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AID, GOVERNANCE AND PUBLIC FINANCE FRAUD

EVIDENCE FROM ANGOLA

ABSTRACT

This article examines the process of public finance fraud leading to unjust enrichment of ruling elites in Angola, a resource-rich, yet ironically poverty-trapped country, owing to decades of rule of José Eduardo dos Santos. It analyses the phenomenon of political corruption in the Angolan context, translating into mismanagement of public revenues coming from natural resources as a means of attaining private economic benefits and consolidating power. Moreover, by examining cross-border inter-company networks aimed at concealing public assets behind front companies, the author attempts to establish a connection between corruption and illicit financial flows. Ultimately, since political corruption is intrinsically linked to governance, the article looks at the impact of the latter on social development as well as on the effectiveness of development aid granted to Angola. It was written based on secondary resources including existing literature and material evidence. Its findings and conclusions correspond with the overall theory postulated by the academic community, maintaining that natural resources and aid have negative impact on governance, institutional accountability, and in consequence on human development, especially in countries characterised by despotic rule.

Keywords: Angola, corruption, resource curse, foreign aid, Africa

INTRODUCTION

Angola is one of the biggest producers of oil in Africa, and petroleum is the country's main export that fuels its economic growth. According to data published by OPEC, the oil sector contributes to about 50 per cent of the country's GDP and makes up approximately 89 per cent of its exports.¹ Moreover, the country possesses a wealth of different minerals, including diamonds making up a bulk of its mineral exports.² At the same time, Angola remains undeveloped, poor, and is listed among the UN Least Developed Countries (LDCs).³ Undeniably, the country's impressive economic growth is driven by its primary natural resource – oil. With gross national income (GNI) per capita accounting for current USD 4,477 in 2018 and showing an overall growing trend, the country has satisfied the income per capita criterion of graduating from the LDC category. Yet, two other criteria, i.e. economic vulnerability and human assets index remain unmet.⁴

Nonetheless, the country's overreliance on oil exports makes it vulnerable in terms of dealing with oil price shocks. Falling oil prices have contributed to a volatility and sharp fall of its GNI in recent years. Current reforms implemented by the government to tackle the issue, such as devaluing national currency, tightening monetary policy, and introducing laws essential to enhance private sector-led growth proved successful *ad hoc*, yet substantial challenges to the country's macroeconomic stability persist.⁵

Angola's excessive dependence on revenues stemming from extracting raw materials exemplifies a "resource curse" scenario with oil contributing to a situation, where with its price doubling, the long-term level of the country's total economic output halves relative to what it would have been without oil.⁶ Consequently, the country that is the second biggest African oil producer is characterised by low levels of economic development, neglected infrastructure, low institutional capacity, bad governance, low human development indicators, and endemic poverty of its population.⁷

¹ Organization of the Petroleum Exporting Countries (OPEC), "Angola Facts and Figures", *Annual Statistics Bulletin*, Vienna 2019, at <https://www.opec.org/opec_web/en/about_us/147.htm>, 11 August 2019.

² Central Intelligence Agency (CIA), *The World Factbook on Angola*, Washington 2019, at <<https://www.cia.gov/LIBRARY/publications/the-world-factbook/geos/ao.html>>, 11 July 2019.

³ United Nations, Economic Analysis and Policy Division, Department of Economic and Social Affairs, *Least Developed Country Category: Angola Profile*, New York 2019, at <<https://www.un.org/development/desa/dpad/least-developed-country-category-angola.html>>, 11 July 2019.

⁴ Ibid.

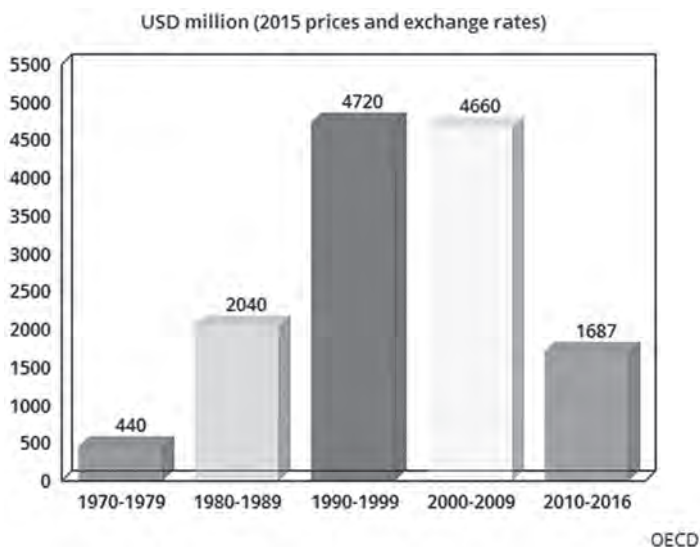
⁵ World Bank, *Overview: Angola*, Washington 2019, at <<https://www.worldbank.org/en/country/angola/overview#1>>, 11 July 2019.

⁶ P. Collier, *The Plundered Planet: Why We Must – And How We Can – Manage Nature for Global Prosperity*, Oxford 2010, p. 41.

⁷ World Bank, *Overview...*

AID TO ANGOLA

Figure 1. Net ODA to Angola



Source: Adapted from OECD.

According to data published by the OECD, net Official Development Assistance (ODA) channelled to Angola between 1970 and 2016 totals USD 13.5 billion (see Figure 1).⁸ The 2017 data on the sector where aid is allocated shows that a majority of the aid revenue finances social infrastructure, followed by multi-sector production, economic infrastructure, and humanitarian aid.⁹ The top five donors in 2017 were: International Development Association (IDA), the United States, the European Union, the Global Fund, and South Korea.¹⁰ Moreover, between 1977 and 2016 the United States, the largest bilateral donor, channelled to Angola over USD 2.4 billion (in constant 2016 USD)¹¹ (see Table 1).

⁸ Organisation for Economic Co-operation and Development (OECD), *Development Aid at a Glance, Statistics by Region: 2. Africa*, 2018 Edition, Paris 2018, at <<http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Africa-Development-Aid-at-a-Glance-2018.pdf>>, 30 November 2019.

⁹ Organisation for Economic Co-operation and Development (OECD), *Gross Disbursements of Official Development Assistance (ODA) in 2017, Angola – ODA by Sector and Donor, USD million*, Paris 2018, p. 31, at <<http://www2.compareyourcountry.org/aid-statistics?cr=225&lg=en&page=31>>, 30 November 2019.

¹⁰ *Ibid.*, p. 21.

¹¹ U.S. Agency for International Development (USAID), *U.S. Foreign Assistance, Fiscal Years 1946–2016 (Greenbook)*, Washington 2016, at <https://explorer.usaid.gov/prepared/us_foreignaid_greenbook.xlsx>, 4 June 2018.

Table 1. US Foreign Assistance to Angola

Assistance Category	Sum of Obligations 1977-2016 (Constant \$)
Department of Agriculture	\$1 220 692 604
Department of State	\$569 214 081
U.S. Agency for International Development	\$541 595 625
Department of Health and Human Services	\$60 459 560
Department of Defense	\$10 366 419
Trade and Development Agency	\$5 223 618
Department of Labor	\$4 867 813
Department of the Treasury	\$3 153 200
Department of Energy	\$137 688
Department of the Interior	\$121 144
African Development Foundation	\$25 597
Grand Total	\$2 415 857 350

Source: USAID.

An analysis of the historical data on American foreign aid regarding hierarchy of priorities while granting aid to particular sectors in Angola in the respective timeframe indicates a trend similar to the one of OECD. Generally, priority was given to supporting social infrastructure, i.e. combating food insecurity, supporting child nutrition, combating diseases as well as broadly understood development.¹² However, post-2002, i.e. after the end of the Angolan Civil War, substantial amounts of funds were also allocated to financing programs focused on providing military support and training.

That having been said, it is important to mention that the provision of Western aid to Angola turned out to be of secondary importance if compared to amounts of aid China has pumped in. It is estimated that by 2009, Chinese oil-backed loans granted to post-war Angola amounted to at least USD 19.7 billion, and bilateral trade with China has increased thirty-five times between 2001 and 2008.¹³ Between 2010 and 2015, the combined total of the United Nations, the World Bank, and the European Union resources for Angola amounted to 1 per cent of its annual budget.¹⁴ At the same time, between 2005 and 2010, Chinese aid surpassed the combined contributions of all members of the Development Assistance Committee (DAC).¹⁵ It is so because in 2002, post-war Angola chose Chinese aid over its Western counterpart, and has been prioritising it ever since. This has led to the phenomenon of mortgaging oil for development purposes known as the “Angola model”.¹⁶

¹² Ibid.

¹³ R. Soares de Oliveira, *Magnificent and Beggar Land: Angola Since the Civil War*, London 2015, p. 55.

¹⁴ Ibid, p. 78.

¹⁵ C. Kiala, “China-Angola Aid Relations: Strategic Cooperation for Development?”, *South African Journal of International Affairs*, vol. 17, no. 3 (2010), pp. 313-331.

¹⁶ D. Kopiński, “A Successful Failed State After All? The Case of Angola”, *Politeja: The Problem of Africa’s Dysfunctional States*, vol. 15, no. 5 (56) (2018), pp. 67-84.

CONCEPTUALISING AID AND GOOD GOVERNANCE

Available literature seems to support the view that good governance and institutions are very important for any country's development.¹⁷ In line with the latter, making aid contingent on governance-related performance has become a clear donors' strategy since the 1990s. However, this approach aimed at influencing the recipients' behaviour in terms of reforming their domestic institutions has failed to bring about the desired outcome. Collier criticises it for promoting disobedience of the recipients who tend to find creative ways to bypass the stipulated conditions.¹⁸ Moyo adds to that by reprimanding the donors for making African countries aid-dependent by granting assistance even considering evident conditionality regime violations.¹⁹ Smith maintains this line of argument. According to him, aid undermines good governance by creating an environment, where with its increase the quality of governance tends to decrease as political accountability for the use of aid can be evaded.²⁰ Dutta et al. argue that by having an "amplification effect", aid contributes to cementing the pre-existing political institutions of recipient countries.²¹ Buch et al. maintain that in the absence of concrete targets set by donors, aid-dependent countries tend to select easily achievable ones that focus on institutional forms instead of institutional functions in order to secure aid flows.²² The research of Bräutigam and Knack reveals that high dependence on aid reduces incentives for governments to collect revenues from taxation while Knack's study has shown that high aid levels contribute to eroding quality of governance in relation to bureaucracy, corruption, and the rule of law.²³ Alesina and Weder have documented that according to some measures of corruption, more corrupt governments were granted more aid than less corrupt ones, and that aid increase did not contribute to curbing

¹⁷ D. Rodrik, "Trading in Illusions", *Foreign Policy*, no. 123 (2001), pp. 54-62; D. Acemoglu, J.A. Robinson, "Why Foreign Aid Fails – and How to Really Help Africa", *The Spectator*, 25 January 2014, at <<https://www.spectator.co.uk/2014/01/why-aid-fails>>, 10 May 2018. See also: Eidem, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, London 2012.

¹⁸ P. Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, Oxford 2007, p. 109.

¹⁹ D. Moyo, *Dead Aid: Why Aid Is Not Working and How There Is Another Way for Africa*, London 2010, p. 23.

²⁰ B.C. Smith, *Good Governance and Development*, Basingstoke 2007, p. 3.

²¹ N. Dutta, P.T. Leeson, C.R. Williamson, "The Amplification Effect: Foreign Aid's Impact on Political Institutions", *Kyklos – International Review for Social Sciences*, vol. 66, no. 2 (2013), pp. 208-228.

²² B.P. Buch, M.T. Buntaine, B.C. Parks, "Aiming at the Wrong Targets: The Difficulty of Improving Domestic Institutions with International Aid", *AidData Working Paper 4*, Williamsburg 2015, at <http://docs.aiddata.org/ad4/pdfs/wps4r_revised_-_aiming_at_the_wrong_targets.pdf>, 9 May 2018.

²³ D. Bräutigam, S. Knack, "Foreign Aid, Institutions, and Governance in Sub-Saharan Africa", *Economic Development and Cultural Change*, vol. 52, no. 2, January 2004, pp. 255-285; S. Knack, "Aid Dependence at the Quality of Governance: Cross-Country Empirical Tests", *Southern Economic Journal*, vol. 68, no. 2 (2001), pp. 310-329.

corruption.²⁴ Moreover, Apodaca as well as Milner and Tingley argue that foreign aid is and has always been allocated purposively and strategically to serve geopolitical interests of the donors rather than the recipients' needs.²⁵ In this context, the Chinese alternative model of granting aid to African countries (including Angola) that aims at legitimising autocratic values, is perceived as the one requiring attention.²⁶ In fact, Li finds that Western aid effectiveness has been negatively affected in terms of promoting Western values since China's emergence as a donor.²⁷ He concludes that the potential benefits of China's supposedly unconditional aid can be compromised by its politicisation and corruption.²⁸

In contrast to the above, some voices speak about aid and governance in a more optimistic way. Jeffrey Sachs is known for being one of the biggest supporters of foreign aid being a panacea for persistent poverty, and believes that foreign aid can stimulate economic growth.²⁹ Arndt et al. find evidence of long-term positive impact of aid on growth, structural change, social indicators, and poverty reduction.³⁰ Menard and Weill find no causality between aid and corruption, and advocate for "disentangling" of these two concepts.³¹ Svensson refers to a concept of "effective corruption" referenced to back in the 1960s.³² Similarly, Smith mentions existence of a "revisionist" view of corruption that speeds up the procedures, helps bypass red tape, buy political access or even produce more effective policies.³³ Finally, Bill Gates, one of the most generous private aid donors, claims that aid money does its work by improving people's lives, and that arising thereof wasteful and corrupt projects are inevitable.³⁴

²⁴ A. Alesina, B. Weder, "Do Corrupt Governments Receive Less Foreign Aid?", *NBER Working Paper 7108*, Cambridge 1999, at <<http://www.nber.org/papers/w7108.pdf>>, 9 May 2018.

²⁵ C. Apodaca, "Foreign Aid as Foreign Policy Tool", *Oxford Research Encyclopedia of Politics*, Oxford 2017; H.V. Milner, D.H. Tingley, "The Political Economy of U.S. Foreign Aid: American Legislators and the Domestic Politics of Aid", *Economics & Politics*, vol. 22, no. 2, July 2010, pp. 200-232.

²⁶ C. Hackenesch, "Aid, Political Conditionality, and Other International Efforts to Support Democracy in Africa", *Oxford Research Encyclopedia of Politics*, Oxford 2019.

²⁷ X. Li, "Does Conditionality Still Work? China's Development Assistance and Democracy in Africa", *Chinese Political Science Review*, vol. 2, no. 2 (2017), pp. 201-220.

²⁸ Idem, "China Is Offering 'No Strings Attached Aid' to Africa. Here's What That Means", *The Washington Post*, 27 September 2018, at <<https://www.washingtonpost.com/news/monkey-cage/wp/2018/09/27/china-is-offering-no-strings-attached-aid-to-africa-heres-what-that-means/>>, 15 September 2019.

²⁹ S.D. Kaplan, *Betrayed: Politics, Power and Prosperity*, New York 2013, p. 205.

³⁰ C. Arndt, S. Jones, F. Tarp, "Assessing Foreign Aid's Long-Run Contribution to Growth and Development", *World Development*, vol. 69 (2015), pp. 6-18.

³¹ A. Menard, L. Weill, "Understanding the Link Between Aid and Corruption: A Causality Analysis", *64th Annual Meeting of the French Economic Association (AFSE) Working Paper*, at <<https://afse2015.sciencesconf.org/54857>>, 9 November 2018.

³² J. Svensson, "Eight Questions About Corruption", *Gospodarka Narodowa. The Polish Journal of Economics*, vol. 210, no. 9 (2006), pp.77-106.

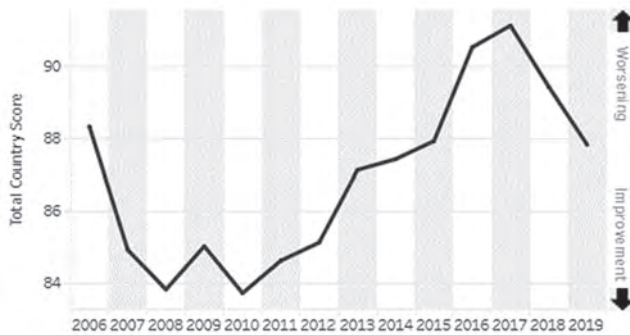
³³ B.C. Smith, *Good Governance...*, p. 185.

³⁴ S.D. Kaplan, *Betrayed...*, p. 206.

GOVERNANCE AND CORRUPTION IN ANGOLA

Angola ranks 35th out of 178 countries in the 2019 Fragile States Index (FSI) with a score of 87.8 out of 120 points.³⁵ The FSI is the most widely used index, published by the Fund for Peace (FFP), that measures a state's vulnerability to collapse. The information published by the FFP reveals that while Angola's situation in terms of tackling different internal pressures has slightly improved since 2017, the country still faces some massive challenges (see Figure 2).

Figure 2. Angola Overall Trend, 2006-2019



Source: FFP.

Table 2. Angola in Corruption Perception Index ranking

Angola in CPI 2006-2018	
Year	CPI Rank
2006	142
2007	147
2008	158
2009	162
2010	168
2011	168
2012	157
2013	153
2014	161
2015	163
2016	164
2017	167
2018	165

Source: Adapted from TI.

³⁵ The Fund for Peace (FFP), "Country Dashboard: Angola", *Fragile States Index*, Washington 2019, at <<https://fragilestatesindex.org/country-data>>, 8 July 2019.

Moreover, throughout the years Angola has been ranked at the very bottom of the Corruption Perceptions Index (CPI), the most prominent index that deals with corruption in the public sector, where public officials have a lot of incentives and opportunities to act in an unprincipled manner (see Table 2). In 2018, CPI ranked Angola 165 out of 180 countries with a score of 19 out of 100 where the latter figure means practically non-existent corruption.³⁶ Overall negative trends provided by FFP and TI clearly indicate lack of significant progress in Angola in improving its governance and curbing corruption.

EVIDENCE FROM ANGOLA

Corruption in Angola is systemic. It prevails in all aspects of the society, and is part of the economic and political landscape. It remains widespread and persistent due to lack of checks and balances, institutional dysfunctionality as well as non-existent anti-corruption law enforcement mechanisms. Well-documented practices of nepotism, cronyism, and patronage as well as cases of abuse of functions have occurred among the top political actors.³⁷ Clientelist networks tend to influence the way of doing business in Angola with many enterprises functioning as organizational façades for the government filled with unprincipled officials at every level.

Theoretically, Angola has a comprehensive anti-corruption legal framework in place, yet its implementation remains poor. The Public Probity Law (Law 3/10) criminalises cases of illicit enrichment, bribery, and conflict of interests among public officials, but offenders are hardly ever prosecuted.³⁸ The Law on the Criminalization of Infractions Related to Money Laundering (Law 3/14) and the Law on Money Laundering and Financing of Terrorism (Law 34/11) address the issues relating to money laundering as well as to international criminal and terrorist organizations.³⁹ The Law 3/14 was enacted to address Angola's obligations under international law and is particularly relevant for corruption-related criminal offences.⁴⁰

The latter are also addressed by the Penal Code, the Contracting Law as well as the Law on Economic Crimes (Law 6/99).⁴¹ What is more, in 2006, Angola signed the

³⁶ Transparency International (TI), *Corruption Perceptions Index: Overview*, Berlin 2019, at <<https://www.transparency.org/cpi2018>>, 8 July 2019.

³⁷ GAN Integrity, *Angola Corruption Report*, Copenhagen 2016, at <<https://www.ganintegrity.com/portal/country-profiles/angola>>, 16 July 2019.

³⁸ *Ibid.*

³⁹ M. Protásio, V. Gomes, "Angola: Project Finance 2019", *International Comparative Legal Guides*, 16 May 2019, London 2019, at <<https://iclg.com/practice-areas/project-finance-laws-and-regulations/angola>>, 26 July 2019.

⁴⁰ *Ibid.*

⁴¹ United Nations Office on Drugs and Crime (UNODC), *Conferencia de los Estados Partes en la Convención de las Naciones Unidas contra la Corrupción, Examen de la aplicación de la Convención de las Naciones Unidas contra la Corrupción. Nota de la Secretaría: Angola* [Conference of the State Parties

United Nations Convention against Corruption (UNCAC) aimed at international cooperation focused on preventing corrupt practices and recovering stolen assets.⁴² Angola is also a signatory to the Protocol Against Corruption of the Southern African Development Community (SADC) as well as the African Union Convention on Preventing and Combating Corruption (AUCC).⁴³ Ultimately, in 2016, it was removed by the Financial Action Task Force (FATF) from its investigation regarding inadequate national standards targeting money laundering and combating financing of terrorism with a remark of having made “significant progress” in this regard.⁴⁴

The Angolan constitution is silent on assets and income declaration duty, even though the Article 127 prohibits the President of the Republic from engaging in conflict of interest aimed at private enrichment of himself and his family.⁴⁵ Asset and income declaration regime for public officials is set out in Article 27 of the Law 3/10, while beneficial ownership disclosure rules and conditions are set up in Article 5 of the Law 34/11.⁴⁶

It is estimated that between 1970 and 2008, USD 29.5 billion was siphoned out from Angola.⁴⁷ Global Financial Integrity estimates that the average annual loss between 2004 and 2013 amounts to USD 385 million due to fraudulent invoicing in trade and leakages in the balance of payments (see Figure 3).⁴⁸ The recent Hong Kong and Shanghai Bank Corporation (HSBC) leak has shed some light on Angolan funds safely stashed in secret accounts in Switzerland. According to the data, approximately USD 36.8 million is deposited in 56 bank accounts belonging to 31 Angolans.⁴⁹ Some of these accounts are likely to belong to the dos Santos family or its associates.

to the United Nations Convention against Corruption, Implementation Review Group, Note by the Secretariat], Vienna 2017, at <<https://www.unodc.org/documents/treaties/UNCAC/Working-Groups/ImplementationReviewGroup/ExecutiveSummaries/V1701962s.pdf>>, 27 August 2019.

⁴² United Nations Treaty Collection (UNTC), 14. *United Nations Convention against Corruption*, New York 2019, at <https://treaties.un.org/Pages/ViewDetails.aspx?src=IND&mtdsg_no=XVIII-14&chapter=18&lang=en>, 26 August 2019.

⁴³ M. Protásio, V. Gomes, “Angola: Project Finance 2019...”

⁴⁴ Financial Action Task Force (FATF) *Improving Global AML/CFT Compliance: On-going Process-19 February 2016*, Paris 2016, at <<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-february-2016.html#angola>>, 5 June 2019.

⁴⁵ K. Olaniyan, *Corruption and Human Rights Law in Africa*, Oxford 2016, p. 127; R. Marques de Morais, *Blood Diamonds: Corruption and Torture in Angola*, Lisbon 2011, p. 22.

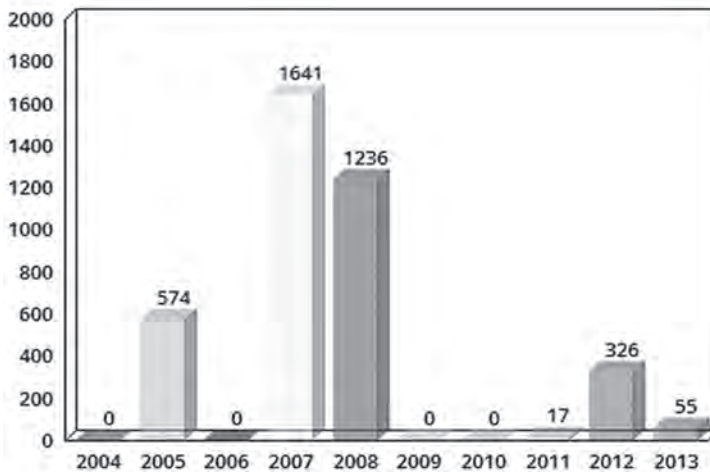
⁴⁶ R. Marques de Morais, “Isabel dos Santos’ Missing Declaration of Assets”, *Maka Angola*, 7 December 2016, at <<https://www.makaangola.org/2016/12/isabel-dos-santos-missing-declaration-of-assets>>, 28 August 2019.

⁴⁷ United Nations Economic Commission for Africa (UNECA), *Illicit Financial Flows: Track It, Stop It, Get It. Report of the High-Level Panel on Illicit Financial Flows from Africa*, Addis Ababa 2013, at <<https://www.uneca.org/content/illicit-financial-flows-africa-track-it-stop-it-get-it>>, 5 June 2018.

⁴⁸ Global Financial Integrity (GFI), *Illicit Financial Flows from Developing Countries: 2004-2013*, Washington 2015, at <https://www.gfintegrity.org/wp-content/uploads/2015/12/IFF-Update_2015-Final-1.pdf>, 15 June 2018.

⁴⁹ The International Consortium of Investigative Journalists (ICIJ), *Swiss Leaks: Angola*, Washington 2019, at <<https://projects.icij.org/swiss-leaks/countries/ago>>, 26 August 2019.

Figure 3. Illicit financial flows from Angola, 2004-2013 (in USD million nominal)



Source: adapted from GFI.

Political leaders are more likely to survive when they rely on small coalition of supporters and have access to resources such as oil or aid that do not require significant economic participation of citizens.⁵⁰ Moreover, natural resource wealth increases probability and incentives for governments to turn and remain authoritarian.⁵¹ Former Angolan president José Eduardo dos Santos who ruled Angola since 1979 – for a consecutive 38 years – exemplifies such a scenario. His authoritarian regime practically institutionalised looting of the country’s wealth by using informal clientelist networks to buy loyalty for almost four decades. His *modus operandi* of reconciling conflicting interests and resolving tensions among his political supporters revolved around distributing public wealth through deals in the country’s most profitable sectors.⁵² This resulted in the creation of a parallel state system where the state giant, *Sociedade Nacional de Combustíveis de Angola* (Sonangol), played a pivotal role.⁵³ Apart from that, dos Santos used the same mechanism to enrich himself and his family. Consequently, his oldest daughter, Isabel dos Santos, is identified as one of the prime examples of

⁵⁰ B. Bueno de Mesquita, A. Smith, “Leader Survival, Revolutions, and the Nature of Government Finance”, *American Journal of Political Science*, vol. 54, no. 4 (2010), pp. 936-950. See also: B. Bueno de Mesquita, A. Smith, *The Dictator’s Handbook: Why Bad Behavior is Almost Always Good Politics*, New York 2011.

⁵¹ Natural Resource Governance Institute (NRGI), *NRGI Reader. The Resource Curse: The Political and Economic Challenges of Natural Resource Wealth*, New York 2015, at <https://resourcegovernance.org/sites/default/files/nrgi_Resource-Curse.pdf>, 6 June 2018.

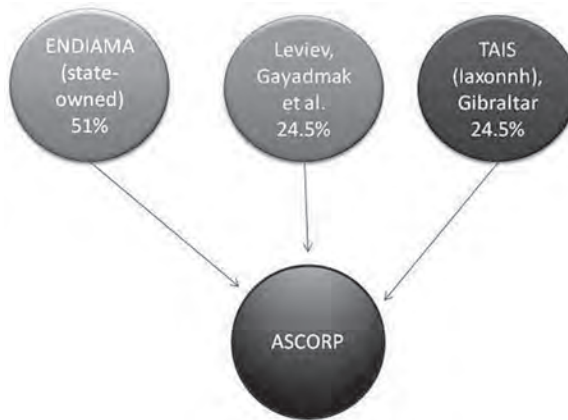
⁵² African Network of Centers for Investigative Reporting (ANCIR), “Real Owners of Angolan Oil Royalty Beneficiary Unknown”, *Panama Papers: How The Elite Hide Their Wealth*, Cape Town 2016, at <<https://panamapapers.investigativecenters.org/angola-2>>, 6 June 2019.

⁵³ R. Soares de Oliveira, *Magnificent and Beggar Land...*, p. 36.

grand corruption worldwide.⁵⁴ In 2019, with a fortune worth USD 2.1 billion, she was ranked as the richest person in Angola, 8th richest African, and 1008th richest person worldwide.⁵⁵ Although the official narrative explaining her fortune has been that she is a self-made billionaire, there is glaring evidence indicating that her father, while he was in power, would help her systematically garner significant stakes in the country's strategic industries.

The ASCORP case

Figure 4. ASCORP case



Source: researcher's construct.

Angola is the world's 4th largest diamond producer that sells gems worth approximately USD 1 billion annually.⁵⁶ The process of dismantling the state monopoly over the diamond trade by president dos Santos included making state-owned company and the mines' sole concession-holder, *Empresa Nacional de Diamantes de Angola* (EN-DIAMA) form a diamond trading joint-venture (see Figure 4). The partnership that was created by the presidential decree in 1999 was called Angola Selling Corporation (ASCORP).⁵⁷ Although the state was to keep majority share in it, i.e. 51 per cent, the remaining 49 per cent was divided equally among the following deal parties: two Israeli diamond merchants, i.e. Lev Leviev and Sylvain Goldberg, former arms dealer Arkady

⁵⁴ Transparency International (TI), *Elections in Angola: Time to Tackle Corruption*, Berlin 2017, at <https://www.transparency.org/news/feature/elections_in_angola_time_to_tackle_corruption>, 6 June 2019.

⁵⁵ Forbes, "#1008 Isabel dos Santos", *Real Time Net Worth*, New York 2019, at <<https://www.forbes.com/profile/isabel-dos-santos/#31b29c6e523f>>, 26 August 2019.

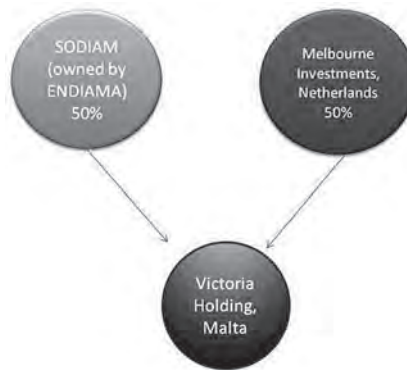
⁵⁶ K.A. Dolan, R. Marques de Morais, "Daddy's Girl: How an African 'Princess' Banked \$3 Billion In a Country Living on \$2 a Day", *Forbes*, 14 August 2013, at <<https://www.forbes.com/sites/kerryadolan/2013/08/14/how-isabel-dos-santos-took-the-short-route-to-become-africas-richest-woman/#7ef7d6f245f5>>, 6 June 2018.

⁵⁷ Ibid.

Gaydamak as well as the first daughter Isabel dos Santos, a major stakeholder in Trans Africa Investment Services (TAIS renamed Iaxonh), based in Gibraltar.⁵⁸ ASCORP, with monopoly for the purchase of diamonds from artisanal miners, is believed to have been a cash cow investment. At the same time, the president's actions exemplify conflict of interest, nepotism, are deemed unconstitutional, and qualified as impeachable offense under the Angolan constitution.⁵⁹

The Victoria Holding case

Figure 5. Victoria Holding case



Source: researcher's construct.

A similar mechanism of using an offshore company as investment vehicle in order to capitalise on public funds was used in 2012 for buying a prominent Swiss jeweller De Grisogono. A Maltese shell company called Victoria Holding (see Figure 5), owned jointly by a state-owned *Sociedade de Comercialização de Diamantes de Angola* (SODIAM) and a Dutch-registered Melbourne Investments acquired EUR 63 million of the jeweller's debt from its creditors.⁶⁰ The sole beneficial owner in the Dutch company is Isabel dos Santos' husband, Sindika Dokolo.⁶¹ Melbourne Investments, formerly Exem Mining, is owned by Swiss-based Exem Holding and managed by Trust Company Amsterdam, a company specialised in executing administration activities of companies

⁵⁸ R. Marques de Morais, "Isabel dos Santos: Honour and Lies", *Maka Angola*, 24 February 2012, at <<https://www.makaangola.org/2012/02/isabel-dos-santos-honour-and-lies>>, 6 June 2018.

⁵⁹ Idem, *Blood Diamonds...*, p. 22.

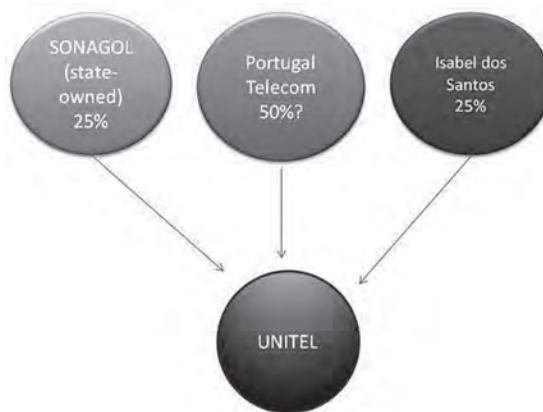
⁶⁰ M. Vella, "Africa's Top Billionaire Uses Malta Shell Companies to Hold Diamonds 'Conflict'", *Malta Today*, 16 February 2015, at <https://www.maltatoday.com.mt/news/national/49645/africas_top_billionaire_uses_malta_shell_companies_to_hold_diamonds_conflict_#.W4MVONSLSt->>, 6 June 2018.

⁶¹ K.A. Dolan, R. Marques de Morais, "Diamonds for Daddy's Girl: How Angola's Isabel dos Santos Snared a Swiss Jeweler", *Forbes*, 22 January 2014, at <<https://www.forbes.com/sites/kerryadolan/2014/01/22/diamonds-for-daddys-girl-how-angolas-isabel-dos-santos-snared-a-swiss-jeweler/#4ddfa3fc6782>>, 6 June 2018.

owned by non-residents.⁶² Although SODIAM is required by law to publicly disclose its ventures, the information whether Dokolo's company participated financially in the investment has never been disclosed.⁶³ The data from the Paradise Papers reveals that SODIAM and Melbourne Investments are shareholders in Victoria Holding.⁶⁴ The partnership between the state-owned company and Sindika Dokolo again indicates a conflict of interest and nepotism scenario that is illegal under Angolan law.⁶⁵ All in all, Isabel dos Santos is believed to have been the main beneficiary of Angolan diamond trade thanks to easy arrangements made by her father domestically and more sophisticated ones done abroad.

The UNITEL case

Figure 6. UNITEL case



Source: researcher's construct.

Dos Santos also made necessary arrangements for his daughter to get her share in the telecom industry. In 1999, he changed the law regarding telecom licenses by giving the government the power to grant them without public tender procedure but through

⁶² Drimble, *Melbourne Investments BV*, Amsterdam 2019, at <<https://drimble.nl/bedrijf/amsterdam/19489307/melbourne-investments-bv.html>>, 26 August 2019; Trust Company Amsterdam, *Trust Company Amsterdam Website: Home*, Amsterdam 2019, at <<http://www.trustamsterdam.nl>>, 26 August 2019.

⁶³ K.A. Dolan, R. Marques de Morais, "Diamonds for Daddy's Girl..."

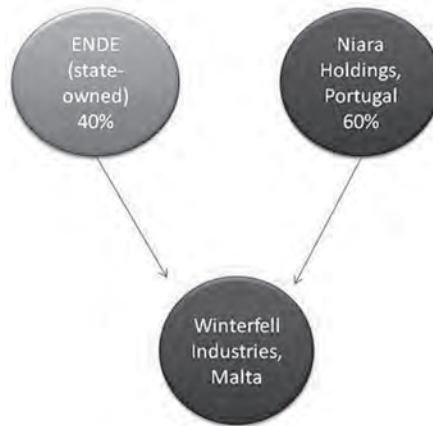
⁶⁴ The International Consortium of Investigative Journalists (ICIJ), *Victoria Holding Limited*, Washington 2019, at <<https://offshoreleaks.icij.org/nodes/55045009>>, 6 November 2019; Idem, *Melbourne Investments B.V.*, Washington 2019, at <<https://offshoreleaks.icij.org/nodes/56033522>>, 6 November 2019; Idem, *Sodiam – Sociedade de Comercializacao de Diamantes de Angola, SARL*, Washington 2019, at <<https://offshoreleaks.icij.org/nodes/56016749>>, 6 November 2019.

⁶⁵ R. Marques de Morais, "Isabel dos Santos' Diamonds and Husband", *Maka Angola*, 20 February 2014, at <<https://www.makaangola.org/2014/02/isabel-dos-santos%C2%92-diamonds-and-husband>>, 6 June 2018.

a joint venture with a state (see Figure 6). Portugal Telecom was granted the right contingent upon creation of a partnership with a state-owned oil giant Sonangol and Isabel dos Santos both acquiring 25 per cent share.⁶⁶ Information on how much Isabel dos Santos contributed financially for her share has never been made public. Yet, a year later her stake was estimated to be worth around USD 12.6 million. As of 2013, 25 per cent share in UNITEL was estimated to be worth at least USD 1 billion.⁶⁷

The Winterfell Industries case

Figure 7. Winterfell Industries case



Source: researcher's construct.

In summer 2015, presidential decree also enabled Isabel dos Santos to use money skimmed from public funds for her investment in an engineering company, Efacec Power Solutions. Winterfell Industries, a front company registered in Malta on Isabel's name with a public capital of unknown value injected in it in the form of 40 per cent ownership by state-owned *Empresa Nacional de Distribuição de Electricidade* (ENDE) (see Figure 7), purchased 65 per cent of Efacec for EUR 200 million.⁶⁸ A second shareholder in Winterfell Industries is Madeira-based Niara Holdings, registered on Isabel dos Santos' name.⁶⁹ Well-informed media have reported that the Angolan state,

⁶⁶ K.A. Dolan, R. Marques de Morais, "Daddy's Girl..."

⁶⁷ Ibid.

⁶⁸ R. Marques de Morais, "Billionaire Isabel dos Santos and Money Laundering Schemes", *Maka Angola*, 14 October 2015, at <<https://www.makaangola.org/2015/10/billionaire-isabel-dos-santos-and-money-laundering-schemes>>, 7 June 2018.

⁶⁹ M. Vella, "Africa's Top Billionaire..."; International Consortium of Investigative Journalists (ICIJ), *ENDE-E.P. Empresa Nacional de Distribuicao de Electricidade – Empresa Publica*, Washington 2019, at <<https://offshoreleaks.icij.org/nodes/56024305>>, 6 November 2019; Idem, *Niara Holding, SGPS LDA*, Washington 2019, at <<https://offshoreleaks.icij.org/nodes/56048703>>, 6 November 2019.

a minority shareholder was the main financier of this transaction.⁷⁰ The relationship between the above companies has been disclosed in the Paradise Papers.⁷¹ Moreover, according to Maltese media, Isabel dos Santos and her husband have numerous shell companies registered within the Maltese jurisdiction that are being used as vehicles for various financial manoeuvres.⁷²

The Banco BIC case

Figure 8. Banco BIC case



Source: researcher's construct.

Another crucial case where the president dos Santos misused his office in order to get his daughter involved in the banking business was founding of Banco BIC, the first private bank in Angola, in 2005 (see Figure 8). By authorising foreign capital investment in the newly founded Angolan bank, he allowed some Portuguese investors to be part of the enterprise. Yet, Isabel dos Santos too emerged as an investor through a vehicle controlled by her with 25 per cent of share.⁷³ Although there is no public record showing who had invested what money into the bank, interestingly the bank ended up being an important creditor of the Angolan government and lent the state USD 450 million.⁷⁴ As of 2016, Isabel dos Santos has increased her share in Banco BIC to at least 42.5 per cent.⁷⁵

⁷⁰ R. Marques de Morais, "Billionaire Isabel dos Santos..."

⁷¹ International Consortium of Investigative Journalists (ICIJ), *Winterfell Industries Limited*, Washington 2019, at <<https://offshoreleaks.icij.org/nodes/55065048>>, 7 November 2019.

⁷² M. Vella, "Africa's Top Billionaire..."

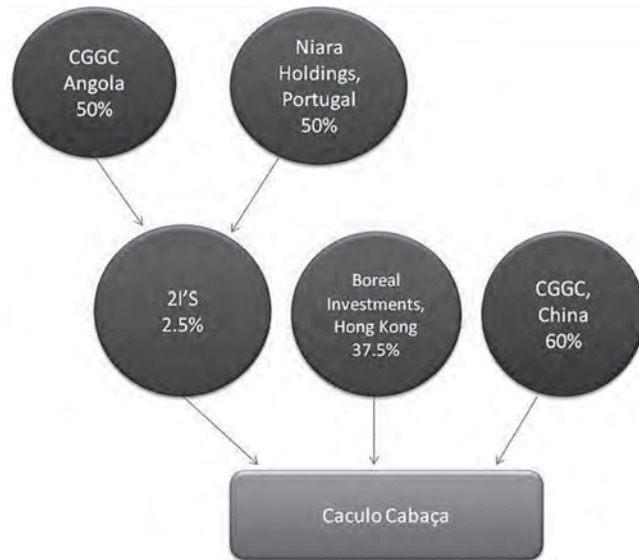
⁷³ K.A. Dolan, R. Marques de Morais, "Daddy's Girl..."

⁷⁴ Ibid.

⁷⁵ R. Marques de Morais, "Isabel Spells Danger For Angolan Banks", *Maka Angola*, 7 November 2016, at <<https://www.makaangola.org/2016/11/isabel-spells-danger-for-angolan-banks>>, 7 June 2018.

The Caculo Cabaça case

Figure 9. Caculo Cabaça case



Source: researcher's construct.

The most current nepotism and grand corruption case referring to president dos Santos and his daughter Isabel is the Caculo Cabaça dam construction case (see Figure 9), the most expensive infrastructure contract in the area worth USD 4.5 billion.⁷⁶ The rigged deal had been planned carefully before a presidential decree was signed. Isabel dos Santos' name was not specified anywhere in the contract. However, she was to benefit from this multimillion-dollar deal through a couple of front companies that were part of a Chinese-led consortium. As a hidden investor, she owned almost 40 per cent share in it. The latter share was divided between two different companies registered in the names of her business representatives. Boreal Investments, a proxy company with no public record and no prior expertise in dam construction, registered in Hong Kong at the address of a virtual offices' provider, got 37.5 per cent of the deal.⁷⁷ The remaining 2.5 per cent was assigned to *Sociedade de Investimentos Industriais* (2I'S) registered in Luanda at Isabel dos Santos' mansion address with six Angolans as its owners.⁷⁸ 2I'S company, in turn, is owned by the aforementioned Niara Holdings and a local subsidiary of the Chinese construction giant, China Gezhouba Group Corporation

⁷⁶ M. Pereira, "Um último presente de pai para filha" [The Last Father's Gift to a Daughter], *Expresso*, 26 August 2017, at <<https://leitor.expresso.pt/semanario/semanario2339/html/expresso/em-des-taque/um-ultimo-presente-de-pai-para-filha>>, 7 June 2018.

⁷⁷ Ibid.

⁷⁸ R. Marques de Morais, "Dams for the Damned", *Maka Angola*, 12 April 2017, at <<https://www.makaangola.org/2017/04/dams-for-the-damned>>, 7 June 2018.

(CGGC).⁷⁹ 2I'S might have been used as a vehicle to award some Angolan and Chinese individuals who had helped out to fix the contract. At the same time, substantial illicit earnings were planned to be siphoned out to a shell company in Hong Kong set up solely for this purpose.

Last but not least, oil, an abundant natural resource offers constant opportunities to profit from. Hence, not surprisingly *Sociedade Nacional de Combustíveis de Angola* (Sonangol), a state-owned company is a cash cow. Petroleum law practically grants monopoly to Sonangol in regard to oil drilling rights.⁸⁰ Given the Angolan culture of corruption, not surprisingly the list of individuals who have benefited there from oil is endless. It includes politicians linked to dos Santos and the ruling People's Movement for the Liberation of Angola (MPLA) party, politically influential individuals as well as private persons having a crony-type relationship with the first two. Sonangol by law is usually granted 51 per cent in every concession for oil drilling and production.⁸¹ Although the rest of the shares tend to be offered on public tenders, the shareholder structure often includes an anonymous Angolan or international partner, a company of a questionable reputation and expertise usually with links to the political elite.⁸² According to IMF estimates between 1997 and 2002, USD 4.22 billion disappeared from the state coffers.⁸³ The figures get more staggering with USD 32 billion missing between 2007 and 2010.⁸⁴ Most of the missing money was attributed to off-the-books spending by Sonangol and by poor accounting skills.⁸⁵ Manuel Vicente, former CEO of Sonangol, once admitted that the company had "around ten" bank accounts in different locations for "basic risk management" purposes.⁸⁶ These included bank accounts in Switzerland, Portugal, London, and the isle of Jersey in the Channel Islands. The fact of revenue coming from the state-owned company's activities being transferred to an offshore account, and thus bypassing the central bank indicates unlawful operation and should raise a red flag. Evidence exists about large amounts of money being transferred from Sonangol's Jersey account to, *inter alia*, a private charity foundation run by José Eduardo dos Santos, a private security company owned by a former minister, and a private bank that has an alleged arms dealer among its shareholders.⁸⁷ Meanwhile, a leaked

⁷⁹ M. Pereira, "Um último presente..."

⁸⁰ African Network of Centers for Investigative Reporting (ANCIR), "Key Military and Political Leaders Behind Murky Angola Oil Deals", *Panama Papers: How The Elite Hide Their Wealth*, Cape Town 2016, at <<https://panamapapers.investigativecenters.org/angola-oil>>, 6 June 2018.

⁸¹ GAN Integrity, *Angola Corruption Report...*

⁸² Ibid.

⁸³ R. Soares de Oliveira, *Magnificent and Beggar Land...*, p. 39.

⁸⁴ T. Burgis, *The Looting Machine: Warlords, Tycoons, Smugglers and the Systematic Theft of Africa's Wealth*, London 2015, p. 12.

⁸⁵ Ibid., p. 12; R. Soares de Oliveira, *Magnificent and Beggar Land...*, p. 39.

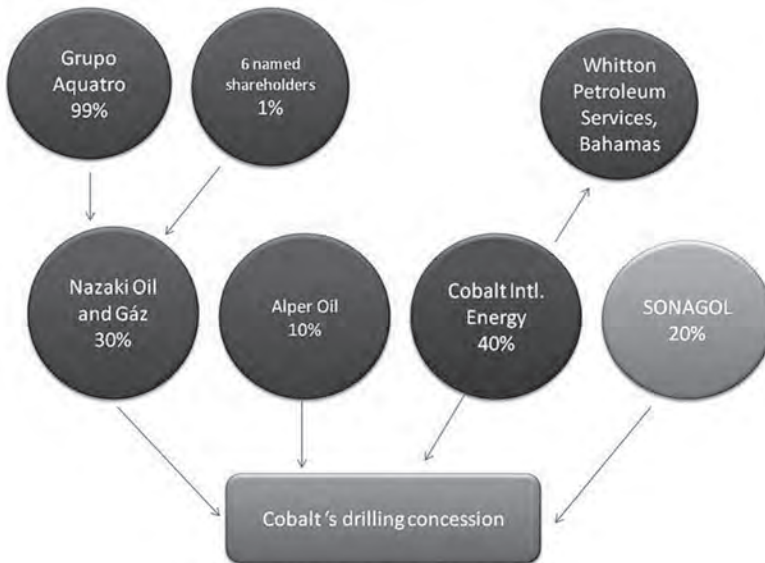
⁸⁶ P. van Niekerk, L. Peterson, "Making a Killing: Greasing the Skids of Corruption", *International Consortium of Investigative Journalists (ICIJ)*, 11 April 2002, at <<https://www.icij.org/investigations/makingkilling/greasing-skids-corruption>>, 6 June 2018.

⁸⁷ Ibid.

internal report dated May 2015 and signed by Sonangol's then-president, Francisco de Lemos José Maria, highlighted the company's "operating model to be weakening with a risk of technical insolvency".⁸⁸ His name can be linked to two of Sonangol's offshore subsidiaries in the Bahamas revealed in the Panama Papers, while the company's "technical insolvency" translated into its factual inability to settle its accounts payable to major international oil corporations in 2016.⁸⁹

The Cobalt case

Figure 10. Cobalt case



Source: researcher's construct

Interestingly, there are high-profile cases of international oil corporations lured by enormous profits coming from getting access to Angolan oil fields that have agreed to be a part of an unethical deal. Moreover, these cases are not limited to paying so called "signature bonuses" that are nothing but kickbacks, yet seem to be part of the industry characteristics.⁹⁰ When American company Cobalt International Energy received its oil concession in 2008 (see Figure 10), at the same time it was bound to award unknown third-parties linked to Manuel Vicente (then-CEO of Sonangol) and two generals con-

⁸⁸ L. Corkin, "After the Boom: Angola's Recurring Oil Challenges in a New Context", *OIES Paper WPM 72*, Oxford 2017.

⁸⁹ International Consortium of Investigative Journalists (ICIJ), *Lemos Jose Maria Francisco De*, Washington 2019, at <<https://offshoreleaks.icij.org/nodes/22005119>>, 17 September 2019; L. Corkin, "After the Boom..."

⁹⁰ T. Burgis, *The Looting Machine...*, p. 26.

nected to the president: Manuel Hélder Vieira Dias aka Kopelipa (then-head of the president's intelligence bureau) and Leopoldino Fragoso Nascimento aka Dino (former head of the president's communications team).⁹¹ At that time, Manuel Vicente was the one to decide on to whom and under what conditions oil concessions should be awarded while Manuel Hélder Vieira Dias was responsible for protecting the regime "by whatever means necessary."⁹² Through mandatory risk service agreements, the deal described *ex post* by Cobalt's former CFO as a *fait accompli* introduced two additional local junior partners other than Sonangol: Nazaki Oil and Gáz and Alper Oil.⁹³ Its breakdown was: 40 per cent (Cobalt), 20 per cent (Sonangol), 30 per cent (Nazaki), and 10 per cent (Alper).⁹⁴ Nazaki's 99 per cent shareholder turned out to be Grupo Aquattro, owned secretly by the trio Vicente, Dias, Nascimento, along with 1 per cent belonging to six named individuals while Alper belonged to Vicente.⁹⁵ Such a setup indicates an obvious conflict of interest and illegality under both Angolan and American laws.⁹⁶ Following a mass media exposure, Sonangol later resumed control over the two companies, nonetheless under the provision of a royalty agreement signed in 2009, Cobalt was obliged to pay a quarterly "consulting services" fee accounting for 2.5 per cent of the market price of the company's share of the crude oil produced every quarter. The recipient of these quarterly payments was Whitton Petroleum Services.⁹⁷ The latter is a Bahamas-based shell company with no business record, no employees, and its beneficial owners remain anonymous.⁹⁸ The company is connected with Mossack Fonseca law firm and appears in both the Bahamas Leaks and the Panama Papers.⁹⁹ The above case clearly indicates the existence of corrupt practices Cobalt corporation had advertently agreed upon. Interestingly, both corruption investigations of American federal authorities into the case were closed without conviction. The Securities and Exchange Commission dropped its investigation in 2015 while the Department of Justice closed its probe in 2017.¹⁰⁰

⁹¹ African Network of Centers for Investigative Reporting (ANCIR).

⁹² T. Burgis, *The Looting Machine...*, p. 14.

⁹³ African Network of Centers for Investigative Reporting (ANCIR).

⁹⁴ R. Marques de Morais, "The Angolan Presidency: The Epicentre of Corruption", *Maka Angola*, 2012, p. 18, at <<https://www.makaangola.org/wp-content/uploads/2012/04/PresidencyCorruption.pdf>>, 18 June 2018.

⁹⁵ F. Coppola, "Cobalt International Energy: Oil, Angola and Corruption", *Forbes*, 17 August 2014, at <<https://www.forbes.com/sites/francescoppola/2014/08/17/cobalt-international-energy-sec-alle-ges-corruption-in-angolan-operations/#1d3fb1b42a5b>>, 6 June 2018.

⁹⁶ *Ibid.*

⁹⁷ Cobalt International Energy, "Notes to Consolidated Financial Statements", *Cobalt Annual Report 2015*, Houston 2016, p. 116, at <<http://www.cobaltintl.com/assets/interactives/Cobalt-AR-2015/files/assets/basic-html/page116.html>>, 27 August 2019.

⁹⁸ African Network of Centers for Investigative Reporting (ANCIR).

⁹⁹ International Consortium of Investigative Journalists (ICIJ), *Whitton Petroleum Services Limited*, Washington 2019, at <<https://offshoreleaks.icij.org/nodes/10174239>>, 7 November 2019.

¹⁰⁰ T. Burgis, "US Prosecutors End Corruption Investigation Into Cobalt International Energy", *Financial Times*, 9 February 2017, at <<https://www.ft.com/content/f0e69381-08e4-3084-a16c-41d2cd600989>>, 27 August 2019.

HUMAN DIMENSION

After 38 years of dos Santos rule, the country that in 2018 exported petroleum worth USD 36.3 billion faces massive and persistent development challenges.¹⁰¹ The dos Santos regime and extractive institutions it has created and sustained for almost four decades, have led to the monopolisation of power in the hands of a narrow economic elite, including taking over the country's key industries. This, in turn, has created a situation where in spite of substantial anti-corruption legislation put in place, income coming from natural resources was not redistributed for the sake of social welfare but embezzled and pocketed by the ruling elite. Given the current demand for crude oil and its growing GNI, Angola can be described as a booming economy. However, this fact starkly contrasts with the situation of ordinary citizens. Large parts of the Angolan society continue to live in abject poverty without access to basic services. It is estimated that 68 per cent of the Angolan population lives below the poverty line, and 15 per cent of it faces extreme poverty.¹⁰² Three-quarters of inhabitants of the capital Luanda live in slums called *musseques*.¹⁰³ Soares de Oliveira attributes the above situation to the MPLA's post-war reconstruction agenda that was focused on recreating Angola as a modern and urban country that would cater exclusively to the needs of the elites.¹⁰⁴ Although the ruling party has embraced the pro-poor rhetoric in its public discourse, its actual agenda and implementation do not follow it. Consequently, the poor have been deliberately marginalised if not left out of the government policy focus.¹⁰⁵ Furthermore, permanently inconsistent and scanty provision of public services by the state is believed to have been additionally limited in times of low oil prices and economic downturn.¹⁰⁶

Angola's 2018 per adult national income is estimated at EUR 9,010.¹⁰⁷ Yet, the country ranks low in the Human Development Index (HDI). Despite positive developments indicated by HDI change from 0.387 in 2000 to 0.581 in 2017, the Angolan society is one of the most unequal in the world.¹⁰⁸ Inequality-adjusted HDI (IHDI) and GINI indices, two most prominent inequality measures, account for 0.396 and

¹⁰¹ Organization of the Petroleum Exporting Countries (OPEC), "Angola Facts and Figures..."

¹⁰² International Fund for Agricultural Development (IFAD), *Operations: Angola*, Rome 2019, at <<https://www.ifad.org/web/operations/country/id/angola>>, 28 August 2019.

¹⁰³ T. Burgis, *The Looting Machine...*, p. 21.

¹⁰⁴ R. Soares de Oliveira, *Magnificent and Beggar Land...*, p. 85.

¹⁰⁵ *Ibid.*, p. 82.

¹⁰⁶ Transparency International (TI), *Elections in Angola...*

¹⁰⁷ World Inequality Database (WID), *Per Adult National Income*, Paris 2019, at <<https://wid.world/country/angola>>, 28 August 2019.

¹⁰⁸ United Nations Development Programme (UNDP), "Angola: Human Development Indicators", *Human Development Reports*, New York 2019, at <<http://hdr.undp.org/en/countries/profiles/AGO>>, 28 July 2019.

42.7, respectively, indicating substantial inequality gap in income distribution.¹⁰⁹ Notwithstanding the fact of high infant mortality rates (55 to 66 deaths per 1,000 live births) the country has a very young population.¹¹⁰ Citizens up to 24 years of age make up 66.4 per cent of the society, and the population grows at a rate of 3.5 per cent per annum.¹¹¹ At the same time, approximately only 49 per cent of the population has an improved drinking water access, 51.6 per cent has access to sanitation facilities, and as few as 40.5 per cent has electricity.¹¹² The state's expenditure on education accounting for 3.5 per cent of its GDP translates into 28.9 per cent of the society being illiterate, with the rate being as high as 39.3 per cent in case of women.¹¹³ What is more, primary school dropout rate is estimated to account for 68.1 per cent of a primary school cohort.¹¹⁴ At the same time, the government's expenditure on military exceeded that on education through four consecutive years between 2012 and 2015.¹¹⁵ Undoubtedly, there are some modest benefits for the population in terms of reconstructing major physical infrastructure such as roads, yet the implementation of electrification, water, and sanitation agenda by the government leaves much to be desired.¹¹⁶ All in all, the unsustainable, self-serving, and oil-financed development agenda of Angola's ruling elites has led to a situation where the poor have to *survive by relying on their own efforts*.¹¹⁷

CONCLUSION

During his tenure as president, José Eduardo dos Santos has created a parallel state and used the country's assets as the means to sustain this *status quo*. According to Rafael Marques de Morais, Angolan anti-corruption activist, *the president has privatised the state to benefit his family and a handful of associates*.¹¹⁸ Consequently, over the years the dos Santos family, MPLA party members, and their close confidants have gained important stakes in Angolan strategic industries: oil, diamonds, infrastructure, real estate, banking, telecom, and media. Isabel dos Santos has been the best-known figure in the family. However, with the new president João Lourenço, former defence minister, determined to purge the state apparatus of the dos Santos clan's influence, her shares in lucrative state enterprises once granted by presidential decrees of her father, have shrunk.

¹⁰⁹ Ibid.; Central Intelligence Agency (CIA), *The World Factbook*...

¹¹⁰ United Nations Development Programme (UNDP), "Angola: Human Development Indicators..."

¹¹¹ Central Intelligence Agency (CIA), *The World Factbook*...

¹¹² Ibid.

¹¹³ Ibid.

¹¹⁴ United Nations Development Programme (UNDP), "Angola: Human Development Indicators..."

¹¹⁵ Central Intelligence Agency (CIA), *The World Factbook*...

¹¹⁶ R. Soares de Oliveira, *Magnificent and Beggar Land...*, p. 62.

¹¹⁷ Ibid., p. 88.

¹¹⁸ News24, *Angola's Dos Santos: a Family Business*, 26 September 2017, Cape Town, at <<https://www.news24.com/Africa/News/angolas-dos-santos-a-family-business-20170926>>, 8 August 2018.

Lourenço's recent actions include: removing Isabel dos Santos from heading Sonangol, removing her companies from having monopolies in the following projects: Caculo Cabaça, Luanda Metropolitan Master Plan, Corimba Coast Road, Atlantic Ventures' Port, cancelling her diamond trading monopoly licences in ASCORP, Odisseye, and Iaxhon as well as divesting her stakes in De Grisogono.¹¹⁹ Ultimately, some of her assets were frozen by the state in late 2019.¹²⁰ Isabel dos Santos' other half-siblings have also benefited from their father's policy. José Filomeno dos Santos who has chaired *Fundo Soberano de Angola* (FSDEA), a USD 5 billion fund aimed at promoting economic development in Angola, was charged with fraud for siphoning off USD 500 million from the country's central bank, and subsequently jailed.¹²¹ Welwitschia dos Santos who had built a small media empire, and was involved in diamond business thanks to her father's decrees granting her stakes in mining enterprises, has recently lost a lucrative contract with public state television.¹²² Apart from being involved in oil and banking sector, the trio including Vicente, generals Dias and Nascimento is known to have had stakes, among other things, in Kilamba real estate and Biocom biomass electricity generation projects.¹²³ Vicente had been a subject of a controversial corruption investigation in Portugal. However, no current information could be found regarding the follow up on this trial after it was moved from Portugal to Angola.¹²⁴ Similarly, general Dias, Welwitschia dos Santos,

¹¹⁹ B. Branstrator, "Angolan State-Owned Diamond Co. Backs Out of De Grisogono", *National Jeweler*, 6 December 2017, at <<https://www.nationaljeweler.com/diamonds-gems/social-issues/6098-angolan-state-owned-diamond-co-backs-out-of-de-grisogono>>, 17 November 2019; D. Quaresma dos Santos, "The Empress Has No Clothes", *Maka Angola*, 1 August 2018, at <<https://www.makaangola.org/2018/08/the-empress-has-no-clothes>>, 8 August 2018.

¹²⁰ J. Cotterill, D. Pilling, "Angola Freezes Isabel dos Santos's Assets Over Graft Allegations", *Financial Times*, 31 December 2019, at <<https://www.ft.com/content/6ec2a63e-2bb9-11ea-a126-99756bd-8f45e>>, 8 January 2020.

¹²¹ A. Meisel, "Angola's Jose Filomeno dos Santos Detained Over Fraud", *BBC News*, 25 September 2018, at <<https://www.bbc.com/news/world-africa-45640818>>, 28 August 2019; C. Mendes, H. Almeida, "Angola to Charge Ex-President's Son in \$500 Million Transfer, Report Says", *Bloomberg*, 26 March 2018, at <<https://www.bloomberg.com/news/articles/2018-03-26/angola-to-charge-dos-santos-son-in-fraud-case-mfm-radio-reports>>, 8 August 2019; A. Harding, "José Filomeno dos Santos: Son of Angola's Ex-Leader Jailed for Five Years", *BBC News*, 14 August 2020, at <<https://www.bbc.com/news/world-africa-53774288>>, 31 March 2021.

¹²² R. Marques de Morais, "Tchizé dos Santos: Diamonds Are a Girl's Best Friend", *Maka Angola*, 12 December 2011, at <<https://www.makaangola.org/2011/12/tchize-dos-santos-diamonds-are-a-girl%C2%92s-best-friend>>, 8 August 2018; S. Eisenhammer, "Angola's New President Takes Surprise Steps to Rein in Dos Santos", *Reuters World News*, 27 October 2017, at <<https://www.reuters.com/article/us-angola-politics-idUSKBN1CW10S>>, 8 July 2018; News24, "Angola's Dos Santos..."

¹²³ J. Feller, "Com BNDES e negócios com políticos, Odebrecht ergue 'império' em Angola" [With BNDES and Businesses with Politicians, Odebrecht Builds 'Empire' in Angola], *Estadão Internacional*, 18 September 2012, at <<https://internacional.estadao.com.br/noticias/geral,com-bndes-e-negocios-com-politicos-odebrecht-ergue-imperio-em-angola,932219>>, 9 August 2018; T. Burgis, *The Looting Machine...*, p. 23; R. Marques de Morais, "The Angolan Presidency...", p. 15.

¹²⁴ J.P. Batalha, "Former Vice-President on Trial: a Watershed Moment for Portugal and Angola", *Transparency International (TI)*, 23 January 2018, at <https://www.transparency.org/news/feature/former_vice_president_on_trial_a_watershed_moment_for_portugal_and_angola>, 28 August 2018.

and their close family members were under investigation in Portugal regarding money laundering yet no information on its outcome could be found.¹²⁵ Nonetheless, João Paulo Batahla, Chair of Transparency International in Portugal, has expressed his worries about weak rule of law promoting impunity of high-level fraudsters because in case of seeking justice for Vicente, the new government under Lourenço threatened Portuguese authorities with coercive measures amounting to a diplomatic crisis should the trial continue in Portugal.¹²⁶ Generally, although president Lourenço recognises the need to reform the country but at the same time he has retained some old-style, nepotism-based businesses and political networks. Consequently, his transitional reform agenda until now has been a “balancing act” between daring reforms and sustaining the *status quo*.¹²⁷

RECOMMENDATIONS

In light of the findings in literature and aforementioned evidence, two major recommendations can be made in the Angolan case. First, Angola should aim at institutional change in order to foster inclusivity, transparency, and accountability of those in power. Scientists are in agreement on the fact that it is poor governance, economic mismanagement, and public resources abuse that impede economic growth, and thereby keep the society impoverished. Collier argues that although aid might be particularly effective in short-term growth stimulation for post-conflict situations (which is the case with Angola), it will not be effective in generating growth in the long run unless obstacles such as poor governance and policy are dealt with.¹²⁸ Furthermore, he has evidenced that an oil boom stimulates the economy only short-term as well as concluded that an institutional failure to harness natural capital amounts to a missed opportunity.¹²⁹ This thesis is supported by Rodrik who conditions long-term growth upon accumulation of fundamental capabilities such as human capital and institutions.¹³⁰ The latter that focus on securing

¹²⁵ J. Plácido Jr, “General ‘Kopelipa’, marido de Tchizé dos Santos e enteado do Vice-Presidente de Angola vão continuar sob investigação do Ministério Público” [The Public Ministry Will Continue to Investigate General ‘Kopelipa’, Husband of Tchizé dos Santos and Stepson of Angolan Vice President], *Visão*, 23 June 2017, at <<http://visao.sapo.pt/actualidade/portugal/2017-06-23-General-Kopelipa-marido-de-Tchize-dos-Santos-e-enteado-do-Vice-Presidente-de-Angola-va-continuar-sob-investigacao-do-Ministerio-Publico>>, 9 August 2018.

¹²⁶ J.P. Batalha, “Risk of Impunity Increases With Outcome of Portuguese-Angolan Corruption Trial”, *Transparency International (TI)*, 18 May 2018, at <https://www.transparency.org/news/feature/risk_of_impunity_increases_with_outcome_of_portuguese_angolan_corruption_tr>, 9 August 2018.

¹²⁷ A. Vines, “Regenerating Angola. João Lourenço and the Legacy of the Dos Santos Regime”, in G. Carbone (ed.), *Leaders for a New Africa: Democrats, Autocrats, and Development*, Milan 2019, p. 93, at <<https://www.ispionline.it/en/publicazione/leaders-new-africa-democrats-autocrats-and-development-24247>>, 30 December 2019.

¹²⁸ P. Collier, *The Bottom Billion...*, pp. 100-107.

¹²⁹ Idem, *The Plundered Planet...*, p. 44.

¹³⁰ D. Rodrik, “The Past, Present, and Future of Economic Growth”, *Global Citizen Foundation Working Paper*, Cambridge 2013, at <<http://j.mp/2nzKGdc>>, 9 May 2018.

the general population will be growth oriented, whereas the ones securing narrow elites will choose wealth redistribution. What is more, well-designed policies will attract private capital that usually is not provided by aid. This capital is crucial for raising up productivity of any developing country. In 2008, Angola received more revenue from oil than double the entire aid flows channelled to the world's poorest countries.¹³¹ And yet, Kopiński argues that Angola's economic model of a rentier state proved dysfunctional and unsustainable exposing low state capacity once oil prices plummeted.¹³² The country has been officially classified as dependent on oil exports in the latest UNCTAD report assessing commodity dependence of states worldwide.¹³³ This fact, additionally exacerbated by corruption labelled "legendary", lack of transparency of public finance management, and a weak tax regime has translated into Angola's insufficient social spending that does not support human capital formation.¹³⁴ Thus, in light of some stabilisation policies already in place, it is imperative for the country to focus on addressing long-term structural issues mentioned above. Yet, for the latter to be effective Angola first requires institutional self-assessment and serious reforms towards inclusivity.

Second, Angola should cease using aid in an unsustainable way, and thereby rely predominantly on receiving aid from China. Angola's regime decision to choose Chinese aid over that coming in from the West was largely influenced by the fact that IMF's post-war reconstruction aid package was contingent upon introducing stabilisation policies and opening the country's oil deals to the donors' scrutiny.¹³⁵ However, although Chinese oil-backed loans are indeed less invasive in the country's domestic policies, they have been criticised for contributing to skyrocketing public indebtedness.¹³⁶ Striking a delicate balance between local ownership of reform and international supervision is considered imperative for donors giving foreign aid to resource-rich countries in the post-conflict context.¹³⁷ Meanwhile, Chinese neutrality towards persisting domestic governance issues has not only undermined the efforts of traditional donors relating thereto but has also contributed to perpetuating the culture of corruption in Angola. Mortgaging of oil has also been the key revenue generator for the parallel system maintained by the dos Santos regime.¹³⁸ Kiala points out to the controversies regarding

¹³¹ P. Collier, *The Plundered Planet...*, p. 67.

¹³² D. Kopiński, "A Successful Failed State..."

¹³³ United Nations Conference on Trade and Development (UNCTAD), *State of Commodity Dependence 2019*, Geneva 2019, at <<https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2439>>, 4 September 2019.

¹³⁴ D. Kopiński, "A Successful Failed State..."

¹³⁵ H. Pérez Niño, P. le Billon, "Foreign Aid, Resource Rents, and State Fragility in Mozambique and Angola", *The Annals of the American Academy of Political and Social Science. Aid and Institution-Building in Fragile States: Findings from Comparative Cases*, vol. 656 (2014), pp. 79-96, at <<https://www.jstor.org/stable/24541764>>, 6 September 2019.

¹³⁶ C. Kiala, "China-Angola Aid Relations..."; D. Kopiński, "A Successful Failed State..."

¹³⁷ C. Bruch, C. Muffett, S.S. Nichols, *Governance, Natural Resources and Post-Conflict Peacebuilding*, Oxon–New York 2016, p. 1022.

¹³⁸ R. Soares de Oliveira, *Magnificent and Beggar Land...*, p. 56.

a blurry line between aid and investment while Kopiński is concerned about the quality of projects manifesting itself by countless vanity ventures undertaken in the country.¹³⁹ Finally, concerns have been raised about Chinese model having an adverse effect on local human capital development due to the fact that Chinese companies tend to prefer their own workforce over local workers.¹⁴⁰

On the whole, in the Angolan context, both domestic institutions and foreign aid should focus on human capital accumulation. Given how young the country's population is and how neglected its basic needs have been throughout the decades, the politics of the ruling elites should focus on the interests of the general population as well as prioritise the redistribution of public goods. The aid that has been flowing in to theoretically facilitate the latter should not be treated as an instrument to satisfy political or private agendas of both recipients and donors. Therefore, it should be depoliticised, transparent, and focused on making a positive human impact as well as on fostering the inclusivity of institutions. Only then will Angola be able to harness its natural capital in a sustainable way and for the benefit of its citizens.

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¹³⁹ C. Kiala, "China-Angola Aid Relations..."; D. Kopiński, "A Successful Failed State..."

¹⁴⁰ C. Kiala, "China-Angola Aid Relations..."

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