

OIL, POVERTY AND ENVIRONMENT IN ANGOLA

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Angola is a vast country with a relatively small population and abundant natural resources in addition to oil, notable for its high production value and the significant volume of its reserves, but the country also stands out for the uneven distribution of wealth and political corruption, which have enabled the enrichment of a small elite close to power, while most of the population remains below the poverty line; another important issue is the significant environmental impact of the oil industry.

The country gained independence from Portugal in 1975 and a long civil war broke out between Movimento Popular de Libertação de Angola (MPLA) and the União Nacional para a Independência Total de Angola (UNITA) for access to political power and the control of natural resources. The winner of this contest was the MPLA, which managed the country's oil production during the war and undertook economic reconstruction with the revenues from oil and political modernization after the war, which ended in 2002.

To the serious consequences of war, with thousands of dead and displaced people, and the destruction of infrastructure and the production system, we must add a high incidence of infectious and parasitic diseases, a high infant mortality rate and short life expectancy.

This work is based on the contributions of the doctoral thesis of one the authors and addresses the major socioeconomic and environmental impacts of the oil industry in Angola, which is Africa's second largest producer of crude oil and the sixteenth in the world, and briefly reviews some of the facts deriving from the civil strife which hit the country for nearly three decades, to which must be added the two decades of colonial conflicts, before independence.

The research methods used to approach this reality are of two types: synthetic, based on the compilation of data and documents and the reconstruction of the general processes that have taken place in the country; and, analytical, intended to contextualize the empirical data obtained in the field. The sources of information used have been numerous, but also very uneven, and are therefore difficult to systematize, due to the shortage of available databases to construct time series comparisons and international variables.

From these sources and with the methodological tools indicated, the work is divided into five additional sections that address, first, the geographical and socioeconomic complexity of this southern Africa country, in order to provide a context for the later struggle for political power, and confirm the presence of corruption and poverty as a result of institutionalized oil exploration, which has led to the concentration of the country's wealth in a few hands and also generates high environmental costs which the regulatory framework established and the Administration have not been able to contain.

I. GEOGRAPHICAL AND SOCIO-ECONOMIC CHARACTERISTICS OF THE COUNTRY

Angola has a surface area of 1,246,700 km² and an estimated population of about 18 or 20 million people across 18 provinces of unequal size. The country has abundant natural resources, fertile though scarce farmland, rich deposits of minerals, such as diamonds, iron, bauxite, gold, manganese, uranium and natural gas, apart from oil, which has increased state revenues thanks to the high prices black gold has reached in the past decades. But it is also a country of great socioeconomic inequalities.

Despite its resources, Angola has an uneven distribution of wealth among its inhabitants, a large proportion of people live below the poverty line, a high incidence of infectious and parasitic diseases, short life expectancy and a weak regulatory framework for environmental protection to deal with the aftermath of the oil industry. And it also has a high degree of political and administrative corruption, repeatedly reported by some international organizations such as Global Witness, the International Monetary Fund, or Human Rights Watch.

The Angolan population is very young, as reported by the 2010 United Nations Program for Development, as 47 percent is under 15, its growth rate is 2.8% per annum, one of the highest in Africa, the fertility rate is 5.4 children per woman, and in turn, their life expectancy is among the lowest in the continent, with 48.8 years for women and 44.9 years for men, and a mortality rate of children under 5 reaching 220 ‰.

As a result of that described above, some authors consider this vast and complex African country to be a paradigmatic example of the so called "resource curse", which attempts to explain the little economic development registered in some countries rich in natural resources, such as Angola, primarily due to the appropriation of oil revenues by a minority of the population, close to political, military and economic power (Ferreira, 2006: 60), and also to widespread rentier economy and culture (Collier, 2008).

This serious problem of perverting the model to exploit and make the most of natural resources hinders the economic development of the country, prevents the necessary re-distribution of wealth and condemns most of the population to poverty. The solution lies on, according to Jeffrey D. Sachs (2007) who first started work on the theory of the resource curse, «transparency and accountability» from the public authorities in their management of collective interests.

The country began its reconstruction after the civil war using a development model midway between centrally planned economy and market economy, which some authors have seen as a particular version of the «liberal peacebuilding» conducted by local elites for their own benefit (Soares de Oliveira, 2011).

One of the main concerns of the government after independence was the economic situation of the country, as the war had paralyzed the production system, and one of their priorities was the reconstruction of infrastructure destroyed during the conflict. In addition, much of the country's economy had disintegrated when Europeans emigrated massively taking with them as much as they could, leaving behind shattered nonoperational production facilities.

In 1976 was started the nationalizing of Portuguese capital private companies, involved in the mining industry, the banking sector and many other companies (Ferreira, 2005: 74), by means of the State Intervention Act of that year. However, the Government continued encouraging the support of the private sector and foreign investment to facilitate the reconstruction of the country through the 1978 Petroleum Activities Act and the 1979 Foreign Investment and Mines Act, reflecting the pragmatism that has since guided part of their actions. Oil exploration was instrumental in financing the war and the initial organization of the State, and plays a key role in the postwar period after 2002.

II. ACCESS TO POLITICAL POWER

The Popular Movement for the Liberation of Angola has ruled the southern Africa country since independence from Portugal in 1975, to the present, and its first president Agostinho Neto, who held the position from independence until 1979, when he died through illness; José Eduardo dos Santos has been the head of state since then.

The signing of the Luanda Memorandum of Understanding between the two parties in dispute for political power put an end to the war and led to call for general elections in 2008, which the MPLA won by a large majority, allowing them to draft a new Constitution, which was approved by Parliament and came into force in 2010. In the articles of the Constitution presidential elections disappear, thus the president and the vice president of the most widely-voted party will be automatically sworn in as President and vice-President of the Government.

III. CORRUPTION AND POVERTY IN THE COUNTRY

Due to the complicity of some transnational companies and countries a political elite has emerged in Angola known as *nomenklatura petrolera*, who have enriched themselves depriving the rest of the Angolans of the distribution of their country's wealth. One of the instruments has been the national oil company, Sonangol, at the service of a group of officials and businessmen close to President Eduardo dos Santos, known as the *Futungo de Belas*, which is the name of the presidential compound just outside of Luanda (Soares de Oliveira, 2007: 606).

The result of this practice was revealed by Luanda newspaper *Angolense*, which published the list of the richest people in the country, headed by the prime minister, followed by a deputy, two officials from the president's office, an ambassador, a former head of Army personnel and the public works minister. The conclusion was forceful: «the seven richest Angolans were all in government» (McMillan, 2005: 1).

But this circle of oil beneficiaries is not confined to the political field, but spreads over those close to power and continues to materialize in time, for in 2013 Forbes magazine considers the eldest daughter of President Dos Santos as the first African woman whose fortune exceeds the barrier of 1,000 million dollars, but the publication does not disclose its source.

The World Bank report entitled *2010 Africa Development Indicators*, notes that most studies on corruption refer to powerful political bribes or kickbacks paid to important public employees. But they do not often address the so-called «quiet corruption», which occurs when public employees do not provide goods or services paid for by governments, unless they are granted additional compensation. According to the report, this type of corruption is widespread and deeply rooted in Africa and provides an increasingly negative view of the public benefit systems, which in turn makes families ignore these systems. Although this form represents a much smaller amount than corruption on a larger scale, it is particularly detrimental to the poor.

The report *2010 Africa Development Indicators* estimated that the number of people living on less than two dollars a day went from 292 million in 1981 to almost 395 million in 2005, although this figure dropped to 383 million in 2008, representing the first fall of this variable since the report is made. Also, the extreme poverty rate that last year stood at 47.5%, representing a decline of nine points in relation to 1990. This result is even more surprising because this poverty reduction occurs during the deepest economic crisis the world has experienced since the Great Depression in 1929.

However, the financial institution paper describes a bleaker picture than the above with respect to sub-Saharan Africa, which has «the most formidable challenge for development» in the world, because only 49 of the 87 countries for which sufficient data are available are on track to achieve the goal of poverty reduction, outlined in the Millennium Development Goals, by 2015 (World Bank, 2010).

In this context, the human indicators of Angola have not evolved in line with the rapid growth of wealth derived from oil exploration, placing the country at number 58 in relation to the value of GDP (100,990 million in 2011, according to the World Bank), as several million Angolans have limited access to basic social services, which is why in 2011, Angola was ranked 146 out of 169 countries in the human development index of the United Nations Development Programme, with a value of 0.403, which is slightly above the regional average of sub-Saharan Africa (0.389).

The discrepancy between these indicators shows that the country's oil wealth is concentrated in the political elite, that the number of jobs created by the mining and refining industry has been low, as in 2005 it employed less than 11,000 people (Sogge, 2006 : 2), so that most of the population is mired in poverty.

But official representatives of the Angolan government currently reduce the proportion of poor in the country to just a third of the population, which according to their calculated expression “suffer social poverty” due to the long period of war, lack of infrastructure, weak national economy and deficient essential services such as education, vocational training and health, as analyzed by the Minister of Planning at the National Forum on Implementation of Municipal Integrated Programmes of Rural Development and Fight against Poverty, held in Luanda in January 2011.

IV. OIL EXPLORATION AND THE ENVIRONMENT

The first concession for oil exploration in Angola was authorized by the Portuguese government in 1910, but commercial production of this raw material did not begin until 1956 when the *Companhia de Petroleos de Angola* (Petrangol) began oil extraction in the

basin of the River Kwanza. Later, the company found oil in the Congo Basin and became the main operator of most of the oil fields located on land, in partnership with the U.S. company Texaco and Angol company, owned by the Portuguese company Sacor. At the same time, a branch of the U.S. Gulf Oil, the Cabinda Gulf Oil Company, began explorations in Cabinda in 1954, and in 1968 began oil production (Demurtas, 2007: 71).

As a result of these important findings, the Angolan oil production went from 2.5 million tons in 1969 to 8.2 million tons in 1973, while the volume of exports increased almost fourfold. On the other hand, due to the increase in raw material prices in 1973 the value of oil exports from the African country was nearly twelve times higher than in 1969, and oil overtook coffee as the main export at the end of the colonial era, with an output of 172,000 barrels per day in 1974 (Sonangol, 2012).

After independence from Portugal, the government of the Popular Movement for the Liberation of Angola took an active role in the oil sector, so that in 1976 it nationalized the Sociedade de Lubricants and Fossil, Angol, a subsidiary of Portuguese company Sacor, and set up the National Fuel Company, Sonangol. Through this state-owned company, which became the exclusive licensee of the oil resources in the country, the Government established its oil policies and built its relationship with multinational companies operating in the sector by means of two types of contracts: a) the “shared agreements” with which Sonangol and private partners share the investment and production in similar proportions (51% Sonangol and 49% foreign companies), or b) the “shared production agreements” by which the foreign partner makes the necessary investments and in exchange receives part of the production.

Angolan oil exploration was first conducted by state company Sonangol on continental territory, but later most explorations took place offshore, on the continental platform, far from the operational area of war and were carried out by many foreign companies, both European and North American such as British Petroleum, Total Fina-Elf, Shell, Chevron and Texaco, Exxon Mobil, Statoil and Agip, on oil rigs authorized by the state through shared exploration agreements.

This system of concessions has increased the search for oil fields by the different companies which has in turn allowed findings and production of oil to increase in the past decades, going from 100,000 barrels per day in 1976 to 2.1 million barrels per day in 2009, which is 2.3% of the world’s oil, and the country became, for a short period of time, the first oil exporter in Africa (Table 1), superseding Nigeria due to the sabotage at their facilities in the Niger Delta (EIA, 2011).

But the country’s oil production also has major environmental costs caused by oil spills at sea and air pollution, in addition to other problems such as soil erosion and deforestation, especially rainforests. Indeed, sea pollution due to oil spills at rig drillings on the sea bed, the cleansing and loading of oil tankers using the *offshore* system and waste from refineries and other industries released on land, affect wide areas of the Angolan coast as for example the Bay of Luanda (table 5), where the fishermen communities on different coastal areas have seen their catch drop due to fish death or the deterioration of environmental conditions in the area (Ferreira Baptista, 2005: 157).

