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Building Angola: A Political Economy of Infrastructure Contractors in Post-War Angola

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Following the end of the civil war in 2002, Angola entered a period of political stability and economic growth that was sustained until the oil-price crisis hit the economy in 2015. During this period a vast reconstruction plan of economic infrastructure was implemented. This process induced a series of changes that shaped the construction industry in the country, especially the rise of Angolan contractors as a by-product of the primarily externally funded reconstruction effort. This article aims to understand the political economy of infrastructure building in Angola's post-war reconstruction boom and the post-2015 crisis. We focus on the nature and dynamics of the emerging infrastructure market segmentation that led to the coexistence of Angolan, Chinese and other foreign contractors, when a part of oil rents was reinvested in infrastructure development, thereby generating a rapid development of the construction sector and its ancillary economic activities. The article explains the origins of segmentation among infrastructure contractors and the central role of oil-backed finance, particularly from China, during the boom and the crisis. It demonstrates the political imperatives of fast delivery of infrastructure assets for the maintenance of the dominant political settlement and the distribution of organisational power in Angola, which led to the rise of a well-organised element of state-linked Angolan capital in this lucrative sector. These experiences reflect the centrality of market segmentation and state–business relations in the evolution of the infrastructure sector in Angola, and the implications for the rise and consolidation of domestic capitalist interests.

Keywords: infrastructure; market segmentation; state–business relations; public investment; development finance; Angola

Structural transformation remains a pressing priority in Sub-Saharan Africa, especially for primary commodity-dependent countries like Angola.[1] Structural change, especially when driven by industrialisation, requires a number of basic conditions, such as an employable workforce with sufficient skills, finance, a domestic or foreign capitalist class with enough investible surplus and interest in emerging productive sectors, an enabling state, and basic economic infrastructure, among other factors.[2] However, the infrastructure gap in Africa remains a major obstacle, despite a recent revival in donor and global finance priorities.[3]

For countries like Angola, the commodity boom of the 2000s provided an opportunity to turn windfall gains into investible capital, creating the conditions for diversification of the economy, particularly given the volatility of the oil sector, which the post-2015 oil-price crisis demonstrated. The post-war context also underpinned the political need for urgent public investment in the rehabilitation and expansion of basic energy and transport infrastructure.[4] The government of Angola, as this paper will show, substantially expanded public investment for the post-war reconstruction programme, which entailed both construction and reconstruction of basic infrastructure. Aid agencies underscored the importance of this task, suggesting that an improvement in Angola's infrastructure would enable the country to add 2.9 per cent to its annual growth.[5] The combination of a strong drive to reconstruct infrastructure and a real estate bonanza can generate intra- and inter-sector linkages by energising, first, the construction sector and especially domestic contractors with capacities to build large-scale infrastructure, and second, the production and imports of construction materials,[6] thereby generating much-needed job creation in new sectors.[7]

This paper contributes a political economy analysis of the expansion of infrastructure as a key site of rent-seeking and accumulation in the construction business, affecting both foreign and domestic contractors, during a time of high rents as the post-conflict reconstruction period coincided with the oil-price boom.[8] This favourable environment not only led to substantial contract opportunities for well-established international contractors, from Portugal and Brazil in particular, but also drew in two new sets of players: Chinese state-owned enterprises (SOEs), which entered the field on the back of large credit lines linking oil rents and infrastructure projects,[9] and Angolan ventures associated with the emerging business elite linked to the Popular Movement for the Liberation of Angola (MPLA) and Angola's then president José Eduardo dos Santos's business and political networks.[10]

1 M.A. da Rocha, F. Paulo, L. Bonfim and R. Santos, *Estudos Sobre a Diversificação Da Economia Angolana* (Luanda, Universidade Católica de Angola, 2016); F. Wanda, 'Political Capitalist Transformation: Exploring Political Elite Business Linkages in Post-War Angola' (PhD thesis, SOAS University of London, 2021).
2 A. Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (Oxford, Oxford University Press, 1989); C. Cramer, J. Sender and A. Oqubay, *African Economic Development: Evidence, Theory and Policy* (Oxford, Oxford University Press, 2020). Available at http://fdslive.oup.com/www.oup.com/academic/pdf/openaccess/9780198832331.pdf, retrieved 7 July 2022.
3 T. Goodfellow, 'Finance, Infrastructure and Urban Capital: The Political Economy of African "Gap-Filling"', *Review of African Political Economy*, 47, 164 (2020), pp. 256–74.
4 Wanda, 'Political Capitalist Transformation'.
5 N. Pushak and V. Foster, 'Angola's Infrastructure: A Continental Perspective', *Policy Research Working Paper* (Washington DC, World Bank, 2011), p. 1, available at https://openknowledge.worldbank.org/handle/10986/3576, retrieved 12 January 2023.
6 C. Wolf, 'Industrialization in Times of China: Domestic-Market Formation in Angola', *African Affairs*, 116, 463 (2017), pp. 435–61.
7 E. Ianchovichina, A. Estache, R. Foucart, G. Garsous and T. Yepes, 'Job Creation Through Infrastructure Investment in the Middle East and North Africa', *World Development*, 45 (2013), pp. 209–22.
8 See World Bank Commodity Price Data (The Pink Sheet), annual prices, 1960 to present, nominal US dollars. Updated on 4 February 2020, available at https://www.worldbank.org/en/research/commodity-markets, retrieved 15 March 2022.
9 L. Corkin, *Uncovering African Agency: Angola's Management of China's Credit Lines* (Surrey, Ashgate, 2013).
10 Wanda, 'Political Capitalist Transformation'.

However, it is important to clarify that the creation of a domestic capitalist class with political ties started when pro-market reforms were introduced in the late 1980s and political reforms in the early 1990s.[11]

The primary aim of this article is to analyse the political economy of infrastructure building in Angola's post-war reconstruction boom and the post-2015 crisis. Key questions are how and why the sector of top infrastructure contractors was segmented, how Chinese firms became leading players and how the post-2015 crisis affected the market segmentation built in the boom period. We argue that during the years of the rapid rise in the oil-price the volume of rents, combined with massive infrastructure needs and a political appetite to deliver tangible and visible 'development' in the short term, led to the crafting of different lucrative market spaces for these different sets of contractors. These 'segments' have survived to this day in other forms, and with a range of implications for local economic development dynamics.

The post-2015 crisis has presented a new scenario where companies scramble for contracts and suffer from finance and foreign exchange shortages, with distinct implications for the different segments of the sector. The evidence deployed in the article derives from a combination of sources, including over 100 semi-structured and open interviews with senior company managers, government officials and other key informants, data provided by various Angolan departments, and other publicly available official data and secondary sources.[12]

The paper is structured as follows: the next section presents a number of theoretical considerations and engages with a wider literature in order to frame the research questions and analysis. The following section provides the context for Angola's post-war infrastructure building boom, particularly the growth in public investment and the revised infrastructure priorities and sources and mechanisms of infrastructure finance. This is followed by a section that discusses the segmentation of the Angolan infrastructure construction sector since 2002. Then we will specifically focus on the rise of Angolan infrastructure contractors by analysing the two main channels through which Angolan contractors emerged. This section will also discuss the effects of the post-2015 crisis, and especially the role of the Chinese credit line, on different segments of the infrastructure construction sector. A set of conclusions and policy implications will end the paper.

Infrastructure, Political Economy and the Emergence of Construction Capital

The research questions of this article concern the political economy of infrastructure expansion in contexts of bonanza and crisis, the emerging market segmentation in the contracting business, and the rise of a domestic capitalist class with interests in infrastructure building. These questions will be tackled using a framework that combines insights from four strands of literature and analytical sources and themes, namely: the interdisciplinary

11 R. Aguilar, 'Angola's Private Sector: Rents Distribution and Oligarchy', paper presented at the Lusophone Africa Conference: Intersections between the Social Sciences, 2–3 May (Ithaca, Cornell University, 2003), available at https://studylib.net/doc/7642638/angola-s-private-sector–rents-distribution-and-oligarchy, retrieved 31 October 2022.

12 Throughout this paper we will refer to interview sources with a simple coding system. The first two letters of each code indicate the profile of the respondent and the numbers show the order of interviews (for example CM01). All interviews were conducted in Angola at different stages between November 2015 and August 2018, spanning a scoping phase and a qualitative follow-up phase. The letter codes mean the following: CM = company manager, usually a general manager or deputy manager, also including in a few cases business association leaders; GA = government official in different departments and agencies of the Angolan administration, mainly middle- to high-level officials; Oth = Other such as representatives of NGOs, or other key informants (for example, researchers). In some cases, we may refer to the specific job or professional profile of the interviewee and the date of the interview. This reference system is designed to preserve the anonymity of respondents, as undertaken in our consent form.

literature on the political economy of infrastructure and insights from the political settlement framework on elite bargaining processes around the management of rents derived from infrastructure contracting; the role of finance of infrastructure on the segmentation of the construction industry; the rise of domestic capitalist classes in the form of diversified business groups;[13] and the importance of public infrastructure investment and Albert Hirschman's 'induced demand' for processes of economic transformation.[14]

The infrastructure gap in Africa has led to a rise in interest from global creditors as well as international construction companies.[15] Given the size of this gap[16] and the cost of building or rehabilitating basic large-scale economic infrastructure, public works contracts offer exceptional opportunities for rent capture and subsequent capital accumulation with the possibility of further such contracts in the future.[17] Moreover, the possibility of cost overruns, especially in large projects, offers additional rents for successful bidders. The political economy of infrastructure raises questions about the balance between political rent-seeking, gains for contractors and the eventual developmental outcomes of a project, and the ways in which these outcomes manifest in contested assumptions, methods and priorities underpinning the choice of projects and the successful bidders.[18] Transport infrastructure is a particularly interesting example, as road projects offer to concentrate resources in relations with few clients, with tangible outcomes for policymakers and their constituencies, as a quick way of delivering 'political assets'.[19]

The political economy of infrastructure is at the heart of relations between the state and business. In order to understand the dynamics of rent-seeking competition and preservation of market spaces that lead to segmentation, it is necessary to understand the existing political settlements and, particularly, the elite bargaining processes that determine who will benefit most – and in what ways – from different forms of infrastructure development. Mushtaq Khan defines 'political settlement' as 'a description of the distribution of power across

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13 Diversified business groups are often present in the largest firms in Africa, including elite family businesses, SOEs, party-affiliated firms, portfolio firms and other private firms where a group of politically connected entrepreneurs collaborate. See P. Behuria, 'The Curious Case of Domestic Capitalists in Africa: Towards a Political Economy of Diversified Business Groups', *Journal of Contemporary African Studies*, 40, 1 (2022), pp. 1–17.

14 A. Hirschman, *The Strategy of Economic Development* (London, Oxford University Press, 1958). 'Induced demand' refers to the additional demand, usually in the form of investment, which results from the construction of infrastructure that makes this additional demand possible.

15 Goodfellow, 'Finance, Infrastructure and Urban Capital'.

16 For example, the African Development Bank estimates the infrastructure finance gap to be within the range of US$68 to US$108 billion, according to the African Centre for Cities, 'Infrastructure Financing in Africa: Overview, Research Gaps and Research Agenda' (August 2021), p. 8, available at https://www.africancentreforcities.net/infrastructure-financing-in-africa-overview-research-gaps-and-research-agenda/, retrieved 20 March 2022.

17 H. Zhang, 'Chinese International Contractors in Africa: Structure and Agency', *CARI-SAIS Working Paper 47* (May 2021), available at https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/6099cc5d267fb10016b82045/1620692064252/WP+47+-+ZHANG%2C+Hong+-+Chinese+Intl+Contractors%27+Market+Power+Africa.pdf, retrieved 25 March 2022.

18 S. Khemani, 'Political Economy of Infrastructure Spending in India', *Policy Research Working Paper* 5423 (Washington, World Bank, 2010); M. Blimpo, R. Harding and L. Wantchekon, 'Public Investment in Rural Infrastructure: Some Political Economy Considerations', *Journal of African Economies*, 22, suppl. 2 (2013), pp. ii57–ii83; M. Coelho, 'The Political Economy of Infrastructure in the UK' (London, Institute for Government, 2014), pp. 23–4, available at https://strathprints.strath.ac.uk/55903/1/FEC_39_3_2016_CoelhoMDellepianeS.pdf, retrieved 31 October 2022; M. Di Nunzio, 'Anthropology of Infrastructure', *Governing Infrastructure Interfaces – Research Note 1* (London, London School of Economics and Political Science, 2018), available at https://lsecities.net/wp-content/uploads/2018/09/Governing-Infrastructure-Interfaces_Anthropology-of-infrastrcuture_MarcoDiNunzio.pdf, retrieved 25 March 2022.

19 C. Tilly, *Trust and Rule* (Cambridge, Cambridge University Press, 2005); K. Bain, D. Porter and M. Watts, *Institutional Change, Political Economy, and State Capabilities: Learning from Edo State, Nigeria* (Washington, World Bank, 2015).

organisations that are relevant for analysing a specific institutional or policy problem' where organisations can be represented by the state or factions of the state, organised capitalist (business) groups, other civil-society organisations, parties and so on.[20] In the political settlements framework, state–business relations are often shaped by the networks and institutions created to manage rents and the outcomes of such systems. At the same time state–business relations and rent management systems co-evolve in the sense that the creation of rents and their distribution also affect the balance of power and the specific interactions between parts of the state and factions of business elites.[21] Given that the construction sector is potentially a significant source of rents, the organisational power of different groups competing for them can result in the creation of particular market spaces where 'settlements' are reached to distribute or protect rents arising from access to public work contracts. Indeed, the infrastructure construction sector, as well as real estate development, have become important sites of accumulation in much of Africa, leading to the emergence of 'varieties of residential capital' especially in the past two decades.[22] The provision of infrastructure in contexts of rapid urbanisation and its effects on urban land value have strengthened the elite incentives to invest in, and profit from, real estate development in many African contexts.[23] There is no doubt that the relative dependence on foreign capital and expertise in the construction sector affects state–business relations and rent management systems, and Angola is particularly affected by such dynamics of dependence.[24] However, as we show in this paper, even with the presence of important external actors (foreign financiers and contractors), this is a sector where the local political economy landscape and the role of domestic capital ultimately determine 'contingent benefits and disbenefits that are far removed from the visions of any planners'.[25] Different companies may represent different economic and political elite factions that compete over the rents of construction tenders, thereby shaping the institutions that are in charge of managing the development of infrastructure and their ultimate outcomes. In contexts of authoritarian politics, like Angola, the state becomes a major battlefield for these competing interests and an exclusive governance framework of infrastructure provision may arise as a result, as argued later in the paper. Within this framework, both the size of rents and the source of the funding may determine which contractors, developers and organisations benefit from contracts and for how long, possibly generating segmented spaces of competition for contracts.

Three additional considerations will help us interpret the findings of this study. First, the sources and mechanisms of finance for infrastructure as well as their conditions, maturity, currency and organisations substantially contribute to shaping the type and processes of

20 M.H. Khan, 'Political Settlements and the Analysis of Institutions', *African Affairs*, 117, 469 (2018), pp. 636–55, p. 640.

21 On political settlement analysis and organisational power in Africa see P. Behuria, L. Buur and H. Gray, 'Studying Political Settlements in Africa', *African Affairs*, 116, 464 (2017), pp. 508–25.

22 M.A. Pitcher, 'Varieties of Residential Capitalism in Africa: Urban Housing Provision in Luanda and Nairobi', *African Affairs*, 116, 464 (2017), pp. 365–90; Goodfellow, 'Finance, Infrastructure and Urban Capital'; S. Croese, 'State-Led Housing Delivery as an Instrument of Developmental Patrimonialism: The Case of Post-War Angola', *African Affairs*, 115, 462 (2016), pp. 80–100.

23 T. Goodfellow, 'Taxing Property in a Neo-Developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia', *African Affairs*, 116, 465 (2017), pp. 549–72; B. Terrefe, 'Urban Layers of Political Rupture: The "New" Politics of Addis Ababa's Megaprojects', *Journal of Eastern African Studies*, 14, 3 (2020), pp. 375–95.

24 Croese, 'State-Led Housing Delivery'.

25 T. Goodfellow and Z. Huang, 'Contingent Infrastructure and the Dilution of "Chineseness": Reframing Roads and Rail in Kampala and Addis Ababa', *Environment and Planning A: Economy and Space* 53, 4 (2021), pp. 655; S. Croese and M.A. Pitcher, 'Ordering Power? The Politics of State-Led Housing Delivery Under Authoritarianism: The Case of Luanda, Angola', *Urban Studies* 56, 2 (2019), pp. 401–18.

infrastructure development, including the capital involved in its design, construction and maintenance.[26] As infrastructure development has increasingly become a new asset class for international and domestic business elites,[27] a division of labour arises between domestic capital and diaspora funds, investing in small and medium-scale real estate development, and official finance from governments, multilateral banks and global private finance that can afford large amounts of funding for large-scale infrastructure construction.[28] Second, the extent to which domestic capitalist classes venture into the infrastructure construction business and how and why they do so, despite the emerging dominance of new players such as Chinese SOEs,[29] requires an understanding not only of the broader political economy of infrastructure, but also of the *nature* of domestic capital, its logic of accumulation, its relation with other 'varieties' of foreign capital,[30] and the relative importance of diversified business groups. Third, the emergence of such business opportunities hinges on the ability of a state to engage in massive investments in infrastructure which, to use Hirschman's term, generate 'induced' investment and linkages.[31] Hirschman also stresses the role of imports of goods and services in inducing investment and creating incentives to establish new areas of economic activities; as he notes, 'countries tend to develop a comparative advantage in the articles they import'.[32] This hypothesis has resonance with what happened in Angola's construction sector after 2005, both in the manufacturing of building materials, driven by foreign and domestic investments, but also in the emergence of Angolan capital in infrastructure construction, where foreign contractors had previously dominated the market (given that many construction services were imported), as will be argued in this paper. Thus, the construction sector and the building materials industry became sites of accumulation for Angolan capital.[33]

The Context: Angola's Infrastructure Building Boom Post-2005

The end of the civil war in 2002 provided an opportunity for the Angolan ruling elite to assert its now undisputed control over the country and to extend state administration (and power) over the territory, particularly in those areas formerly under the control of the government's wartime adversary, the National Union for the Total Independence of Angola (UNITA).[34] The (re)construction of infrastructure became a high priority for the MPLA ruling elite,[35] infrastructure being presented as 'bringing development' to the neglected population living outside of the main cities of Angola. Analysis of the government action plans since 2003[36] shows how the state became an 'agent of

26 African Centre for Cities, 'Infrastructure Financing in Africa'.
27 Goodfellow, 'Finance, Infrastructure and Urban Capital'.
28 See more on this point in the section below on market segmentation.
29 Behuria, 'The Curious Case of Domestic Capitalists in Africa'.
30 C.K. Lee, *The Specter of Global China: Politics, Labor, and Foreign Investment in Africa* (Chicago, University of Chicago Press, 2017). Also relevant are the concepts of 'variegated capitalism' and 'varieties of capital' as applied in the analysis of Chinese capital in Africa by Lee, *The Specter of Global China*, and D. Fei, 'Variegated Work Regimes of Chinese Investment in Ethiopia', *World Development*, 135 (2020), available at https://doi.org/10.1016/j.worlddev.2020.105049.
31 A. Hirschman, *The Strategy of Economic Development*, p. 83. Hirschman defines infrastructure investment as social overhead capital (SOC) 'without which primary, secondary, and tertiary productive activities cannot function'.
32 *Ibid.*, p. 122.
33 On the connections to the building materials industry see Wanda, 'Political Capitalist Transformation' and Wolf, 'Industrialization in Times of China'.
34 R. Soares de Oliveira, *Magnificent and Beggar Land: Angola Since the Civil War* (London, Hurst, 2015).
35 *Ibid.*, Chapter 2.
36 See Governo de Unidade e Reconciliação Nacional (2004); Programa Geral do Governo para o Biénio 2005–06 (Luanda); MPLA (2012), Programa de Governo do MPLA para 2012–17 (Luanda), for the period 2002–17.

development'.[37] Moreover, the construction of infrastructure also contributed to reinforcing and legitimising dos Santos's control over the MPLA party and the state, which resulted in the overwhelming victory of the MPLA in the 2008 national election:[38] the first since the 1992 general election and subsequent return to war.

The post-war reconstruction process assumed another dimension from 2004 when Angola negotiated and secured an oil-backed loan (export buyer/seller credit)[39] with China, through its Export-Import Bank (henceforth China EximBank), totalling US$4.5 billion.[40] Over the years this renewed relationship with China ensured that by 2019 the Angolan government and its ruling elite had accessed as much as US$42.6 billion out of a total US$153 billion in loans that the Chinese provided to countries in Africa.[41]

The scale of post-war infrastructure reconstruction expanded significantly in Angola between 2002 and 2014, when the budget for public works (including the construction of roads, bridges, schools, hospitals, electricity and water facilities) increased from US$280 million to US$11.1 billion. According to the World Bank, Angola allocated on average US$4.4 billion per year for infrastructure reconstruction between 2002 and 2009.[42] It is important to recall that expenditure was made possible due to an influx of revenue resulting from an increase in oil production from 800,000 barrels per day in 2002 to over 1.6 million barrels per day in 2007,[43] the same period in which prices in world markets increased from US$25 to US$73 per barrel.[44]

Between 2002 and 2016 the public investment programme (PIP) rapidly grew, reaching an average of 21 per cent of the total government budget, and the average expenditure on construction as a percentage of the PIP in this period was 71 per cent.[45] Employment in the construction sector nearly tripled from 169,722 in 2002 to 428,882 in 2016.[46] This sector played a key role in gross fixed capital formation, particularly between 2006 and 2015[47] when it increased from 45 per cent to 66 per cent.[48] The volume of funds invested, given the prevailing political settlement with an absence of checks and balances on the powers of President dos Santos's networks, also came with significant waste and corruption.[49]

37 C. Leys, *The Rise and Fall of Development Theory* (London, James Curry, 1996), p. 7.

38 L. Corkin, 'Uneasy Allies: China's Evolving Relations with Angola', *Journal of Contemporary African Studies*, 29, 2 (2011), pp. 169–80.

39 This refers to a medium- and long-term financing facility provided by a bank to a buyer (importer) of goods and services provided by a company from the export bank's country. In this instance the export bank in China (EximBank) provides a credit line to Angola's government to procure goods and services from Chinese companies.

40 Government of Angola, 'Esclarecimento Sobre A Linha de Crédito da China' (Information on the Chinese Credit Facility), press release (Luanda, Ministry of Finance, 2007), available at http://www.minfin.gv.ao/docs/dspComunicaChina2007.htm, retrieved 24 October 2022.

41 China-Africa Research Initiative (CARI) – School of Advanced International Studies (SAIS), 'Chinese Loans to Africa Database' (Washington, Johns Hopkins University, undated), available at http://www.sais-cari.org/data, retrieved 9 March 2023. On China as a leading financier of Angola's reconstruction see Corkin, *Uncovering African Agency*.

42 World Bank, 'Angola Road Sector Public Expenditure Review' (Washington, World Bank, 2020), p. 3; available at https://openknowledge.worldbank.org/handle/10986/33804, retrieved 20 March 2022.

43 OPEC, 'Annual Statistical Bulletin 2018' (Vienna, Organization of the Petroleum Exporting Countries, 2018), available at https://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB%202018.pdf, retrieved 24 October 2022.

44 World Bank Commodity Price Data (The Pink Sheet), annual prices, 1960 to present, nominal US dollars. Updated on February 4, 2020.

45 Wanda, 'Political Capitalist Transformation'.

46 C. Oya and F. Wanda, 'Employment Patterns and Conditions in Angola: A Comparative Analysis of the Infrastructure Construction Sector and Building Materials Industry', *IDCEA Research Report* (SOAS University of London, 2019), available at https://www.soas.ac.uk/sites/default/files/2022-10/Employment%20patterns%20and%20conditions%20in%20Angola.pdf, retrieved 15 January 2022.

47 Data from INE (the National Institute of Statistics in Angola) is only available for this period.

48 Wanda, 'Political Capitalist Transformation', p. 188.

49 Wanda, 'Political Capitalist Transformation'; Soares de Oliveira, *Magnificent and Beggar Land*.

Table 1. Post-war real productive investments

Infrastructure	Description
Railway Luanda railway, Benguela railway and Moçamedes railway	Involved the reconstruction of 3,000 km, including the construction of stations and bridges along the routes
Port upgrade Luanda, Lobito	New container terminal in Luanda, Lobito port expansion (including a new mineral terminal)
Airports construction and runway upgrade Luanda, Cabinda, Catumbela, Malange, Ondjiva, Lubango, Huambo, Benguela, Ndalatando, Saurimo, Luena, Kuito, Soyo, Dundo	30 with paved runways (including 5 with runways in excess of 3,047 metres)
Electricity	Increase in production from 295.6 MW to 3,334 MW
Housing	Construction of 57,880 new units in new *centralidades* (new towns) in 13 provinces, and 9,833 new houses (out of 26,400 units programmed for the municipalities)
Road network	18,000 km rehabilitated by 2016 (out of 25,000 km since 2002)
Social infrastructure (schools, hospitals)	Increased the number of schools to 18,297 schools, 263 hospitals, 400 medical centres and 1,665 health centres, 7 public universities

Source: F. Wanda, 'Political Capitalist Transformation: Exploring Political Elite Business Linkages in Post-War Angola', PhD thesis, SOAS University of London, 4 October 2021, p. 186.

However, despite inefficiencies and corruption, the rapid post-war reconstruction investment effort also led to many productive investments derived from the oil rents, including substantial construction and the rehabilitation of much-needed economic and social infrastructure, especially in transport and energy, two areas key to economic diversification. Table 1 shows evidence that the government of Angola's priorities have been primarily transport infrastructure (especially roads), followed by energy (electricity), and the social sector (hospital, schools and housing), which is an indication that the ruling elite in Angola prioritised those infrastructures that would legitimise the regime as 'developmental' and would help extend the reach of the state to more areas of the country. Investment in road infrastructure was US$2.8 billion per year between 2002 and 2009 followed by US$2.1 billion per year in the period from 2008 to 2018; an investment without precedent in Africa.[50] However, the tangible outcomes would have been more impressive if money had been spent more efficiently. According to the World Bank's road expenditure review the Angolan government spent US$2.52 million per kilometre, more than double the standard reference unit cost of around US$0.8–US$1.0 million per kilometre for a new two-lane highway.[51] This differential reflects the increased cost of business materials in an import-dependent and supply-constrained context, transaction costs and inefficiencies, which would include those related to corruption, in road sector governance. However, there is no evidence of the extent to which all these factors account for the total increase in cost per kilometre, and there is no clear evidence that the excess costs are simply attributable to corruption.

Meanwhile, the reconstruction effort also resulted in large volumes of imports of building materials, but this growth in itself also induced investment in the development of local production capacity for basic construction materials, involving much of the same Angolan capital that took a stake in the construction sector, in the kind of import-induced investment suggested by Hirschman. This domestic production revival was then reflected from 2011 onwards in a

50 World Bank, 'Angola Road Sector Public Expenditure', p. 3.

51 This World Bank report estimates that during the period 2008–17 'Angola could have added a total of around 25,795 km of new roads to its national network, three times more than the actual road length of 8,200 km reported by INAE and MINCON' (*ibid*., p. 21).

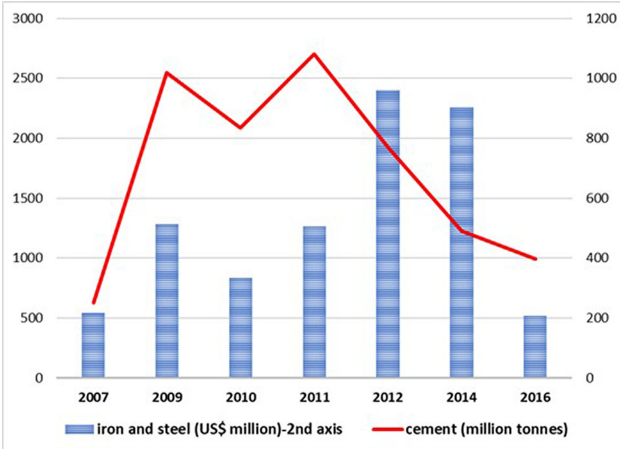

Figure 1. Imports of cement and iron/steel for construction, Angola 2007–16. (Source: Author elaboration from COMTRADE data, available at https://comtrade.un.org/data/ retrieved 20 February 2022).

sharp decline in imports in terms of both value and volume of some of the main construction inputs such as iron/steel and cement, even when the construction boom continued (Figure 1).

Next, we examine how this infrastructure building boom was possible by looking at the changes in market segmentation over time. Our aim is to identify not only the key segments in the market but also the market oversight institutions and reforms. This article uses the market segmentation of construction companies in Angola to understand how the political economy of this sector has evolved over time, how different firms have adapted to different financial and political dynamics, and how those strategies have contributed to shape the current state of the construction sector in the country.

Market Segmentation in the Angolan Post-War Construction Sector

Companies of different national origins, sizes and construction capabilities have emerged in Angola's infrastructure construction sector over time mainly due to the institutional fitting of the different groups or segments of capital, understood as the networks of relations and the level of access that enterprises have with different structures and factions of the Angolan government and the ruling elite. The prevailing distribution of organisational power of the different players, whether foreign contractors, financiers or the narrow network surrounding both Angolan capital and the presidency, shaped the evolution of the infrastructure building sector, with two key causal factors: (a) the source and conditions of funding and (b) the connections with the factions of the Angolan apparatus that make decisions on infrastructure planning, contract allocation and funding disbursement. The role of infrastructure funding has deep implications as it shapes how different companies adapt to or penetrate the market. This is first, because the source of funding conditions the currency in which the contracts are paid and, therefore, the supply chain that can be adopted by the contractor. Currency also affects firms' labour strategies, as it conditions the presence of a foreign workforce and its interaction with the local workforce. Secondly, different forms of funding derive from different institutional settings: from the bilateral agreements on funding and contract conditions (including connections to resource [oil] deals), other forms of international commercial finance (such as export credits or those linked to national development banks) in which the recipient country must accept sovereign debt, and, finally, local funding paid by the general government budget (*Orçamento Geral do Estado*). The source of funding may also affect opportunities to renegotiate contracts, and thereby the potential for a company to

Figure 2. Construction services provided by foreign contractors (imports) in Angola (US$million). (Source: Author elaboration from IMF BOPS data, available at https://data.imf.org/, retrieved 25 February 2022).

benefit from the funded projects. In this regard, different sources of funding demand different counterparts and different kinds of institutional fitting within the government. As we will see, this factor has changed over time but has retained a powerful influence over the behaviour of different factions of construction capital over the last 20 years.

How have the different market spaces for infrastructure building evolved in Angola since the end of the war? Interviews with senior officials at the Ministry of Construction and business association leaders show that until 2006 there were three major types of contractors in the construction sector in Angola.[52] The first of these was the SOEs, such as Paviterra, AEROVIA and the national road authority, INEA, which were usually commissioned by the state to undertake projects.[53] The second type of contractor included an incipient group of Angolan private companies created after the implementation of the pro-market (and pro-domestic capital) reforms in the 1990s, such as the Angoinform Constructora, César & Filhos Group and EMCICA. The third segment was that of well-established foreign companies, such as the Brazilian Odebrecht as well as the Portuguese Mota & Companhia, Engil, Soares da Costa, Somague and Teixeira Duarte. Apart from their role in leading large infrastructure projects, these more experienced foreign companies 'would provide technical support to state owned enterprises'.[54] The reliance on foreign capital and expertise was already important in that phase.

The massive post-war project of reconstruction had an impact in the way the construction sector in Angola was further segmented. The high level of expenditure on infrastructure further expanded the presence of international contractors, with Chinese firms leading the way, reflected in the rapid growth in construction services in the balance of payments until 2011 (Figure 2), but also created scope for the emergence of national firms, this time connected to or directly controlled by members of key Angolan ruling elites, as will be shown below.[55] Figure 2 shows a drop in the volume of international construction services

52 Interviews GA20 and GA21; CM39 and CM70.

53 Paviterra was created in the 1980s in a partnership between the state and the Portuguese company Mota & Companhia, and later converted into a limited liability company through Resolution no. 10/92 of 9 September. AEROVIA is the state enterprise specialising in the construction of airports and roads. As GA20 explained, 'in this period, apart from its regulatory role, INEA also operated as a construction enterprise'.

54 Interviews GA20 and GA21.

55 Particular attention is paid to companies widely referred to in interviews GA20, GA15, GA21 with senior officials at the Ministry of Construction, business association leaders such as CM70 and CM71 and academics such as Oth02. That is the case of Omatapalo (linked to Luís Nunes, MPLA Political Bureau member and governor of Benguela province), which was established in 2003, later becoming a diversified business group; Carmon Reestrutura (hereafter Carmon), established in 2007 and currently one of the most important Angolan companies in the sector with links to dos Santos's son José Filomeno dos Santos;

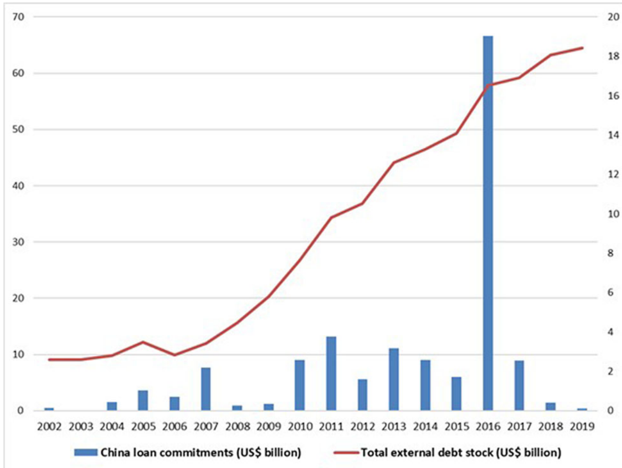

Figure 3. Angolan external debt stocks and China's loan commitments (US$billion) 2002–19. (Source: Author elaboration combining two sources: (a) World Bank International Debt Statistics; (b) China Africa Research Initiative and Boston University Global Development Policy Center, 2021, Chinese Loans to Africa Database, Version 2.0, available at chinaafricaloandata.bu.edu, retrieved 25 February 2022. The secondary vertical axis on the right side reflects China's loan commitments, not its effective debt disbursements).

between 2011 and the post-2015 crisis, a period in which the infrastructure construction sector was continuously growing, which reflects the growing importance of Angolan firms and Angola-based subsidiaries of selected foreign contractors.

Debt Expansion, the Construction Boom and Market Segmentation

The vast infrastructure development effort described above would not have been possible without a remarkable expansion of public debt, domestic and international. The context was favourable as the end of the war set up the conditions to stabilise the economy and increase oil production at the time when oil prices were rising fast. The rising prospects of the Angolan economy attracted the attention of international contractors and funding over the first decade of the century. In 2007 the Angolan government managed to service its debt to the Paris Club and in 2008 Moody's and Fitch improved its debt rating to B1 with a positive outlook.[56] This opened up a new era for Angolan debt and for further prospects for the construction sector, particularly at a time when international financial flows became 'infrastructuralised' and African infrastructure appeared on the radar of global finance.[57]

In the initial period before 2015 public debt substantially increased from US$9.8 billion in 2006 to US$39.6 billion in 2009. External debt stocks were a significant part of the debt, growing from US$9.1 billion in 2002 to over US$60 billion in 2019, as shown in Figure 3. At a time when China's loan commitments increased rapidly (Figure 3), especially in the periods 2002–07 and 2010–16, Angola also managed to mobilise a diversified pool of sources of finance from countries belonging to the Organisation for Economic Co-operation

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Sociedade de Empreendimentos e Obras Publicas (SEOP), established in 2008 with links to Ivan Morais, chief executive officer (CEO) and son of the former minister of finance and governor of the Central Bank in Angola, José Pedro de Morais; and MARSANTO linked to Marta dos Santos's children (dos Santos's sister), created in 1996 with a focus on the fishery sector. See R. Marques de Morais, 'Angola: The Dos Santos' Family's Private Property', *Maka Angola* (27 June 2014), available at https://www.makaangola.org/2014/06/angola-the-dos-santos-family%C2%92s-private-property/, retrieved 24 October 2022.

56 L. Corkin, 'Angolan Political Elites' Management of Chinese Credit Lines', in M. Power and A.C. Alves (eds), *China and Angola: A Marriage of Convenience?* (Cape Town, Pambazuka, 2012), pp. 45–67.

57 Goodfellow, 'Finance, Infrastructure and Urban Capital'.

and Development (OECD) countries, partly to reduce significant dependence on China's finance. New credit lines were extended by Spain, Germany, Portugal and other OECD countries, which also aimed to foster business with their infrastructure companies, leading to an unprecedented volume of capital flowing into the country through sovereign debt.[58]

Non-Chinese International Contractors

This additional source of international funding, backed by sovereign debt and paid in dollars, and not tied to Chinese goods and services (see section below) thus attracted a high number of international contractors that saw Angola as an important emerging market in Africa. The conditions of this type of funding leave companies with virtually no financial risk and allow them to partially bring their supply chain from their country of origin, minimising operational risks, not dissimilar from the practices of Chinese contractors described below. One of the directors of a Portuguese firm confirmed in an interview that before the economic crisis 'we [the company] imported everything that could be imported'.[59] Another foreign company official remarked that 'the only thing we didn't import was the sand'. The reason, he argued, was the reliability of supply and the high quality of goods, compared with those in the local market, while local content policies were not enforced.

Reliance on foreign labour was also common, especially in the first 10 years of the reconstruction effort, not just at managerial level but also in high- and medium-skilled positions. Interviews with Portuguese, Brazilian, Italian and Spanish contractors confirmed that most technical positions, such as shovel operators, were covered by expatriates during this period.[60]

Although this type of funding demands a high-level institutional fitting, because once the loan is approved it requires the highest commitment at ministerial level, these foreign companies operated with local subsidiaries and their contracts operated as service exports, so the decision-making stayed outside Angola. Thus, even when the highest levels of government were involved, the Angolan elite stayed away from the operational and managerial routines of these companies. International contractors declared in many interviews that they were exposed to greater administrative and labour inspection pressures than they would have been if they had had direct connections to, and the support of, the Angolan elite. The combination of lack of local permanent presence and weak involvement of the local elite in the companies is important to understanding the development of this segment when international funding started decreasing.

Despite these constraints, this segment of foreign (western) contractors was further differentiated between a group of a few very large and highly experienced firms (such as Odebrecht) or some of the most internationalised Portuguese and Spanish groups (such as Somague), on the one hand, and many other smaller enterprises, which combined real estate development with some infrastructure building, on the other hand.[61] Companies like Odebrecht had over the years cultivated very strong links with the Angolan government and the network close to President dos Santos, and had also benefited from funding sourced from the Brazilian Development Bank (BNDES), which gave it an advantage in tendering for some of the largest flagship projects, such as the Lauca Dam expansion and rehabilitation.[62] These larger firms were influential enough to subcontract

58 Corkin, 'Angolan Political Elites' Management of Chinese Credit Lines'. Private external debt also increased during this period on the back of the commodity bonanza.

59 Interview CM07.

60 Interviews CM07, CM05, CM34, CM36 and CM38.

61 Interviews CM04 and GA09.

62 M. Alencastro 'Economic Diplomacy, Lula Style: The Case of Odebrecht in Angola', in M. Alencastro and P. Seabra (eds), *Brazil-Africa Relations in the 21st Century: From Surge to Downturn and Beyond* (Cham, Springer, 2021), pp. 55–72.

to both foreign and top Angolan contractors. Indeed, only two or three of these large Brazilian and Portuguese firms were considered the primary 'competitors' to the Chinese contractors who came to dominate infrastructure construction in Angola since the mid 2000s.[63]

Fast and Secure: The Rise of Chinese Contractors

The emergence of China as a financier of infrastructure in the post-war period shaped the construction sector in those years, fostering market access for Chinese SOEs and private firms directly involved in the post-war reconstruction process as well as those in sectors such as construction materials manufacturing, wholesale trade and real estate.[64] The turning point came when, in 2004, the China EximBank approved a credit line of US$2 billion. Two years later another US$2.5 billion would be extended and by 2010 the credit line already totalled US$10.5 billion.[65] Overall, between 2000 and 2019 Angola received over US$42 billion in accumulated loan commitments from Chinese creditors (led by China Development Bank [CDB] and China EximBank which together accounted for 80 per cent of total commitments to Angola), representing 28 per cent of total loans to Africa during the same period.[66] Much of this lending was secured by Angolan oil exports in the form of resource-backed loans, a modality that the Angolan government tried to avoid from 2018 onwards.[67]

While a significant share of Chinese finance went to oil deals through Chinese national oil companies or brokers like Dayuan International Development Corporation, linked to the China International Fund, a well-known Chinese–Angolan joint venture, economic infrastructure was an important recipient of this accelerated source of funding between 2004 and 2016.[68] During this period, transport accounted for 27 per cent of the non-mining loan commitments, and power represented 28 per cent, with much less going to education and health infrastructure.[69] Thus roads, bridges, railways and energy infrastructure constituted a key target for Chinese infrastructure financing. Road projects alone received loan commitments of around US$4 billion between 2002 and 2019.[70] The nature of these credit lines, negotiated bilaterally at the highest level of the state, has varied over time, but has generally maintained a key characteristic: Chinese contractors have been used to implement the key infrastructure projects, and have thus monopolised access to most contracts under these credit lines. This does not mean that these contractors were totally reliant on Chinese government finance. Chinese international construction firms are powerful economic actors 'in their own right, to some extent independent of China's financial power',[71] since many leading SOEs had the capacity to mobilise their own finance. The Chinese firms were often prime movers in negotiating further funding from China EximBank, the Industrial and

63 Interviews CM12 and CM10.

64 F. Wanda, 'Understanding Post-War Foreign Direct Investment in Angola: South–South Led or the West Still Rules?', *Journal of Southern African Studies*, 43, 5 (2017), pp. 1069–85.

65 Corkin, 'Angolan Political Elites' Management of Chinese Credit Lines', p. 46.

66 This includes a record commitment of US$19 billion in 2016, at the peak of the economic crisis in Angola, but this figure includes a significant refinancing of existing loans and some debt relief, therefore no new fresh funding, as shown by K. Acker, D. Bräutigam and Y. Huang, 'Debt Relief with Chinese Characteristics', *CARI-SAIS Working Paper no. 39* (2020), p. 19, available at https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/62130490b56fca3b5d703df8/1645413600581/WP-39-Acker-Brautigam-Huang-Debt-Relief-V5.pdf, retrieved 15 February 2022.

67 *Ibid.*

68 A.C. Alves, 'Taming the Dragon: China's Oil Interests in Angola', in M. Power and A.C. Alves (eds), *China & Angola: A Marriage of Convenience?* (Cape Town, Pambazuka Press, 2012), pp. 105–23.

69 Our calculations are from data extracted from the China Africa Research Initiative website at the School of Advanced International Studies, Johns Hopkins University, available at http://www.sais-cari.org/data, retrieved 22 March 2022.

70 *Ibid.*

71 Zhang, 'Chinese International Contractors in Africa', p. 9.

Commercial Bank of China (ICBC) or other state finance sources, and were also able to win contracts funded by non-Chinese agencies in the African market.[72] During the period between 2000 and 2019 Chinese contractors obtained over US$66 billion in gross revenues in the Angolan market, approximately 12 per cent of their total accumulated revenues in Africa.[73] Angola, one of the fastest growing overseas markets for some leading Chinese contractors, was by far the largest market in Africa.[74] Indeed, during this same period Chinese contractors, mostly SOEs, came to dominate Africa's infrastructure market, growing from 10 per cent of the top 250 international contractors in 2002 to over 60 per cent in 2019.[75]

Chinese contractors were tasked with infrastructure projects that were seen as crucial for economic development and territorial integration and, therefore, particularly important in the government strategy to deliver visible public goods, especially before the elections in 2008, 2012 and and, to a lesser extent, in 2017. As a result, Chinese contractors were under pressure to complete projects within shorter time frames and with high-quality demands, even if that implied higher costs and relying on more expatriate labour for managerial and skilled positions.[76]

Since 2004, the Angolan government has established parallel institutions for the management of such loans and the associated infrastructure projects. While part of the finance was supposed to be channelled through the Ministry of Finance, large infrastructure projects and their funding were managed by the Gabinete de Reconstrução Nacional (National Reconstruction Office, GRN), a department created to oversee the implementation of projects that were directly linked to the president's office, and which assumed a prominent role in the process until its dissolution in 2010. The GRN managed parallel finance mechanisms brokered by private players also involved in oil deals, of which China International Fund (and its mother firm Dayuan International) was the most infamous example.[77] The GRN was a key rent-management mechanism at the height of the dos Santos political settlement, when popular support was at its highest.[78] This rent-management system created a fertile ground whereby Chinese finance and contractors facilitated the quick wins much desired by the dos Santos regime, as government officials explained,[79] particularly during the boom period of 2002 to 2015.[80] The political dividends of such flagship projects were clear as they reached completion in record times just a few months before the 2008 and 2012 elections, both of which ended in landslide wins for the MPLA.[81]

The proliferation of more projects on the back of continuing Chinese finance led to a consolidation of a number of important Chinese SOEs in the infrastructure and real estate

72 Zhang, 'Chinese International Contractors in Africa'.

73 These figures are based on the author's calculations. This turnover exceeded by a significant margin the total value of loans received by Angola during the same period: see Zhang, 'Chinese International Contractors in Africa', Figure 3, p. 7, available at http://www.sais-cari.org/data-chinese-contracts-in-africa, accessed February 2023.

74 Interview CM10.

75 Zhang, 'Chinese International Contractors in Africa', p. 6.

76 Interviews CM10, CM12, CM14, CM20 and CM22. This is a common feature in several African countries, as reported by *The Economist*, 'How Chinese Firms Have Dominated African Infrastructure', 19 February 2022, https://www.economist.com/middle-east-and-africa/how-chinese-firms-have-dominated-african-infrastructure/21807721, retrieved 3 November 2022.

77 Alves, 'Taming the Dragon'; Corkin, 'Angolan Political Elites' Management of Chinese Credit Lines'.

78 Wanda, 'Political Capitalist Transformation'.

79 Interviews GA15 and GA21.

80 This was further facilitated by weaker regulation enforcement mechanisms and a direct line to the presidency in cases of difficulties for the contractors.

81 Interviews CM10 and GA21. See also Corkin, 'Angolan Political Elites' Management of Chinese Credit Lines'.

business, of which CITIC (formerly the China International Trust Investment Corporation) was the main player, as the lead company of a key flagship housing project at Kilamba-Kiaxi on the outskirts of Luanda.[82] However, it is important to distinguish at least four distinct sub-groups and 'varieties of capital' within the 'Chinese contractor segment' in Angola.[83] First, the lead firms among central SOEs, such as CITIC mentioned above, focused more on business or project management and the securing of finance than direct construction work (other examples being Sinomach and China Railway Construction Corporation). The second group consists of integral construction firms that are also specialised contractors, all SOEs, such as Sinohydro, CR-20, China Tiesju Civil Engineering or Gezhouba (which developed the Caculo-Cabaça dam), with the capacity and approved qualification to manage the whole process, from international business contracting to construction implementation, as in engineering, procurement and construction (EPC) projects.[84] The third group comprises SOEs located within larger organisations, or smaller SOEs, which only undertook subcontracted work, did not have the capacity or qualification to contract projects directly in Angola, and therefore were linked to firms of the first group to implement projects. These specialised contractors did most of the actual work and operated as part of a 'fleet' under the management of a major 'project manager' firm like CITIC,[85] which controlled such aspects as logistics and labour contracting. Finally, the fourth group includes private operators, with a distinction between (a) independent individual firms, which sometimes worked as subcontractors for Chinese SOEs, as well as real estate developers with a construction arm; and (b) the construction arm of the private group China International Fund, with deep connections with the dos Santos network via the GRN and Sonangol, Angola's national state-owned oil company, and surely the one that has attracted the most attention and generated the greatest degree of speculation in the literature.[86] This heterogenous ensemble of Chinese contractors formed a powerful group that controlled a major segment of Angola's infrastructure market both before and after the economic crisis of 2015–16. A distinctive characteristic of the Chinese segment of contractors was the coexistence of fierce and growing competition among dominant SOEs for the various projects approved under each of the credit lines, on the one hand, and co-operation among groups of SOEs and few private contractors to make large complex projects viable in the short time frames of execution, on the other hand.[87] The following sections will also discuss some of the links between this segment and the increasing presence of Angolan contractors.

82 CITIC is also one of the few top SOEs with the capacity to mobilise its own finance separately from the core Chinese lenders in Angola.

83 This characterisation is based entirely on interviews with senior management in more than 15 Chinese contractors in Angola.

84 Interviews CM19 and CM22. Of this leading segment of contractors, we estimated that just five firms, including Sinohydro, CRBC and Gezhouba, accounted for two-thirds of US$20 billion in projects for which there was an assigned contractor name in the SAIS-CARI database for loans, available at http://www.sais-cari.org/data, retrieved 22 March 2022. Firms in the first two groups of this classification were also leading members of the Angola-China Chamber of Commerce, the main lobby association for Chinese companies, and were given roles of 'chairman' (CITIC) and 'vice-chairman' in 2016 (Sinohydro, CRBC, CR-20, and so forth) as shown in the Chamber's members list.

85 Interviews CM19, CM20 and CM22. According to several interviews with Chinese company managers, through its flagship Kilamba Kiaxi housing project CITIC mobilised 29 Chinese companies into the Angolan market, mainly SOEs from different sectors including construction, design, manufacture of building materials, logistics and machinery. See also Zhang, 'Chinese International Contractors in Africa', p. 21.

86 Soares de Oliveira, *Magnificent and Beggar Land*; Alves, 'Taming the Dragon'.

87 Interviews CM19, CM25 and CM26.

The Rise of Angolan Contractors

Given the financial muscle of the Chinese segment and its growing dominance over the African and Angolan infrastructure market, it is remarkable that this was also the period when Angolan construction capital flourished. The government of Angola's promotion of the private sector's (and its own indigenous capitalist class') entry into economic sectors, in this case the construction sector, is not unique to Angola, as demonstrated by the often-celebrated cases of East Asia and African cases such as Ivory Coast and Kenya.[88] In Angola, the Ministry of Construction and Public Works,[89] through Presidential Decree no. 106/14 of 19 May, article 2, has a clear mandate to 'promote and support the development of micro, small and middle enterprises in civil construction and public works'. Accordingly, new Angolan private investors were brought into the sector, as part of a strategy that would ensure foreign companies would not fully control the sector. Entry and participation of Angolan enterprises in the post-war reconstruction effort were promoted particularly through two key mechanisms: the retreat of the state through privatisation and opening to new domestic private ventures, and the presence of Angolan elites in well-established Portuguese and other foreign contractors.

The Retreat of the State through Privatisation

The trajectory of the construction sector was initially shaped by a structural adjustment programme that was homegrown, though international financial institution-inspired; it included a retreat of SOEs, particularly through the privatisation process that started in 1987 with the Programa de Saneamento Económico e Financeiro (Economic and Financial Restructuring Programme, SEF).[90] Under SEF reforms, civil engineering SOEs such as Geotécnica, Manutécnica, Ecoseng and Bricomil were set to be privatised. This opened the space for the emergence of Angolan private companies, which grew in numbers over the coming decades, and especially in the 2000s when public works expanded. A large proportion of licensed construction companies (80 per cent) are Angolan according to 2018 data from the Ministry of Construction (Table 2). It is perhaps more remarkable that 33 Angolan companies represent the largest group by origin (40 per cent) among contractors within the highest-level construction licence category, that is, those considered qualified to lead large infrastructure projects, which one would expect to be entirely dominated by foreign companies (Table 2). To minimise rent-seeking and money laundering the new licensing system introduced in 2016 requires companies to demonstrate, apart from technical and organisational capabilities, solid financial and economic capabilities.[91] In sum, the number of 'true' Angolan-owned companies at this upper end of the licensing system is quite significant given the relatively short period since the reconstruction effort began after the end of the war.

Making Way for Angolan Capital

Apart from the establishment of new construction operators, such as Omatapalo or Carmon, by business elites deeply connected to the MPLA or to the dos Santos power network, the other main strategy was the entry of Angolan capital into well-established foreign companies, particularly those companies with significant portfolios and experience in the

88 A. Amsden, *The Rise of "the Rest": Challenges to the West from Late-Industrializing Countries* (Oxford, Oxford University Press, 2001); J. Rapley, 'The Ivoirien Bourgeoisie', in B.J. Berman and C. Leys (eds), *African Capitalists in African Development* (Boulder and London, Lynne Rienner, 1994), pp. 39–68; P. Kennedy, *African Capitalism: The Struggle for Ascendency* (Cambridge, Cambridge University Press, 1988).

89 Before that, it was the Ministry of Public Works and Urbanism through Decree no. 74/91 of 29 November, in article 1.

90 Wanda, 'Political Capitalist Transformation'.

91 *Ibid.*

Table 2. Licences issued to construction companies in Angola by country, also showing Angolan company licences as a percentage of the total, by licence category

Class of licence	Angola	China	Portugal	Brazil	South Africa	São Tomé and Príncipe	Vietnam	Cuba	Israel	Spain	Percentage of Angolan-owned companies within each class
1	48		3	1							92
2	69		3			2					93
3	306	6	14	3				1			93
4	189	3	15	3		1		1			89
5	115		8				1				93
6	83	6	15			1	1		1		78
7	29		6							1	81
8	196	67	23	7	5		1		1		65
9	8	4	2								57
10	33	24	19	8	1					1	38
Total	1,076	110	108	22	6	4	3	2	2	2	81%

Source: F. Wanda, ‘Political Capitalist Transformation: Exploring Political Elite Business Linkages in Post-War Angola’, PhD thesis, SOAS University of London, 4 October 2021, p. 194.

Angolan construction market. Given the limited experience, management capabilities and knowledge of the sector, this was always going to be a crucial strategy, especially from key elite power brokers. This strategy was also aligned with dos Santos's 1998 directive to ensure that in a context of market liberalisation foreign companies would not control the economy.[92] The case that caught most media attention was that of the Angolan businessman António Mosquito, with ties to the MPLA elite, who in 2013 bought 67.7 per cent of the shares in the construction business of the Portuguese Soares da Costa Group. At the time the Angolan market accounted for 50 per cent of the company portfolio, that is, €525 million in turnover.[93] Mosquito is also reported to have a stake in Odebrecht Angola and the Portuguese construction company Teixeira Duarte.[94] Another example, albeit of a firm of South African origin, Griner, is now mostly owned by the private bank BAI,[95] the main banking wing of Sonangol, and with well-known shareholders within the MPLA and dos Santos power network.[96]

Apart from Soares da Costa, there is also the case of the Portuguese Mota-Engil, another giant with more than 50 years of experience in Angola. Mota-Engil Angola was created in 2010, with the Portuguese company Mota-Engil controlling 51 per cent of shares and Angolan capital 49 per cent, through a consortium led by Sonangol with 20 per cent, Banco Privado Atlântico with 11 per cent, Finicapital-Investimentos e Gestão nine per cent and Globalpactum – Gestão de Activos nine per cent.[97] This followed after Mota-Engil reported a contract portfolio estimated at €301 million in 2008 and €426 million in 2009.[98] In fact, between 2003 and 2008 Mota-Engil was the second leading contractor in the INEA's portfolio, and the Angolan market accounted for 25 per cent of the company's annual overseas turnover, estimated at €300 million in 2006.[99] Therefore, in order to *Angolanise* the sector, a share of Mota-Engil turnover was aligned with dos Santos's vision of controlling the economy to further strengthen the emerging post-war political settlement.[100]

This strategy to insert Angolan capital into the construction sector was eventually formalised through changes to private investment law in 2015. Indeed, the new Law no. 14/15, of 11 August, 'Law on Private Investment', imposed restrictions (article 9) on foreign direct investment in the construction sector by demanding at least 35 per cent participation of Angolan capital. This insertion was not only limited to a symbolic participation – article 9 emphasised that the participation of Angolans in the management of the company needed to

92 MPLA, 'Relatório do Comité Central Ao IV Congresso do MPLA' (Luanda, MPLA, 1998).

93 Macauhub, 'Controlling Stake by Businessman António Mosquito in Construction Group Soares da Costa Approved', news website, 24 September 2013, formerly available at https://macauhub.com.mo/2013/09/24/controlling-stake-by-businessman-antonio-mosquito-in-construction-group-soares-da-costa-approved/, retrieved 10 February 2022, copy retained by author.

94 L. Villalobos, 'António Mosquito: Um Independente do Regime', *Público*, 5 June 2013, online edition, sec. Destaque, formerly available at https://www.publico.pt/2013/06/05/jornal/antonio-mosquito-um-independente-do-regime-26637526, retrieved 12 February 2022, copy retained by author.

95 Interview CM35. See also Griner, 'Organigrama' (organisational chart), available at http://www.griner.co.ao/Home/Organigrama, retrieved 5 February 2022.

96 On the important role of Sonangol, MPLA business interests and leading dos Santos network members in the emerging private banking system in Angola see M.E. Ferreira and R. Soares de Oliveira, 'The Political Economy of Banking in Angola', *African Affairs*, 118, 470 (2019), pp. 49–74.

97 Macauhub, 'New Mota-Engil Angola Shareholder Structure Formalised in Luanda', 20 October 2010, formerly available at www.macauhub.com.mo/en/2010/10/20/9986/, retrieved 20 March 2022, copy retained by author.

98 Mota-Engil, 'Relatório e Contas Consolidadas 2009', available at https://www.marketscreener.com/MOTA-ENGIL-5820/pdf/192184/Mota-Engil_Annual-Report.pdf, p. 30, retrieved 20 March 2022.

99 Macauhub, 'Angola to Pay off Debt of US$100 Million to Portugal's Mota-Engil in April', 17 March 2006, formerly available at www.macauhub.com.mo/en/2006/03/17/707/, retrieved 10 February 2022, copy retained by author.

100 Mota-Engil has always had a privileged relationship with dos Santos as the company has a seat on the finance supervisory board of the Eduardo dos Santos Foundation, FESA.

be stated in the shareholders' agreement. This in turn ensured that regime insiders could advance their opportunities to accumulate.[101]

Overall, the emerging Angolan capitalist class in the construction sector has deep connections to the state apparatus and the MPLA but is not specialised in the construction business. Rather it incorporates opportunities in infrastructure construction to a diversified portfolio of investments across different sectors of the economy, such as real estate, manufacturing, trade, services and even agriculture in some cases.[102] Furthermore, the insertion of Angolan capital highlights a growing interest in investing in new economic activities that had been signalled by the rapid increase in imports (of construction services and building materials) as highly profitable and secure, given the dominant role of the Angolan state in determining the pace of growth in the sector. This thus became another form of 'induced' investment for Angolan capital, driven by the expectation that a vast public works' effort after 2002 would generate sufficient demand for building materials for an extended period.

Governance of Infrastructure and Market Segmentation

Co-ordinating the efforts of different actors described in the previous section would have been a major challenge in any country. However, the governance system for reconstruction was fragmented and fluid and made oversight even harder, further contributing to the market segmentation observed above. We have already mentioned the role of parallel institutions for the management of Chinese loans and the associated infrastructure projects such as the GRN placed under dos Santos's Military Office, and led by General Kopelipa, one of the leading figures of the post-war political settlement. Until 2010 the GRN shared responsibilities with the Ministry of Public Works and Urbanism,[103] after which the GRN was disbanded and the ministry rebranded as the Ministry of Construction and Public Works. The Gabinete de Obras Especiais (special works office) was created, through Presidential Decree no. 217/11 of 8 August, to replace the GRN – but with a more limited role – and placed under dos Santos's direct control.

The example of the road infrastructure market shows that fragmentation persisted when the executive structures of the new ministry were introduced with the creation of three specialised units: the National Directorate for Road Infrastructure (DNIR), the National Directorate for Engineering Works (DNOE), and the National Directorate for Public Infrastructure (DNIP). Moreover, INEA, stripped from the quasi-construction company role it enjoyed before the end of the war, would then focus on research and the management of selected major road projects.

In this period, in practice, DNIR and DNOE would ensure that politically connected Angolan contractors and construction project design and auditing firms would get the lion's share of the contracts allocated through the Ministry of Construction, whereas other road projects that concerned Chinese and other foreign contractors would be under the oversight of INEA, further consolidating the market segmentation. A handful of leading Angolan road contractors, accumulating very valuable experience along the way, concentrated a large share of contracts managed by DNIR and DNOE. The top three contractors in the DNIR portfolio were Angolan and represented 55 per cent of the contract value, whereas in the

101 There are also similar cases in the market of construction auditing companies, such as Dar Angola Consultoria Lda, a subsidiary of Dar Al-Handasah with strong connections to the dos Santos power network.

102 As noted elsewhere by Behuria, in 'The Curious Case of Domestic Capitalists in Africa'.

103 This is according to the statutes that prevailed until 9 May 2014 when they were revoked by Presidential Decree no. 106/14 of 19 May.

DNOE portfolio, 56 per cent of the contract value was for three different but prominent Angolan contractors.[104] Some of the top Angolan contractors, accounting for nearly 50 per cent of the DNIR and DNOE's portfolios, were directly connected to the dos Santos power network, including the president's family members. Their success was not simply a result of cronyism but also entailed strategic decisions to recruit experienced expatriate professionals in their management team to achieve specialist capabilities in particular works, such as viaducts and bridges, and thereby to make these firms viable local corporate giants of the infrastructure business.[105] This investment would open the door to subcontracting work for leading Chinese and other foreign contractors after 2015.[106]

The fragmented governance of the road reconstruction effort arguably served the purpose of distributing rents and kickstarting a lucrative construction business for the emerging elite. Recent World Bank research on road construction demonstrates how cost overruns and inflated contracts generated a high volume of rents for many leading contractors, both Angolan and international, especially those with the deepest connections to the centres of power.[107] These overlapping institutional arrangements facilitated some of the waste, but also led to the consolidation of a segment of top Angolan contractors that over time developed the capabilities to undertake complex transport infrastructure projects, an outcome that may have implications for the future of the construction industry in the country.

The 2015 Crisis and Consolidation of Angolan Contracts

Since 2013, Angola has been experiencing a protracted crisis with multiple causes. After a sudden drop in GDP growth to one per cent in 2015, Angola registered negative growth until 2020.[108] Moreover, international reserves, which peaked in 2013 at US$34 billion, have fallen to about US$10 billion in 2020. This fall has been accompanied by an increase in the debt-to-GDP ratio, which reached 89 per cent in 2018. In this adverse economic environment, financial access has been restrained in the country, especially since the two credit ratings agencies, Moody's and Fitch, started downgrading Angola's debt rating after 2014, respectively rating Angola Caa1 and CCC, with negative prospects.[109]

The resulting financial constraints on the government rapidly caught up with the construction sector, which is highly dependent on public investment. When we started our fieldwork in 2016 many public projects were either halted or slowing down. The government had stopped paying contractors and generally these firms, with the exception of some large Chinese companies, stopped works when payments were late. The most immediate impact of this crisis was especially felt by western international contractors, which experienced a reduction in international funding, and therefore in contracts, at the same time as government payments were late or halted for incomplete projects. Moreover, the shortage of foreign exchange compounded the situation and forced companies to increasingly localise their supply chain and labour. Other interviewed companies simply had run out of contracts and were facing a temporary dismantling of their Angolan operations.

104 Wanda, 'Political Capitalist Transformation', p. 202.
105 According to interview CM33 (a senior manager interviewed in Luanda on 7 November 2017) this specialisation allows the company to stand out in a market full of 'generalist' civil engineering enterprises.
106 Interview CM33.
107 World Bank, 'Angola Road Sector Public Expenditure Review'. See also Soares de Oliveira, *Magnificent and Beggar Land*, Chapter 2, for further discussion of these arrangements.
108 Data available from World Bank, 'GDP growth (annual %) – Angola', available at https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=AO, retrieved 11 September 2022.
109 Caa1 from Moody's indicates poor standing with bonds subject to very high credit risk and Fitch's CCC is an international credit rating which is considered to indicate a very high level of default risk relative to other issuers.

There was considerable expectation surrounding the negotiations over the much-needed new Chinese credit line that began in 2015. This new line, 'much needed to reactivate the construction sector and as a counter-cyclical measure' as noted by an INEA manager,[110] was limited to an invitation-only group of Chinese contractors, identified by the Chinese government, and excluded contractors of other nationalities. This credit line helped to consolidate the presence of Chinese contractors in Angola, even though many of them were newcomers, while well-established Chinese contractors were struggling for new public works. During the period immediately after the extension of the new credit line, 2017–18, the proportion of the total of new local jobs created in public works by Chinese contractors jumped from one-third in 2015 to 65 per cent in 2017 and 99 per cent in 2018.[111] At the time of our 2017 survey, 17 Chinese firms employed 12,476 Angolan workers, of which nearly 10,000 were employed by only nine road contractors: a very large number of employees at a time of crisis when there were few road projects compared to the peak period of 2005–12. The segment of Chinese contractors was also more resilient compared to other firms, regardless of their direct benefits from the new credit line, because, as SOEs with strategic interests in Angola, their operational horizons were longer and less vulnerable to periods of profitability crisis than their global private capital counterparts.[112]

Nevertheless, the Chinese construction segment was not the only beneficiary of this credit line in the middle of the crisis. For the first time, a stricter local content policy was added to the agreement and the bidding process; this required candidate contractors to subcontract no less than 20 per cent of the value of the contract to Angolan operators, even if not necessarily only construction companies.[113] The result of a negotiation led by the Unidade Técnica de Negociação (the Trading Technical Unit), created through Presidential Decree no. 269/13 of 28 October, this was regarded as necessary to keep Angolan companies active and to secure jobs in the face of the crisis before the first election, in 2017, without dos Santos as the head of the MPLA list.

Leading Angolan contractors such as Carmon, SEOP, Engevia, and Omatapalo, with strong links to the MPLA elite, had in fact emboldened dos Santos's Civil Office to be much stricter and to demand the incorporation of local content in projects arising from the new Chinese credit line contracted in 2016 and worth US$5.3 billion.[114] The credit line involved different projects for different sectors, and we found evidence that several of the top Angolan road contractors mentioned in this article managed to participate in some of the projects included under this financing facility. Despite the resilience, many of them suffered from the reduction in public spending and were starved of contracts or saw payments delayed or withheld for extended periods. The post-2015 economic crisis therefore manifested the importance of the segmentation of the infrastructure construction market but

110 Interview, GA10.

111 Oya and Wanda, 'Employment Patterns and Conditions in Angola', p. 27.

112 A general manager of a leading Chinese SOE asserted that their company was able to continue works even if payments from the government were not received, and they could withstand temporary periods without profits thanks to the scale of their overseas operations and their own 'financial muscle' (CM10). For similar accounts in Zambia see also Lee, *The Specter of Global China.*

113 In the previous boom period, Angolan construction companies managed to secure subcontracting roles for other international firms mostly as auditors of construction projects. See Government of Angola, Ministry of Finance, 'Linha de Crédito Com o EXIMBANK Da China Projectos Concluídos: Dezembro, 2007' (Luanda, Government of Angola, 2007). An interview with a general manager of one of these auditing firms corroborated the firm's role in this segment (CM15).

114 GA15, a senior official in a government infrastructure agency, explains, 'The Presidential Civil Office drafted a list of Angolan contractors that should access 30 per cent of the 2016 Chinese credit line. However, this did not fully materialise as the state, as the buyer, would only supervise and talk to the main contractor, i.e. the Chinese enterprise, but at the same time Chinese firms were expect to supervise the Angolan subcontractors'.

also demonstrated the agency of the Angolan government and its linked business elites to renegotiate the terms under which the segments operated and interconnected.

Conclusion

Angola has undergone an ambitious and much-needed process of post-war infrastructure reconstruction that has translated some of the massive oil rents during the commodity boom of the 2002–15 period into significant new or rebuilt economic infrastructure. Especially during the boom period, the vast reconstruction effort led to the building and rehabilitation of thousands of kilometres of roads, reconnecting Luanda to the rest of the country after more than two decades of destructive civil war. This process of accelerated infrastructure development has induced a series of changes that have shaped the construction industry in the country, especially the rise of Angolan contractors as a by-product of the primarily externally funded reconstruction effort. The rise of Angolan contractors and associated building materials industries has taken place in the context of a growing segmentation of infrastructure building, where distinct market spaces have been distributed across different groups of international and Angolan contractors, with some contingent interconnections, and despite the powerful competition of the already well-established international contractors in the country and the new globalising Chinese SOEs rapidly expanding across African construction markets.

The segmentation of the road building sector of infrastructure construction and its effects on different sets of contractors can be explained by a combination of factors: first, the availability of oil-backed finance for infrastructure from different sources and especially the role of Chinese finance in different stages (2005–10 and 2015–18); second, the imperative of quickly delivering tangible public goods in the form of visible infrastructure for the preservation of the political settlement; and third, the distribution of organisational power in Angola and the rise of a well-organised faction of Angolan capital compatible with the prevailing political settlement. These factors have not only created a sizeable market especially for Chinese contractors, in close alliance with leading Angolan institutions, but have also opened the door to the rise and consolidation of a segment of Angolan contractors, able to compete with the international western contractors that had dominated the infrastructure building market before the Chinese companies arrived in the country. This dynamic and fluid segmentation of the sector was particularly evident in the post-2015 crisis when different groups within the construction industry were affected by, and coped with, the decline in public investment funds and the decline in the number of projects very unevenly. While most western and few Angolan contractors faced an unprecedented slowdown in their infrastructure building operations, the Chinese credit line, issued to rescue the Angolan economy and the ruling regime from the economic crisis, opened the doors to new arrivals among Chinese contractors, to the maintenance of contracts for the leading Chinese SOEs, and to the ‘protection’ of some of the most powerful players among Angolan contractors, through subcontracting arrangements introduced as conditions for the new projects financed by the Chinese credit line of 2015–18. This experience underscores the quick adaptation of Chinese state capital to Angola’s political settlement on the one hand, and the agency of the Angolan state in the preservation of selected core interests within the emerging Angolan capital in the infrastructure building business on the other hand. Whether the rise of domestic capitalist interests in this sector signals a process of economic diversification away from oil remains to be seen. The potential is certainly there but a bold construction-led industrialisation process, for example, would require stronger national institutions to develop a coherent industrial policy which, for the moment, is largely absent in Angola’s political settlement.

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