

THE LOOTING MACHINE

Warlords, Oligarchs,
Corporations, Smugglers,
and the Theft
of Africa's Wealth

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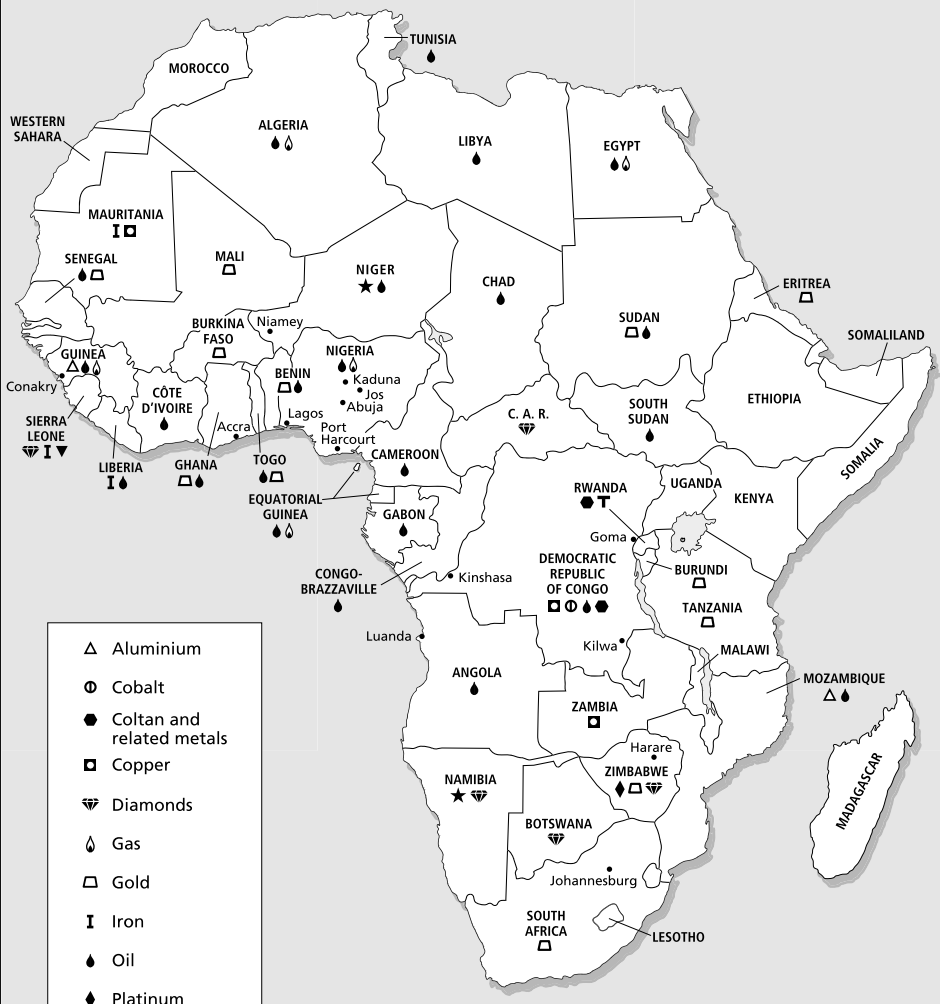
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Major resources mined in Africa



* Resources accounting for at least 10 per cent of national exports; data for latest available year

Futungo, Inc.

LITTLE BUT FEAR and sewage flows down the precipitous slope that separates Angola's presidential complex from the waterside slum below. Swelled by refugees who fled a civil war that raged on and off for three decades in the interior, Chicala sprawls out from the main coast road in Luanda, the capital. Periodically the ocean sends a storm tearing through the rickety dwellings. Boatmen ply the inlets, their passengers inured to the stench emanating from the waters.

This is not the face that Angola prefers to present to the world. Since the end of the civil war in 2002 this nation of 20 million people has notched up some of the fastest rates of economic growth recorded anywhere, at times even outstripping China. Minefields have given way to new roads and railways, part of a multibillion-dollar endeavor to rebuild a country that one of the worst proxy conflicts of the Cold War had comprehensively shattered. Today Angola boasts sub-Saharan Africa's third-biggest economy, after Nigeria and South Africa. Luanda consistently ranks at the top of surveys of the world's most expensive cities for expatriates, ahead of Singapore, Tokyo, and Zurich. In glistening five-star hotels like the one beside Chicala, an unspectacular sandwich costs \$30. The monthly rent for a top-end unfurnished three-bedroom house is \$15,000.¹ Luxury car dealerships do a brisk trade servicing the SUVs of those whose income has risen faster than the potholes of the clogged thoroughfares can be filled. At Ilha de Luanda, the glamorous beachside strip of bars and restaurants a short boat-ride from Chicala, the elite's offspring go ashore from their yachts to replenish their stocks of \$2,000-a-bottle Dom Pérignon.

The railways, the hotels, the growth rates, and the champagne all flow from the oil that lies under Angola's soils and seabed. So does the fear.

In 1966 Gulf Oil, a US oil company that ranked among the so-called seven sisters that then dominated the industry, discovered prodigious reserves of crude in Cabinda, an enclave separated from the rest of Angola by a sliver of its neighbor, Congo. When civil war broke out following independence from Portugal in 1975, oil revenues sustained the Communist government of the ruling Movimento Popular de Libertação de Angola (the People's Movement for the Liberation of Angola, or MPLA) against the Western-backed rebels of Unita. Vast new oil finds off the coast in the 1990s raised the stakes both for the warring factions and their foreign allies. Although the Berlin Wall fell in 1989, peace came to Angola only in 2002, with the death of Jonas Savimbi, Unita's leader. By then some five hundred thousand people had died.

The MPLA found that the oil-fired machine it had built to power its war effort could be put to other uses. "When the MPLA dropped its Marxist garb at the beginning of the 1990s," writes Ricardo Soares de Oliveira, an authority on Angola, "the ruling elite enthusiastically converted to crony capitalism."² The court of the president—a few hundred families known as the Futungo, after Futungo de Belas, the old presidential palace—embarked on "the privatization of power."

Melding political and economic power like many a postcolonial elite, generals, MPLA bigwigs, and the family of José Eduardo dos Santos, the party's Soviet-trained leader who assumed the presidency in 1979, took personal ownership of Angola's riches. Isabel dos Santos, the president's daughter, amassed interests from banking to television in Angola and Portugal. In January 2013 *Forbes* magazine named her Africa's first female billionaire.

The task of turning Angola's oil industry from a war chest into a machine for enriching Angola's elite in peacetime fell to a stout, full-faced man with a winning grin and a neat moustache called Manuel Vicente. Blessed with what one associate calls "a head like a computer for numbers," as a young man he had tutored schoolchildren to supplement his meager income and support his family. After a stint as an apprentice fitter, he studied electrical engineering. Though he had been raised by a lowly Luanda shoemaker

and his washerwoman wife, Vicente ended up in the fold of dos Santos's sister, thereby securing a family tie to the president. While other MPLA cadres studied in Baku or Moscow and returned to Angola to fight the bush war against Unita, Vicente honed his English and his knowledge of the oil industry at Imperial College in London. Back home he began his rise through the oil hierarchy. In 1999, as the war entered its endgame, dos Santos appointed him to run Sonangol, the Angolan state oil company that serves, in the words of Paula Cristina Roque, an Angola expert, as the "chief economic motor" of a "shadow government controlled and manipulated by the presidency."³

Vicente built Sonangol into a formidable operation. He drove hard bargains with the oil majors that have spent tens of billions of dollars developing Angola's offshore oilfields, among them BP of the UK and Chevron and ExxonMobil of the United States. Despite the tough negotiations, Angola dazzled the majors and their executives respected Vicente. "Angola is for us a land of success," said Jacques Marraud des Grottes, head of African exploration and production for Total of France, which pumped more of the country's crude than anyone else.⁴

On Vicente's watch oil production almost tripled, approaching 2 million barrels a day—more than one in every fifty barrels pumped worldwide. Angola vied with Nigeria for the crown of Africa's top oil exporter and became China's second-biggest supplier, after Saudi Arabia, while also shipping significant quantities to Europe and the United States. Sonangol awarded itself stakes in oil ventures operated by foreign companies and used the revenues to push its tentacles into every corner of the domestic economy: property, health care, banking, aviation. It even has a professional football team. The foyer of the ultramodern tower in central Luanda that houses its headquarters is lined with marble, with comfortable seats for the droves of emissaries from West and East who come to seek crude and contracts. Few gain access to the highest floors of a company likened by one foreigner who has worked with it to "the Kremlin without the smiles." In 2011 Sonangol's \$34 billion in revenues rivaled those of Amazon and Coca-Cola.

Oil accounts for 98 percent of Angola's exports and about three-quarters of the government's income. It is also the lifeblood of the Futungo. When the International Monetary Fund examined Angola's national accounts in

2011, it found that between 2007 and 2010 \$32 billion had gone missing, a sum greater than the gross domestic product of each of forty-three African countries and equivalent to one in every four dollars that the Angolan economy generates annually.⁵ Most of the missing money could be traced to off-the-books spending by Sonangol; \$4.2 billion was completely unaccounted for.

Having expanded the Futungo's looting machine, Manuel Vicente graduated to the inner sanctum. Already a member of the MPLA's politburo, he briefly served in a special post in charge of economic coordination before his appointment as dos Santos's vice president, all the while retaining his role as Angola's Mr. Oil. He left Sonangol's downtown headquarters for the acacia-shaded villas of the *cidade alta*, the hilltop enclave built by Portuguese colonizers that serves today as the nerve center of the Futungo.

Like its Chinese counterparts, the Futungo embraced capitalism without relaxing its grip on political power. It was not until 2012, after thirty-three years as president, that dos Santos won a mandate from the electorate—and only then after stacking the polls in his favor. Critics and protesters have been jailed, beaten, tortured, and executed.⁶ Although Angola is not a police state, the fear is palpable. An intelligence chief is purged, an airplane malfunctions, some activists are ambushed, and everyone realizes that they are potential targets. Security agents stand on corners, letting it be known that they are watching. No one wants to speak on the phone because they assume others are listening.

On the morning of Friday, February 10, 2012, the oil industry was buzzing with excitement. Cobalt International Energy, a Texan exploration company, had announced a sensational set of drilling results. At a depth beneath the Angolan seabed equivalent to half the height of Mount Everest, Cobalt had struck what it called a "world-class" reservoir of oil. The find had opened up one of the most promising new oil frontiers, with Cobalt perfectly placed either to pump the crude itself or sell up to one of the majors and earn a handsome profit for its owners. When the New York stock market opened, Cobalt's shares rocketed. At one stage they were up 38 percent, a huge movement in a market where stocks rarely move by more than

a couple of percentage points. By the end of the day the company's market value stood at \$13.3 billion, \$4 billion more than the previous evening.

For Joe Bryant, Cobalt's founding chairman and chief executive, a punt based on prehistoric geology appeared to have paid off spectacularly. A hundred million years ago, before tectonic shifts tore them apart, the Americas and Africa had been a single landmass—the two shores of the southern Atlantic resemble one another closely. In 2006 oil companies had pierced the thick layer of salt under the Brazilian seabed and found a load of crude. An analogous salt layer stretched out from Angola. Bryant and his geologists wondered whether the same treasure might lie beneath the Angolan salt layer.

Bryant had worked as the head of BP's lucrative operations in Angola, where he cultivated the Futungo. "Joe Bryant made himself an inner-circle oilman very quickly," a well-connected Angola expert told me. French executives were known to be "haughty," but Bryant made friends in Luanda. "He knows how to get on with them, how to speak with them," the expert said. In 2005 Bryant decided to strike out on his own and founded Cobalt, taking BP's head of exploration with him and setting up an office in Houston, the capital of the US oil industry. "We were literally going from my garage to competing with the biggest companies in the world," Bryant recalled.⁷

Bryant needed backers with deep pockets. He found them on Wall Street. Traders at Goldman Sachs had long played the commodities markets; Goldman's razor-sharp bankers oversaw mergers and acquisitions between resources groups. Now, in Cobalt, it would have its own oil company. Goldman and two of the wealthiest US private equity funds, Carlyle and Riverstone, together put up \$500 million to launch Cobalt.

In July 2008, as Cobalt was negotiating exploration rights to put its theory about the potential of Angola's "presalt" oil frontier to the test, the Angolans made a stipulation. Cobalt would have to take two little-known local companies as junior partners in the venture, each with a minority stake. Ostensibly the demand was part of the regime's avowed goal of helping Angolans to gain a foothold in an industry that provides just 1 percent of jobs despite generating almost all the country's export revenue. Accordingly, in 2010 Cobalt signed a contract in which it held a 40 percent stake

in the venture and would be the operator. Sonangol, the state oil company, had 20 percent. The two local private companies, Nazaki Oil and Gáz and Alper Oil, were given 30 percent and 10 percent, respectively. Exploration began in earnest. Even before the jaw-dropping find Cobalt's geologists had christened their Angolan prospect "Gold Dust."⁸ At the height of the rally in Cobalt stock after it unveiled its Angolan find, Goldman Sachs's shares in the company were worth \$2.7 billion. Cobalt moved across Houston to shimmering new headquarters close to the majors' offices. One visitor to Joe Bryant's office at the Cobalt Center noted the stunning view over the city. "Cobalt," remarked a local realtor, "is going to be a huge Houston success story."⁹

There was just one snag. What Cobalt had not revealed—indeed, what the company maintains it did not know—was that three of the most powerful men in Angola owned secret stakes in its partner, Nazaki Oil and Gáz. One of them was Manuel Vicente. As the boss of Sonangol at the time of Cobalt's deal, he oversaw the award of oil concessions and the terms of the contracts. The other two concealed owners of Nazaki were scarcely less influential. Leopoldino Fragoso do Nascimento, a former general known as Dino, has interests from telecoms to oil trading. In 2010 he was appointed adviser to Nazaki's third powerful owner, General Manuel Hélder Vieira Dias Júnior, better known as Kopelipa. One veteran of Futungo politics who has clashed with Kopelipa told me that, should the day of Kopelipa's downfall ever come, "the people in the streets will tear him to pieces for what he has done in the past." As the head of the military bureau in the presidency, he presides over security services that keep the Futungo protected by whatever means necessary. Some even dare to call him "o chefe do boss"—the boss of the boss.¹⁰ During the war he served as intelligence chief and coordinated the MPLA's arms purchases.¹¹ More recently he has emerged as the foremost of the "business generals," the senior figures in the security establishment who have translated their influence into stakes in diamonds, oil, and any other sector that looks lucrative. Between them this trio formed the core of the Futungo's commercial enterprise.

A long-neglected 1977 statute prohibits American companies from participating in the privatization of power in far-off lands. Updated in 1998, the

Foreign Corrupt Practices Act (FCPA) makes it a crime for a company that has operations in the United States to pay or offer money or anything of value to foreign officials to win business. It covers both companies themselves and their officers. For years after it was passed the FCPA was more of a laudable ideal than a law with teeth. However, from the late-2000s the agencies that were supposed to enforce it—the Department of Justice, which brings criminal cases, and the Securities and Exchange Commission, the stock market regulator, which handles civil cases—started to do so with gusto. They went after some big names, including BAE Systems, Royal Dutch Shell, and a former subsidiary of Halliburton called Kellogg Brown & Root. All three admitted FCPA or FCPA-related infringements, and the cases resulted in fines and profit disgorgements totaling more than a billion dollars—though such amounts scarcely dent the profits of companies this big.

Oil and mining companies have been the subject of more cases under the FCPA and similar laws passed elsewhere than any other sector.¹² Indeed, the Halliburton and Shell settlements both concerned bribery in Nigeria. Companies want rights to specific geographical areas under the most favorable terms possible. For the inhabitants of sub-Saharan Africa's resource states, capturing some of the rent that resource companies pay the state in exchange for lucrative territory—or capturing a position as a gatekeeper to that territory—is by far the most direct route to riches.

Delivering a suitcase stuffed with cash is only the simplest way to enrich local officials via oil and mining ventures run by foreign companies. A more sophisticated technique involves local companies, often with scant background in the resource industries. These companies are awarded a stake at the beginning of an oil and or mining project alongside the foreign corporations that will do the digging and the drilling. Sometimes genuine local businessmen own such companies. Sometimes, though, they are merely front companies whose owners are the very officials who influence or control the granting of rights to oil and mining prospects and who are seeking to turn that influence into a share of the profits. In the latter case the foreign oil or mining company risks falling foul of anticorruption laws at home. But often front companies' ultimate owners are concealed behind layers of corporate secrecy. One reason why foreign resources companies conduct what is known as "due diligence" before embarking on investments abroad is to seek to establish who really owns their local partners.

In some cases due diligence investigations amount, in the words of a former top banker, to “manufacturing deniability.” In others the due diligence work raises so many red flags about a prospective deal that a company will simply abandon it. Frequently the evidence that a due diligence investigation amasses about corruption risks is inconclusive. Then it is up to the company to decide whether to proceed.

In 2007, as its Angolan ambitions started to take shape, Cobalt retained Vinson & Elkins and O’Melveny & Myers, two venerable American law firms, to conduct its due diligence. Corporate records are not easy to obtain in Angola, even though any company is supposed to be allowed access to its partners’ records. I was able to get hold of Nazaki’s registration documents, and its influential trio of owners appear nowhere on them. But there were some clues. One document names a man called José Domingos Manuel as one of Nazaki’s seven shareholders and the company’s designated manager. His name also appears alongside those of Vicente, Kopelipa, and Dino on the shareholder list for a separate oil venture.¹³ That might have raised a red flag for any company considering going into business with Nazaki: it demonstrated a clear link between one Nazaki shareholder and three of the most powerful men in the Futungo. (José Domingos Manuel, I was told by two people who know the Futungo well, had been a senior officer in the military and was a known associate of Kopelipa.) There was another red flag: six of Nazaki’s seven shareholders were named individuals, but the seventh was a company called Grupo Aquattro Internacional. Aquattro’s own registration documents do not name its own shareholders. But they are Vicente, Kopelipa, and Dino.

In 2010, two years after the Angolan authorities had first told Cobalt that they wanted it to make Nazaki its partner, a crusading Angolan anticorruption activist called Rafael Marques de Morais published a report claiming that Vicente, Kopelipa, and Dino were the true owners of Aquattro and, thus, of Nazaki.¹⁴ “Their dealings acknowledge no distinction between public and private affairs,” he wrote. Nazaki was just one cog in a system of plunder, which meant that “the spoils of power in Angola are shared by the few, while the many remain poor.”¹⁵

At least one due-diligence investigator was aware of what Cobalt says it was unable to establish. In the first half of 2010 an investigator—we shall

call him Jones—exchanged a series of memos with Control Risks, one of the biggest companies in corporate intelligence. Control Risks, the correspondence shows, had launched “Project Benihana,” an endeavor apparently codenamed after a Florida-based chain of Japanese restaurants, to look into Nazaki. Jones, a seasoned Angola hand, warned his contact at Control Risks that oil concessions in Angola were only ever granted if the MPLA and the business elite stood to benefit. He went on to name Kopelipa as one of the men behind Nazaki. No client is named in the correspondence. (In most such cases the freelance investigators are not told on whose behalf they are ultimately working.) Both Cobalt and Control Risks refused to say whether the Texan group was the client in this case. But what is clear is that the warnings were there to be found. At least one other due-diligence investigation I am aware of also got wind of Nazaki’s Futungo connections.¹⁶

By its own account Cobalt went ahead with a deal in a country that was, in 2010, ranked at 168 out of 178 countries in Transparency International’s annual corruption perceptions index, without knowing the true identity of its partner, a company with no track record in the industry and registered to an address on a Luanda backstreet that I found impossible to locate when I went looking for it in 2012.

When US authorities informed Cobalt that they had launched a formal investigation into its Angolan operations, the company maintained that everything was above board. With none of the fanfare that accompanied its cork-popping announcement of its big discovery earlier the same month off the Atlantic coast, Cobalt disclosed the investigation in its annual statement to shareholders. “Nazaki has repeatedly denied the allegations in writing,” Cobalt told its shareholders, going on to say that it had “conducted an extensive investigation into these allegations and believe that our activities in Angola have complied with all laws, including the FCPA.” Two months later, when I wrote to Joe Bryant to ask him about the allegations, Cobalt’s lawyer replied and went further: Cobalt’s “extensive and ongoing” due diligence “has not found any credible support for [the] central allegation that Angolan government officials, and specifically [Vicente, Kopelipa and Dino] . . . have any ownership in Nazaki.” Referring to its massive discovery a few weeks earlier, Cobalt’s lawyer added, “Success

naturally brings with it many challenges. One of those challenges is responding to unfounded allegations.”

The problem for Cobalt was that the allegations were not unfounded. I had also written to Vicente, Kopelipa, and Dino, laying out the evidence that they owned stakes in Nazaki, which I had gathered from documents and interviews. Vicente and Kopelipa wrote near-identical letters back, confirming that they and Dino did indeed own Aquattro and thus held secret stakes in Nazaki but insisting that there was nothing wrong with that. They had held their Nazaki stakes, “always respecting all Angolan legislation applicable to such activities, not having committed any crime of abuse of power and/or trafficking of influence to obtain illicit shareholder advantages.” The holdings had, in any case, been “recently dissolved.” If US law led Cobalt to pull out of Angola, Kopelipa and Vicente went on, others would be keen to take its place.¹⁷

In Manuel Vicente’s offices in Luanda’s hilltop presidential complex the only sound was the purr of the air conditioning unit that kept the rooms at a comfortable 70 degrees Fahrenheit and the taps of a hammer as laborers conducted some early-morning maintenance outside. A Mercedes and a Land Cruiser stood ready to part the traffic if the minister needed to venture beyond the tall red-brown wall surrounding the compound. The sole adornment on the beige walls was a portrait of dos Santos in a gold frame.

Vicente swept in, wearing a smart suit and looking fresh from his morning jog. If he was annoyed that I had named him as the beneficiary of a questionable oil deal two months earlier, he didn’t show it. Indeed, as Vicente styled it, there was nothing to be embarrassed about. If, while he was the head of Sonangol, he had knowingly owned a stake in the company assigned to be a foreign group’s local partner, that would have been “a conflict of interests,” he acknowledged.¹⁸ But Vicente, a man with a reputation for ruthless competence and a commanding knowledge of Angola’s oil industry, claimed he had not known that Aquattro, the investment company he shared with Kopelipa and Dino, had owned a stake in Nazaki, Cobalt’s local partner. When “all this news came,” revealing that he did indeed own a stake in Nazaki, “we decided to quit,” he said. His interest in Nazaki had

been “liquidated” the previous year, he said. “Today I’m not director and direct beneficiary of Nazaki.”

Vicente’s position was essentially the same as Cobalt’s: if there was anything untoward in the oil deal, they were ignorant of it. Vicente told me that he knew Joe Bryant “very well.” Their relationship had stretched back years beyond the formation of Cobalt to when Bryant worked for Amoco, an American oil company that merged with BP in 1998. That relationship, it seemed to me, might have provided a simple way to check whether Vicente and his friends secretly owned stakes in Nazaki. Bryant could just have asked Vicente whether the rumors were true. I asked Vicente: Did you and Bryant ever discuss the matter? “No,” he said.

Alongside their personal stakes in the oil business, the members of the Futungo ensure that the oil revenues that accrue to the Angolan state are deployed to serve the regime’s purposes. Angola’s 2013 budget allocated 18 percent of public spending to defense and public order, 5 percent to health, and 8 percent to education. That means the government spent 1.4 times as much on defense as it did on health and schools combined. By comparison, the UK spent four times as much on health and education as on defense. Angola spends a greater share of its budget on the military than South Africa’s apartheid government did during the 1980s, when it was seeking to crush mounting resistance at home and was fomenting conflict in its neighbors.¹⁹

Generous fuel subsidies are portrayed as a salve for the poor, but in truth they mainly benefit only those wealthy enough to afford a car and politically connected enough to win a fuel-import license. Angola’s government has ploughed petrodollars into contracts for roads, housing, railways, and bridges at a rate of \$15 billion a year in the decade to 2012, a huge sum for a country of 20 million people. Roads are getting better, railways are slowly snaking into the interior, but the construction blitz has also proved a bonanza for embezzlers: kickbacks are estimated to account for more than a quarter of the final costs of government construction contracts.²⁰ And much of the funding is in the form of oil-backed credit from China, much of which is marshaled by a special office that General Kopelipa has run for

years. “The country is getting a new face,” says Elias Isaac, one of Angola’s most prominent anticorruption campaigners. “But is it getting a new soul?”²¹

Manuel Vicente was keen to correct the impression that Angola’s rulers have abdicated their duties toward their citizens. “Just to assure you, the government is really serious, engaged in combating, in fighting the poverty,” he told me.²² “We are serious people, we know very well our job, and we know very well our responsibility.” Talking with him, I had no doubt that there was some part of Vicente that wanted to better the lot of his compatriots, or at least to be seen to be trying to do so. “I’m a Christian guy,” he said. “It doesn’t work if you are okay and the people around have nothing to eat. You don’t feel comfortable.”

There are two solutions to that problem: share some food or dump the hungry out of sight. The Futungo’s record suggests it favors the latter.

António Tomás Ana has lived in Chicala since 1977, before new arrivals fleeing the civil war in the interior turned what had been a sleepy fishing settlement into the profusion of humanity it is today, sandwiched between the ocean and the slopes rising up to the presidential complex. Better known as Etona, he is one of Angola’s foremost artists. At an open-air workshop walled with breezeblocks, his assistants chip away at acacia trunks with chisels and mallets. One of his trademark sinewy wooden sculptures graces the lobby at Sonangol headquarters.

Among Etona’s sixty-five thousand neighbors in Chicala are military officers and a professional photographer who brings in \$5,000 a month, which does not go far in ultracostly Luanda but has allowed him to build up the corrugated-iron shack he bought twenty-five years ago into the angular but solid edifice around which his grandchildren gallivant today. In June 2012 that house, like Etona’s workshop and the community library he is building, were, along with the rest of Chicala, scheduled to be flattened—and not, this time, by the ocean.

Given the choice, few people would choose to live with Chicala’s meager amenities and opportunities. The ruling party promised electricity during the 2008 election campaign, but little arrived, and not much had come of the latest pledge, made in the run-up to the 2012 polls, to provide piped water. But places like Chicala are communities, with their own ways

and their own comradeship. An estimated three in every four of Luanda's inhabitants, out of a total population of between 5 and 8 million, live in slums known as *musseques*. Although conditions in some, like the precarious settlement on top of a rubbish dump, are dire, Chicala and other central *musseques* have their advantages. Work, formal or informal, is close at hand in Luanda's commercial districts.

Etona spends a lot of time thinking about the betterment of a slum he could easily have afforded to leave. "Regeneration is not about roads and sidewalks—it's in the mind," he told me when we met at his workshop, his red shirt pristine despite the afternoon heat.²³ "This," he said, waving an arm at the bustling slum, where nearby youngsters were furiously dueling at table football, "this is also part of the culture, part of the country." But Chicala's days were numbered. Its inhabitants were to be relocated, whether they liked it or not, to new settlements on the outskirts of Luanda. A new luxury hotel and the gleaming offices of an American oil company had risen on the fringes of Chicala, harbingers of what was to take the neighborhood's place. A beach that once buzzed with fish restaurants and bars had been fenced off, ready for the developers.

The Chicala residents I spoke to regarded the authorities' promises of a better life elsewhere with deep suspicion. About three thousand had already been shipped off, some rounded up by police and packed with their belongings into trucks, any objections ignored. The government has been willing to use force to cleanse the slums, deploying troops by helicopter to conduct dawn evictions.²⁴ But Etona, for one, intended to resist when his turn came. "If we don't speak out, we will be carried off to Zango."

Zango lies just over twelve miles south of central Luanda, where the capital's sprawl thins out, giving way to the ochre scrub of the bush. Like a matching settlement to the north, it is supposed to represent a new beginning for Angola's slum-dwellers. To listen to officials, Zango is the promised land. "We are moving them to more dignified accommodation," Rosa Palavera, the head of the poverty reduction unit in the presidency, told me.²⁵ "There are no basic services [in Chicala]. There is crime."

Even if one overlooks the official neglect that lies behind the lack of amenities in Chicala, Zango is hardly preferable. Those who moved to Zango were lucky if they found basic services merely on a par with those they

had left behind.²⁶ Sometimes the new houses were even smaller than the old ones. In aerial photographs the new settlements looked like prison camps, with their squat dwellings arranged in unvarying rows. Shacks that were far more rickety than anything in Chicala had sprung up too. Those who tried to make a go of it by commuting back from Zango into the city each departed well before dawn and returned at midnight, scarcely leaving enough time to sleep, let alone see their children. Other new arrivals simply went straight back to Chicala, a daring move given that the slum lies within the purview of the military bureau run by General Kopelipa, the feared security chief.

On the drive from Zango back toward the center of Luanda, the road crosses the invisible frontier that separates the majority of Angolans from the enclave of plenty that the petro-economy has created.

The gleaming new settlement at Kilamba was constructed from scratch by a Chinese company at a cost of \$3.5 billion. The guards on duty at the gates adopted an intimidating strut as we drove toward them down the long, curving driveway. They let my companions and me through in exchange for the price of a bottle of water. Inside the atmosphere was eerie, reminiscent of one of those disaster movies in which some catastrophe has removed all trace of life. Nothing stirred in the dry heat. Row after parallel row of gleaming, pastel-colored apartment blocks between five and ten stories high stretched to a vanishing point at the horizon, tracked by manicured grass verges and pylons carrying electricity lines. The roads were like silk, the best in Angola. Outside the most affluent parts of South Africa, particularly the gated communities known to their more poetic detractors as “yuppie kennels,” I had seen nothing in Africa that looked anything like Kilamba.

The newly completed units were for sale for between \$120,000 and \$300,000 apiece to those rich enough to escape the crush of central Luanda. The first residents of Kilamba’s twenty thousand apartments were said to have moved in, but there was no sign of them. About half of Angola’s population live below the international poverty line of \$1.25 a day; it would take them each about 260 years to earn enough to buy the cheapest apartment in Kilamba.²⁷ The prices came down after an official visit by the president, but nonetheless only the wealthiest Angolans could afford to live there.

Teams of Chinese laborers in blue overalls and hard hats trundled into view in pickup trucks. Like other Chinese construction projects in Africa, Kilamba was built with Chinese finance and Chinese labor, and it formed part of a bigger bargain that ensured Chinese access to natural resources—in this case, Angola’s oil. The Chinese and Angolan flags fluttered above Kilamba’s entrance. This was a flagship project for China’s undertaking in Africa: Xi Jinping toured the site while it was under construction in 2010, three years before he ascended from the Chinese vice presidency to the presidency. A vast billboard proclaimed that Citic, the Chinese state-owned conglomerate whose operations span banking, resources, and construction, had built the new town. Oversight of the construction had been assigned to Sonangol, which subcontracted the management of the sales of apartments to a company called Delta Imobiliária. Delta was said to belong to the private business empire of Manuel Vicente and General Kopelipa. Both men were perfectly placed to use the power of the public office to dispense personal gain for themselves, just as they had been assigned concealed stakes in Cobalt’s oil venture. Kilamba was, in the words of the Angolan campaigner Rafael Marques de Morais, “a veritable model for African corruption.”²⁸

Hexplosivo Mental raps with intensity—brow furrowed, left hand gripping the microphone, right hand chopping through the air. Like Public Enemy and other exponents of protest rap before him, he makes it his business to attack the abuses of the mighty. A rangy figure in a hoodie, he gives loud and lyrical voice to dissent in Angola that had long been mostly whispered, exhorting a counterpunch against the ruling class’s monopoly on wealth and power with tracks like “How It Feels to Be Poor,” “Reaction of the Masses,” and “Be Free.”

One Tuesday in May 2012 a group of ten young Angolans gathered at the Luanda home of one of a new generation of politically conscious rappers. Hexplosivo Mental was among them. They had been involved in organizing the small but concerted demonstrations that had rattled the regime. In the vanguard of protest against the Futungo’s power, the group had had brushes with the authorities before, notably when the police dispersed their demos.

This was not the first time the house had been raided. But the band of fifteen men who turned up at just after ten that night wanted to teach the dissidents a more serious lesson.²⁹ Elections at which dos Santos planned to ensure a thumping victory were three months away, and the deployment of oil money alone would not be enough to neutralize public displays of opposition to his rule. Bursting through the door, the men bore down upon their victims with iron bars and machetes, breaking arms, fracturing skulls, and spilling blood. Their work done, they zoomed away in Land Cruisers. One account of the attack alleged that the vehicles belonged to the police—evidence that the assailants were part of one of the pro-regime militias whose task was to instill fear ahead of the polls.

No one died that night, but when I spoke to Hexplosivo Mental weeks later, his badly injured arm was still being treated. We arranged to meet discreetly at a busy roundabout in Luanda. I waited thirty minutes or so before he called to say he had had to go back to the hospital. When he spoke later by phone the young rapper put it simply: “Before, we did not know how to protest. Now we are growing.”

There were some serious antigovernment demonstrations in the run-up to the elections, but if Hexplosivo Mental and his comrades hoped to mount a challenge to an entrenched regime on the scale of the Arab Spring revolutions that had erupted far to the north, they did so in vain. The amount of official funding available to political parties was slashed from \$1.2 million in the legislative elections of 2008 to \$97,000. Meanwhile, the MPLA was said to have spent \$75 million on its campaign.³⁰

The MPLA has genuine support, especially in the coastal cities that were its bastion during the war and among those Angolans so traumatized by the conflict that they see a vote for any incumbent, no matter how venal, as the option that carries the smallest risk of a return to hostilities. The regime leaves little to chance, dominating the media, appointing its stooges to run the institutions that conduct elections, co-opting opposition politicians, and intimidating opponents. Kopelipa presided over an electoral apparatus that left 3.6 million people unable to cast their ballots—almost as many votes as the MPLA received.³¹ The MPLA’s share of the vote fell nine points compared to the 2008 election, but it still recorded a landslide victory, with 72 percent. Under a new system the first name on the winning

party's list would become president. More than three decades after he took power, dos Santos could claim he had a mandate to rule, despite the findings of a reputable opinion poll that showed he enjoyed the approval of just 16 percent of Angolans.³²

In August 2014, three years after the US authorities had begun their corruption investigation into its Angolan deal, Cobalt issued a statement revealing that the Securities and Exchange Commission had given notice that it might launch a civil case against the company.³³ “The company has fully co-operated with the SEC in this matter and intends to continue to do so,” Cobalt announced. Joe Bryant called the SEC’s decision “erroneous” and said Cobalt would continue to develop its Angolan prospects. At the time of writing no proceedings have been brought, and Cobalt continues to deny wrongdoing, as it has throughout. Cobalt’s share price, which took a billion-dollar hit after news of its secret Angolan partners emerged and declined even further after some mediocre drilling results, fell another 10 percent when the SEC’s warning emerged.

Cobalt’s founders have already turned a tidy profit. Between February 2012, when Cobalt revealed that it was under formal investigation, and that April, when Kopelipa and Vicente confirmed to me that they and Dino held stakes in Nazaki, Joe Bryant sold 860,000 of his shares in the company for \$24 million. Between the start of the corruption investigation and the end of 2013—during which period Cobalt also struck oil in the Gulf of Mexico—Goldman Sachs, a joint Riverstone-Carlyle fund, and First Reserve, another big American private equity firm, each made sales of Cobalt stock worth a net \$1 billion.³⁴

I tried to find out who had taken over the stake in Nazaki that, according to Vicente, he, Kopelipa, and Dino had “liquidated” as well as whether their business associates were still shareholders, but neither the trio nor the company itself would tell me. In February 2013 Nazaki transferred half its interest to Sonangol, the state oil company. The official journal did not disclose the size of any fee that Sonangol paid for the stake, but bankers’ valuations indicated it was worth about \$1.3 billion, at least fourteen times the amount Nazaki would have been expected to pay in development costs

up to that point.³⁵ If any fee was paid, it represented a transfer of funds from the coffers of a state where the vast majority live in penury to a private company linked to the Futungo. Then, in 2014, three weeks after Cobalt disclosed that it was facing possible proceedings by the SEC, the company announced it had severed ties with Nazaki and with Alper, whose ownership remains undisclosed. Both companies transferred their stakes in Cobalt's venture to Sonangol. Again, none of the parties involved revealed what, if any, fees were paid.³⁶

Cobalt is just one among dozens of companies vying for Angolan crude, and Nazaki was but a single cog in the Futungo's machine for turning its control over the state into private gain.

Just before Christmas 2011, as Manuel Vicente was preparing to hand over the reins of Sonangol to his successor and with the expenses of the following year's election looming, seven international oil companies snapped up operating rights to eleven new blocks in the Atlantic. The acreage was in the "presalt" zone, where Cobalt was already exploring. As in previous bidding rounds in Angola and elsewhere, the companies agreed to pay signature bonuses. These are upfront payments that oil companies make to governments when they win rights to explore a block, often through auctions. The payments are perfectly legal, though frequently the amounts paid are not disclosed. If they were delivered on the sly to officials, such payments would be called bribes; instead, they are deposited in the leaky treasuries of oil states.

Any Angolans curious to know how much their government had brought in from the auction would be disappointed. Mindful that in 2001 BP had been threatened with ejection after it announced plans to publish some details of its Angolan contracts, the oil companies kept the terms of the bonuses safely shrouded. Norway's Statoil made something resembling a disclosure. It said its total "financial commitment" for two oil blocks, where it would be the operator of the project, and working interests in three other blocks came to \$1.4 billion, "including signature bonuses and a minimum work commitment." The regime's overall take from the whole bidding round would have been a multiple of that figure.

Both the Futungo's business ventures and the state institutions' activities are kept within a fortress of secrecy, so much so that Edward George,

an Angola specialist who has studied dos Santos's rule for many years, calls the regime a "cryptocracy"—a system of government in which the levers of power are hidden.

When I met Isaiás Samakuva at a London hotel one afternoon in early 2014 he had been the leader of Unita, today Angola's main opposition political party, for more than a decade. Samakuva has spent his life fighting a losing battle, but he remains eloquent and composed. He had been posted in London as Unita's representative in the 1980s and had come back to see family and try to lobby against what he saw as Western powers' readiness to cozy up to dos Santos in order to safeguard their companies' access to Angolan oil. "The international community itself protects these guys," Samakuva told me, sipping a cup of tea.³⁷ "Their money is not actually in Angola. They deal with the banks in Portugal, in Britain, in Brazil, the United States. The only explanation that we can find is that they have the blessing of the international community."

The eruptions of the Arab Spring were giving dos Santos the pretext to tighten security still further, Samakuva went on. "Dos Santos is so entrenched in power that he won't allow what happened in Egypt." Samakuva added, "We have to have real peace, not just for them and their interests."

Samakuva does not doubt that the key to the Futungo's survival lies in the shadowy structures of the oil industry. "There's no separation between private and state," he said. "There's no transparency. No one knows what is the property of Mr. dos Santos and his family." I asked him about one particular company. "I think it is the key to all the support that is given to Mr. dos Santos, to his rule." How can one company provide such vital support, I asked. "We can only speculate. Everything is in the dark."

The company Samakuva was talking about operates from the golden Luanda One tower. It is the sister company to China International Fund, whose flag flies above the entrance and which has raised billions for infrastructure projects under undisclosed terms, among them an expansion of Kilamba.³⁸ Cobalt, Nazaki, and other oil groups have offices on the lower levels, but the top floors are reserved for the company that Samakuva had in mind—China Sonangol. Since 2004 China Sonangol has amassed stakes

in a dozen Angolan oil ventures, including some of the most prolific, as well as a slice of the country's richest diamond mine. Sonangol, the state oil company that is the Futungo's financial engine, owns 30 percent of China Sonangol. The remainder belongs to the band of Hong Kong-based investors that is known as the Queensway Group and is fronted by a bearded, bespectacled Chinese man called Sam Pa.

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CHAPTER 1. FUTUNGO, INC.

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17. Tom Burgis and Cynthia O’Murchu, “Angola Officials Held Hidden Oil Stakes,” *Financial Times*, April 15, 2012, www.ft.com/cms/s/0/effd6a98-854c-11e1-a394-00144feab49a.html#axzz3ERem20Du.

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20. Manuel Alves da Rocha, economist at the Universidade Católica de Angola, interview with the author, Luanda, May 2012.

21. Comments by Elias Isaac, witnessed by author, Angola country director for the Open Society Initiative for Southern Africa, at Chatham House in London on September 17, 2013.

22. Manuel Vicente, interview with author.

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25. Rosa Palavera, interview with author, Luanda, June 2012.

26. Paulo Moreira (Portuguese PhD student living in Chicala to study the Angolan government's slum policies), interview with author, Luanda, June 2012.

27. The World Bank data for 2009 put 43 percent of Angolans below the international poverty line of \$1.25 a day, adjusted for purchasing power parity. World Development Indicators, World Bank, <http://data.worldbank.org/indicator/SI.POV.DDAY>.

28. Delta Imobiliária's role as the estate agent for Kilamba and other Chinese-built housing developments is confirmed in an August 28, 2013 press release by Sonip, the real estate arm of Sonangol, titled "Lista de beneficiários de habitações na centralidade do Kilamba atendimento de 02 a 06 de setembro de 2013." Delta was announced in the *Diário da República*, Angola's official journal, of October 13, 2008, alongside sister companies of Nazaki, the company through which Vicente, Kopelipa, and General Leopoldino Fragoso do Nascimento held their concealed stakes in the Cobalt International Energy venture, although the documentation I have seen does not disclose Delta's owners. For an account of Delta's ownership and its role in Kilamba, see Rafael Marques de Morais, "Kopelipa e Manuel Vicente—Os Vendedores de Casas Sociais," *Maka Angola*, September 26, 2011, <http://makaangola.org/maka-antigo/2011/09/26/the-ill-gotten-gains-behind-the-kilamba-housing-development>. Marques expanded on this in an e-mail exchange with the author, November 2013, saying that Grupo Aquattro Internacional, the same anonymously owned holding company through which Vicente, Kopelipa, and Dino held their stakes in Nazaki, owned Delta.

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CHAPTER 2: “IT IS FORBIDDEN TO PISS IN THE PARK”

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