http://www.hrw.org/news/2012/07/05/angola-protesters-detained-disappeared

[42] Peter Wonacott, "Youth Protests Shake Politics Across Africa."

[43] Claudia Gastrow, "Angolan Elections 2012: beer and circuses no longer enough."

[44] "Angola: Protesters Detained, Disappeared," *Human Rights Watch*, July 5, 2012, http://www.hrw.org/news/2012/07/05/angola-protesters-detained-disappeared

[45] Ashley Bybee and Eliza Johannes "Neglected but Affected: Voices from the Oil-Producing Regions of Ghana and Uganda," Institute for Defense Analyses, 2012.

[46] There is an abundance of literature describing the nature of this relationship and details of projects financed by China. See, for example, Indira Campos and Alex Vines, "Angola and China: A Pragmatic Partnership" Working Paper Presented at a CSIS Conference, "Prospects for Improving U.S.-China-Africa Cooperation," (London: Chatham House) December 5, 2007.

[47] It is important to note that in order to succeed professionally in Angola, one must be a member of a professional association which are, of course, all affiliated with the MPLA. Most state-owned or state-affiliated enterprises (such as Sonangol, its subsidiaries, or any of the companies owned by or connected to the dos Santos family) will only hire from these associations.

[48] Louise Redvers, "Angola's Chinese-built ghost town," *British Broadcasting Corporation*, 2 July 2012, available at: http://www.bbc.co.uk/news/world-africa-18646243

[49] "Sonangol Real Estate intends to adjust the price of the houses of Kilamba," Radio Nacional de Angola (Angolan National Radio,) November 11, 2012, http://www.rna.ao/canalA/noticias.cgi?ID=64874; Kumuênho Rose, "Orderly Reduction in House Prices," Journal de Angola Online, November 10, 2012, http://jornaldeangola.sapo.ao/20/0/ordenada_a_reducao_dos_precos_das_casas

[50] "Angola's Sovereign Wealth Fund - the U.S.$5 Billion Logo," *Maka Angola*, Luanda, December 16, 2012, available at: www.allafrica.com/stories/201212180570.html?aa_source=sptlgt-grid

[51] For example, the website claims there are mechanisms in place to ensure its fair management, such as the requirement for an annual report to Parliament and the appointment of "internationally recognized independent auditors.

[52] "Angola's Sovereign Wealth Fund - the U.S.$5 Billion Logo"

[53] "Quantum Global Investment Management is proud to announce a new asset management contract," October 20, 2012, http://www.quantumglobal.ch/de/qgim/article/?tx_ttnews%5Btt_news%5D=49

[54] "Angola's Sovereign Wealth Fund - the U.S.$5 Billion Logo"

[55] Louise Redvers, "Angola: Who's Who in the Palace?" *Mail and Guardian*, November 2nd, 2012, http://mg.co.za/article/2012-11-02-00-angola-whos-who-in-the-palace

[56] For a detailed description of these relationships, see: "Angola's Sovereign Wealth Fund - the U.S.$5 Billion Logo"

[57] "Angola's Sovereign Wealth Fund - the U.S.$5 Billion Logo"

[58] "The Shetland Islands: Lonely but Rich," *The Economist*, August 16, 2001, http://www.economist.com/node/741453; Michael Winter, "Alaska oil fund hits record $40B, with Apple's help," *USA Today*, August 2, 2011, http://content.usatoday.com/communities/ondeadline/post/2011/08/alaska-oil-fund-hits-40b----apple-is-its-top-stock/1; Delia Velculescu, "Norway's Oil Fund Shows the Way for Wealth Funds," International Monetary Fund, July 9, 2008, http://www.imf.org/external/pubs/ft/survey/so/2008/pol070908a.htm

[59] "Libyan Investment in Africa Post-Qadhafi: Back to Business," Institute for Defense Analyses, 2012.

[60] According to one foreign journalist, Angola has 23 banks most of which are connected to former military generals and party loyalists.

[61] 'They Pushed Down the Houses', Forced Evictions and Insecure Land Tenure for Luanda's Urban Poor, Human Rights Watch, HRW Index No.: A1907, 15 May 2007.

[62] Conor Foley, "Land Rights in Angola: Poverty and Plenty," Humanitarian Policy Group, UNHCR, October 5, 2011, available at: http://www.unhcr.org/refworld/pdfid/4a5b32ca0.pdf

[63] In order to pass laboratory testing, counterfeit medicines often contain small amounts of the active ingredient, which contributes to drug-resistant strains of the disease.

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14. ABSTRACT
This is the second report in a series of deliverables that seek to better understand the relationship between oil production and political stability in African countries. The first report explained political stability from the commercial perspective and defined what features make an attractive investment environment for petroleum companies. This report uses Angola as a case study to identify some testable hypotheses regarding the relationship between oil production and political stability in other African countries. Angola was selected given its high production levels over a sufficient length of time to provide some historical context (in a relatively less complex environment than Nigeria), and because Angola represents a strategic geopolitical partner for the USG in Africa. The third deliverable in this series will present a statistical analysis of possible political trajectories for new African oil producers such as Liberia, Sierra Leone, Ghana, Uganda, and Kenya in an effort to better understand what oil production portends for the future of these regimes.

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