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State-led industrial development, structural transformation and elite-led plunder: Angola (2002–2013) as a developmental state

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STATE-LED INDUSTRIAL DEVELOPMENT, STRUCTURAL TRANSFORMATION AND ELITE-LED PLUNDER: ANGOLA (2002-2013) AS A DEVELOPMENTAL STATE

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ABSTRACT

From 2002-2013, Angola engaged in large-scale state-led reconstruction and development alongside an elite-led appropriation and seizure of national assets. Until the oil price shock, Angola had been succeeding in promoting rapid economic growth and possibly even significant social development alongside a massive grab of wealth and power by local elites. Today, though an economic crisis has taken hold, frequent predictions of the country's immanent collapse have yet to be fulfilled. This paper reviews the state's development planning and expenditure with a focus on public investment and industrial development to determine to what extent Angola during this period might have been considered a developmental or petro-developmental state. It is argued that, while more significant than generally thought, petro-developmental outcomes were and are limited by the autocratic and neopatrimonial tendencies of the Angolan elite. Nevertheless, limited success with structural transformation may have lasting effects. Following its long civil war, the conditions existed for Angola to follow a new path of state-led development. However more difficult it may now be, structural transformation and economic diversification remain the only path to economic and social development.

KEYWORDS

Angola, developmental state, oil, industrialization, structural transformation, Africa

1 INTRODUCTION

In the wake of more than three decades of devastating neoliberalism, scholars have in recent years begun to pay new attention to theories of state-led development, industrial policy and structural transformation in Africa (see Lin and Chang 2009; Wade 2010; 2012; Ohno and Ohno 2012; Stiglitz, Lin and Monga 2013; UNECA 2014; Ramdoo 2015; Chang *et al* 2016). The concept of the developmental state offers a way of understanding the role of the state in economic and social development and the possibilities for positive state intervention in the economy. As such, the concept, which originally referred to countries in East Asia, is being employed more frequently with reference to sub-Saharan Africa (Mkandawire, 2001; Mbabazi and Taylor, 2005; Edigheji, 2010; Meyns and Musamba, 2010).[1] The concept, which Routley (2014) suggests can be thought of at its core as referring to a set of processes and institutions that produce a set of developmental outcomes, is most commonly applied to Botswana and Mauritius, though it is now being applied with reference to Rwanda, Ethiopia, Ghana, South Africa, and elsewhere.

Sogge (2009) asked whether the developmental state concept can be applied to Angola. Angola is one of the few countries that managed to largely avoid structural adjustment during the 1980s and 1990s. The country's civil war was won using both the revenues from Angola's rich deposits of crude oil and the strategic value Angolan oil came to have to the west. Yet, the failure of western countries to convene an international donor's conference to rebuild the country, despite promises made during the war, led Angola to seek oil-backed loans from China for its development and spurn the advances of the International Monetary Fund (IMF).[2] Since then, the government has directed a massive programme to rebuild the country's infrastructure and promote economic development.

The following examination of Angola's development promotion since 2002 is intended to highlight the potential for state-led development in Africa, as well as the pitfalls of the top-down modernizationist approach that typifies many state interventions. Based on an analysis of the

[1] For more applications of the developmental state concept, see also Nem Singh and Bourgouin (2013).
[2] A stand-by arrangement was finally made between Angola and the IMF in 2009 after talks repeatedly broke down in previous years over issues of transparency. The loan was needed due to cash flow pressures on the government resulting from a fall in oil prices and the general economic slowdown following the global financial crisis. A similar process repeated itself after the oil price shock, however so far it has not resulted in a loan agreement.

state's development planning and expenditure and using a combination of quantitative data and qualitative field research experience, I demonstrate in the sections that follow that in the period 2002-2013 the Angolan state was pursuing meaningful economic development, diversified growth and poverty reduction through development programmes funded by oil-backed loans, public investment and development planning, and targeted promotion of industrialization (if only at the earliest stages). This experience resulted not from a change in the self-interested predatory behaviour of the Angolan elite, but from a change in their accumulation strategies (Ovadia, 2013b), developmental intent (Ovadia, 2015) and the possibilities for success. Utilizing the developmental state perspective, we can begin to understand how capitalist development can take illiberal forms and how state-led industrial development can co-exist with elite-led plunder.

Although the analysis holds that state policy is largely crafted to benefit the elite, Angola's development policies had and have the potential to benefit the population more generally and positively impact their everyday lives. It must be stressed that while this potential has by no means been realized to date, there is evidence that significant successes have been made in terms of structural transformation that may have lasting impacts. Within a changed geopolitical context, the policies the state began to pursue following the end of Angola's civil war, while iniquitous and flawed, expanded the limits of the possible to allow for developmental outcomes that in previous decades were simply not open to African petro-economies. The observable shifts were obviously too short-lived and accompanied by too many not only illiberal but also anti-developmental actions to qualify Angola as a developmental state, let alone a democratic developmental state. Yet, with this potential in mind and with concrete evidence available to show the possibilities that were created in the state's pursuit of developmental outcomes, it can be said that Angola from the end of the civil war until the oil price shock had new potential to become a new kind of developmental state - a 'petro-developmental state' [3]. The question is open question as to whether or not this potential still exists and how it could be realised going forward.

The development agenda Angola pursued and continues to pursue is deeply problematic. At the same time, the development policies that so successfully concentrated wealth and power in the hands of the few also had an impact on the country's political economy. While Angola may not strictly meet all the criteria of the East Asian developmental state, the transformation of

[3] See Ovadia (2016a).

the early post-war period may still provide a basis upon which petro-development may be built in the future and is also an important example to consider in ongoing debates over state-led development and the role of industrial policy.

2 THE DEVELOPMENTAL STATE APPLIED TO ANGOLA

In order to advance the understanding of how East Asian countries went about promoting economic development, Adrian Leftwich (1995: 405) identified six components that define the developmental state model: 1) A determined developmental elite; 2) Relative autonomy; 3) A powerful, competent and insulated economic bureaucracy; 4) A weak and subordinated civil society; 5) The effective management of non-state economic interests; and 6) Repression, legitimacy and performance. It is with these characteristics in mind that David Sogge asks whether or not Angola could be considered a developmental state.

In his analysis, Sogge argues that Angola lacks four of these important characteristics, namely (in his words): 1) A determined elite guided by a modernising vision for the whole nation; 2) State autonomy from the interests of powerful cliques; 3) A competent economic bureaucracy insulated from special interests; and 4) The capacity for effective management of private economic interests. Sogge allows that Angola does have a weak and subordinated civil society and 'an uneasy mix of repression, poor human rights and legitimacy.' However, as he points out, these two characteristics are obviously not developmental at all. He concludes therefore that 'a "developmental state" along the lines of Vietnam or Malaysia is unlikely to emerge in Angola' (Sogge, 2009: 24).

Leftwich's characteristics are a useful starting point for evaluating a state's compatibility with the developmental state model,[4] however they should be understood to apply to the context of a group of East Asian states in the 1980s and 90s that even amongst themselves followed somewhat different development strategies. Moreover, the characteristics are best understood not

[4] It is worth noting that several alternative definitions of the developmental state exist. For example, Meynes and Musamba (2010: 21-26) consider the developmental state's defining features to be: 1) Development-Oriented Political Leadership; 2) Autonomous and Effective Bureaucracy; 3) Production-Oriented Private Sector; and 4) Performance-Oriented Governance. Routley (2014: 162) names the important characteristics as: 1) A capable, autonomous (but embedded) bureaucracy; 2) A political leadership oriented towards development; 3) A close, often mutually beneficial symbiotic relationship between some state agencies (often discussed as pilot agencies) and key industrial capitalists; and 4) Successful policy interventions which promote growth. By these measures, Angola may more easily qualify as a developmental state.

as a checklist for identifying a developmental state but as a shorthand for evaluating the state's capacity and commitment to achieving developmental outcomes. Building on Sogge, I will show how the characteristics identified by Leftwich were in the period in question either found in Angola's petroleum sector or were compensated for by its petroleum wealth to still allow for potential developmental outcomes. The continued pursuit of state-led development post-oil shock, particularly if combined with political reform, may yet lay the groundwork for further positive change.

Having begun to answer Sogge's critiques, I will use recent academic literature on Angola combined with interviews and observations from field research to paint a picture of the Angolan state's developmental activities and the limits to those initiatives due to neopatrimonialism and a lack of democratic participation in policy and governance. I will proceed to further interrogate the ways in which key developmental actions by the Angolan state did and did not create developmental outcomes. With reference to public investment (both from China and from Angola's Public Investment Programme) as well as the government's industrial development initiatives, it will be shown that the Angolan government took important steps toward petro-development that suggest how structural transformation and economic diversification can be leveraged in preparation for a transition to a post-carbon world.

In their concept of a 'developmental regime', Booth and Golooba-Mutebi write that such a regime is 'one that is actively promoting a productivity revolution in agriculture and/or pursuing a deliberate 'industrial policy' with a view to building capabilities for trade in regional or global markets' (2014: 1). Whether one uses Leftwich's definition and characteristics of a developmental state/regime or any other, it is important to remember that this concept abstracts from the particular characteristics of any given example. Therefore, in applying the concept to a particular case, it is more helpful to focus on the understanding that the crucial aspect of a developmental state is that it pursues and actively seeks to encourage developmental outcomes through public investment, industrial policy and social policy.

The features of any particular state that allow it to pursue developmental outcomes may change, yet it is likely that in any particular historical conjuncture states will only be able to pursue certain strategies within the limits of that moment and within the limits of their political and economic structures. This more basic understanding of a developmental state allows for substantial variance, answering some of the critiques that have been made about the concept of the developmental state and Weberian assumptions about the ideal-type that do not hold true in either the historical experience of East Asia or in more contemporary applications (Moon and Prasad, 1994; 1998, Chibber, 2004; Lim, 2009; Ohno and Ohno, 2012).

In the debate between Ellen Hillbom (2012a; 2012b) and Ian Taylor (2012) over the applicability of the concepts of a gatekeeping state vs. a developmental state in Botswana, Taylor cites Leftwich's model and argues it is still applicable despite Botswana's natural resource dependency and lack of economic diversification because it captures the hegemonic nature of developmentalist project of the national elite to promote national development as well as their own economic interests. In this way, and despite giving up on Leftwich's model, Taylor has similarly reduced the developmental state concept to its core element and allowed for some divergence from Leftwich's model due to geographical and temporal difference. Applied to Angola, the question is not, as with Botswana, whether Angola is developmental *despite* oil and natural resource dependence, but how it is developmental *as a result of* natural resources. In the case of Angola, it is the country's oil-based economy that gives state-led development its uniqueness. Of particular importance until 2013, as argued below, was the leadership role of the state oil company, Sonangol and its efforts to promote economic diversification in the greater context of heavy investment in infrastructure and institution-building.

Returning to Sogge's application of Leftwich, Sogge's analysis pays insufficient attention to the specificity of Angola's petroleum wealth and the impact oil has on the dynamics of state-led development. The possibility of petro-development in Angola creates an entirely different calculus for evaluating the success with which the state pursues policies that promote economic development. It is not the presence of petroleum that makes Angola a developmental state but the fact that it seeks to use petroleum to achieve its development objectives that opens up the possibility of a petro-developmental state. Nowhere is the difference between Leftwich's model and Angola's practice more clear than with reference to the Angolan elite. While Leftwich speaks only of a 'determined developmental elite,' Sogge adds that Angola's elite lack 'a modernising vision for the whole nation.' This addition is odd given that the Angolan elite are so often accused of being too enamoured with a specific vision of modernity in their approach to development.[5] For example, criticising the priorities of the government, the director of one of Angola's largest non-governmental development organizations (NGDO) described the approach

[5] See also Ovadia (2015; 2016b).

taken by the government as 'very capital-intensive' and noted that they rely on heavy investment in large-scale projects that cost a lot but don't necessarily reach the average citizen.[6]

Another advantage of the petro-developmental approach is the ability to target interventions in order to build new state capacity and new areas of comparative advantage. Ohno and Ohno (2012: 228) use the term 'dynamic capacity development' to refer to 'efforts to attain concrete goals rather than trying to improve governance generally and aimlessly'. Similarly, focusing on capacity building and state assistance to the regulation and competitiveness of the petroleum services sector is a more attainable goal than trying to get the whole of government to function more effectively. In an African state with significant petroleum resources, it may also have a bigger impact given the unique importance of oil and gas and the large amount of revenues and foreign direct investment it involves.

It seems difficult to sustain an argument that the Angolan elite did not actively promote a particular vision of development. Their commitment to developmental interventions in the 2002-2013 period seems clear. Rather, the problem lay in their approach to development and commitment to inclusive growth and social protection. As the director of another of Angola's largest NGDOs argued during the boom, rapid economic growth 'is not resulting is better quality of life for everyone.' The state's development model is about increased economic growth and foreign direct investment, not the redistribution of wealth. This, he argues, is the conscious plan of the elite, carried out with the assistance of Angola's wealthiest citizens and biggest private companies.[7]

Looking at the transformation of Luanda,[8] one cannot mistake the signs of a very specific modernisationist approach to national development in the various construction projects and gleaming new buildings. The capacity to effect change is undeniable. In fact, the director of a local women's empowerment organization argued during the boom that change is actually happening too fast. She suggested 'the country needs to show that things are happening because it is such a rich country and the elite need to justify themselves and why their wealth is growing.' This, she says, is part of the 'fast-fast' mentality of the Angolan elite.[9] Even if this approach does

[6] Interview, June 2010.
[7] Interview, May 2010.
[8] For more on the transformation of Luanda and its contradictions, see Buire 2014; Cain 2014; Croese 2015; Udelsmann Rodrigues and Frias 2016.
[9] Interview, August 2010.

not extend to every part of the country, the ambition was certainly there to thoroughly modernize with new mega-projects around the country announced throughout the period 2002-2013.

The Angolan development agenda is advanced, as suggested above, by the very highest levels of the government and the Angolan elite. Working with his trusted advisors, the president has minimized even the role of his party's elected politicians; even the state budget is barely debated in the National Assembly.[10] This political centralisation, as Leftwich notes, is common in developmental states. Additionally, Leftwich writes that a 'striking feature' of the developmental elite is the 'linkage of their bureaucratic (civil and military) and political components, especially at the top,' resulting in a 'dense traffic between senior levels of the civil and military bureaucracy and high political office, rare in western democratic states' (1995: 405). Many of Angola's top generals have not only served as private sector executives, but have also been shown to be benefiting from privatization and illicit wealth to take control of private enterprise across the Angolan economy. Now invested in the private sector, these elites have a very real commitment to and interest in economic growth and development premised on the logic of capitalist modernity.

For better or worse, Angola retains a large civil and military bureaucracy. While it is clear that the state does not have relative autonomy from the elite in the western understanding of a bureaucracy that can act independently of the elite, this deviation from Leftwich's characteristics may be the first instance in which the concept of a petro-developmental state modifies the East Asian model of a developmental state. In the case of Angola, the clique around the president is made up of the developmental elite and they represent the only powerful clique in the country. Both the state and the patronage circles that sustain the system run to such a large extent on one interest – the ability to access the rents from petroleum exploitation – that no interest can be divorced from either the state or the elite and still be relevant. While the power of this interest group is embedded at the core of the political system, the system lacks autonomy from this interest.

While the lack of embedded autonomy, which Evans (1995) contends is central to economic growth and industrial development, no doubt interferes with civil society's ability to participate in and strengthen the government's development agenda, it is as we shall see, by no means clear that this fact prevents economic growth – even non-oil economic growth – and

[10] Interviews and observations of the 2010 budget process.

industrialisation. In the case of Angola, both because the president and his circle maintains such tight control and because an increasingly important strategy for rewarding the elite is with opportunities for enrichment through privileged access to opportunities for capitalist accumulation (Ovadia, 2012), the elites are unusually united. This unity – maintained by the power of oil – allows the elite to retain capacity to effect change. As the political elite and emerging capitalists are the same people, they face no real barrier in pursuing a developmental agenda compatible with petro-development.

2.1 Development in Angola and development as economic growth

Johnson understood development primarily in terms of economic growth and the developmental state as one that successfully implemented policies promoting the same. This is a vision of development similar to the one held by the Angolan elite, who promote this vision in their own interest and at the expense of everyone else. It is with this in mind that Sogge writes: 'Decades after abandoning Soviet-style central planning, and embracing a supervised but predatory kind of capitalism, the postcolonial regime today replicates the dirigisme and external orientation of the colonial era' (2009: 20-21). If Angolan capitalism is predatory, can it also be developmental? This question suggests a need to examine the concept of 'development' itself.

Many versions of the developmental state concept can be understood to take development as economic growth; and it is mainly in that context, that I evaluate Angola as a (petro-) developmental state. Additionally, many of the development initiatives described below will undoubtedly have positive social benefits and improve the quality of life for many Angolans. Many of the projects – particularly the infrastructure projects – are essential building blocks for economic development and also provide power, water, lower cost transportation, and more to Angolans. Other initiatives in health and education not only contribute to long-term and sustainable economic development, but also impact social development. While the impact may not have reached the point where it was widely felt, a key characteristic that makes a state petro-developmental (beyond pursuing and actively seeking to encourage developmental outcomes through policy interventions) is that petroleum resources are the basis of how the state is able to promote these outcomes and how it achieves the necessary praxis to pursue its agenda of change.

Table 1: Real GDP Growth in Angola (Percent)

	GDP Growth	Non-Oil GDP Growth
2015	3.0	1.6
2014	4.8	8.2
2013	6.8	10.9
2012	5.2	5.5
2011	3.9	9.5
2010	3.4	7.6
2009	2.4	8.1
2008	13.8	15.0
2007	22.6	24.4
2006	20.7	27.6
2005	18.3	12.1
2004	10.9	9.2
2003	5.2	7.8
2002	14.5	3.1

Source: IMF

In terms of GDP, Table 1 shows that Angola has grown substantially since 2002. While GDP is deeply problematic as a measure of development, when measured year-over-year in the same manner, GDP growth can indicate progress. Angola has also, as section 4 will demonstrate, invested substantially in the promotion of economic development. However, the financial crisis and poor fiscal management of state accounts diminished what were impressive gains. More recently, the plunging price of crude oil and drop in US demand for imported crude raise additional concerns, though it is debatable what long-term effect these recent changes will have given the world's overall need for energy and the cost competitiveness of many forms of Angolan oil (with the notable exception of the very costly to extract ultra-deep 'pre-salt' reserves). Additionally, strong non-oil GDP growth (see Table 1) suggests efforts at diversification have already been successful.

More importantly, real concerns exist about how money is being spent, whether the state is getting good value for money, and whether they are making wise investments. While questions raised about schools without teachers, hospitals without staff, and low quality infrastructure projects deserve answers, they do not negate the commitment of the elite, their developmental nature nor the developmental potential of a wide variety of state policies. Even the governing party's harshest critics acknowledged during the boom years that reconstruction was moving ahead. Illustrating this, one opposition politician privately admitted to me:

> They are doing many of the right things. They are building roads, schools, hospitals, etc. However, these projects may not be of good quality. They did these things for short-term gains in elections, not long-term [development]… the [government] is focusing attention on roads and infrastructure, which is good, but it is doing a bad job because of the desire for illicit enrichment.[11]

The concerns over the nature of state spending relate to the important debate on the concept of the oil curse. More recent literature on the resource curse throws doubt on the value of the concept and suggests ways forward for oil-rich countries (Alexeev and Conrad, 2011; Haber and Menaldo, 2011; Bjorvatn *et al*, 2012). In fact, in his most recent book Michael Ross, a leading advocate of the oil curse hypothesis, admits that new comprehensive research on the topic suggests there actually is not much evidence supporting claims that oil extraction is linked to slow economic growth or weak, corrupt or less effective governments (Ross, 2012). Even if there was sufficient evidence, however, the existence of the countries Ross mentions are not susceptible to the curse such as Canada, Norway and the United Kingdom suggests there are ways to achieve developmental outcomes through natural resources.[12] This possibility is particularly real for strong governments with capacity to implement industrial policy, even ones with relatively weak institutions (Bjorvatn *et al*, 2012).

Development through oil resources is not just a question of correct policies. The conversion of economic growth into social development will ultimately involve struggle on the terrain of civil society. It is through this lens that the analysis herein diverges from the very insightful ‘developmental neopatrimonialism’ arguments of Booth, Kelsall and others who focus on the importance of institutional design and fail to fully acknowledge that, despite any developmental benefit, neopatrimonialism is something that the local population must struggle against. Local civil society organizations (CSOs) must tread lightly in Angola while proposing key reforms to ensure they do not incur the wrath of the government. For many, a balance is achieved by proposing reforms such as decentralisation and local empowerment over big government projects. While they are generally free to directly criticize projects with grandiose names such as ‘one million houses’, ‘water for everyone’, and ‘education for all’, or to propose

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[11] Interview, July 2010.

[12] For obvious reasons, these Western countries are not great comparators to Sub-Saharan African countries. What they demonstrate, however, is the possibility of successful natural resource-based development *and* the important of local content and other policies of state intervention in such successes.

reforms from small-scale development to protection and recognition for land tenure, the most dangerous criticism is to directly criticize the president or point out official corruption.

Acknowledging that neopatrimonial states are capable of fostering ‘rapid economic and social progress’ (Booth, 2011: 4) is simply acknowledging the reality upon which meaningful political economic analysis must be based. While Booth and Kelsall are certainly correct that a developmental state can be neopatrimonial, the proper question is not how can neopatrimonialism be ‘harnessed for developmental ends’ (Kelsall, 2011: 84). Rather, the role of the international community should be to act in solidarity with local struggles and the objectives of representatives of civil society, which in the case of Angola are firmly against neopatrimonialism and for social justice (which goes beyond improved quality of life and is also concerned with the redistribution of wealth). While the developmental benefit may be of greater importance than any illicit gains made on the back of national reconstruction, the lack of basic civil and political freedoms and silencing of critical voices is the real threat posed by neopatrimonialism in Angola.

3 OIL-BACKED LOANS AND CHINESE DEVELOPMENT PROJECTS IN ANGOLA

Angola’s oil-backed loans with China are emblematic of the desire to move quickly at all costs—a desire that weakens the state’s capacity to achieve truly developmental outcomes. Yet, the projects undertaken are the first of many ways in which the government demonstrated genuine effort and commitment to bring about both economic growth and improvement in the quality of everyday life for the majority of Angolans in 2002-2013 period.

Chinese oil-backed loans have pumped billions of dollars into Angola to rebuild infrastructure and essential services. As shown by Lucy Corkin (2013), this system was created with a great deal of agency from the Angolan elite. Initiated shortly after the end of the civil war, the loans represent the most well-known aspect of the government’s development project. Today, they are a source of tension between China and Angola, with the funds needed not for development interventions but for keeping the government afloat.

Following the end of the civil war in March 2004, a US$2 billion loan from the Export-Import Bank of China (EximBank) to the government of Angola was announced. Backed by Angolan oil production the arrangement had two phases of public investment, much of which was directed at education, health, and essential infrastructure for water and power. Chinese firms held all contracts, though a requirement was included – often not well enforced – that Angolan firms were to hold subcontracts worth 30 per cent of the contracts' value. Demonstrating an obvious drawback to the fast-fast mentality of the Angolan elite, a Ministry of Finance official responsible for the program stated that the 30 per cent quota was only upheld if it 'did not compromise project deadlines.' This comment led Corkin (2012: 476) to conclude that 'little is done to support the nascent industries in practice as they try to fulfill their quota of the contract work'. However, many Angolan NGDOs and CSOs agree that tied aid from Chinese firms is necessary for funding necessary development initiatives.[13]

Following the first announcement, further oil-backed loans totalling $2.5 billion were signed in 2007. The details of the loans and the projects undertaken with them were reported by at the time by Campos and Vines (2008). Since then, the Ministry of Finance has released a significant amount of data related to the projects and their status. This data is summarised in Table 2. The Ministry of Finance data is also notable in that it lists precisely what the projects were and, in many cases, whether or not they were completed. For example, in addition to a transportation project on trucking, a social communication project to upgrade the national public television station and a road rehabilitation project, the Phase One projects included four irrigation projects and two equipment supply projects under agriculture (listed by municipality) and three water and sanitation and five energy projects with details and locations listed. The information also includes the locations of the five agrarian institutes, eight polytechnics and seven schools constructed or reconstructed under education projects as well as the location of the eight hospitals and five health centres constructed or reconstructed. Similar details are provided for Phase Two and Phase Three projects.

Table 2: EximBank Projects, Phases 1-3

Sector	No. of Projects	Expenditure
Transport	4	$572,8100,668.00
Agriculture	11	$223,760,172.00
Social Communication	1	$66,905,200.00
Water and Energy	21	$696,882,159.59
Education	60	$594,110,399.63
Public Works	9	$1,265,245,109.95
Telecoms & IT	5	$341,307,189.00

[13] Interview, June 2010.

Fisheries	4	$306,847,509.00
Health	23	$409,319,197.78
Total	**138**	**$4,547,187,603.95**

Sources: Ministry of Finance

The numbers and figures provided are meaningless unless the projects have actually been undertaken and can benefit the local population. By 2010, new construction projects were visible throughout the country leaving little doubt that the projects were coming to fruition. Interviews with several Angolan development organizations confirmed that Chinese construction projects were indeed scattered around the country.[14] The data from the Ministry of Finance provides some details on implementation as well. According to the data, 44 of the 50 projects in Phase One had been completed by early 2008. At that point, the majority of Phase Two projects were already underway. Unfortunately, the data has not been updated since that time. However, the level of detail of the data as well as reports from organizations on the ground suggests that the projects were being implemented to varying degrees prior to the oil price shock.

Overall, the developmental benefit of 60 educational buildings (schools, polytechnics, agrarian institutes, administration buildings and a teacher training institute), 27 buildings for healthcare, including both regional hospitals and local health centres, and countless other projects is indisputable. While examples of poorly constructed facilities, facilities that remain unused due to a lack of qualified personnel or necessary equipment, and other problems do exist, these projects must be understood as part of an overall effort to rebuild and develop the country, putting in place the necessary foundations for economic growth and social development. In fact, Wolf (forthcoming a, b) argues that these Chinese projects had a significant impact on Angola's manufacturing sector, that Chinese construction projects contributed to domestic market formation, and that China's engagement in Angola, although primarily driven by natural resource considerations, has contributed to an emerging consumer demand base, especially in the food and beverages sectors.

On the other hand, while projects like the rebuilding of Angola's rail networks, begun in 2005 by the China Railway Engineering Corporation and funded by the China International Fund (CIF)[15], have been completed, the ultimate beneficiaries of many projects—especially those

[14] Interviews, May-August 2010.
[15] For more on CIF and its activities in Angola, see Ovadia (2013a).

funded by CIF—are the Angolan elite. In the case of the railways, they are now owned by the Swiss company Trafigura, which has a murky history of involvement with the so-called ‘triumvirate’ of Manuel Vicente, Gen. Manuel Helder Vieira Dias Junior (General Kopelipa) and Gen. Leopoldino Fragoso do Nascimento (General Dino).[16] This example illustrates the ways in which developmental potential can be subverted.

4 STATE DEVELOPMENT PLANNING AND THE PUBLIC INVESTMENT PROGRAMME

As impressive as the scope of public investment through Chinese financing was in Angola, the level of investment was only a part of the overall state investment planned during the period in question. Since 2003, public investment for development in Angola has been funded in the state budget through the Public Investment Programme (PIP). Public investment skyrocketed in the years since the end of the civil war from $274 million in 2002 to almost $12 billion in 2009 (see Table 3), accompanied by much greater private investment as well. Despite a dip around 2009, the PIP figures for 2011-2012 showed continued growth in public investment (see Table 4) leading in to the oil price shock, with upwards of $6 billion budgeted for investment in Angolan development.

Table 3: Public and Private Investment in Angola (millions of $US)

	2002	2003	2004	2005	2006	2007	2008	2009
Public Investment	274.1	281.3	868.4	1,531.4	5,403.0	7,156.1	11,901.3	2,979.3
Private Investment	3.077.6	4,996.7	6,045.0	8,029.4	11,385.5	11,647.0	18,984.7	12,189.9
Total Investment	**3,351.7**	**5,278.0**	**6,913.4**	**9,560.8**	**16,788.5**	**18,803.1**	**30,886.0**	**15,169.2**

Source: CEIC 2010

Beginning in 2009, the PIP began to emphasise new priorities set by the Ministry of Planning, focusing on energy, water, health and education. Unfortunately, as the Centre for

[16] See Weiss, M. ‘The 750 Million Dollar Man’. *Foreign Policy*. 13 February 2013. http://www.foreignpolicy.com/articles/2014/02/12/the_750_million_dollar_man_trafigura_angola_general_dino and Grobler, J. ‘Angola: The Bridge Over the River Kasai’ *AllAfrica.com*. 1 September 2014, http://allafrica.com/stories/201409051845.html.

Scientific Studies and Investigations (CEIC) of the Catholic University of Angola notes, there was a low rate of implementation of projects. Although this rate initially improved, it again fell in 2009 due to poor financial planning and the impact of the global financial crisis. This problem with budget implementation has also been noted by the IMF (IMF, 2014). However, they argue that deficit financing of infrastructure is needed and will result in a gradual acceleration of economic activity as public investment in infrastructure fosters growth in the non-oil sector. Meanwhile, the World Bank (2014) has also criticized the public investment management system for the PIP and recommended key changes.

Table 4: Activities of the Public Investment Program 2011-2012[17]

Ministry	No. of Projects	2011 Budget	2012 Budget
Territorial Administration	7	$4,471,623.25	$946,043.93
Agriculture, Rural Development, and Fisheries[18]	45	$409,967,519.90	$532,400,789.80
Social Assistance	15	$41,147,519.48	$48,579,510.94
Social Communication	49	$43,557,936.88	$49,915,491.71
Water and Energy[19]	173	$1,955,967,003.94	$1,911,260,960.37
Education	32	$47,144,725.51	$52,359,121.30
Health	54	$152,451,286.26	$249,712,783.58
Transport	84	$424,637,168.74	$597,849,480.94
Telecommunications and Information Technology	52	$236,310,474.66	$294,706,751.43
Urbanism and Construction	342	$2,592,061,243.86	$2,766,377,857.72
TOTAL	**853**	**$5,907,716,502.47**	**$6,504,108,791.70**

Source: Ministry of Finance

Despite an ongoing concern with enhancing not only public investment, but efficiency of public expenditure and service delivery, the IMF argues that ‘The non-oil sector continues to grow strongly, as investments in roads and power bolster growth in construction and manufacturing’ (IMF, 2014: 1). In releasing data about the 2011-2012 programme, the Angolan government is taking an important step toward accurate reporting about what money is being

[17] While the data provided is for 2011-2012, the projects included were generally initiated between 2007-2011, though in some cases they were initiated as early as 2003.
[18] Includes 29 agricultural projects, five rural development projects, and 11 fisheries projects.
[19] Includes 78 water projects and 95 energy projects.

spent on. Furthermore, with new reporting and financial management programs now in place in the Ministry of Finance, it is also much easier to see where money is going and much harder to abuse funds.[20]

According to *Acção para o Desenvolvimento Rural e Ambiente* (ADRA), the government is not being at all responsive to civil society calls to increase the quantity and quality of investment in three key sectors: education, health and agriculture. One of the only other CSOs working on the state budget ,*Plataforma Mulheres em Acção* (PMA), is one of the largest and, in fact, one of the only active gender advocacy organizations in Angola. PMA has similarly identified education, health and agriculture as priority areas of the budget due to their impact on women.[21] ADRA produced an analysis of the 2011 budget that shows that education and health spending dropped in 2011 compared to 2010 while there was a slight rise in defense spending. They also note that funding for defense is greater than any of those priorities (ADRA, 2010). ADRA's General Director laments the lack consultation with civil society organizations about the budget. 'We passed our opinion to the National Assembly, but the government doesn't have a lot of dialogue on the budget. This is a big problem. There is not dialogue between the government and society.'[22]

In addition to the concern over the amount of investment, a major concern in the quality of investment in education, health and agriculture. According to an ADRA researcher, not enough investment is being made in the hiring and training of teachers or teaching and learning materials. In terms of health, more hospitals and clinics are needed in rural areas, while more nurses need to be trained to staff these facilities.[23] In their study of the developmental state in Angola, Ovadia and Croese (2017) write that Government of Angola data shows that roughly 55 per cent of the total funding in the PIP is directed to Luanda.

A final concern related to the PIP is the massive centralization of power that accompanied the most recent round of investment. While Kelsall argues that centralisation is necessary for development rent utilization, in Angola centralization is being opposed by local NGDOs who feel decentralisation will allow for much more effective utilisation of state resources. Accompanying the large increases in the 2011-2012 programme has been a changed

[20] Interview, July 2010.
[21] Interviews, June and August 2010.
[22] Interview, August 2010.
[23] Interview, June 2010.

legal regime. In April 2010 a Presidential Decree was issued that gave the president authority over all policies and planning related to the PIP and final approval over all public investment projects. The decree defined such projects broadly to include construction and rehabilitation of social and economic infrastructure, investment in public enterprises, training of human resources, and investments in science and technology. This decree also explicitly relegated provinces and municipalities to a supporting role.[24]

In January 2011, these changes were further entrenched when the National Assembly passed a new law on national planning that directed the allocation of funds from the state budget for the multi-year expenditure framework of the national development plan. The law authorises the president to issue special presidential decrees preparing the annual plan (Article 16) and gives him authority to approve all expenditure (Article 9) for the PIP. The law further elaborates that the PIP annual plan operationalises the medium term national development plan as well as the longer term sectoral development plans developed by the Angolan government.[25] Taken together, Decree 31/10 and Law 1/11 ensure that the president will have full control over every aspect of public investment and isolate him from the need to seek any consultation from the public or even from provincial and municipal governments.

The changed legal regime for public investment moves the country in the opposite direction of the openness and transparency required for Angolans to contribute to development and planning. The government's lack of consultation, top-down approach and focus on the march to modernity limit the ability of CSOs to participate (Ovadia, 2015). In the meantime, the official secrecy surrounding state finances makes proper implementation of the national development plan extremely difficult. This is most apparent in the case of health services. The gender advocacy group PMA has been highly critical of healthcare in rural areas, especially for women. In 2010, PMA argued that investment is not being properly coordinated through provincial governments to reach the areas that need it. They also noted concerns with the number of doctors on staff, availability of ambulances and cleanliness of facilities. It very difficult to for them to track how money budgeted for health is being used because disaggregated data is not provided.[26]

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[24] Decree 31/10 of 12 April. Regulamento do Processo de Preparação, Aprovação, Execução, Acompanhamento e Avaliação do Programa de Investimento Público. Government of Angola.
[25] Law 1/11 of January 14. Lei de Bases do Regime Geral do Sistema Nacional de Planeamento. Government of Angola. (*author's translation*).
[26] Interview, August 2010.

More recently, large deficiencies in the health sector have been revealed in the government's response to Yellow Fever and through several investigations into health services provision by national and international media

This section has shown that, taken together, public investment from 2002-2013 offered real potential for economic growth and improvement of quality of life for a large portion of the population. Given the concerted effort by the Angolan state to promote public investment in economic and social infrastructure, it is clear that the state is in many ways furthering a developmental agenda. The concerns raised over the implementation of this agenda do not alter the fact that the state pursued developmental policies, rather they suggest the parameters of future struggle on the terrain of civil society over the distribution of benefit from state intervention. It is in this context that the centralisation of power in the office of the president and in a small elite is most troubling.

5 INDUSTRIAL POLICY IN ANGOLA

Overall, state development interventions in Angola from 2002-2013 produced mixed results and demonstrate many of the negatives of the government's approach in general and it's disconnect from everyday life in Angola. At the same time, there is sufficient evidence to see the Angolan state as delivering developmental benefit. The activities of Sonangol Industrial Investments (SIIND) were both a crucial component of this developmental agenda, and the most promising of the interventions undertaken by the Angolan state. This section will first examine SIIND's activities using the company's statements and media reports before expanding to a broader analysis of industrial development and anchorage in oil and gas through local content policy and through non-oil industrial development in areas such as concrete and food and beverages. Sonangol took over the government's industrial development projects in 2010 and created SIIND to directly help create a manufacturing base in Angola.

5.1 Sonangol Industrial Investments

Sonangol Industrial Investments was created to manage projects begun by the *Gabinete de Reconstrução Nacional* (GRN) through various loans and other arrangements with the Chinese state and Chinese capital. Chief among its activities, SIIND invested over $100 million dollars in the Luanda-Bengo Special Economic Zone and began directly planting factories in the zone to produce a wide variety of products, many of which previously were not manufactured in-country.

Created in 2005 and regulated by Presidential Decree 49/2011, the Special Economic Zone in Viana covers 8,300 hectares, crossing the provinces of Luanda and Bengo. The project called for 73 factories to be in operation. Twenty six factories were to be operating by the end of 2012, and 53 by the end of 2014. According to various media reports, SIIND invested $50 million in the first eight factories, which opened in 2011. A further six factories were opened in the summer of 2012 at a cost to the government of $78 million.[27]

By December 2012, 17 factories were operating and Sonangol was still saying nine more would open by year-end.[28] The 12 new plants being planned for late 2012 included factories producing hardware, electroplating, water pumps, metalworking, metal packaging, plastic bags, electroplating, metal pavilions, glass for construction and carton (see Figure 1). For all factories, SIIND was to be the main shareholder and manager of the industrial units and was to assume, in the first instance, the coordination of all infrastructure projects. SIIND has also undertaken to provide support to industrial units, help supply raw materials and ensure the use of modern industrial technology.

Figure 1: Factories in Operation in the Special Economic Zone, June 2012

Name	Products	Capacity	Direct Employment
Angolacabos	Fibre optic cables	-	-
Inducabos	Low, medium and high voltage power cables and wiring	More than 71.8 million meters of cable in year one, rising to 163 million after year three	87
Inducible	Paints and varnishes	-	-
Induplastic	Plastics	-	-
Indutubos	Large HDPE pipes	5,802 tons per year of pipe	33
Mangotal	Metallic structures	-	-
Mateletrica	Electrical materials	-	-

[27] 'SIIND Adds More Industrial Units at Viana' *Sonangol Universo.* 34, 2012, p. 42.
[28] 'Luanda's Embrace: The Bengo Region' *Sonangol Universo*. 36, 2012, p. 22.

MTBT	Electrical equipment (cables, switchgear, transformers and insulators)	20,000 units	96
Ninhoflex	Foam mattresses, springs, and other components	42,000 foam mattresses, 4,200 spring mattresses, 8,000 pillows and 23,000m3 of industrial foam	80
Pivangola	Irrigation materials	-	-
Pipeline Angola	PVC pipes	-	-
Telhafal	Metal roofing tiles	Tiles to cover 96 homes per shift	63
Transplás	PVC fittings	1,973 tonnes annually	50
Vedatela	Metal fencing and wire factory	-	-

Source: *op. cit.* footnotes 24, 25 and 26

The clients of the factories were to initially be largely state agencies with a small amount of sales to construction companies and retailers. In effect, this was direct state sponsorship for the building of new comparative advantage. The goal was to broaden the client base over time as the quality of the products is established and cost came down. From the list of items produced, it quite a bit of the industrial production would be able to service the oil sector, though most products are more generally required in the Angolan economy. Almost all production is for the domestic market.

According to a report in the Angolan newspaper *O Pais*, by late 2012 roughly 3,600 jobs were created in the special economic zone – 1,200 in the 14 industrial units and 2,400 indirect jobs in construction, safety and services.[29] According to Sonangol, the project was eventually expected to create 14,000 jobs and boost industrialisation in the north and east of Luanda.[30] In the wake of the oil price shock and a change of leadership in Sonangol, SIIND was deprioritised. However, the plans that had been put in place and the early successes in following through indicate what could have been possible through the developmental interventions of a generally parasitic state.

[29] Faria, L. 'Sonangol Investe Mais USD 78 Milhões em Seis Novas Fábricas na ZEE Luanda-Bengo' *O Pais.* 28 May 2012, http://www.opais.net/pt/opais/?det=26949.
[30] 'SIIND Adds More Industrial Units at Viana'.

The special economic zone, though it was only to constitute 73 factories when complete, is still highly significant in the context of an economy starting with virtually no indigenous industrial capacity. Ultimately, SIIND's activities can only be a small part of overall industrial development. The key strategy in the creation of many of the East Asian developmental states was not direct state investment in industry but policies to promote foreign investment along with interventions to promote certain industries, provide incentives, and pick enterprises to support. Evidence of these activities in Angola can be found by looking at the oil and gas sector and the promotion of local content in the Ministry of Petroleum and Sonangol. The government, through MINPET but more so through Sonangol, has a great deal of leverage to put in place policies that protect and nurture indigenous capitalism (Ovadia, 2012; 2013b).

5.2 Angolanization and Local Content Policy in Oil and Gas

One of the key ways in which the government could develop new domestic industries is local content policy, which in Angola is promoted both through new legislation and through the Production Sharing Agreements (PSAs) between the Angolan state and international oil companies (IOCs). One of the most important laws put in place regarding local content, which can be understood in this context as policies that promote indigenous participation in petroleum exploration and production through labour and provision of goods and services, is Decree No. 127/2003, which created three systems of categorisation of goods and services used in the oil industry, reserving some areas of services for national companies and others for joint ventures. Other laws and regulations provide various levels of protection and require various forms of inclusion for Angolan companies and Angolan human resources. Additionally, National Bank Order 20/2012, supported by Law 2/2012, has been successfully implemented to require use of the Kwanza in IOC tax payments and payments to local contractors in the oil industry. These 'Kwanzanisation' policies will provide a needed boost to the Angolan financial sector.

There are some important examples of multinational oil service companies investing in new manufacturing capacity in Angola in response to local content. For example, (OSCs) Angoflex Limitada is a joint venture between Sonangol and France's Technip, which has set up significant operations in Bengo Province. The company manufactures deepwater steel-tube umbilicals for the oil industry, while Angoflex's 'spoolbase' is a facility where umbilical pipelines are literally rolled on to spools. According to Sonangol Universo, spoolbase is 'one of the most advanced industries of its kind in Africa' and employs around 400 people (90 per cent Angolan) in site welding and processing jobs. The company supplies both Total and BP in Angola, and has also completed export orders for the Jubilee project in Ghana, demonstrating the potential for Angola to be a hub for regional petroleum services.[31]

Another impressive example is the Angolan company Cariongo. The company, which supplies oil and gas components such as gaskets, bolts, flanges, fittings and valves in country, recently opened a new manufacturing facility in Viana Business Park. Claiming to have achieved 60 per cent local value added, the companies' products are manufactured under license of a foreign OSC, thereby retaining international standards. The company recruited its staff locally. Since there were no Angolans with experience in gasket manufacturing, they were given one year of training with full salaries paid.[32]

These two examples display the potential of local content policy as a form of state intervention that can promote economic development. Local content policies encourage and otherwise force international oil companies and multinational oil service companies to use local companies to supply goods and services and require that they invest in facilities for local manufacturing and service provision. While the policies can be abused like any others to direct the benefit to a privileged few - a concern Ovadia (2012) refers to as the 'dual nature' of local content - there is some evidence to suggest Angola is moving in the right direction (Ovadia, 2013b; 2016a). In any case, the more salient point for the purposes of this paper is the new potential and new limits of the possible created by the state's pursuit of local content policies. Due to the strategic nature of petroleum resources and the fact that hyrdocarbons are there in the ground and cannot simply be moved out of a particular jurisdiction to a more favourable fiscal or regulatory regime, Angola can insist on these policies and have significant leverage to ensure their implementation.

5.3 State-Led Industrialization through National Planning

In a set of articles, Wolf (forthcoming a, b) argues that from the end of the civil war Angola did indeed manage to dramatically increase manufacturing output in areas beyond oil and gas.

[31] 'SIIND Adds More Industrial Units at Viana'.
[32] 'Angolan Success Story: New Components Factory Opens in Luanda' Local Content Angola. 27 September 2012. http://www.localcontentangola.com/blog/18-blog-4.

According to Wolf, China plays a key role in spurring demand for building materials which 'can and increasingly are produced in Angola' and in increasing Angola's balance of payments position through its demand for raw materials. Wolf (forthcoming b) notes that Angola began a remarkable recovery in 2002 that by 2013 saw the country return to pre-independence levels of manufacturing output. Noting that the Medium-Term Industrial Restructuring Plan 2009-2013 and the National Industrialization Programme 2013-2017 outline the government's broad strategy for manufacturing, her work highlights the way the plans emphasise vertical and horizontal linkages and prioritize key sectors in which to develop comparative advantage through tax incentives for private investment and tariff protection.

Wolf (forthcoming b) notes that among least industrialised Sub-Saharan African countries, Angola has experienced the fastest rates of manufacturing sector growth, with Angolan manufacturing output per head increasing by nearly 250 percent by 2011 over the average level for 1996-2000. As examples, she points to Angola developing its own cement industry and having significant success in reducing cement imports and to a rapidly growing domestic food and beverages industry buoyed by foreign direct investment and high agricultural tariffs. Yet, Wolf writes that the example of cement also shows 'the political economy dynamics underlying the diversification process with investments being controlled by circles close to the president's family and political allies'. Nevertheless, her research on the construction and beverages sectors boosts the thesis that there is more to the Angolan elite than their rent seeking behaviour and that the nascent indigenous capitalist accumulation (Ovadia, 2013b; 2016a) found in the oil services sector may be more widespread and that until 2013 the Angolan non-oil manufacturing sector was expanding rapidly.

6 CONCLUSION

This paper contends that from 2002-2013 the level of state-led development through public investment and industrial policy interventions in Angola produced potential for the country to be a new kind of developmental state. While Sogge is correct that Angola doesn't fit the exact criteria developed by Leftwich, it did generally fit a more core understanding of the developmental state in terms of building dynamic capacity and commitment to development (understood primarily as economic growth). Additionally, the criteria of Leftwich's that Angola did not fit arguably would not have hindered developmental outcomes because of the particular nature and circumstances of petro-development in a context of significant natural resource wealth.

Post-2014, the more important debate is over what kind of interventions Angola will continue and what kind of development (if any) it will promote. Developmental neopatrimonialism may exist or have existed, however a democratic developmental state as described by Robinson and White (1998) or Edigheji (2010) never did. Rather, the modernising elite of Angola made and make choices that are detrimental to the majority of Angolans in order to ensure their own benefit. While their choices in the right conditions can produce rapid economic growth and even social development, neopatrimonialism and the oppressive tactics of the ruling party remain forces that Angolans must struggle against.

For other states in Africa and the Global South, Angola's successes and its failures offer crucial lessons in state-led development. To begin, various dire predictions of Angola's immanent collapse, particularly in the mainstream media[33], are likely not coming to pass precisely because of an underestimation by journalists, scholars and others of the structural transformation and economic diversification that the country accomplished through industrial policy and state-led development in the period 2002-2013. Additionally, many African states have followed Angola's lead in leveraging China's interest in the continent's natural resources to benefit from its development assistance and made rapid progress in crucial infrastructure for development. Regardless of the size of public investment – financed internationally or through the state budget – a culture of openness and encouragement of civil society participation is needed to curb waste. Without these conditions, funds earmarked for development (especially funds accessed through lines of credit) could end up having little positive impact while future generations pay the price.

It is most helpful to view Angola from 2002-2013 as a different kind of developmental state in the making where the defining characteristic was the dominance of petroleum in the national economy. The promising steps Angola took to promote local industry relied on the highly effective bureaucracy of the state oil company and exploit the unique nature of a

[33] See, for example, 'Africa's Oil States are Imploding' Foreign Policy. 4 April 2016, http://foreignpolicy.com/2016/04/04/africas-petrostates-are-imploding/; 'Angola Could Be OPEC's First Member to Fall' OilPrice.com. 12 April 2016, http://oilprice.com/Energy/Energy-General/Angola-Could-Be-OPECs-First-Member-To-Fall.html; and 'How the Crash in Oil Prices Devastated Angola and Venezuela' The Washington Post. 2 August 2016, https://www.washingtonpost.com/news/worldviews/wp/2016/08/02/how-the-crash-in-oil-prices-devastated-angola-and-venezuela/.

commodity traditionally understood to be a curse. Oil obviates the need for some characteristics Leftwich and Sogge say argue are necessary for states to promote developmental outcomes and therefore creates a new variation from the East Asian developmental state model. It is this variation that made the developmental state replicable in Angola during a period of booming commodity prices.

Angola was developmental in the sense that despite not promoting democracy, human rights, or any kind of a progressive let alone radical agenda, it achieved massive economic growth and some (fleeting) measure of human development through job creation and new economic opportunity, but also through access to clean water, power, education, and health care. While Angola never became a successful developmental state (i.e. one that has achieved lasting developmental outcomes), the concept of a developmental state is meaningless unless the possibility exists that a developmental state could fail to meet its development objectives due to any number of internal or certainly external circumstances.

The advances in human development that could have been expected to result from Angola's development planning had the oil price shock not interrupted described above, had they been achieved, would be a significant improvement over what other African states and indeed other states in the Global South have been able to achieve under global neoliberalism. Despite the drop in the price of oil, more and more countries around Africa and the Global South continue to find new petroleum resources and build high expectations as to what those resources mean for their development. Angola's approach to local content through extractive industry is in many ways a model for other African countries (Ovadia, 2016b). The possibility of replication makes the Angolan state and the question of its developmental programme an important topic for further investigation.

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