

AFRICA

# Angola's Corrupt Building Boom: 'Like Opening a Window and Throwing Out Money'

By NORIMITSU ONISHI JUNE 24, 2017

LUANDA, Angola — An ambitious reconstruction plan after Angola's civil war was meant to reach even the country's most faraway corner, a region known as the Land at the End of the World.

But the area's new paved road abruptly turns to dirt about five miles before reaching the city of Cuito Cuanavale, the result of a mysterious disappearance in public funds.

"They're building, but they're not doing it well," said Domingos Jeremias, 48, a farmer whose assessment was echoed by the other men milling around the center of the city, obliterated during the war, which lasted from 1975 to 2002. "There's always something missing."

When the war ended, Angola enjoyed a once-in-a-lifetime opportunity. Its production of oil was set to swell and prices would remain high for years. Unlike many other African nations emerging from war, Angola had more than enough money to rebuild, on its own terms, a landscape destroyed by conflict.

The skyline of the capital, Luanda, was quickly reshaped with skyscrapers. Gigantic satellite towns, the likes of which had never been seen in Africa, mushroomed in the outskirts of Luanda. New roads and railways stretched into the interior.

But Angola's reconstruction and oil boom also presented the politically connected — those with “relatives in the kitchen,” as Angolans say — with a golden opportunity for self-enrichment. In an economy driven by President José Eduardo dos Santos, his inner circle of family and allies have amassed extraordinary wealth.

The president's eldest daughter, Isabel dos Santos, has become Africa's first female billionaire, according to Forbes Magazine, which estimates her wealth at \$3.3 billion.

But as a drop in oil prices has stilled the cranes across Luanda's skyline, and as Mr. dos Santos prepares to step down this year after 38 years in power, the country's reconstruction, and the wealth of its ruling class, are coming under greater scrutiny and criticism — even from insiders.

Lopo do Nascimento, a former prime minister and onetime secretary general of the ruling party, said that spending on reconstruction had been “like opening a window and throwing out money.”

Billions spent on rebuilding — guided by politically connected Angolans and carried out by foreign contractors — vanished into individuals' pockets, according to politicians, businessmen and academics. Little was done to ensure the money spent on reconstruction would yield lasting benefits to Angola's economy.

“It's now time to say, ‘If building or rebuilding this costs 10, I won't invoice for 20 and pocket the other 10,’” Mr. Nascimento said in an interview at his home, a large villa with half a dozen luxury cars parked in an inner driveway.

It is impossible to determine exactly how much has disappeared from government coffers, though there are clues.

From 2002 to 2015, \$28 billion from government budgets remain unaccounted for, according to the Catholic University of Angola's Center for Studies and Scientific Research, which analyzes the government's budgetary figures. Up to 35 percent of the money spent on road construction alone has vanished, according to a study by the center.

During the same period, Angolan companies and individuals invested \$189 billion overseas in often opaque transactions, according to the center.

“Who are those people making investments outside the country?” asked Francisco Miguel Paulo, an economist at the center. “How did they earn that money?”

## Improvements Amid Poverty

When peace finally came after 27 years of civil war and, before that, 13 years of a war of liberation against the country’s former colonial ruler, Portugal, much of the country lay in ruins.

Today, Angola has thousands of miles of new roads and railways, new airports, sports stadiums, hydroelectric dams, water treatment centers, government buildings and fancy shopping malls.

In Huambo, a city that was the rebellion’s headquarters and was destroyed during the war, few buildings still carry the war’s scars. In the city center, stately government buildings, including a provincial library, surround a large roundabout.

On a 500-mile drive from Huambo, in the country’s center, to Cuito Cuanavale, in the southeast, every small town appeared to have a new school or clinic — easily spotted because government buildings are painted pink.

“We’re satisfied,” said Jacob Candimba, 27, a resident of Cuito Cuanavale. “Before, we didn’t have roads, water or electricity .”

But in the capital, even though this is where the government has focused its reconstruction, there was still seething anger.

In Sambizanga, a Luanda slum where Mr. dos Santos was born 74 years ago, narrow, muddy roads crisscross a labyrinth of concrete houses and tin shacks.

One recent afternoon, two days after heavy rains, a handful of young men drank beer on a dry strip of road.

“We live bad, without any basic sanitation, without any electricity,” said Luquene Antonio, 24, an unemployed plumber wearing rain boots.

Nearby, two children played inside an abandoned refrigerator floating in murky water.

## Oil Billions for Rebuilding

Since 2002, Angola has spent \$120 billion on reconstruction, according to the Center for Studies and Scientific Research. At its peak, spending reached \$15.8 billion in 2014.

In the years after the war, new offshore oil fields came online, doubling Angola’s daily production to nearly two million barrels a day and turning its economy into one of the world’s fastest-growing.

From 2002 to 2015, Angola’s exports totaled almost \$600 billion, nearly all of it oil. During that period, oil revenue swelled government coffers with \$315 billion, according to Catholic University .

Oil also gave the Angolan government a freedom rarely seen in Africa, allowing it to circumvent Western governments and international lenders — and decide exactly how and what to rebuild. With oil-backed loans negotiated with China, Angola outsourced the country’s reconstruction to state-owned Chinese companies and their subcontractors. Companies from other Portuguese-speaking nations, like Brazil and Portugal, also shared in the building boom.

But the Angolan model of oil-for-infrastructure came with serious drawbacks, experts said. The deals between Angola and its foreign partners lacked transparency and often resulted in projects of poor quality , either because of a lack of oversight or outright corruption.

“In economic terms, if we don’t have good quality infrastructure, we can’t ensure the economic returns and social utility ,” said Alves da Rocha , an economist and director of the Center for Studies and Scientific Research. “Now we are already rebuilding the reconstruction.”

Like many businessmen, Carlos Cunha, whose company deals in agriculture, distribution and tourism, said the new infrastructure's poor quality was the greatest impediment to growth. His trucks regularly ply a main highway from the interior to Luanda, transporting tropical fruits for shipment to Europe.

"Our trucks take eight hours on a 300-kilometer trip and can have two or three flat tires," Mr. Cunha said, referring to a distance of about 190 miles. "Angola would have gained more with 2,000 kilometers of well-built roads rather than 5,000 kilometers of poorly built roads."

As foreign contractors have held a grip on reconstruction, little expertise and few skills were passed on to Angolans or domestic companies, experts said.

Reconstruction "can only be sustainable if we train people," said Mr. Nascimento, the former prime minister, who emphasized that training had not occurred.

Expatriate workers can often be seen performing tasks that locals would undertake elsewhere in Africa. On a main road in Luanda, half a dozen Portuguese workers were painting lane lines on a recent afternoon.

Along a railway rebuilt by the Chinese, Chinese workers are busy painting and cutting grass, said José Severino, the president of the Industrial Association of Angola, adding that regulations requiring local participation in reconstruction projects were almost never enforced.

## Bribery Exposed

Many of the most lucrative projects often involved people in Mr. dos Santos's inner circle, though their involvement was often concealed behind layers of partnerships. In a country regarded as one of the world's most corrupt — ranked 164th of 176 by Transparency International — details of Angola's politicized reconstruction are incomplete.

Angolan government officials did not respond to requests for comments or interviews.

But a sweeping scandal a continent away has provided a glimpse into how things work in Angola. Odebrecht, the Brazilian construction giant, admitted in a New York federal court that it had paid \$50 million to secure contracts in the African nation and agreed last December to pay up to \$4.5 billion to settle bribery cases totaling \$800 million worldwide.

According to a court document, Odebrecht disbursed the bribes from 2006 to 2013 to Angolan government officials. In one case, an Odebrecht employee gave \$8 million to a government official to win an infrastructure project, according to the document.

Tellingly, the Angolan government has ignored Odebrecht's admission of guilt as well as critics' pressure to investigate.

Marcolino Moco, who served as a prime minister and secretary general of the ruling party under Mr. dos Santos but is now a government critic, said that during the oil and reconstruction boom in recent years, power was further concentrated in the president's hands — fueling corrupt practices in his inner circle.

"I'm no saint," Mr. Moco said, "but I can't accept the vulgarization of corruption," referring to how ordinary the practice had become.

## Social Housing for the Few

In 2008, as Mr. dos Santos campaigned for re-election, he promised to build one million new houses by 2012, a pledge meant to address the severe shortage of decent housing in the country.

In a few short years, half a dozen satellite towns have appeared on Luanda's outskirts, arising on a scale that had never been attempted on the continent. But the projects became a symbol to many of the ruling elite's insatiable drive to accumulate even more wealth.

The new towns — each with tens of thousands of people living in dozens of nearly identical high-rise towers — were new to Africa. If they looked as if they had been plucked out of Asia, it is because they were built by Chinese construction companies.

The most famous project, Nova Cidade de Kilamba, is about 19 miles southeast of Luanda, off a highway recently renamed after Fidel Castro.

Built by the state-owned Citic Construction for a reported \$3.5 billion, Kilamba now houses some 80,000 people.

The problem, critics said, is who got the units and how.

A private Angolan company, Delta Imobiliaria, was given the lucrative contract to sell the units, even though the company's owners included high-ranking government officials with direct influence over reconstruction projects.

Despite fierce demand for Kilamba's apartments, many of the units are thought to have gone to ruling party supporters despite Mr. dos Santos's campaign talk of social housing.

"We don't know if the people who go to these housing projects are the people who deserve to go to these projects," said Carlos Rosado, an economist and editor of *Expansão*, an Angolan business weekly.

On a recent Friday afternoon in Kilamba, four young women were chatting about their evening plans on a street with cafes and restaurants. The women's parents were government officials, and one of them, Gabriela Agostinho, 20, said it had been easy for her family to secure a unit.

"My father is a policeman," she said, adding that he was of high rank.

Most public spaces in Kilamba are now overgrown with weeds and littered with trash — a reflection of the lack of maintenance afflicting much of Angola's reconstruction.

"In the beginning, people loved to say they live in Kilamba," said Francisco Fonseca, 21, who moved into the development with his parents three years ago. "But not anymore. It's lost its impact."

Still, to many, Kilamba remained a dream.

Late one afternoon, three young men were rummaging through large trash bins in Kilamba. They said they came every day to look for food and other goods in Kilamba.

“We’d love to live here, but we just don’t know how ,” said Adriano Adao, 25, who was eating beans from a plastic container he had found in the bin.

“This place isn’t for people like us,” he said. “It’s for people with relatives in the kitchen.”

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