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Business success, Angola-style: postcolonial politics and the rise and rise of Sonangol

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ABSTRACT

This paper investigates a paradoxical case of business success in one of the world's worst-governed states, Angola. Founded in 1976 as the essential tool of the Angolan end of the oil business, Sonangol, the national oil company, was from the very start protected from the dominant (both predatory and centrally planned) logic of Angola's political economy. Throughout its first years, the pragmatic senior management of Sonangol accumulated technical and managerial experience, often in partnership with Western oil and consulting firms. By the time the ruling party dropped Marxism in the early 1990s, Sonangol was the key domestic actor in the economy, an island of competence thriving in tandem with the implosion of most other Angolan state institutions. However, the growing sophistication of Sonangol (now employing thousands of people, active in four continents, and controlling a vast parallel budget of offshore accounts and myriad assets) has not led to the benign developmental outcomes one would expect from the successful 'capacity building' of the last thirty years. Instead, Sonangol has primarily been at the service of the presidency and its rentier ambitions. Amongst other themes, the paper seeks to highlight the extent to which a nominal 'failed state' can be successful amidst widespread human destitution, provided that basic tools for elite empowerment (in this case, Sonangol and the means of coercion) exist to ensure the viability of incumbents.

INTRODUCTION

Despite Sonangol's overriding centrality to the Angolan state and to the survival of the regime over three decades, this is the first attempt to study the company as a separate entity on the basis of fieldwork, interviews with leading players and use of primary sources.[1] The paper proceeds as

follows. The first section provides a brief late colonial background to Angola's political economy. The second section outlines the story of Sonangol's creation and the pragmatic and competent vision that informed this process throughout the first decade and a half of Angolan statehood. The subject of section three is the vast web of business interests which composes the Sonangol Group today and its ambitious goals in Angola and beyond. The fourth section explains the role that Sonangol has played in managing sophisticated operations through offshore accounts in which large sums of money have typically gone unaccounted for; running what amounts to a parallel budget without the oversight of Angolan institutions; and behaving in an aggressively monopolistic manner that detracts genuine entrepreneurs from investing, while cornering appetising business opportunities for regime cronies. The final section sees Sonangol as the centrepiece in the management of Angola's 'successful failed state', highlighting the extent to which a nominal failed state can go on surviving and indeed thriving amidst widespread human destitution, provided that basic tools for elite empowerment (in Angola's case, Sonangol and the means of coercion) exist to ensure the viability of incumbents.

BIRTH OF A NATION

To understand the subject of this paper fully, we must begin with a brief look at the political economy of late colonial Angola. The start of the anti-colonial war in 1961 was characterised by extreme brutality, and elicited a ferocious response by the large metropolitan expeditionary corps sent to quell it. Yet contrary to Guinea-Bissau, and to a lesser extent Mozambique, where the insurgencies that erupted soon afterwards eventually took a heavy toll on local economies, Angola settled into a costly but low-intensity war that did not affect the cities or even the more populated and richer agricultural areas. The nationalist camp, divided into two and then three rival groups, was feeble and spent much of the time in internecine conflict. These were the coastal and urban Movimento Popular de Libertação de Angola (MPLA), with a leftist outlook and *soi-disant* pan-Angolan discourse, attracting additional support from mixed-race and a small number of young white Angolans; and the more ethnically based Frente Nacional de Libertação Angola (FNLA) and União Nacional para a Independência Total de Angola (UNITA), drawing the majority of their supporters from Bakongo and Ovimbundu communities respectively and making only limited efforts to enlarge these constituencies.[2] Their long-standing and mutually exclusive claims to supremacy (rather than the greed-driven explanations provided by

analysts in the 1990s) would furnish the leitmotif for four decades of intra-Angolan conflict which only came to an end with UNITA leader Jonas Savimbi's death in 2002.

Despite its military weakness, the nationalist challenge played a vital role in Angolan late colonial politics, pushing the Portuguese 'substantially to alter the nature of their presence' through an equivocal 'hearts and minds' campaign and, more importantly for our purposes here, major economic reforms (Clarence-Smith 1985: 194). This included opening up the previously protected economy, major metropolitan infrastructure investments, and the doubling of the European population to 350–400,000 (the second in sub-Saharan Africa after South Africa). As a consequence, the economy of the late colonial period was vibrant and diversified, posting annual real growth rates of 4·7% between 1961 and 1974,[3] despite the war raging in the remote provinces. Sisal, coffee, cotton, diamonds and iron ore were amongst the main exports, while oil, the extraction of which had started in the mid-1950s, became the major export in 1973 at 150,000 bpd. Angola also possessed a fast-growing manufacturing sector centred on consumer goods and light industry.[4]

This process came to a halt with the 25 April 1974 democratic revolution in Lisbon. The Portuguese armed forces' decision not to go on fighting in Africa quickly led to talks with the nationalists and a commitment to decolonisation. However, soon after the Alvor peace agreement brokered between the Portuguese government and the three competing nationalist factions in early 1975, it became clear that peace would not hold. This resulted in a three-way war for control of the state, the mass exodus of an estimated 90% of the settler population, and the invasion of Angolan territory by South African, Zairian and Cuban troops, each in support of one of the competing parties. Barricaded in its Luanda stronghold on the day of independence, 11 November 1975, the MPLA and its Cuban allies prevailed to acquire control of the postcolonial state (Heimer 1979). The FNLA was routed and eclipsed as a major nationalist force, and UNITA retreated to its hinterland hideouts.

MPLA's President Agostinho Neto, however, soon realised that his country was in tatters. Angola remained under the threat of South African aggression and UNITA rebels; a great deal of infrastructure was destroyed. Most importantly, the vast majority of educated and technically able personnel, without whom a modern administration and economy cannot run, had fled abroad. Because of this vacuum, but primarily because it fitted the ideological assumptions of many MPLA cadres and their Soviet bloc patrons, the decision was made to expropriate Portuguese property without compensation and introduce central planning to the

economy. This option was deepened by the official adoption by the MPLA of Marxist-Leninism in 1976, and its transformation into a purged 'vanguard party' in 1977 following the failed Nito Alves coup.[5] The practices and consequences of socialist management – heightened by the patrimonial practices recurrent in the running of postcolonial African administrations and parastatal companies (see Tangri 1999) – were catastrophic, if unsurprising, and no colonial-era economic sector of significance was ever successfully nursed back to life. Nationalised companies were inefficiently run and plundered for cash by unqualified political appointees, collectivised farms mismanaged and then abandoned, and most productive sectors cast off one by one (see Ennes Ferreira 1999). By the late 1970s, the chimera of '1973 output levels' had become the mantra of civil servants, yet economic policy would not vary significantly until the late 1980s, when expropriation of the little Portuguese property left was still occurring.

There was, however, one significant exception to this, which is all the more surprising in view of the suicidal character of Angolan economic management during this period. Angola's oil sector would be spared from Marxist and postcolonial African economics alike, and allowed to flourish according to 'modern', 'rational' and 'pragmatic' criteria. The instrument for this policy was to be Sonangol, Angola's national oil company.

CREATION OF SONANGOL

As the country geared up for civil war in mid-1975, the MPLA put together a National Commission for the Restructuring of the Petroleum Sector (henceforth, 'the Commission') under the responsibility of Percy Freudenthal, a white Angolan businessman whose family had been close to MPLA leader Agostinho Neto since the 1950s. Together with Morais Guerra, a lawyer with banking sector expertise, Desidério Costa, an engineer, and a handful of other experts, Freudenthal's mission was to manage the transition in the oil sector in as smooth a manner as possible. Officially, the MPLA's approach to oil companies was still textbook 1970s resource nationalism: a statement of the period brazenly claims that 'with the inevitable independence of Angola all those [oil] companies which operate offshore or inland will be chased from our national territory and all their equipment and assets seized' (quoted in *Africa Confidential* 22.11.1974). But the exodus of white settlers and the impending civil war and foreign invasions made it obvious to the party leadership that oil production would soon be the pre-eminent, indeed the only,

revenue-generating sector of the Angolan economy. For that reason, it had to be carefully sheltered from the coming political storms.

The earliest and most pressing task for the Commission was to arrange the return of the main oil operator, Gulf Oil, whose subsidiary the Cabinda Gulf Oil Company (CABGOC) was responsible for the bulk of Angola's oil production.[6] Gulf had exited Angola in November 1975 as the war raged. Through a mix of pressure from General Obasanjo's Nigeria, which hinted at retaliation against Gulf interests in the Niger Delta should Gulf boycott the new state,[7] and reassurance of pragmatic, business-minded intentions on the Angolan side, the Commission managed to bring the American company back into the new sworn enemy of the USA. By March 1976, Gulf Oil had paid an outstanding share of royalties to the MPLA, thus recognising it as the legitimate government of the country despite Henry Kissinger's vehement opposition.[8] Other companies active in Angola such as Petrofina and Texaco were also encouraged to return by their apparently reliable, professional Angolan interlocutors. Nationalisation of the oil sector was explicitly rejected.

The exception to this was the oil company ANGOL, a subsidiary of Portugal's SACOR which was just then in the process of nationalisation by the leftist government in Lisbon (SACOR was absorbed by the recently established Portuguese NOC, Petrogal). In accordance with the decision to expropriate all Portuguese property (Ennes Ferreira 2002), the MPLA took control of the company.[9] But behind this apparently radical measure lurks a transition more typical of conservative Francophone countries such as Gabon or Côte d'Ivoire than avowedly radical Angola, which testifies to the sang-froid of the Commission. At a time when the Portuguese government had not even recognised the MPLA as the legitimate government of Angola (the Portuguese cautiously waited till late February 1976, by which time the other two armed parties had been repulsed), members of the Commission had gone to Lisbon and signed a memorandum of understanding with SACOR/Petrogal to the effect that the Angolan NOC they were about to create would keep many of ANGOL's (mostly Portuguese) employees. According to this agreement, they would staff the new company and their years there would be counted as service to Petrogal for the purposes of promotion and retirement benefits when and if they decided to return to Lisbon.[10] Many simply stayed on and became Sonangol employees. Once this was settled, the founding team moved into the ANGOL building in downtown Luanda and proceeded to craft the new Angolan NOC.[11] 'In no other area of the Angolan economy was there such a degree of continuity, with both

structures and people kept in place', one Sonangol executive who started out in pre-1974 ANGOL put it. 'You see, through colonialism, foreign invasion, Marxist-Leninism and capitalism, I have not left the same building.'[12]

Sonangol itself was created in June 1976 as the Angolan oil concessionaire, sector regulator, and tax gathering agent, and although a Petroleum Ministry was later established, it was always a political lightweight and never rivalled the NOC's influence. According to a member of the founding group, the vision that animated the new company can be described as 'flexibility, reliability, and pragmatism'.[13] Sonangol would not embrace the central planning and state-led economic policies that shaped Angola until the end of the Cold War: its 'compass was the international oil economy, not domestic policy fads'.[14] In particular, it was to be insulated from the political race for a 'share of the spoils', the anti-corporate mentality, and the disregard for the rule of law that would soon become prevalent in all other sectors of the economy.[15] Sonangol executives also understood that with a Soviet and Cuban-supported government and the overt hostility of the US, they would have to go out of their way to appear trustworthy to Western oil investors. Finally, Sonangol did not define its mission in an overambitious manner, despite occasional references to the goal of creating a 'fully integrated' oil company. Acutely aware of the complexity of the oil sector and the paucity of human resources in Angola, Sonangol's priority became contractual negotiations with oil firms, while the latter would remain responsible for exploration and production. In order to improve its negotiating performance, Sonangol was committed to close partnerships with the best oil experts, lawyers and consulting firms available, an approach soon extended to any technical area the company was not self-confident about.[16]

An important such partnership was with the Algerian NOC SONATRACH.[17] In May 1976, a high-level delegation arrived in Luanda with a view to helping the new government create Sonangol. Algerian experts became all-purpose advisors to Sonangol in 'coming to terms with the practical side of things',[18] and helped train a considerable number of first-generation Angolan personnel. Italy's ENI also played a role by providing technical education to many Sonangol workers at its Milan training institute. In addition to SONATRACH, Sonangol's rather surprising other major source of apprenticeship was Arthur D. Little, the reputable Cambridge, Massachusetts consulting firm. Arthur D. Little had been a much-appreciated oil sector auditor to the colonial government of Angola,[19] and was keen to remain involved in the country despite the US

non-recognition of its new Marxist government. President Neto reportedly quizzed the Commission about the maintenance of such 'imperialist' advisors. But he was reassured to know that the Algerians (who also worked closely with Arthur D. Little) spoke positively of them and thus allowed the arrangement to stand.[20]

How could these men get away with creating a company that not only flouted most of the received economic wisdom of the period, at least in the socialist camp, but also cavorted with American oil and consulting firms, all the while exerting *the* pivotal role in the otherwise stillborn postcolonial Angolan economy? Several factors account for this. To start with, it had to do with the individuals in question. The key figures in Sonangol's core team were well-networked MPLA party members who enjoyed the confidence of President Neto. They shared the common social background of the upper ranks of the party, the exceedingly small, late colonial world of Luanda-based, mostly mixed-race educated Angolans. In this confined social circle, many influential actors in the government, the party and Sonangol were related by blood ties or by friendship. No matter how unorthodox their views may have sounded, their loyalty was never in doubt, a key feature of Sonangol officials up to the present time.[21] They were also respected as technocrats at a time when the party possessed very few university-educated cadres. More importantly, however, they enjoyed strong political support for their project. There was a general perception that the oil sector was a matter of life-or-death, ensuring the viability of the MPLA state and paying for its Cuban protectors. Whatever the management style, if it permitted the steady flow of resources it would be accepted. The Angolan economist Manuel Ennes Ferreira (2005: 5) sees this as evidence of the 'realeconomik' thinking of the MPLA leadership, whereby the oil sector was explicitly excluded from the domain of socialist policy-making and indeed made to finance its follies as well as the war effort.

The Marxist period of the MPLA that would last until the end of the Cold War was not one of mere salvaging of the oil sector from the nadir of the 1975–76 conflict. In addition to creating the legal framework for oil investment in Angola[22] – including the state's ownership of all hydrocarbon resources – Sonangol and its foreign partners managed to re-establish and, by 1983, surpass late colonial oil production levels. In order to eliminate 'possible agents and intermediaries in the marketing process', Sonangol created Sonangol Limited, a London office responsible for the direct trading of Angola's share of the oil (an estimated 40 % of the total) and the first of several Sonangol subsidiaries to span the globe.[23] In its first decade of operations, Sonangol also managed to diversify the number of

foreign investors in Angola's upstream (primarily through Elf-Aquitaine's acquisition of bloc 3 in 1979), although the largest share of production remained with CABGOC, which was bought out by Chevron in 1984. Not that this dependence on one company constituted a burden: Gulf and then Chevron (their operations protected from US-backed UNITA rebels by Cuban troops and Soviet weaponry) proved to be reliable allies for the duration of eighteen years of US enmity. As early as 1979, Gulf's impression of Angola's government as able 'to understand the difference between a multinational and its home government' was being publicly conveyed, and the hostility of the Reagan Administration did not change the thrust of its Angola engagement.[24]

Freudenthal's tenure ended a mere three years after the creation of Sonangol, partly, MPLA insiders have it, due to the fact that he was white, race being at that time an important fault-line in a party where mixed-race and white cadres had a disproportionate amount of power.[25] It was not immediately obvious that the company would continue to be run in the same way: the second CEO of Sonangol, Hermínio Escórcio, was perceived as brash and ostentatious, and owed the position to his Politburo membership and good rapport with new President Eduardo dos Santos, rather than any particular managerial or oil sector expertise.[26] But the fine technical team stayed on, enlarged by new legal, engineering, geological and economic expertise coming out of Sonangol's many educational partnerships, and Escórcio was always respectful towards them, never tampering with their responsibilities. Most importantly, there was never any competing attempt by Escórcio or anyone else to carve out a constituency and distribute patronage on the basis of oil money: Sonangol was under the political control of the Angolan presidency throughout this period as a trustworthy instrument of its interests. The trend was reinforced during the long tenure of Joaquim David (1989–99), a respected US- and UK-trained petroleum engineer.

By the late 1980s, an evidently amazed World Bank team reported 'the shortage of skilled and trained manpower in Angola', but went on to say that the petroleum sector was the least affected by the country's dearth of managerial and technical expertise. 'So far Sonangol's high- and medium-level management positions have been staffed with comparatively experienced and competent personnel … Sonangol has [also] effectively and advantageously used external consultants to supplement its capabilities in all aspects of its operations.' The report concludes that 'general government policies in the oil sector have been enlightened and thus deservedly successful' (World Bank 1989: viii–x, 16).

TABLE 1
Angola's oil production

	1982	1989	1996	2000	2003	2005	2006	2008
Angola's Oil Production ('000 bpd)	120	511	681	701	827	1250	1400	2000 (estimate)

THE SONANGOL 'UNIVERSO'

When the MPLA dropped its Marxist garb at the beginning of the 1990s and the ruling elite enthusiastically converted to crony capitalism (see Ennes Ferreira 1995), Sonangol was the leading domestic entity in Angola's political economy. This role, and the oil sector that underpins it, progressed on an essentially separate, upward path unaffected by the failed democratic experience of 1992, and UNITA's return to a civil war that would kill hundreds of thousands in only two years and continue intermittently for another decade. The rebel occupation of an estimated 80% of Angolan territory in 1993, for instance, did not damage Sonangol or the predominantly offshore oil production. (That said, Sonangol did play an absolutely vital role in the government's prosecution of the war effort through the acquisition of weaponry.) Instead, the 1990s were characterised by growing investor diversification and rising interest in the country's deep and ultra-deep waters, which new technology was then making accessible for the first time. In 1996 Elf made Angola's first ultra-deep water discovery, the Girassol field, and many followed soon afterwards. Angola quickly became the hotspot for companies from all over the world, including British Petroleum, Royal Dutch/Shell, ExxonMobil, Statoil, Norsk Hydro, Petrobrás, Marathon, the Chinese companies CNOOC and Sinopec, and a myriad of other firms of all shapes and sizes purposely drawn into the Angolan 'chessboard' by Sonangol.[27] According to the International Energy Agency (2006: 84), the resulting level of investment is unheard of outside a few top oil producers worldwide: between 2003 and 2008 alone, it estimates that between US$17 and US$23 billion in FDI will have been brought into the Angolan oil sector. Oil production has grown throughout, and will continue to do so for the foreseeable future (see table 1).

As the pivotal domestic institution in the sector that earns the Angolan government more than 90% of its revenues, Sonangol has at its disposal financial means and human resources that no other branch of the administration can rival. Sonangol's role in Angolan public life was further

consolidated by its 1991 restructuring into a holding company, Sonangol EP or the Sonangol Group, containing various subsidiaries. It thus acquired its present form: that of a constellation of worldwide business interests that could be termed the Sonangol 'Universo'.[28] What follows is a non-exhaustive list of its activities.

The Sonangol Group directly employs an estimated 5,000 people[29] and contains several major subsidiaries,[30] all of which are subject to 'preferential treatment ... in the procurement of goods and services to oil companies operating in Angola' (Alvesson *et al.* 2003: 82). These are Sonangol Pesquisa e Produção (upstream activities); Sonangol Distribuidora (downstream activities, with affiliated businesses in the Democratic Republic of Congo, Portugal, Cape Verde and São Tomé & Príncipe); Sonangol Logística; Essa, a provider of professional training for the oil industry; SonAir, an air transport company catering to the oil industry that includes flights from Houston, Texas to Luanda; Mercury, a telecommunications group; Sonaship and Sonangol Shipping, two providers of maritime transportation; AAA, an insurance company described as providing 'risk management for the oil industry, insurance brokerage and pension fund management'; Sonangol USA, Sonangol Limited (UK), and Sonasia (Singapore), marketing and trading units; and the Hong Kong-based China Sonangol International Holding, which in November 2004 joined a Chinese-Argentine offer to invest up to US$5 billion in Argentine oil exploration (*Miami Herald* 23.11.2004).

As part of an Angolanisation campaign, Sonangol has also established many joint ventures with foreign companies (some estimates are as high as sixty but no accurate figure is available).[31] High-profile joint ventures include Sonangol-Sinopec International (SSI), which recently paid a record US$2.2 billion for a 40% controlling stake in parts of offshore oil blocks 17 and 18 (*Africa Confidential* 7.7.2006);[32] Sonangol SGPS, a drilling services company; Sonasing, a joint-venture service company for the packaging and storage of crude; Wapo Angola, a services provider for the oil industry; Technip Angola, Petromar, Sonamet, Sonansurf and Sonamer, oil services companies; AngloFlex, a manufacturer of umbilicals and pipelines for underwater production systems in the oil and gas industry; the Banco Africano de Investimento, a bank; and many others. More recently, Sonangol's investment drive has reached even further away from its core business, and now includes hotel ownership and management, and the building of luxury housing. These activities are compounded by a host of other roles that Sonangol plays. In addition to a well-endowed bi-yearly literary prize and hundreds of scholarships for the children of insiders (including high-school education in Portugal and English-language training

at Indiana University),[33] the company has been a major patron of most cultural goings-on in Luanda and the lead sponsor of two football teams, Petro-Atlético de Luanda and Atlético de Namibe. In 2007, Sonangol was a lead sponsor of the Africa Pavilion (in reality, the collection of a Luanda-based private collector) at the Venice Biennale contemporary art event.

Sonangol's name is highly respected amongst its African counterparts: in the past five years alone, Sonangol advisory teams have been sent to Equatorial Guinea, Nigeria, Côte d'Ivoire, São Tomé & Principe and Gabon, while Sonangol assistance and the Sonangol example more generally have been crucial in the setting up of Congo-Brazzaville's SNPC.[34] Despite international civil society criticism on the transparency issue (on which more in the next section), most Western banks and oil companies speak very well of Sonangol and report hassle-free interactions with the company. From their perspective, competence, predictability and a measure of mutual trust have long ago filled in for Sonangol's opaqueness. A director at Standard Chartered Bank, for instance, extolled the 'excellent reputation and track record of Sonangol' on the occasion of the largest-ever oil-backed syndicated loan in 2005.[35] An oil company executive referred to the 'unique amount of trust created by Sonangol's use of virtually the same team for twenty years'.[36] A top oil executive of a major European firm with decades of involvement in Angola did not hesitate to say that 'Sonangol is the Angolan miracle.'[37] Problems that do show up between the oil companies and Sonangol concern the Group's assertiveness. Recent contentious issues included revisions of the Angolan Petroleum Law to increase local content, Sonangol's stated goal of slowing project developments,[38] accusations that some companies have gone for 'unduly costly technical options', and demands for ever-more substantial signature bonuses. Ironically, these occasional conflicts are also a mark of the hard bargaining and relative technical competence that puts Sonangol in a more equitable position *vis-à-vis* foreign operators than any other NOC in the Gulf of Guinea region.

Riding high on the company's good reputation, the current CEO, Manuel Vicente, has even talked of creating a publicly traded company for flotation in the South African and New York stock exchanges by 2010.[39] The Group certainly makes strenuous efforts to peddle its 'modern' image, as can be gauged from its many glossy publications, carefully manicured road-shows, lavish expenditure on lobbyists in Western capitals,[40] and soundbite references to corporate social responsibility and other business-speak.[41] Sonangol's tasks, interests and footprint in Angola by the turn of the century were thus already exceedingly ambitious. But with the end of the conflict in 2002, the gradual shifting

of Angola's war economy to a peacetime footing, high oil prices and increased production, the mission envisaged for Sonangol has been extended further. No longer merely an able negotiator of the best oil contracts its expertise and Angolan leeway can afford, the Group is now seen as the 'engine' and 'promoter of national development' (Guerra 2003: 23): the senior partner in even more joint ventures with foreign companies in which, for the first time, a new Angolan business class is meant to participate. Already Angolan-owned companies such as PRODOIL, ESAP, Poliedro, Majova and SOMOIL have been allowed into the oil sector, in hopes that within a decade, Angolan companies will be able to act as full partners in oil production.[42]

THE OTHER SIDE OF SONANGOL

What, then, is the other side of the coin to this seemingly exemplary instance of a well-governed, successful developing-world state corporation? In one word, it is that Sonangol's undeniable competence and sophistication are not, and have never been, put at the service of Angolan development, however defined. Instead, the company is the pivotal tool for the interests of the presidential clique known as the *Futungo de Belas*.[43] The *Futungo*, a nebulous group of unelected officials and businessmen around President Eduardo dos Santos, became the key structure of power in the 1980s, in tandem with the relative sidelining of MPLA party organs and formal state structures. Sonangol essentially exists to harness and further their agenda. According to Global Witness, a campaigning NGO, *Futungo* mechanisms of misappropriation have included 'offshore money laundering, over-priced military procurement and a deliberately opaque method of running up debts against future oil production' (Global Witness 2004: 36). At the centre of all of them lies Sonangol. 'If *Futungo* … was the brain of the system', writes Nicholas Shaxson, 'then Sonangol was its heart' (Shaxson 2007: 4).

From the mid-1980s, when a dip in oil prices led Angola to borrow from Western banks against future oil production for the first time, Sonangol has been the centrepiece of the presidency's vast system of parallel finances that has included up to half of Angola's yearly oil revenues. Oil-backed loans were initially used to pay for Sonangol's cash calls (and, from 1992, to acquire weaponry), but were soon 'deployed for general government use' (Vines *et al.* 2005: 16–17). All of these operations were run through an extensive network of offshore accounts from which commissions were then paid to regime notables and foreign middlemen. Because such deals stipulate that loans should be 'serviced through the

direct delivery of oil', Sonangol is 'inevitably' the Angolan party to these loans (Alvesson *et al.* 2003: 80), and Sonangol's credibility as a business partner plays an important role here. Loans mostly take place through Special Purpose Vehicles, which are offshore financial tools that allow lenders to benefit from safe repayment structures through oil price protection, debt service reserve accounts and an accelerated repayment mechanism. Oil-backed loans are also syndicated (i.e. shared by a large number of banks), which further decreases risk for the creditor, and their short maturity of three to five years as well as inordinately high interest rates mean that there is never a lack of lending interest. While extremely onerous for the lender (the Angolan state), oil-backed loans provide the state elite with an easy source of money outside any sort of control.

This Sonangol and *Futungo*-centred 'parallel state' is vastly more efficient than Angola's dilapidated state structures, and can take on complex operations involving foreign partners in a way that the Finance Ministry or the Bank of Angola could not. However, this has contributed towards both the marginalisation of formal institutions in Angola and the increase of *Futungo* power,[44] with the latter essentially misappropriating a large percentage of the sums involved. The resulting black hole in Angolan state finances, into which, according to the IMF, an extraordinary US$4.22 billion disappeared between 1997 and 2002 (IMF 2002: 47), has been dubbed the 'Bermuda Triangle' (Hodges 2004). The Angolan government has claimed that the major discrepancies found are the product of poor accounting and lack of capacity, not theft. But, Global Witness (2004: 50) quips, 'a government and state oil company that handle billions of dollars through complex offshore arrangements, including the use of Special Purpose Vehicles and tax havens, can certainly manage a simple balance sheet'.

Sonangol also played a prominent role in the wartime acquisition of arms paid for by future oil production, as revealed by the string of scandals known as 'Angolagate' (because of their complexity, they cannot be described here in great detail). As the country re-entered civil war in 1992, the MPLA struggled to rearm itself. This took the form of an oil-for-arms deal which allowed the *Futungo* and its foreign middlemen, especially the businessmen Pierre Falcone and Arkadi Gaydamak, mainly through over-invoicing, to collect astonishing 'fees'. When the scandal broke in France, which had been the centre of operations for the arms deals, Falcone was arrested. His release was eventually secured by 'the largest bail in French legal history', courtesy of Sonangol (Shaxson 2007: 11). Finally, especially since the early 1990s, Sonangol has asked oil companies for the payment of a 'signature bonus' when bidding for oil blocks. These

signature bonuses have reached worldwide records in Angola but disappeared into the company vaults. Indeed, when auditors KPMG were finally allowed (limited) access to Sonangol's books, they found that the primary source of oil revenue discrepancies was not foreign companies but Sonangol itself (HRW 2004: 23–6).

Africa Confidential (19.4.2002) is therefore right on the mark when stating that Sonangol 'is not a normal company in any sense of the word'. In addition to its key role in the Bermuda triangle, the conflicting roles of concessionaire, equity partner, and operator would by themselves be the source of plenty of conflicts of interest (Vines *et al.* 2005: 10; see also IEA 2006: 81–110). But Sonangol's noxious influence goes further. The company's tendency to invest directly, or allow insiders to invest, in all branches of Angolan economy however unrelated to its core business leads it to 'squeeze out competitors which cannot match it in terms of access to capital, skilled personnel or political connections' (Vines *et al.* 2005: 10). A look at many characters benefiting from this sort of uncompetitive behaviour is a veritable who's who of the *Futungo* and the upper ranks of the bureaucracy, the military, the party, and their families. Unsurprisingly, it also includes most current or past senior technocrats of Sonangol itself. Indeed, while interviews with many of these officials are replete with formulaic expressions of a desire to roll back the patrimonial character of Angola's political economy, they do not actually envisage having to compete in a genuinely open market.

In a process reminiscent of 1970s Nigeria, when the laudable desire to build a domestic business class led to the creation of essentially parasitical positions (Nigerian entrepreneurs became silent partners in joint ventures with able foreigners, collected their share, but did not acquire much technical or managerial expertise),[45] Sonangol is busy creating opportunities for well-connected but non-entrepreneurial individuals with little value added for Angola, while genuine entrepreneurs face formidable hurdles in all lines of business.[46] This strategy essentially aims to secure continuing support for the presidency by sharing rentier opportunities and some of the spoils of the oil boom across the elite. It also detracts from the openness and competitiveness of the Angolan economy. By creating potentially hundreds of joint-venture-related opaque money flows instead of a centralised one, it sponsors a veritable 'downstreaming of corruption' (Vines *et al.* 2005: 15) that will make fiscal accountability ever more challenging. In short, the Sonangol Group has been not only the manager of the *Futungo*'s phantom revenue flows, but also the enabler of elite rentierism across important non-oil dimensions of the domestic economy, simultaneously guaranteeing that all profitable

business opportunities are arbitrated by state rulers via the company (see Hibou 1998: 107).

This explains why, outside the carefully sheltered oil enclave, Angola is perceived as one of the riskiest economies worldwide in which to invest.[47] The major oil firms, service and construction companies, banks and lawyers that form the mainstay of Sonangol's foreign business partners oblige partly because Angola is too valuable an oil province to pass over, and partly because they are spared the real burden of its monopolistic drive. When foreign partners do mind Sonangol's methods, they have to face up to the company's fierce nationalism and defence of 'secrecy'. In 2001, Sonangol responded to BP's unprecedented decision to publish the value of its signature bonus by threatening to expel it from Angola.[48] In 2004, Sonangol did not renew Total's concession for oil block 3/80 in apparent retaliation against French 'Angolagate' investigations, one of several aggressive stances towards French business interests.[49] In sum, business in Angola happens according to Sonangol standards, which are in turn those of its political masters: otherwise, it does not happen at all. While the seeds of capitalist prosperity are not always pretty to look at, it seems unlikely that Sonangol's methods are conducive to a genuinely open, productive market economy.

GOVERNING A SUCCESSFUL FAILED STATE

Contemporary Angola presents two trends that seem contradictory and not to intersect. On the one hand, despite being sub-Saharan Africa's second largest oil producer, Angola is one of its worse-governed states, with negligible levels of social expenditure, epidemics of mortal diseases galore, famously sticky-fingered elites, and a public administration unable to perform basic sovereign tasks or cover much of the nominal Angolan territory. In the UN's Human Development Index, Angola ranks 160th out of 177 states worldwide: it is, in many ways, a very weak or even 'failed' state, at least from the viewpoint of the vast majority of its citizens. On the other hand, Angola's enormously wealthy rulers have successfully withstood major external and internal challenges, created the armed forces of a regional superpower, and developed strong and diversified networks of international support that are likely to guarantee incumbency for years to come. Yet the contradiction is only apparent, both segments amounting to one half of the political and economic makeup of post-colonial Angola. In other words, Angola is what one could describe as a 'successful failed state'.[50]

The empirical element of failure is undeniable. A veritable basket case of dysfunctional state experiences, Angola brings together the pathologies of the colonial and postcolonial African state with the ailments of petro-statehood and socialist management. Over the past fifteen years in particular, the decay of state institutions, the privatisation of power and the abandonment by state elites of tasks they no longer believe are the state's own, especially the provision of public goods, has had an impact on the lives of Angolans that is difficult to overstate. However, the presence of oil deposits *changes the calculus of state survival* by preserving the Angolan state and other oil states in the region from Somalia-type demise. Oil guarantees it considerable freedom from the international financial institutions,[51] and a solidly long-term legal engagement (through the sale of the fuel that powers industrial civilisation) with the international economy. Oil ensures that whatever the domestic political conditions, there will be an interest by multiple external and internal actors in maintaining a notional central structure, and that enough resources will be available to prop up incumbents, guarantee their enrichment, and coerce or co-opt enemies. This allows them to build a political order that is violent, arbitrary, exploitative but fairly reliable. The resulting political process is and will be unstable and fragmentary, but the structure of politics itself will be stable and viable – while oil lasts. This political and material success of the elite does not cancel out the decay around itself but, as Prunier and Gisselquist (2003: 103) note, an analysis of failure must allow for the fact that certain forms of governance can be 'successful as measured against its own parameters and judged by the standards of its political program'.

Provided two conditions are in place, the relationship between the Angolan state and the oil companies will work in a mutually beneficial way, regardless of the surrounding chaos. The first is a prerequisite for foreign involvement in the oil sector: the creation of a parallel economic system that insulates oil companies from the unreliability of local conditions, with its own acceptable legal framework and logistical efficiency. In such enclave contexts, companies can operate freely and do not face the rent-seeking, contractual uncertainty or threat of expropriation that are widespread outside the oil sector. The second condition – essential for elite survival and enjoyment of revenues – is the creation and maintenance of two sorts of state organisation that are spared the decline evident elsewhere. The first pertains to the instruments of coercion, in the form of one of Africa's largest armed forces, numerous police and paramilitary outfits, and an efficient and well-resourced intelligence apparatus active in Angola and abroad. The second is an entity that can articulate state interests in the oil sector with comparative prowess, bringing together its

scarce human resources and enabling success in negotiations and joint ventures as well as access to oil-backed loans: in short, Sonangol. Insulated from the rest of the state apparatus and the incompetence of the civil service, conversant in the languages of high finance, business contracts and oil technology, Sonangol is a strange marriage of the latest expertise and market savvy with the narrow enrichment goals of a failed state leadership, and it works. Furthermore, its smooth, transnational sophistication is loyalist *vis-à-vis* the presidency:[52] the company's ethos is a mix of strong Angolan nationalism and corporate pride (similar to those of other NOCs such as PDVSA, Pemex, Petronas or Petrobrás) which, despite its key *political* role in Angola, does not phrase itself in a politically intrusive way.

Two questions seemed to be on the minds of the current and former Sonangol officials interviewed, for all tackled them without prompting. The first pertains to Sonangol's chances of survival (or the threat of 'angolanisation of Sonangol', as one expert put it), and the second to the potential for expansion of its business model to the rest of the economy ('the sonangolanisation of Angola'). Regarding the first question, one executive noted the 'constant struggle' needed to 'keep the credible nucleus of the company intact in an African (*sic*) business environment'.[53] Another feared the proliferation of joint ventures and the development of 'fiefdoms inside the Group'.[54] Yet another expressed concern that 'overly ambitious young executives would disregard negotiations expertise, which has served us well over the years, for the mirage of an integrated company'.[55]

To this author at least, the experience of the last thirty years shows that the company's approach can be sustained. This is not simply because it would be unreasonable to kill the proverbial goose with the golden eggs that has so capably served regime interests: after all, that has happened countless times in postcolonial Africa. Rather there seems to be a measure of consensus amongst the Luanda elite that Sonangol is a good thing and that it should be allowed to thrive. After the defeat of UNITA and its openly uncompromising challenge to the MPLA-built state, hypothetical regime changes would occur from within the current state elite itself. While the latter is divided as to the sharing of spoils, there is remarkable agreement on political economy issues and no major changes would occur (due to the paucity of human resources, it is unlikely that senior technical personnel at Sonangol would even be replaced).

The second question on the impact of some positive Sonangol features on the rest of the Angolan economy is more complicated, even assuming that its technical means can be separated from the political ends they

serve. Early experiences with building a Sonangol-like state company in the diamond sector, ENDIAMA, failed because of corruption, the portable nature of the commodity, lack of human resources, and the decentralised character of the sector (involving hundreds of legal and illegal entities of many shapes, rather than a small group of world-class foreign companies). Attempts to manage other state companies such as Angola's air carrier TAAG in a capable manner met with only partial success. 'Entrepreneurial' efforts by Sonangol-trained executives are overwhelmingly instances of crony capitalism, rather than the beginnings of a business class willing and able to work in (and lobby for) an open business environment. In short, limitations of human resources and of predictability, transparency, and the rule of law in the non-enclave Angolan economy mean that it is impossible to engage in it without encountering its rentier, unproductive dominant logic. Sonangol may well be 'a strategic island of competence ring-fenced against chaos elsewhere' (Shaxson 2007), but it is also very much part of that chaos and ultimately unfit to rise above it.

Does this mean the Sonangol experience cannot be put to good use? This is, of course, a function of Angolan politics: if it takes a more benign turn, then the tightly run and politically obedient Sonangol will doubtless be an asset other African states (including oil states) do not possess, the sort of self-standing and able institution many Western 'capacity-builders' can only dream about. This is the way some observers hope it will go. They point to substantial improvements at Sonangol over the past three years, in tandem with Angola's careful engagement with the anti-corruption reform agenda: Angola, for instance, has declared itself an 'observer' to the Extractive Industries Transparency Initiative (EITI) process, and speeches by would-be reformists in government are now peppered with talk of transparency.[56] After submitting itself to partial audits by the consulting firm KPMG, Sonangol now has a website and is reportedly seeking to come into line with international accountancy standards, if only for Sonangol EP and not the sprawling empire of joint ventures and subsidiaries. For the first time, the 2003 revised budget included expenditures planned to be executed through Sonangol, and government is now publishing details of oil payments received (World Bank 2006: 44–5). More recently, Finance Minister Pedro de Morais has even claimed that 'there were no longer any links between creditors and Sonangol' (*Angola News* April 2006).

However, as the Economist Intelligence Unit (2005b) notes, it seems that this reformist turn is less 'an effort to improve openness, although it has done so, and more an attempt by the presidency to make the

system of political patronage (often described by outsiders as 'corruption') more acceptable and sophisticated rather than to abolish it'. As visions of Luanda as the 'African Dubai' take hold and a public works-driven attempt to rebuild the country proceeds apace,[57] there is little doubt that Angola's political economy is in the process of substantial reconfiguration away from the wartime tenets described in this paper (Billon 2001). Yet there is no evidence that the company and those who define its course have fundamentally changed their successful, if non-developmental, vision for Angola and for Sonangol's role in it. In fact, their interest in engaging with the transparency rhetoric may already have peaked amidst all-time high oil prices and a new business partner, China, which has essentially replaced conditionality-ridden OECD donors and Bretton Woods institutions as the source of credit for Angola's 'reconstruction', and is unruffled by fashionable Western good governance agendas.[58]

For the time being, therefore, there is not much space for Sonangol to play a constructive role. The Group – a bedrock of expertise and income to a regime distinctly uninterested in providing for the majority – may in fact be a liability from the viewpoint of progressive politics in Angola. In a way, this substantiates a point often forgotten by western donors and IFIs in their attempts to depoliticise the undeniably political issue of state capacity: that 'capacity' has no intrinsic normative content, and cannot be separated from the political agenda it is made to serve.

Amidst the mostly colonial-era, dirt-covered buildings of decrepit downtown Luanda, one shiny new addition stands out: the twenty-three floors-high, US$131 million Sonangol Tower, complete with a heliport, two gyms, 91 underground parking spaces, an amphitheatre for 300 people, a restaurant for 450, and a fire-proof documentation room, all couched in the 'latest engineering technologies' made available by Portuguese, South African and South Korean contractors.[59] The Sonangol Tower symbolises both the current buoyancy of the Sonangol Group and its political masters, and the extent to which its divergent development and methods are a structural feature of Angola's political economy rather than a freak occurrence. Sonangol's continuing rise, though principally the fruit of domestic trends described in this paper, is part and parcel of the general ascendancy of the national oil companies of oil-producing states, which control a large majority of the world's energy resources (Angola itself became a member of OPEC in January 2007) (OPEC 2007). With foreign investors and lending sources keen on deepening their presence in the

'darling of the global oil industry',[60] IMF (2006) predictions of 31·4% real GDP growth for 2007, and a generally flaccid international push for transparency in the extractive industries, no external incentive structures are in place to force through meaningful changes in Angola.

This paper is a preliminary attempt to understand the role of Sonangol in Angola's politics, and its insertion in the international economy. Its conclusion is twofold. First, in a country where political and economic power has essentially been privatised, a competent and sophisticated NOC (perhaps the ablest state entity in sub-Saharan Africa excluding South Africa) plays the key role in allowing the Angolan elite's rewarding engagement with the international political economy of oil. This is achieved by separating the bureaucratic management of the company from the dominant rentierist logic of the Angolan economy, and the patrimonial last stop of the revenues it garners. While Sonangol and the agenda of its decision-makers can be understood in the generic terms of what Jean-François Bayart (1989) called the strategies of 'extraversion' of African elites, there is little doubt that it occupies a very special place at the high, technically able, and cosmopolitan end of the spectrum of such strategies. In addition to holding sway over the most important external resource flows, Sonangol ensures that domestic economic opportunities are firmly controlled by those in power, and that independent businesses that could nurture alternative poles of influence do not develop. Sonangol is an exception within the weak, poorly paid and incompetent state apparatus, together with the paramilitary and armed forces that protect the regime. Most other state institutions, including those that should provide for public goods, barely work and are not able to fulfil their functions.

The second point to note is that the story of Sonangol's success is played out against a canvas of state dereliction, civil conflict and utmost impoverishment. Its tools and professional expertise that so many African states lack are put at the service not of broad-based prosperity, but the enrichment of the few. The abundant resources at the disposal of the Angolan government, together with the wise management of Sonangol for thirty years, show that the implosion of state institutions and the lack of provision for the basic needs of average Angolans are also political choices – a conscious divestment of responsibilities towards the population. They are not simply the result of lack of means, even if it is undeniable that Angola suffers from serious shortcomings at all levels which oil wealth alone cannot address. The Sonangol trajectory also shows that, provided that the basic instruments for elite empowerment are in place – tools such as the NOC to manage the Angolan side of the oil relationship

and the armed forces to dissuade or crush would-be challengers – the elite of a state that is often deemed 'failed' or weak can be 'successful' amidst apparently inauspicious circumstances.

NOTES

1. While this paper benefited from countless conversations and interviews over several years of the author's research on Angola, its core is constituted by ten interviews with current and former Sonangol senior officials conducted in various locations since 2002. Earlier versions of this paper were presented at GIGA-Institute of Africa Affairs in Hamburg and the Institute of International Studies, University of California at Berkeley. I thank Andreas Mehler, Matthias Basedau and Michael C. Watts for their kind invitations, and Thorsten Benner, Manuel Ennes Ferreira, Béatrice Hibou, Kirstin Reed, Alan Richards, Nick Shaxson and two anonymous readers for useful comments.

2. On Angola's competing elites, see the late Christine Messiant's important work, particularly Messiant 1994, 2006. See also Marcum 1969/78 and Guimarães 1998. On the MPLA, see Mabeko-Tali 2001.

3. In nominal terms, growth throughout the war years was 11·1 % per year. See Ennes Ferreira 1991: 143.

4. EIU 2005a: 18. On Angola's late colonial economy see amongst many, Roque *et al.* 1991 and Clarence-Smith 1985. Oliveira 2005 is a surprisingly balanced account of late colonial economic policy by one of its leading architects in Angola.

5. The violent Nito Alves coup of 27 May 1977 was the culmination under the leadership of a charismatic former guerrilla commander of complex and interlocking feuds on issues of race, ethnicity, ideology, intra-MPLA discord, and relations with non-MPLA leftist forces. The failed coup exposed numerous fractures in the urban society over which the MPLA had presided since independence, as well as between the Russian and Cuban patrons of the regime (each having supported different sides), and resulted in a savage repression during which tens of thousands are believed to have perished. It also dealt away with the residual political pluralism that still existed in Luanda. The coup – perhaps the key event for an understanding of MPLA politics over the past three decades – is regrettably understudied. For a good exploration by an Angolan novelist see Agualusa 1996. I thank a journalist who is currently conducting research towards a book on the subject for an interesting discussion.

6. CABGOC, the Chevron-led main oil producer in Angola since the 1960s until being recently overtaken by Exxon, is incorporated in Bermuda and does not publish an annual report.

7. All interviewees made reference to the Nigerian role in pressing Gulf, and most saw it as a crucial factor in bringing the company back in. Minister of Oil Desidério Costa confirmed this in a recent interview. See 'Desidério Costa Remembers', *Sonangol Universo*, Spring 2005, 14–15.

8. The US$200 million owed by Gulf to the transitional government had been provisionally put into an escrow account at the behest of the US government. See Santos 1983: 107 and Wright 1988: 72–6. By the end of the year, the company would state that it was 'operating under the same terms and at nearly the same production levels which prevailed before suspension'. See Gulf Oil 1976: 8.

9. According to one of its members, the Commission was uncomfortable even with this instance of nationalisation. 'What really made us do it', he said, 'was the fact that ANGOL provided us with a ready-made, functioning structure, a building.' Interview with the author, Lisbon, 5.9.2006.

10. Interview with former executive of Petrogal, Lisbon, 13.10.2006.

11. ANGOL itself was only officially nationalised in March 1977.

12. Interview with senior Sonangol official, Luanda, 24.1.2004.

13. Interview with former Sonangol executive, Lisbon, 28.7.2005. Interviews with other founding executives of Sonangol included very similar statements.

14. Interview with former Sonangol official, Lisbon, 12.5.2005.

15. Interview with senior Sonangol official, 24.1.2004. As discussed later in the paper, Sonangol's emphasis on the rule of law focused exclusively on the contractual relationship with foreign oil companies.

16. Interview with Sonangol official, Luanda, 4.3.2002.

17. Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures.

18. Interview with Sonangol official, Luanda, 24.1.2004. A former Sonangol executive noted that, 'for the first couple of years, we would go to Algiers every two weeks or so' (interview, Lisbon, 5.9.2006).

19. Telephone interview with senior official in the Angolan colonial government, Lisbon, 6.9.2006. According to several interviewees, the Angolan colonial government had, by 1974, the goal of creating an Angolan oil concessionaire very much in the manner of what Sonangol turned out to be, and Arthur D. Little was meant to advise on this, in yet another example of continuity in the oil sector.

20. Interview with former Sonangol official, 5.9.2006.

21. Senior Sonangol officials went unmolested in the repression that followed the failed Nito Alves coup of 1977. This they owed both to the fact that they were perceived as loyalists and to the general insulation of the oil sector from the turmoil of domestic politics.

22. Lei n°13/78, Lei das Actividades Petrolíferas (General Law of Petroleum Activities). This was replaced in 2004 by a new Petroleum Law, Lei n° 10/04.

23. Information from the Sonangol Limited website (http://www.sonangol.co.uk/limitedMissao_en.shtml accessed 28.10.2006). In its first years, Sonangol Limited was the site of one of the few genuinely suspicious 'insider deals' (i.e. involving company officials but not necessarily their political masters) on record, a series of ghost contracts with a European trading company. This was eventually denounced and the practice discontinued (several interviews with Sonangol officials, former Sonangol officials, and three Angola experts, 2002 to 2006).

24. R. Deutsch, 'African Oil and US Foreign Policy', *Africa Report*, September–October 1979. In the aftermath of Ronald Reagan's election, Gulf was still commending the 'business-like and non-ideological [MPLA posture] in its relationship with Gulf and other American and Western multi-national companies'. See also Susan Gilpin, 'Gulf Oil Ask for Sensible US Policies', *African Business*, June 1981.

25. Several interviews with the author, Luanda and Lisbon, 2002 to 2006.

26. A mordant portrait of Escórcio can be found in the memoirs of António Pinto da França, Portuguese ambassador to Angola from 1983 to 1988. See Pinto da França 2004: 104–6.

27. Manuel Vicente, the current CEO of Sonangol (and only the company's fourth in thirty years) commented that 'one of its main objectives is the attraction into this great chessboard that is Angola's oil industry of small and medium-sized companies to occupy spaces hitherto reserved to large companies'. Quoted in Ennes Ferreira 2005: 10.

28. 'Sonangol Universo' is the title of an English-language glossy quarterly magazine that provides readers with the best illustration of how far the Sonangol business empire has reached, as well as the narratives about Angolan power and prestige that the Luanda elite and its international consultants want to project. See http://www.sonangol.co.ao/sonangolEP/magUniverso_en.shtml for compellingly readable, downloadable issues (accessed 3.10.2006).

29. The latest estimates are of 20,000 people employed in the oil sector, including those working for international oil companies.

30. This paragraph and the next are largely based on the information available at the Sonangol website: http://www.sonangol.co.ao/ (accessed 3.10.2006).

31. See http://www.sonangol.co.ao/sonangolEP/jointVentures_en.shtml for information on some of Sonangol's many joint ventures (accessed 26.10.2006).

32. 'Beijing's embrace', *Africa Confidential*, 7.7.2006.

33. See http://www.indiana.edu/~ird/cieda/sonangol.htm (accessed 23.5.2006).

34. This was confirmed by a SNPC senior official who mentioned Sonangol as the 'example we are trying to emulate' (author interview, Brazzaville, 11.11.2005). The Société Nationale des Pétroles du Congo was created in 1997 in the wake of Denis Sassou Nguesso's victory in the country's civil war as a successor to the poorly run previous NOC, Hydro Congo.

35. TFR 2005. A Deutsche Bank executive quoted in the same article marvelled at the fact that this deal 'sticks out as the only non-South African Sub-Saharan Deal on [the] books' of the nine banks involved.

36. Interview with oil company executive, Luanda, 6.3.2002.

37. Interview with oil company executive, Cascais (Portugal), 15.9.2005.

38. Nicholas Shaxson, 'Angola's Sonangol moves onto a peacetime footing', *African Energy* 60, March 2003.

39. Manuel Vicente, interview for Voice of America, 24.2.2006. Some observers do not see this as a realistic option: in 2005, talks of a possible bond issue between J. P. Morgan and Sonangol broke off because of the increased scrutiny over the operations of the Angolan NOC that this would presuppose. See 'Birthday Blues', *Africa Confidential* 18.11.2005 and John Reed, 'Angolan oil loan likely to

raise transparency issues', *Financial Times* 11.10.2005. Other analysts see it as possible, if Sonangol creates 'listable' subsidiaries with the accounting standards that will satisfy Western regulators, something easily done without too much real change by leaving uncommercial and generally questionable operations in unreformed, non-listed subsidiaries.

40. Sonangol hired Theodore Giletti, a former trade finance director at Standard Chartered Bank with a decade of experience with Sonangol, as its permanent representative in Washington, DC. See 'Sonangol's New Masters', *Africa Energy Intelligence* 5.2.2003 and 'Boom, boom, China's coming', *Africa Confidential* 17.12.2004.

41. See, e.g. João Rosa Santos, 'Responsabilidade Social das Empresas', *Revista Sonangol* 11, July 2005, and other articles in *Revista Sonangol* and *Sonangol Universo*.

42. Nicole Guardiola, 'Os novos ricos apostam nos negócios', *Expresso* 8.11.2005 and 'Negócios cruzados 2: Kopé manja com sul-africanos', *Semanário Angolense* 28.10.2005.

43. This is the name of a presidential compound in the outskirts of Luanda.

44. The IMF notes that 'lack of transparency regarding oil sector flows and external debt operations undermine the budgetary process and public accountability, and hamper the formulation of public policies'. See IMF 2002: 24.

45. On Nigerian efforts at indigenisation see Biersteker 1987. On oil sector indigenisation and African entrepreneurs see also Chapters 3 and 4 of Soares de Oliveira 2007.

46. This is the case of Prodoil. According to the Angolan press, this oil company was 'born rich', reportedly due to the presence of Futungo insiders, the current minister of petroleum, Desidério Costa, and Marta dos Santos, President dos Santos' sister, amongst its shareholders. See 'Prodoil escorrega no Mercado', *Semanário Angolense* 28.10.2005. Many such companies have no track record and some barely have staff and offices, but they are landing important business opportunities.

47. In the World Bank's "Doing Business in 2007" report, Angola ranked 156th out of 170 countries. See http://www.doingbusiness.org/documents/DoingBusiness2007_Overview.pdf (accessed 18.3.2007).

48. The strong-worded letter sent to BP is reprinted in 'Sonangol fails the transparency test', *Upstream* 21 February 2002 and Global Witness 2002: 41–2.

49. On Angola's tempestuous relationship with France after Angolagate, which has much improved since, see Fabrice Lhomme, 'L'affaire Falcone pèse sur le voyage de M. de Villepin en Angola', *Le Monde* 19.7.2002, Stephen Smith & Antoine Glaser, 'Les hommes de l'Angolagate', *Le Monde* 13.1.2001, Fabrice Lhomme, 'L'enquête sur L'Angolagate dévoile l'ampleur du systéme Falcone', *Le Monde* 24.1.2001, 'Total, Bouygues, Air France… en transe!', *La Lettre du Continent*, 451, 15.7.2004 and 'Toujours le chantage sur Total', *La Lettre du Continent* 2.9.2004.

50. The idea of a 'failed state' that can be 'successful' because it continues to provide for the prosperity of elites and because it benefits from resource flows that allow it to go on standing is derived from Prunier & Gisselquist 2003. See also 'Petroleum and the successful failed state in the Gulf of Guinea', Chapter 1 of Soares de Oliveira 2007.

51. For political economists interested in how African economies over the past two and a half decades have been jointly 'reformed' by local elites and IFI officials, Angola provides a rare sight: it has never been through an externally defined structural adjustment programme. Its fractious engagement with the IMF has never gone beyond Article IV consultations.

52. Sonangol's CEO Manuel Vicente is also the vice president of FESA, President Eduardo dos Santos' Foundation, whose activities are analysed in Messiant 1999.

53. Interview, Luanda, 24.1.2004.

54. Interview, Luanda, 4.3.2002.

55. Interview, Luanda, 6.3.2002.

56. Witness the enthusiasm of Angola's vice-prime minister, Aguinaldo Jaime when stating that 'in obedience with the imperative of transparency in the management of the public good, the government and the national assembly, on the one hand, and national and international public opinion, on the other, will be informed of the use of public monies in general, and of oil monies in particular'. See 'O governo não embarcará em euforia despesista', *Semanário Angolense* 23.10.2004.

57. 'Oil boom fuels Dubai dreams in Angola's capital', *Reuters News* 22.11.2006.

58. In the past two years China has made available to Angola (its major source of imported oil, having bypassed Saudi Arabia in early 2006) credit lines currently estimated at more than US$5 billion.

59. Gustavo Costa, 'S. Costa com Sonangol', *Expresso* 10.9.2005. I thank an anonymous reader for mentioning that BP and Exxon, among others, are also building office blocks in downtown Luanda.

60. Jad Mouawad, 'Nowadays, Angola is oil's Topic A', *New York Times* 20.3.2007.

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