

**THE IMPACT OF CHINA-AFRICA
AID RELATIONS:**

The Case of Angola

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ABSTRACT

The Chinese emerging economy appears to be associated with a robust and increasing intensification of its economic relations with sub-Saharan African countries. This paper examines the impact of Sino-Angola aid relations on the socio-economic fabric of Angola and assesses its political implications. Until recently the international donor community has predominantly comprised of members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). China's existing position in the OECD is only as an aid recipient and not as an aid donor. Hence the data on China's aid, as well as its focus, purpose, terms and conditions are generally not clear. On the receiving end, Angola is equally reticent on its management of state funds. The uncertainties and the opaque nature of diplomatic relations are compounded by a perceived overlap and ambiguity between aid and investment. The objective of the study is to examine the impact of Chinese aid in Angola and provide critical judgment of its policy implications.

1. INTRODUCTION

Bilateral relations between China and African countries have intensified exponentially of late. Their cooperation has fuelled much contention over the potential ramifications of China's emerging economy for its African partners. While the respective parties insist their engagement is founded on a win-win model of mutual benefit, critics warn that the trend emulates a potential re-colonisation of Africa for its mineral resources. Angola increasingly finds itself at the centre of debate surrounding Chinese activity on the African continent. Although Angola is the continent's second largest oil exporting country, poverty remains rampant. Its economic growth is dependent on oil exports, which have in turn made it China's largest African trade partner and the second largest source of China's oil imports after Saudi Arabia. Adjacent to this is China's emerging role as a development partner in the reconstruction and development of post-conflict Angola.

The primary purpose of this research project is to undertake a comprehensive analysis of the key features and patterns of the past, current and future evolution of the economic relations between China and African countries. The study allows a more comprehensive understanding of the impact of China-Angola aid relations, the associated opportunities and challenges for Angola's development prospects, as well as articulates the overall and sector-specific policy measures that Angola may wish to undertake in order to advance its national interests in light of the impact experienced and the challenges faced.

The objectives of this research paper include:

- Identifying and analysing key features, patterns and developments in the main channels through which the impacts of the growth of China are transmitted in Angola;

- Providing a qualitative and quantitative evaluation of the nature, dimensions and magnitudes of the sector-specific and overall incidence of the impacts transmitted to Angola over specified time periods;
- Identifying and analysing the sector-specific opportunities and challenges faced by Angola as a result of the impacts generated through the growth of the economic relationship with China;
- Articulating and analysing Angola's national and sector-specific policy responses and overall development strategies for maximising the benefits and confronting the challenges emanating from the economic relationship with China;

The paper comprises of six sections. Following this introduction, section two provides a background on the aid environment in Angola describing the country's aid policy, its management, the current disbursement of the international donor community, and the impact of the Global Financial Crisis on Angola. A literature review of China-Angola aid relations is provided in section three, revealing a gap in existing literature. Section four outlines the theoretical framework and methodology followed in the paper. It sets the foundation for the analysis from various perspectives, which allow the interpretation of the findings. The methodology used for gathering the data and compiling the paper is then described. The analysis of the impact of Chinese aid to Angola is provided in section five, examining the disciplinary focus of Chinese aid, the risk it poses to Angola's mounting indebtedness and the eminent risk of China's non-interference and lack of political conditionality to Angola's governance. In final, section six offers concluding remarks and a proposition of policy recommendations.

2. BACKGROUND ON AID TO ANGOLA

2.1 The Underlying Motivation for Aid to Angola

Although the motivation for aid to Angola has immemorially remained the same, there has been a gradual shift in the key features of international aid to Angola in the last decade. During the civil war the donor community performed mostly rescue and relief endeavours specifically related to peace and security. The 27-year long civil war uprooted 4.5 million Angolans from their homes. Between 500,000 to one million Angolan died from war-related causes, including military attacks, civilian murders, malnutrition, and diseases. Of the 2.6 million Angolans that were displaced from the civil war, World Refugee Survey (2004) estimates that 1 million of them were internally displaced while the rest relocated to Zambia, the Democratic Republic of Congo (DRC), Namibia, South Africa, Congo-Brazzaville, Brazil and Botswana. Moreover, some 323,000 refugees sought asylum in the region.

Countless civilians incurred injuries during the civil war, from guerrilla forces and counter insurgent operations. The humanitarian effect of the war received much attention in the late 1990s, prompted by the late Princess Diana of Whales' visit to Angola, in support of the International Committee of the Red Cross (ICRC) physical rehabilitation programme and the Ottawa Convention against landmines.¹

Angola ran an extensive demilitarisation campaign after the war, but the de-mining of the countryside remains an ongoing practice.

To date Angola still receives international aid for peace and security, but primarily because the country has become a safe-haven for asylum seekers and refugees from the neighbouring region. The United Nations Human Commissioner for Refugees (UNHCR) estimates there are some 12,600 refugees in Angola, the majority of which are Congolese nationals who have fled the civil war in the DRC. An additional 4,000 refugees and asylum-seekers are also in Angola from 22 different countries.

The socio-economic factors in any given environment are variables that determine the key features of aid flows into the said country. Developing countries, especially, are riddled with many difficulties that are all interrelated, causing a rippling effect that continuously fuels new trials. The root cause is often too obscure to isolate, which with lack of foresight one's efforts can only achieve short-term remedies. By addressing the root cause the dividends have a far more enduring effect, even though the immediate impact may be difficult to assess. This is the innate paradox of aid, it is a delicate balancing act for aid recipients (and donors) to prioritise between the immediate alleviation of socio-economic problems and the targeting of underlying root instigators. Over and above the country's own allocation of resources for development and welfare, international aid supplements areas where the country's capabilities are lacking.

Once the 2002 peace accord demonstrated the restoration of stability in Angola, the attention of the international donor community shifted towards poverty alleviation and development. On the DAC's list of ODA recipients Angola ranks as a least developed country (LDC), which is the lowest of four categories¹. This may be a surprising, considering Angola has since 2005 been rated Africa's fastest growing economy and is second in the world rating (after Macau). The country's economic growth rate has averaged at around 20 percent in recent years, but dropped to 13.2 percent in 2008.

Hidden among the impressive macroeconomic data for Angola are some disconcerting figures on indices, such as the UNDP's human poverty index (HDI)² that measures the average progress of a country in human development. Despite its relatively high GDP per capita data, the UN estimates that 28 percent of the population is living in extreme poverty and another 40 percent are struggling to

¹ The four categories for ODA recipients are least developed countries (LDCs), other low income countries (with a per capita GNI < US\$ 935 in 2007), lower middle income countries (per capita GNI US\$ 936 – US\$ 3,705 in 2007), and upper middle income countries and territories (per capita GNI US\$ 3,706 – US\$ 11,455 in 2007).

² The HDI evaluates three dimensions of human development: living a long and healthy life, being educated, and having a decent standard of living. The formula is based on measurements of life expectancy, adult literacy and enrolment at the primary, secondary and tertiary level, and by purchasing power parity, PPP, income (UNDP).

survive below the poverty line. Angola's HDI score is a poor 0.446 and the country ranks 162nd on a list of 177 countries. It also scores 40.3 on the Human Poverty Index (HPI)-1, ranking 89th on a list of 108 developing countries. International aid provided towards poverty alleviation is very broad, most of which is targeted at improving the standard of living through healthcare and education. Relief and support generally goes to the most vulnerable members of society, including women, children, the handicapped and the elderly.

Although the GDP per capita is US\$ 2,335 and so ranks just marginally below the half-way point in both the IMF and World Bank ratings, the country's global hunger index is 'alarming' and suggests large income inequalities. This notion is corroborated by the poor rankings that Angola gets on corruption indices globally³ and on indices such as the general costs of doing business. Although international aid cannot directly produce income distribution, funding could be channelled into providing access to much-needed resources that will empower civilians. Angola has an encouraging adult literacy rate of 67.4 percent, but its combined primary, secondary and tertiary gross enrolment ratio is a dismal 25.6 percent. The country's HDI is further weighed down by its life expectancy of 41.7.

2.2 Angola's Aid Policy

It is unknown whether Angola actually has a written policy on aid, as no actual policy document is catalogued on the government's portal. However, even in the absence of such a definite document the general trend is that aid directed towards development assistance is effective only if it is aligned to one's national priorities, as well as if it is grounded on sound ownership and political commitment. In Angola's case there are three main influencing factors that remain a common thread in other policy documents and in practice that define the country's aid policy.

First, Angola's aid policy is guided by its current foreign policy in cooperating with ideal development partners. The country's foreign policy in this regard is to diversify its access to financing and foreign direct investment (FDI) inflows, as well as expand its international role. This view is especially noted with the recent entry of China to the floor. However, now that Angola's relations with the Paris Club of international creditors have been some-what normalised, it hopes to tap into other new sources of financing as well.²

Second, Angola's aid policy is influenced by its national strategic plan for reconstruction and development, which is defined in the Government's Long Term Development Plan (2025). Aid efforts are thus aligned to suit the national agenda. According to the EIU (2008) since "late 2006 [Angola] is pursuing a "home-grown" economic programme, which it believes can ensure macroeconomic

³ The Transparency International 2008 Corruption perception Index ranks Angola at number 158 from the 180 countries surveyed.

stability, boost economic growth, stimulate private-sector activity and reduce poverty". This is perhaps a hint that the country is taking ownership of its own development agenda.

Third, the aid policy has been crafted to cater for the Angola's immediate needs as a post-conflict country. The 27-year civil war devastated the economic, human and infrastructural resources of the country, as well as debilitated the institutional and social fabric. Hence, this relates to the underlying motivation for aid to Angola, as discussed above. As stipulated in the country's Medium Term Development Plan (2009-2013), its main objectives include promoting human development, improving socio-economic conditions, promoting good governance, igniting private sector development, attaining the sustainable use of environmental resources.

2.3 The Management of Aid in Angola

Socio-economic factors in Angola demand significant state intervention to improve the living conditions of the people. Luanda has welcomed the involvement of the international donor community in the process, one which is jointly coordinated by the Office of the Presidency, the Ministry of Planning, the Ministry of Welfare and Social Reintegration, the Ministry of Finance and the Ministry of Foreign Affairs. There are also special offices that have been established either within ministries or adjacent to them. The four most prominent offices involved in the coordination, disbursement and/or management of aid are profiled below:

The Technical Coordination Unit for Humanitarian Assistance (*Unidade Técnica de Coordenação de Ajudas Humanitárias – UTCAH*)

UTCAH was founded during the civil war to coordinate all humanitarian aid flows to Angola. For a few years already, the Unit is has been undergoing structuring to diversify its portfolio. Although UTCAH is already working with various partners, it still lacks the institutional capacity to handle specialised programmes and projects.

The Office of International Economic Relations and Studies (*Gabinete de Estudos e Relações Económicas Internacionais*)

A support arm to the Ministry of Finance, the Office of International Economic Relations and Studies is responsible for the development of economic and financial studies, and the country's relations with international financial institutions and agencies. The Office contains five units: the Department of Economic Research, the Department of International Relations; the Department of Statistics; the Department of Organisation and Methods; and the Expedient Section. The Office is involved in developing strategies, as well as monitors the negotiations with agencies and international financial institutions. It coordinates the activities, programmes and technical assistance projects, the

restructuring and revitalisation of the financial sector, and the establishment of policy in conjunction with the Ministry of Planning.

Technical Support Office for the Management of Credit (*Gabinete de Apoio Técnico às Linhas de Crédito – GAT*)

The GAT office also sits inside Angola's Ministry of Finance. Although its duty is to manage all credit flows into the country, it was supposedly initially established to manage only the Chinese credit lines. GAT then coordinates the disbursement of the aid flows with the corresponding ministry(ies) and relevant stakeholders.

The Office for National Reconstruction (*Gabinete de Reconstrução Nacional – GRN*)

The GRN sits the Office of the Presidency. It was established in 2005, during a period when institutional bottlenecks impeded on the delivery of services and execution of projects. The mission of the GRN is to manage large aid projects to ensure rapid implementation in order to fast-track the national reconstruction of infrastructure. The GRN is headed by General Helder Vieira Dias, also known as Kopelipa. Nowadays, the GRN also manages the country's large investment projects, reporting exclusively to the Presidency. The GRN has been widely criticised by the Western institutions for its lack of transparency and guarded management style. Since most of its personnel are also former military officers, the authority of the GRN is also frowned on as it gives the Presidency a quasi-military status. This may be the view of critics, but the general sentiment amongst Angolans is that the GRN commands authority and is for that reason effective.

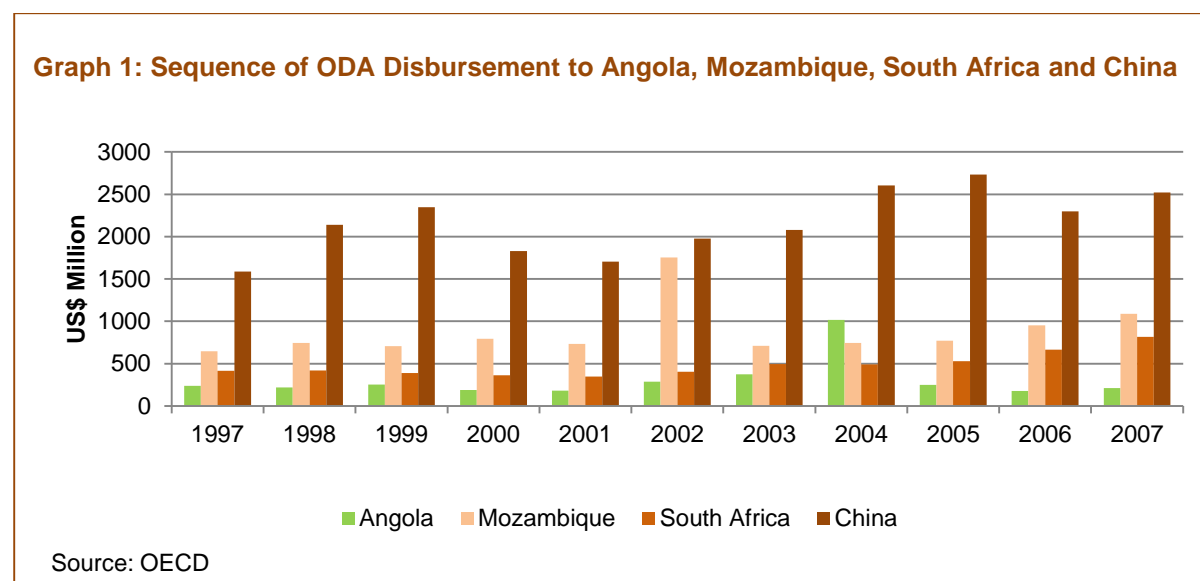
2.4 Aid from the International Donor Community

For the purposes of this report, the so-called traditional donors consist of all countries and institutions cited in the OECD's list of donors and creditors. These consist of the 23 DAC countries and some multilateral actors – namely the African Development Bank (AfDB), the European Commission (EC), the International Development Association (IDA), the International Fund for Agricultural Development (IFAD), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the Joint United Nations Programme on HIV/AIDS (UNAIDS) and the United Nations Population Fund (UNFPA).

The aid is disbursed through state channels, as well as through non-governmental organisations (NGOs). According to Peter Calenga, director of the Forum of NGOs in Angola (*Foro das ONGs angolanas – FONGA*), there are currently over 500 NGOs registered on their database, of which only 140 are recognised by the state.³ It would be worth noting how many of these NGOs are local and how many are international, also how many of the NGOs are actually effective. Instead on augmenting its number of partners, the state would prefer to maintain a results-oriented approach.

Since there is much synergy between programmes that are run by various actors, there really is need to improve donor coordination.

Angola receives a sizeable amount of aid from the international community, but it is important to gauge perspective on the volume. The OECD's data on aid disbursements to Angola include both ODA grants and loans.⁴ Graph 1 illustrates a comparative sequence of ODA disbursement to Angola vis-à-vis three other countries (Mozambique, South Africa and China) over a ten year period.



To date Mozambique remains heavily reliant on ODA, which accounted for 20.8 percent of the GDP in 2004 and 84.3 percent of central government expenditures.⁴ Bear in mind that two years after the end of 16-year long civil war in 1994, Mozambique ranked as one of the world's poorest countries. With a population of 22 million people, OECD data reveals that Mozambique has received nearly three times the sum of ODA given to Angola between 1997 and 2007, US\$ 9.63 billion and US\$ 3.39 billion respectively. Even in 2007 alone, Mozambique received nearly 5 times more ODA than Angola. Although Mozambique does have its own share of difficulties, its political system and regulatory environment are considered much more transparent than those of Angola. Factors of good governance also weigh heavily in motivating ODA flows. South Africa generates 29 percent⁵ of the GDP in the entire Sub-Saharan African (SSA) region. Its physical infrastructure is considered far more developed than the rest of SSA, as well as its social institutions and the private sector. Yet, note that it also receives much larger volumes of ODA than Angola. Earlier it was mentioned that China's involvement in the donor community has historically been as a donor recipient. Accordingly, Graph 1 illustrates very high volumes of ODA to China from the traditional donors. This is notwithstanding the criticism against its inherent communist regime and supposed violations of human rights.

⁴ A detailed composition of the ODA can be obtained from the OECD website.

The comparative flow of ODA across the respective four countries, as displayed in Graph 1, reveal that there may be more factors at play motivating ODA disbursement. Historical ties have generally defined the status of current bilateral relations, especially for developing countries. In Angola's case much can be said with regards to its ties to Portugal, which is also its former colonial power. Countries have diversified their aid partners to quite an extent, especially through the efforts of the OECD. Even so, what a donor actually pledges to provide is not necessarily reflected in the actually disbursement. A detailed breakdown of the ODA commitments pledged to Angola by traditional donors, between 1997 and 2007, is outlined in Table 1. This data represents only the commitments pledged, while Table 2 outlines the breakdown of actual ODA disbursed.

Table 1: Outline of ODA Gross Commitment to Angola (1997 – 2007)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
DAC Countries	187.1	191.1	195.2	191.0	187.1	314.8	356.7	994.5	246.6	181.5	188.8
Australia	1.9	0.7	0.8	0.6	..	..	..	0.1	0.0	0.1	..
Austria	1.9	1.0	1.0	0.4	0.0	0.4	0.1	0.2	1.7	0.0	0.0
Belgium	5.5	3.5	2.0	1.2	2.5	4.5	2.8	1.7	2.5	1.2	0.5
Canada	4.6	2.5	3.0	3.6	2.3	2.7	6.1	2.2	0.9	1.8	17.2
Denmark	..	3.7	..	..	..	0.6	..	..	..	4.7	2.8
Finland	0.6	1.2	2.5	0.9	3.7	3.7	3.9	4.9	2.0	2.8	3.5
France	6.1	7.4	4.4	5.2	4.3	8.5	20.7	29.0	37.2	10.5	7.9
Germany	8.7	3.7	16.3	8.1	8.1	14.9	17.1	8.8	9.0	9.3	6.4
Greece	..	..	..	..	..	..	0.0	0.0	0.4	0.0	0.1
Ireland	..	..	..	1.4	1.7	3.0	6.5	4.1	3.6	2.9	3.0
Italy	1.6	9.8	17.5	9.8	13.3	23.6	11.4	29.2	2.6	3.6	4.1
Japan	17.8	25.7	1.8	22.3	41.3	33.7	30.1	4.6	20.0	21.8	22.1
Luxembourg	..	..	..	..	0.4	0.7	0.1	0.2	..	..	..
Netherlands	18.8	9.8	13.2	9.5	16.6	15.6	16.0	11.8	6.4	2.5	0.7
New Zealand	..	..	..	..	..	..	0.4	..	..	0.1	0.1
Norway	20.7	15.9	33.4	21.7	18.0	26.0	15.5	16.5	27.8	18.6	20.3
Portugal	..	0.0	13.3	13.4	12.3	14.0	20.4	714.9	20.9	20.0	19.1
Spain	15.5	49.6	16.4	6.6	5.3	10.7	9.3	9.3	16.1	16.2	25.9
Sweden	47.4	17.3	7.4	17.4	7.8	12.5	12.3	17.4	13.6	4.3	3.9
Switzerland	4.0	3.8	6.0	3.4	3.6	4.4	6.6	8.1	4.2	2.7	1.9
United Kingdom	15.8	5.2	6.9	2.9	7.2	7.2	25.1	15.9	13.9	10.1	0.9
United States	16.2	30.1	49.4	62.9	38.6	128.2	152.5	115.5	63.7	48.3	48.4
Multilateral Institutions	48.7	48.8	42.7	96.4	71.1	92.1	256.5	90.0	200.4	78.6	164.9
AfDF	..	..	..	..	12.3	17.5	6.5	6.9	25.4	..	..
EC	41.4	43.8	35.4	58.9	49.6	67.3	130.0	49.5	44.0	60.0	26.1
IDA	..	5.0	..	33.0	..	..	104.6	21.0	50.7	..	102.0
IFAD	7.3	..	..	..	..	..	..	..	..	..	8.2
UNDP	..	..	7.3	..	..	..	..	3.9	6.4	6.0	6.8
UNICEF	..	..	..	4.5	7.2	5.3	11.3	6.4	8.4	10.3	12.1
UNAIDS	..	..	..	..	0.5	0.3	0.7	0.4	0.4	0.5	0.8
UNFPA	..	..	..	..	1.5	1.8	3.3	2.0	1.6	1.9	2.3
Global Fund	..	..	..	..	..	..	..	..	63.5	..	6.6
Grand Total	235.8	239.9	237.9	287.4	258.2	407.0	613.1	1 084.5	447.0	260.2	353.7

Source: OECD

As illustrated in Table 1, Angola has received generous pledges of ODA from an extensive list of actors. A significant rise from various sources is noticeable in the new millennium, towards the end of the civil war. However, in 2007 some of the donors have down-sized back to volumes that they promised in the late 1990s, while ODA commitments from the Nordic countries have generally dropped much lower than they were in 1997 after their initial rise at the turn of the century. Interestingly, Table 2 displays the actual ODA disbursed to Angola between 2002 and 2007 (since the end of the civil war). The only countries' whose ODA to Angola in 2007 exceed previous contributions are Canada, France, Italy, Portugal and Spain. As an indication of Angola's shifting allegiances in the donor community, note the ODA contributions of the USA and the Netherlands have decreased quite considerably since 2002.

Table 2: Outline of ODA Gross Disbursement to Angola (1997 – 2007)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
DAC Countries	263.7	377.0	1 012.5	299.3	172.6	204.7
Australia	0.0	0.9
Austria	0.2	0.2	0.2	1.7	0.0	0.0
Belgium	1.3	2.8	2.5	0.8	1.2	0.5
Canada	0.0	5.9	1.9	0.4	2.2	3.5
Denmark	1.1	..	..	4.2	2.0
Finland	2.8	3.5	..	..	1.5	2.0
France	7.4	20.7	29.0	72.4	10.1	9.7
Germany	14.7	13.5	12.9	12.2	11.4	12.3
Greece	0.0	0.0	0.4	0.0	0.1
Ireland	3.0	6.5	4.1	3.6	2.9	3.0
Italy	0.0	28.1	8.4	12.3	6.3	19.9
Japan	26.0	33.1	25.5	26.3	12.4	23.1
Luxembourg	0.7	0.1	0.2	..	..	..
Netherlands	27.7	21.1	19.6	12.8	2.1	1.2
New Zealand	0.4	..	..	0.1	0.1
Norway	23.2	24.3	24.8	20.9	23.4	21.4
Portugal	14.0	19.5	715.5	21.0	20.0	19.1
Spain	13.4	10.8	9.3	16.1	16.2	25.9
Sweden	12.2	13.6	15.4	10.1	6.8	6.6
Switzerland	4.1	7.1	7.4	5.2	3.5	1.6
United Kingdom	6.0	10.4	13.3	13.5	13.5	10.0
United States	106.9	154.5	122.5	69.5	34.7	41.6
Multilateral Institutions	32.4	62.3	75.1	117.7	79.0	101.3
AfDF
EC	25.0	46.9	62.4	70.3	48.6	64.9
IDA
IFAD
UNDP	3.9	6.4	6.0	6.7
UNICEF	5.3	11.3	6.4	8.4	10.3	12.1
UNAIDS	0.3	0.7	0.4	0.4	0.5	0.8
UNFPA	1.8	3.3	2.0	1.5	1.9	2.3
Global Fund	30.7	11.8	14.5
Grand Total	296.0	439.3	1 087.5	417.0	251.6	306.0

Source: OECD

The Luena Memorandum Peace Accord was signed in 2002, after which Angola launched an extensive campaign and lobbied for international development assistance to support the post-conflict country. However, Angola's external relations were strained by domestic factors that are of high regard in the donor community. Foremost, the country is still to meet expectations of holding its first presidential elections since 1992. Nevertheless, Portugal's pledged commitments and disbursement in 2004 were exceptionally high, compared to the year before and the year after. Portugal's ODA flow to Angola increased exponentially, from US\$ 19.5 million in 2003 to US\$ 715.5 million in 2004, accounting for 65 percent of all OECD aid that Angola received in 2004. However, once the euphoria of the peace accord dissipated, Portugal's ODA flows indicate that the country reassumed its standard preconditions for aid. Hence, it gradually began to decrease ODA commitments to Angola. The year 2004 is also a pivotal moment for aid flows to Angola because it marks the date when Angola deviated from the traditional donor community and signed a US\$ 2 billion credit agreement with China. Note the continual drop in ODA commitments and pledges from the DAC for the period 2005/2006.

As displayed in Tables 1 and 2, Angola receives aid (grants, loans and technical assistance) from a number of multilateral institutions. The section below briefly examines Angola's relations with three of the most prominent international financial institutions active on the continent: the African Development Bank; the International Monetary Fund; and the World Bank.

The African Development Bank (AfDB)

Angola and the AfDB established formal relations 1983. They currently have seven projects on their portfolio that are distributed across four sectors: agricultural and rural development (32.7 percent); health and education (27 percent); water and sanitation (16.2 percent); and other multiple sectors (8 percent). The projects are the following:

- Project for the Rehabilitation of Medical Services;
- Artisanal Fisheries Development Project;
- Project in Support of Financial Management;
- Project for the Reintegration of Disadvantaged Groups in Huambo Province;
- Sumbe Water Supply, Sanitation and Institutional Support Project;
- Bom Jesus – Calenga Rural Development Project; and
- Project for Support for Basic and Job Skill Training.⁶

All of the projects are co-funded mostly by the African Development Fund (AfDF) and the Angolan government, as well as include some contributions from other actors. After agriculture and rural development (and healthcare), which provide direct and tangible relief, education is an important component of the Bank's strategy in Angola. From the above-listed projects, it is evident in the support given to Angola's school system and even more in the training of adults and civil servants. Moreover, during an official visit to Tunis in mid-July 2009 Angola signed a US\$ 18.6 million loan

agreement with the AfDB to finance an Environmental Sector Support Project. It is a capacity building exercise that aims to strengthen “the legal, policy, institutional and regulatory framework of environmental conservation and sustainable management of Angola’s natural resources”.⁷

The opaque management of Angola’s mineral industry is heavily criticised in international fora, particularly because of its unaccountability and failure to demonstrate redistribution of wealth to the general population. For many years Angola has adopted a defensive position on this matter, perhaps clouded by suspicions surrounding the source of the suggested remedies. Nevertheless, one can be confident that improving the management of the Angola’s natural resources will have a remarkable influence on the country’s current record of good governance.

Since Angola announced it hopes to access another US\$ 73 million from the AfDB over the next two years, both parties are demonstrating a more vigorous enthusiasm for strengthening cooperation. The AfDB President, Donald Kaberuka, made his first official visit to Angola from 29th to 31st July 2009. During his visit Kaberuka announced the appointment of an AfDB Angola Country Manager and the opening of an AfDB office in Luanda by the end of the year.⁸ There is good reason to believe that the AfDB may become Angola’s most important partner amongst international financial institutions, especially considering the country’s strained relations with the Bretton Woods institutions.

The International Monetary Fund (IMF)

The IMF is the leading international organisation that offers loans to the world’s poorest countries. Its main aid activities are in the form of technical assistance, particularly for capacity building. Amongst its 186 members-states, Angola joined the IMF in 1989. For nearly two decades since then Angola has had no existing programmes with the IMF and thus no outstanding purchases, loans or technical assistance programmes. This is a rather unusual case for an African developing country’s relations with the Fund, especially considering the large amounts of loans and credits that Angola has acquired from other donors over the years.

Bearing in mind issues of poor governance and corruption, the IMF (and the World Bank) insists on reform mechanisms and makes policy recommendations as preconditions for its loans. This form of tied assistance serves the purpose of a guarantee; while providing much-needed financial assistance it also hopes to achieve greater accountability and financial management. The conditionalities essentially led to the infamous structural adjustment programmes (SAPs), which were implemented in many African countries during the 1970s and 1980s. Unfortunately for all parties involved the SAPs produced contradictory outcomes and its critics accuse it of further devastating weak economies throughout Africa. After signing the peace accord in 2002 Angola was therefore very cautious during its negotiations with the Fund and extremely critical of the suggested staff-monitored programmes (SMPs), amongst other things. Although both parties could not come to an agreement on the terms of

the loan, neither the Fund nor the international donor community had ever expected Angola to pull out of protracted negotiations and readily find an alternative source of funding by 2004.

Angola needs major financial support for its reconstruction and development, which the Fund is prepared to provide but it remains equally determined to see Angola improve on governance and its usage of state revenue. In 2007 the IMF's continued criticism over lack of transparency in Angola once again brought their bilateral talks to an abrupt end.⁹ Since then Luanda has taken steps towards increasing transparency, publishing more financial reports and making information available online. Both parties subsequently resumed negotiations and reached a US\$ 1.4 billion loan agreement in November 2009. Nevertheless, Angola maintains a diversified pool of financiers.

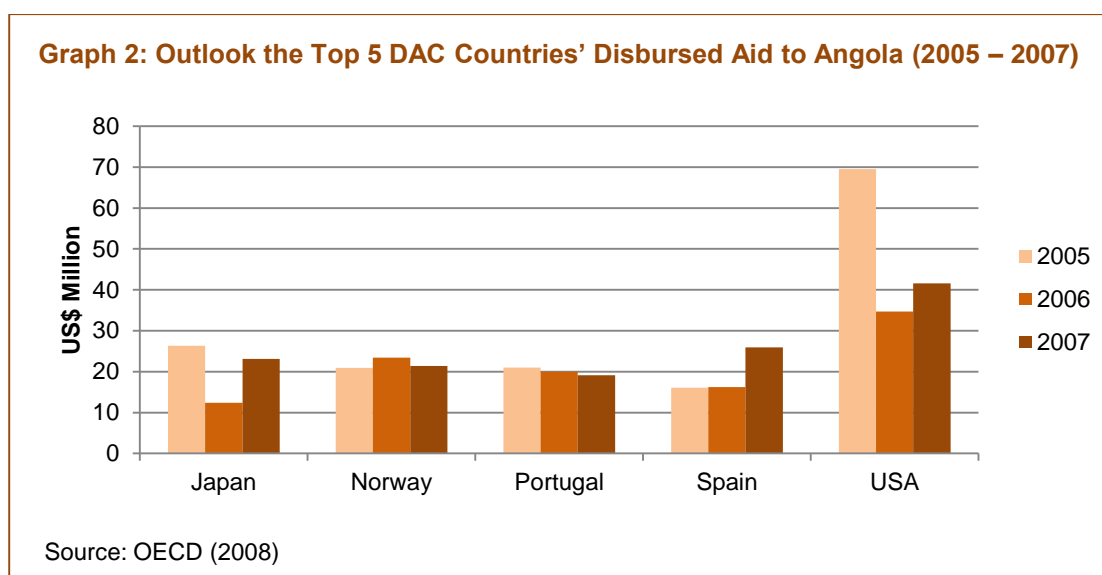
The World Bank Group

Angola joined the World Bank Group in 1989 and the Bank's assistance soon followed from 1991 when the first credit line to Angola was given through its International Development Association (IDA). According to the World Bank (2009a), 19 credits and grants have been approved since then, to the sum value of US\$ 677 million. The World Bank works closely with the IMF, United Nations (UN) agencies, NGOs and other donors active in Angola.

The Group's two main objectives in Angola, to support poverty reduction and promote the sustainable economic growth, are projected in its Interim Strategy Notes (ISNs) of 2005/2006 and 2007/2009. The ISN's objective to promote growth in the non-mineral sectors of the economy is particularly important to the International Finance Corporation (IFC), which holds a growing portfolio of US\$ 12.2 million with some of Angola's key industry players in finance, manufacturing and services. The Group's Multilateral Investment Guarantee Agency (MIGA) also provides investment guarantees to private companies seeking to do business in Angola, where its outstanding portfolio is currently at a gross exposure of US\$ 6.4 million.¹⁰

In November 2008 Angola announced it would be receiving an estimated US\$ 1 billion from the World Bank between 2009 and 2013 to diversify its economy. The World Bank's Director for Angola, Alberto Chueca, announced that the money would be dispersed in tranches of US\$ 250 million per year until 2013.¹¹ A standard practice of the Bretton Woods institutions is to provide financial aid on the condition that prescribed policy reformation takes place. In Angola's case, the World Bank's main criticism has always been that corruption is the biggest obstacle to Angola's social and economic development. In spite of this, as displayed in Table 2 Angola still receives steady contributions for development assistance from various donors. However, even these generous pledges are expected to decrease considerably, which will reflect in Angola's growth outlook.

The top five DAC countries with the largest ODA commitments to Angola are Japan, Norway, Portugal Spain and the USA, Other significant donors to Angola include France, Germany, Italy and the United Kingdom (UK).



France's ODA disbursement to Angola peaked in 2005, but then dropped dramatically in 2006 and 2007. Nonetheless, it is expected to increase since President Nicholas Sarkozy's first official visit to Angola in May 2008. Sarkozy was the first French President to travel to Angola since the infamous 'Angolagate' scandal⁵. In some instances, Angola is actively seeking to diversify its foreign partners and establish new alliances. Hence, Dos Santos paid an official visit to Germany in February 2009 and returned with a US\$ 1.7 million loan agreement to finance infrastructure development. In 2007, Italy was actually Angola's fifth largest donor, exceeding Portugal by winning a fraction. However, its sum over the 2002/2007 period was not enough to make it on the top-five list. Evident in Table 2, the UK's ODA to Angola has been consistent over the said period. Even though its contributions are much more than many other donors, they are marginal considering the UK's capabilities.

Over the next few pages some detail on each of top five countries' ODA to Angola is provided to give a comparative review of their cooperation with Angola. Illustrated in Graph 2, the USA is clearly Angola's largest donor of the five, providing more than double the contributions of each of the remaining four countries. On the other hand, ODA from Japan, Norway, Portugal and Spain average at US\$ 20 million for the last three years.

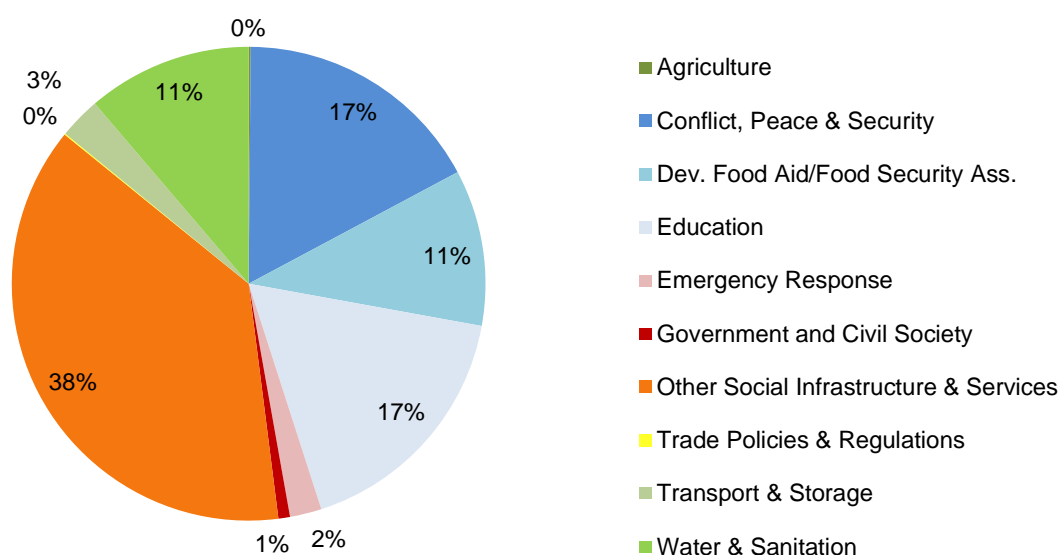
⁵ Angolagate refers to the international scandal over the covert sale arms by France to Angola during the 1990s.

Japan

Angola and Japan established diplomatic relations in 1976. The country's first ODA to Angola was in 1988 when it contributed to an emergency relief programme led by UNICEF. Then after the war Japan carried out several projects to assist in the reintegration of ex-combatants and refugees.¹² Angola subsequently opened its embassy in Tokyo in 2000 and dos Santos made a five-day visit to Japan in January 2001. However, cooperation finally begun to pick up only in 2005 after Japan reciprocated friendly sentiments by opening its embassy in Luanda.

Japan's ODA to Angola consists of aid and technical assistance, which Angola is not required to refund. As displayed in Graph 3, Japan mostly funds programmes that support social infrastructure and services, education, as well as initiatives that aim to restore peace and security at the grassroots. Repairing the social infrastructure for medical care and improving public health services, especially, are key targets of Japan's ODA. For instance, Japan made US\$ 40 million available for the rehabilitation and equipping of *Josina Machel Hospital* and the training of its staff.¹³ The impact of such cooperation initiatives is longstanding, as it builds capacity and improves the resources available to medical staff. In November 2007, Tokyo announced it would consider opening a line of credit to Angola for long-term low interest loans.¹⁴

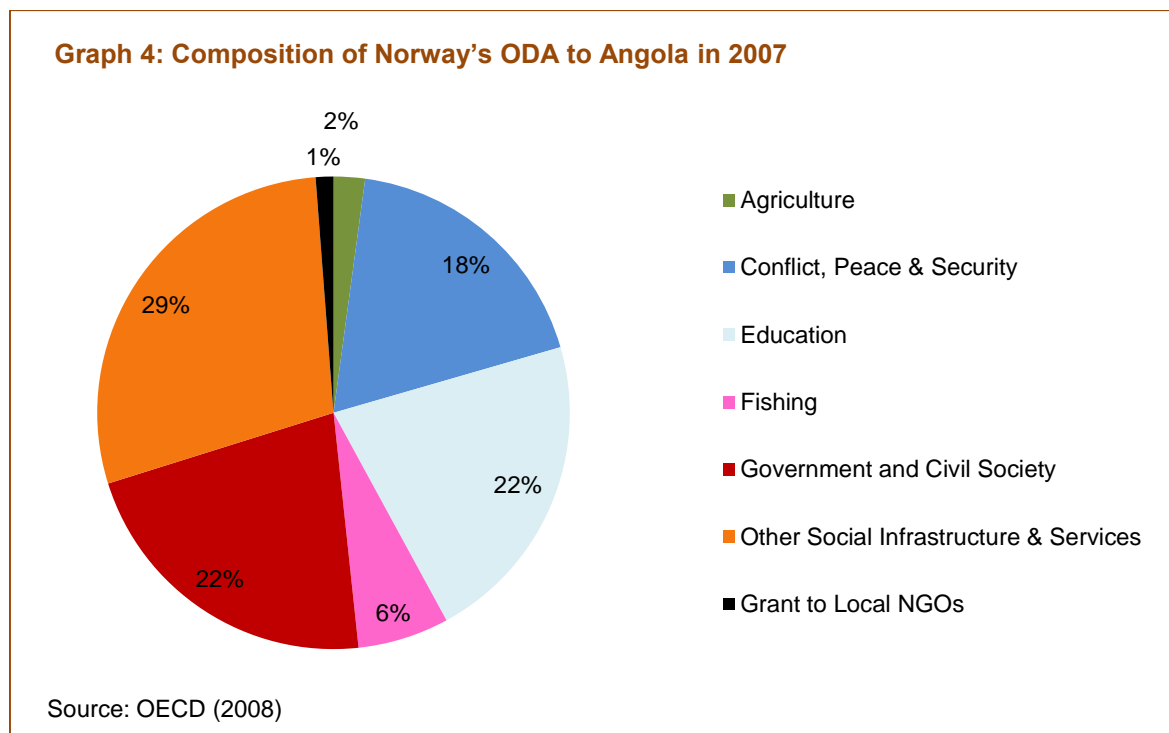
Graph 3: Composition of Japan's ODA to Angola in 2007



Source: OECD (2008)

Norway

Norway has been supportive of Angola since the colonial era, providing humanitarian aid well into the 1980s. Today there are several Norwegian NGOs working in Angola, in partnership with the government and other local NGOs. In all its initiatives, Norway's main objectives in Angola are to promote sustainable socio-economic development, alleviate poverty and the effects of the civil war, as well as improve the respect of human rights.¹⁵ Norway's priority is to assist Angola in strengthening its human resources and tools of governance - especially democracy, the justice sector, and public financial management. Hence, Graph 4 is consistent in its display that the majority of Norway's ODA to Angola in 2007 was channelled into social infrastructure and services, education, government and civil society. The funds are disbursed primarily through international NGOs including the Norwegian Church Aid, the Norwegian Peoples Aid, UNICEF, Save the Children and the UN Integrated Information Networks (IRIN).

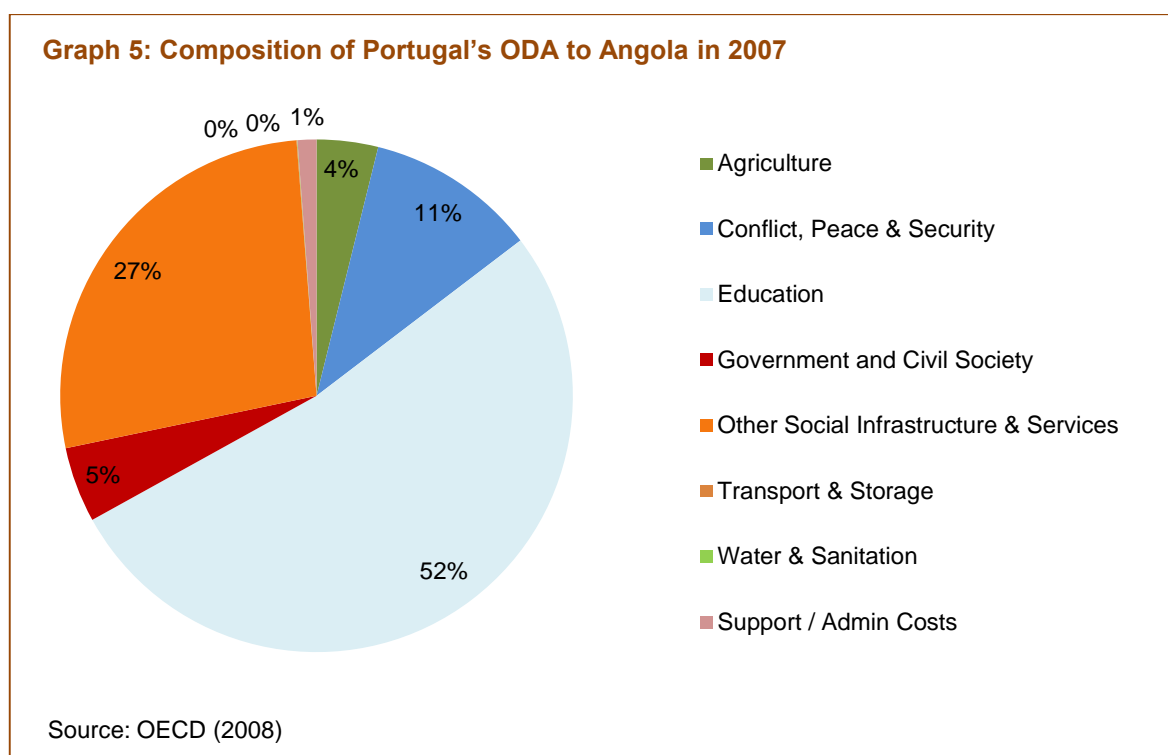


Portugal

Seeing that Angola adopted its Lusophone heritage from the colonial era, Portuguese is the country's official language of business and culture - unlike most of the rest of Africa and the international donor community that are predominately Anglophone and Francophone. Portugal is thus in an advantageous position to make a contribution where most countries would struggle. Hence, Portugal plays an instrumental role in Angola's education sector. In fact, education accounts for half of the country's ODA to Angola (see Graph 5).

In 2007 Portugal disbursed US\$ 8.56 million towards education, of which US\$ 3.5 million went into funding scholarships in-country as well as for Angolan students studying in Portugal. Universities in Portugal are generally the first choice for Angolan parents that are seeking to enrol their children in tertiary education, followed closely by Brazil, the USA and South Africa.

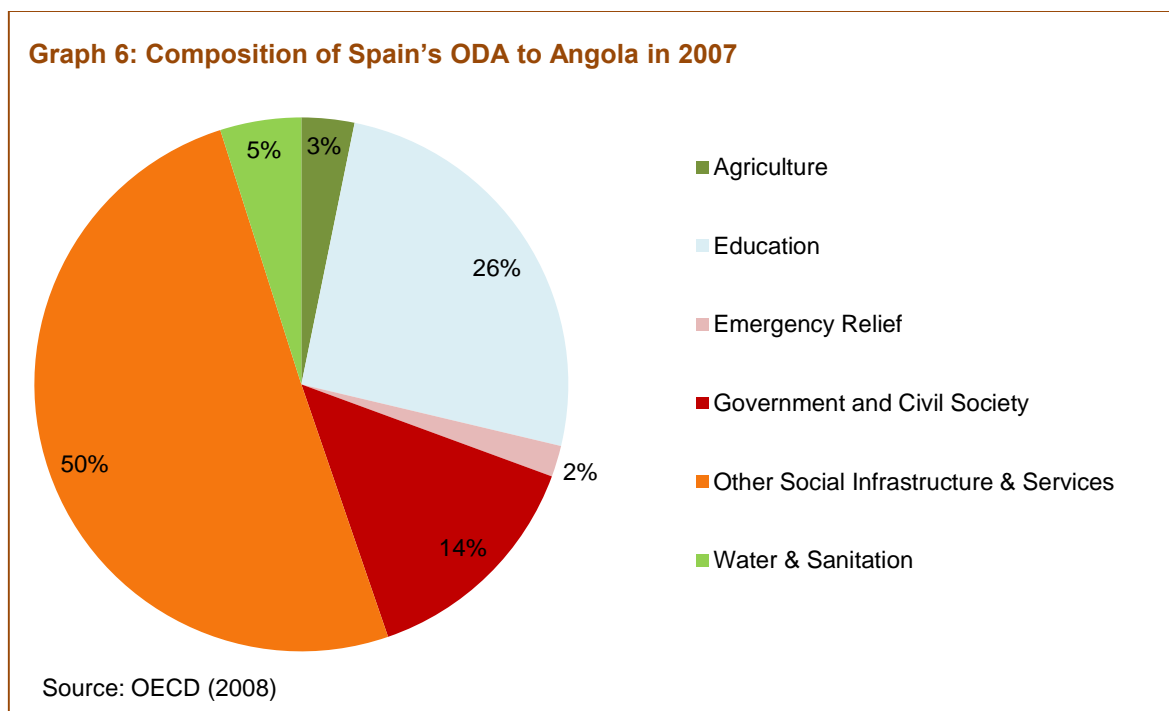
Significant funding also goes towards capacity building and skills development, through cooperation initiatives between specific faculties of universities in Angola and Portugal. At a primary and secondary school level, Portugal provides funds for equipment, the building of new schools, the rehabilitation and extension of school facilities, as well as for improving human resources through teacher training programmes.



Spain

Spain's ODA to Angola is managed by the Spanish Agency for International Cooperation (*Agencia Española de Cooperación Internacional para el Desarrollo - AECID*) and disbursed through various local and international actors and NGOs. Graph 6 displays the composition of Spain's ODA to Angola in 2007, which reveals that 50 percent of the country's ODA goes towards social infrastructure and services. Seemingly, Spain has a particular interest in Angola's healthcare system. Approximately US\$ 6 million of the US\$ 7 million allocated for social infrastructure and services in 2007 went to medical care facilities and improving Angola's public health system.

In 2006, for instance, Spain donated €1 million (approximately US\$ 1.5 million) to UNICEF Angola in support of the Ministry of Health’s National Strategic Plan for Maternal and Child Mortality Reduction. UNICEF claims that Angola has one of the world’s highest maternal, neonatal and child mortality rates in the world. Every year nearly 12,500 Angolan women die from pregnancy and child birth related complications, and nearly 200,000 Angolan children die before the age of five.¹⁶



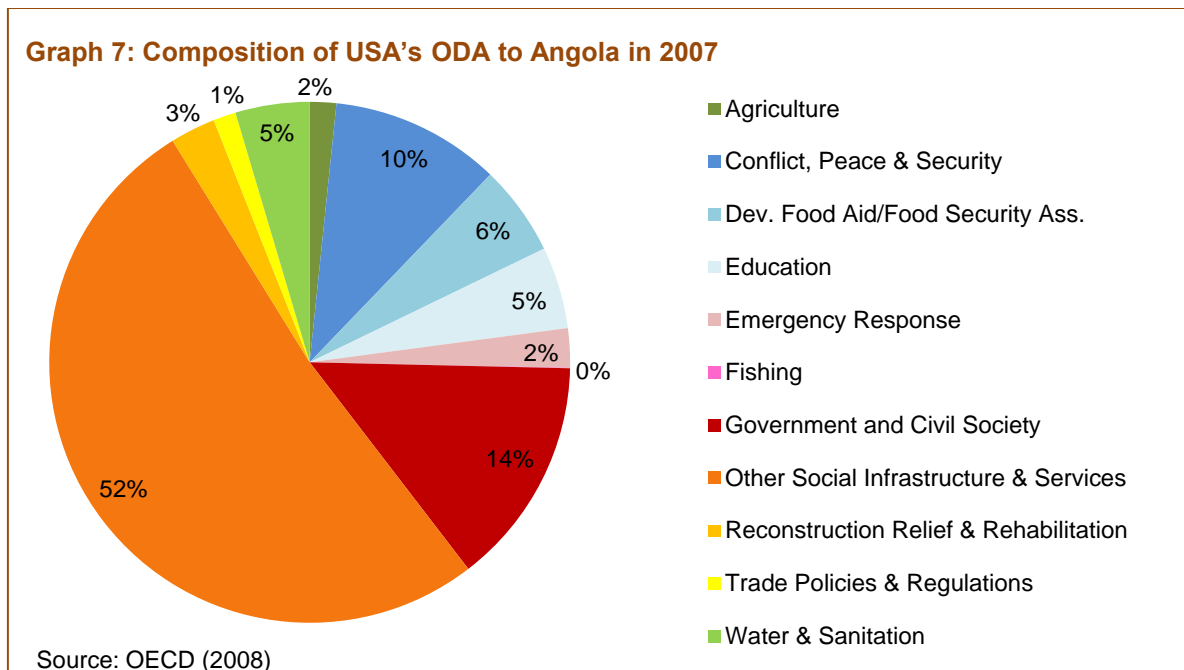
United States of America

The USA’s ODA to Angola has more than halved of late, from US\$ 106.9 million in 2002 to US\$ 41.6 million in 2007. Nevertheless, in 2007 the USA still accounted for 20 percent of ODA disbursed from the entire group of DAC countries. The United States Agency for International Development (USAID) is the agency responsible for the country’s economic and humanitarian assistance. The main focus of USAID’s programme in Angola is good governance, by strengthening the necessary tools to improve transparency and accountability.

At a macro level USAID works with the IMF, the World Bank and the European Commission in an effort to build capacity in the Ministry of Finance’s management of the national budget. At a micro level USAID runs various people-programmes in a wide variety of sectors. Displayed in Graph 7, the sectors include agriculture, security, food security, education, emergency response, fishing, reconstruction, trade policy, water and sanitation.

Most recently, in April 2009 USA through US Export- Import Bank pledged a US\$ 120 million line of credit to facilitate Angola’s import of US products and services. The possibility of US\$ 400 million loan

was subsequently announced in July 2009, to help finance to the construction of one million homes in Angola.¹⁷ At a quick glance, both loans suggest a formula that Angola has become accustomed to from its cooperation with China. There is certainly a lot of construction in Angola to go around. These two loans may be the catalyst to giving American engineering firms their long-awaited entry into Angola's construction sector.



The People's Republic of China

Angola's relations with China were instigated in the early 1960s during the country's quest for sovereignty from its Portuguese colonialist. During this period and up until its independence in 1975, China switched its allegiances between Angola's three main liberation movements: the National Front for the Liberation of Angola (*Frente Nacional de Libertação de Angola* – FNLA); the National Union for the Total Independence of Angola (*União Nacional pela Independência Total de Angola* - UNITA); and the Popular Movement for the Liberation of Angola (*Movimento Popular de Libertação de Angola* – MPLA).¹⁸ China's early history of aid to Angola was thus predominantly in the form of military assistance. This took a drastic turn once the 27-year long civil war ended and the ceasefire agreement was signed in 2002.

In the new millennium Angola's relations with China shifted, as they began to sign barter deals. In 2002 already China's Export-Import (Exim) Bank and China Construction Bank (CCB) made US\$ 145 million available for reconstruction. The funding was for a 444 kilometre Luanda railway and the expansion of the electrical systems in Luanda, Lubango, Namibe and Tombwa.¹⁹ By 21 March 2004 the relations intensified quite rapidly when China's Exim Bank extended a US\$ 2 billion oil-backed

credit line to Angola. This was after lengthy negotiations with the IMF collapsed when Angola expressed its dissatisfaction with the policy reform programmes imposed as preconditions for financial aid. China's conditions, on the other hand, were viewed as more business-inclined.

Precondition to the loans, for which all funds were earmarked for Angola's reconstruction and development projects, 70 percent of the projects would be contracted to Chinese enterprises. As a result, Chinese state-owned and private enterprises have since then been involved in improving Angola's transportation, housing, utility services and public facilities. Also, Angola agreed to provide China with 10,000 barrels of oil per day from its oil exports.

The first round of financial assistance in March 2004 was provided by China's Exim Bank. The funds were disbursed in two phases of just over US\$ 1 billion each and are payable over a 12 year period, at an interest rate of 1.5 percent. The first half of the loan was released by the end of the year already, in December 2004. Both countries proceeded negotiations for further financial cooperation. Hence, in May 2007 Angola was credited with an additional US\$ 500 million. This was opportune because towards the end of the year, Angola had already exhausted nearly US\$ 837 million of the second phase funds.²⁰ During Exim Bank President Li Ruogu's visit to Angola in September 2007, he announced in a meeting with President dos Santos that China's Exim Bank would provide an additional US\$ 2 billion loan agreement to finance public investments.²¹

Angola's president José Eduardo dos Santos visited Beijing in December 2008 to reinforce bilateral agreements, even amid the tumbling oil price during the height of the global economic crisis. A month after dos Santos' trip to China, Chinese Minister of Commerce Chen Deming visited Angola. During his stay Chen held separate meetings with Angola's Prime Minister Antonio Paulo Kassoma, Finance Minister José Pedro de Morais and Trade Minister Indalina Valente.²² Since then, China has already made US\$ 1 billion available for Angola to develop its agricultural sector through China Development Bank. Over the course of five years, China has become the largest foreign player in Angola's post-war reconstruction, even surpassing the combined contributions of all DAC members. In all, the PRC's estimated cumulative credit line to Angola stands at approximately US\$ 5.5 billion.

The China International Fund (CIF)

It is worth mentioning that the diplomatic connection with China has enabled Angola to establish relations with actors from Hong Kong, a territory that has a semi-autonomous status as a special administration of the People's Republic of China. Angola has received significant loans from the Hong Kong-based China International Fund (CIF); these loans are all managed by the GRN. So far, the CIF has made approximately US\$ 2.9 billion worth of credit available to Angola.

In essence, Angola receives aid from various actors. Although a significant amount of the aid is considered aid in kind, there is also the financial assistance that is offered in the form of loans and

interestingly more through credit lines. China is actually not the only country to extend credit lines to Angola. For many years already Brazil and Portugal have been providing oil-backed credit lines to facilitate the import of the goods and services, particularly in the construction sector. Table 3 indicates a cumulative account of the major bilateral credit line extended to Angola.

Table 3: Cumulative Bilateral Credit Lines Extended to Angola (2009)

Creditor Country	US\$ Million
China ⁶	8,400
Germany	2,200
Portugal	1,900
Brazil	1,800
Canada	1,16
Spain	600
United States of America	120
United Kingdom	70
India	50

Source: US State Department

2.5 The Impact of the Global Financial Crisis on Angola

The global financial crisis has had a considerable impact on the donor community's propensity to disperse funds. International creditors are less liquid and prospective investors are disinclined to consider high risk zones, particularly in the non-extractive sectors of industry. Most African countries, much like Angola, have thus been indirectly affected by the crisis. Also, countries with significant cross-border financial linkages were hit hard by the initial shock. However, Angola does not have a stock market and the national banks are not dependent on the international financial markets. Angola's strong macroeconomic indicators actually cushioned the effect of the crisis, notably the country's double digit GDP growth rate, the budget surplus, high reserves and low external debt.²³ However, Angola's strongest weakness is that its economy is pegged to the oil price.

Fears of a global economic recession caused oil prices to plunge from a record above US\$ 147 per barrel in July 2008 to almost a third of the amount just four months later. With the shock of the financial crisis now past, commodity prices are slowly recovering. At a meeting of the Organisation of Petroleum-Exporting Countries (OPEC) in Beijing this past July 2009 the OPEC secretary, who is also Angola's Minister of Petroleum José Botelho de Vasconcelos, announced that the cartel sought to maintain the oil price between US\$ 68 and US\$ 71 per barrel.²⁴ Therefore, Angola's export earnings are set to drop significantly. Even the World Bank had initially dropped its 2008 economic growth

⁶ This reference to China includes Hong Kong, thus contains credit lines from Exim Bank, CDB and CIF.

forecasts for Angola, from 20 percent to 15-18 percent. The Group now expects Angola's economy to only expand by 10-12 percent in 2009.²⁵ However, Manuel Alves da Rocha, one of Angola's leading economists from Angola's Catholic University, expects that with the economy in recession the growth rate could drop even lower to 6.3 percent.²⁶ This has been an unexpected turn of events, especially after enjoying an impressive streak of economic growth. With OPEC's cap on oil production, Angola was really counting on coupling the high demand in the international market with the rising commodity prices to bankroll its state agenda. Alas, the government is now re-evaluating the country's economic outlook and readjusting all fiscal targets. Several construction projects across the country were even suspended temporarily.

Nevertheless, Angola's double digit economic growth rate is still exceptionally high by international 2008/2009 standards, particularly in a period when many established markets are trying to steer their economies away from a negative growth rate. As such, Angola's economy is forecast to make a smooth recovery in 2010 concurrently with the oil price. Already in the first quarter of the year, foreign exchange reserves rose from US\$ 12 billion in January 2010 to US\$ 13.7 billion in February 2010.²⁷ The global financial crisis was perhaps timely for Angola. The interruption provided some sort of a recess, an opportunity to do precautionary auditing and control of projects in a country that is enduring an accelerated pace of development.

3. LITERATURE REVIEW

Aid may be one of the most controversial subjects in development theory. Philanthropically, the hardship endured in developing countries has always justified a need for aid. Addison, Mavrotas and McGillivray (2005) stress the significance of aid for African countries, without which these countries will struggle to reduce poverty and be able to focus on sustainable development. In an effort to counter the crippling effect of poverty, the main target of the United Nations' (UN) Millennium Development Goals (MDGs) is to reduce the proportion of people living in extreme poverty by 2015 (compared to the 1990 level). However, research indicates that poverty in sub-Saharan Africa (SSA) has actually increased. Between 1990 and 1999, for instance, the proportion of people living on less than US\$ 1 per day increased from 47 to 49 percent. Hence, there thus remain fundamental obstacles in the scheme of development assistance.

After more than 50 years of disbursing development aid in Africa, its effectiveness is ever more highly questioned. In fact, there is mounting evidence that indicates that current aid programmes to African countries is not effective and that they may actually be detrimental. Seemingly, the donor community is reluctant to disseminate research on its redundant efforts. Instead, many aid programmes insinuate a correlation between poverty and a state's form of governance, further arguing that the effectiveness of aid depends on the type of political regime in the recipient state. However, there is no

conclusive evidence to support the theory that the impact of aid is determined by the recipient government being either repressively autocratic or liberally democratic.

For nearly three decades after the wave of independence in the 1960s, African countries received generous volumes of aid that increased substantially year on year. However, since the early 1990s the disbursements have gradually decreased. This move was prompted by stirring debate over the implications of aid, particularly for the recipient countries. There is also an ongoing debate over the effectiveness of aid in Africa, the mounting indebtedness of African countries and the real impact of aid on poverty alleviation in African communities.

The literature on aid effectiveness consists mostly of empirical macroeconomic studies that make use of econometrics and meta-analysis. Since the mid-1990s there has been a notable effort amongst academics and the IFIs to clinically examine the effectiveness of aid. O'Connell and Soludo (1999), for instance, attempt to study the relation between aid intensity and its effectiveness, drawing on the experiences of seven African countries. Their findings reveal that many African countries become susceptible to aid dependence, particularly where there is a high aid intensity and weak institution equilibrium. Hence, this is the premise for debating the impact of China-Africa aid relations.

The literature on China-Africa relations is varied, but written primarily to investigate Chinese activity in African countries. Although there is agreement on the intensification of China's engagement of African countries, there remains debate over its motivations. Alden (2005) identifies four factors that shape China's approach to engaging in Africa, namely "resource security, new markets and investment opportunities, symbolic diplomacy and development co-operation, and strategic partnerships." In many African countries the focus has been primarily on visible outcomes of the bilateral relations, with the literature demonstrating a particular interest in 'Chinese projects' that are either gifted by the Chinese government or financed by the concessional loans it provides to African governments.

The most comprehensive Angolan study so far on China-Angola aid relations is that of Pinto de Andrade (2007) from Angola's Catholic University. The paper provides a narrative account of China's development assistance towards Angola, cataloguing all the various projects financed from the credit lines and loans. The paper remarks that Chinese actors in Angola appear to have a strong autonomy, compared to others. So much so, China-Angola aid relations have led to the duplication of management structures in the monitoring of projects. Although not sufficiently demonstrated, the paper claims that there is no technology transfer and that China's development assistance has had minimal impact on employment creation. To address these problems, Pinto de Andrade suggests that both parties need to form a strategic alliance that compliments their competencies and pursues common objectives.

There are other noteworthy studies from research organisations outside of the country. Even so, it is China's involvement in infrastructure development in Angola that is most widely reported and analysed in the emerging literature. Some reports worth mentioning include:

- *Angola Infrastructure Report Q2 2009* (2009), by Business Monitor International;
- *Angola and Asian Oil Strategies* (2009), by Chatham House;
- *How China Delivers Development Assistance To Africa* (2008), by the Centre for Chinese Studies; and
- *The Impact of China on Sub-Saharan Africa* (2007), by the Institute for Development Studies.

This paper follows the scoping exercise published by the African Economic Research Consortium (AERC). In the AERC scoping exercise, Corkin (2008) provides a broad account of China-Angola cooperation, touching only the surface of issues surrounding bilateral investment, trade and aid. The scoping exercise prompted further investigations into the three tiers of China's engagement of Angola to examine the impact of the bilateral relations and assess opportunities for how Angola could maximise its benefits.

Campos and Vines' paper (2008) comments that China and Angola's partnership generates debate and controversy, ultimately because of its knack for pragmatism. As once simply stated by Angolan President Eduardo dos Santos, "China needs natural resources and Angola wants development". Campos and Vines provide a holistic account of China-Angola relations, from its nascent stage to its current status, unravelling variables in all aspects of their cooperation. The paper focuses on policy implications, but not sufficiently assessing the impact of the bilateral cooperation thus far.

The Windhoek-based African Labour Research Network's study offers a labour perspective on Chinese activity in Africa, drawing its findings from surveys conducted on project sites across ten countries. In the Angola case study, Emmanuel (2009) examines the working conditions of locals employed on 'Chinese projects'. Most of the findings are unsurprising, considering the Chinese work ethic even in China. Interestingly though, some of the other international construction companies have labour practices that are just as equally questionable. However, the findings actually do a better job of revealing the institutional weaknesses in Angola's social fabric that make its workers vulnerable.

The existing literature on China-Angola relations predominantly discusses the increasing presence of Chinese firms in the country's construction sector and China's resource-seeking interest in Angola's oil exports. Its focus on China is limited to critiquing their trade portfolio, as well as China being a source of long-term loans devoid of "Bretton Woods" conditionalities. There is a gap in the existing knowledge about the impact of China-Angola aid relations, providing a comprehensive account of the output of the aid relations and their policy implications. The need exists for literature that distinguishes between China-Angola aid and China-Angola investment, specifically evaluating the impact of each on Angola's political system and the socio-economy. This paper examines the impact of China-Angola aid relations.

4. THEORETICAL FRAMEWORK AND METHODOLOGY

For nearly five decades several wealthy donors have been providing aid to African countries, either through official government channels, NGOs and/or agents. Although the quantities and recipients have varied over the years, the main donors have generally remained the same. In the contemporary social sciences the concept of aid is dominated by tools established by the Organisation for Economic Cooperation and Development (OECD)⁷. By its own definition, the words “aid” and “assistance” refer to flows which qualify as Official Development Assistance (ODA) or Official Aid (OA). The only distinction between ODA and OA is the categorisation of the aid recipients, on Part I or Part II, for which OA recipients were cited on Part II. However, since this classification system was abolished in 2005, all 151 of the ODA recipients are now on one single list. The term “Official Development Assistance” (ODA) was adopted 1969; it refers to:

“Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries (“bilateral ODA”) and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions. Lending by export credit agencies—with the pure purpose of export promotion—is excluded” (OECD 2009).

Accordingly, aid activities consist of cash transfers, debt relief operations, deliveries of goods, projects and programmes, training courses, research projects and contributions to NGOs. However, the OECD’s notion of aid is itself a product of constructivism. It was formulated by its Development Assistance Committee (DAC), which prides itself on being the “venue and voice” of the world’s donor community - addressing issues surrounding aid, development and poverty reduction in developing countries. The DAC’s 23 members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom (UK), the United States of America (USA) and the Commission of the European Communities.

The terms and conditions of what constitutes aid and how such aid should be disbursed had always been very clear to the DAC, which represents the majority of the international donor community. Many actors, which are also predominantly based in the DAC countries, naturally followed suit as the OECD’s definition mirrors their own principles of socio-economic development. This school of thought is similarly promoted by the Bretton Woods institutions⁸. But now that China has emerged as a viable

⁷ The OECD was established in 1961, after succeeding the Organisation for European Economic Co-operation (OEEC) that was formed in 1948.

⁸ The Bretton Woods Institutions are the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), which is a part of the World Bank Group. Operating since 1945,

development partner for African countries and it is fulfilling the role of many established members of the international donor community; China appears to be redefining the parameters of aid.

China in Africa: Redefining the Parameters of Aid

The People's Republic of China (PRC) has come a long way, from a traditional donor recipient to now being known as a significant creditor in the group of 'new' donors active in Africa. However, China's involvement with the OECD remains strictly as an ODA recipient. Since China is not a part of the DAC and has generally followed a doctrine that is different (perhaps even contradictory) to the West, naturally its principles to aid differ. Brautigam (2009) published a study on how China's definition of aid and style of development assistance differs from those of the West, essentially reflecting its own principles to achieving poverty alleviation.

China's earliest pledges of aid to Africa date back to the colonial era when it offered military assistance to liberation movements during their struggle for independence. Although this form of aid continues even still to date, China's aid packages to African countries have diversified over the years. Accordingly, medical cooperation is one of the most important segments of China's official development assistance. Hence, in 1963 already Beijing sent its first medical team to Algeria.²⁸ As the PRC's diplomatic relations with African countries increased over the years, in favour of the 'One China' policy, China's relations with African countries have become multilaterally inclined. Moreover, with the launch of the Forum of China-Africa Cooperation (FOCAC) in 2000, Sino-African relations have displayed an accelerated scale of engagement.

FOCAC has held four ministerial meetings and a summit in 2000, 2003, 2006 and 2009. Their respective action plans detail China's and the African countries' commitment to political cooperation, economic cooperation and cooperation in social development. Much of FOCAC's 2006 Beijing Action Plan is drawn from the whitepaper of China's African Policy that was released in January 2006. At the opening of the FOCAC summit in November 2006, President Hu Jintao announced eight policy measures to strengthen cooperation between China and Africa. These measures capture the essence and diversity of Beijing's aid to Africa. Six months later, in May 2007, the African Development Bank's (AfDB) annual general meeting was held in Shanghai. The meeting was attended by 50 African heads of state, demonstrating Africa's enthusiasm to branch into new frontiers of a shifting donor community. The 2009 FOCAC ministerial meeting, held in Egypt, was just as well represented. China has become a major development partner across Africa. Its intentions remain a subject of much debate, some of which are intricately examined in this report. Critics claim that mounting Chinese aid to Africa will result in unsustainable levels of debt, adversely affect governance and negatively impact on the

these international financial institutions manage the rules of commercial and financial relations by obliging countries to adopt their prescribed monetary policies.

ecological environment. Nevertheless, African countries recognise an opportunity in China and their engagement demonstrates growing allegiance.

For a developing country, China has gained a remarkable foothold in international affairs. Its political influence is long-standing, since 1971 when it became a permanent member of the UN Security Council. Although China is technically a developing country, for many years already it is treated and regarded as a developed country because of its sheer size and impact. Hence, its economic influence has gained much momentum, even more recently from the manner that it weathered through the global financial crisis of 2008.

Since the onset of its double-digit growth rate in the 1980s, China has experienced an unprecedented record of economic development that today makes it the world's third largest economy – after the USA and Japan. Most astounding, China has lifted 400 million people out of poverty in the last 20 years. Yet during the same period Africa was the only developing region of the world whose socio-economic indicators had actually regressed. Worthy of note, China identifies in its own past certain socio-economic challenges of development that resonate the difficulties experienced in many African countries today. Redefining its relations with African countries is thus opportune, for it comes at a time when there appears to be renewed political will amongst key members of Africa's political elite for sustainable development.

China's aid to African countries consists of aid in kind, zero interest loans and concessional loans, which all generally coincide with the OECD's aid activities. Although the agreements differ according to bilateral negotiations, the criteria for Chinese aid remain relatively the same. The AFRODAD report (2008) reviews this process extensively, also examining the coordination and management of Chinese aid.

The Chinese practice and/or definition of aid includes tied aid loans, export credits and tied export credits, which contradict the OECD's definition of ODA as cited above. When adding other factors to the equation, such as China's apparent lack of conditionalities, its entry to the donor community has prompted much controversy. Unlike the OECD aid records, China's aid also does not include debt relief. Nevertheless, China does provide debt relief to LDCs including Angola, which is not an HIPC and thus does not qualify for OECD debt relief. The relevance of debt relief and its correlation to indebtedness are further examined in section 5.2 of this paper. Chinese aid includes cooperative joint-venture funds for aid projects, cooperation in science and technology and cooperation in social development - education, training, medical support and healthcare.

Concessional loans from the Chinese government are provided by its Exim Bank. The loans receive an interest subsidy by the PRC's Ministry of Commerce (MOFCOM). Although the sizes of some loans to Angola have been publicised, the total volume of aid has never been revealed. Furthermore, the terms of the agreements are undisclosed. Generally, Exim Bank's concessional loans must be

serviced over a 10-15 year period, at a 2 percent interest rate. No grace period is included and the Chinese Yuan is pegged as the debt currency, not the US Dollar.²⁹

In May 2007, China's Exim Bank and the World Bank signed a MOU to improve their cooperation in development issues in Africa. The World Bank's Vice President for Asia, Jim Adams, insisted that including China in the global donor system would be imperative to ensuring transparency and debt sustainability in the international donor community.³⁰ Analysts suspect that this move may be the World Bank's attempt at avoiding competition with China, considering its rapid rise of the ranks in becoming a significant development partner in Africa.

In addition to the world's most renowned financial institutions, Chinese banks are also cementing relations with the largest pan-African bank. After the AfDB's meeting in Shanghai, the bank signed MOUs with China's Exim Bank in May 2008 and with China's Development Bank a few months later in September. Both agreements demonstrate a shared interest in collaborating in the co-financing and coordination of development projects in Africa.³¹

ODA is an all too familiar concept in Africa, which begs one to question its effectiveness. In spite of much criticism surrounding the effectiveness of aid and the implications of its tied conditionalities, African countries have generally been compounded with greater indebtedness and irresponsible borrowing practices. When the OECD dominated Angola's aid relations in donor community, it tried to manage issues surrounding debt. However, now that China is also providing aid and financial assistance, it appears the OECD no longer has the luxury of an unchallenged commanding authority.

China's key interest in Angola is timely, and not just because of the peace and security that is now restored in the southern African country. During the early 1990s China shifted from being a petroleum exporting country to now being a net importer of petroleum – consuming 5.46 million barrels a day. In the new millennium post-conflict Angola has embarked on an ambitious plan national construction and development. With its impressive economic growth rate, Angola is eager to become a powerhouse in the region. It hosted its first OPEC meeting in January 2009 and shortly after also hosted the African Cup of Nations (CAN). Indeed, the partnership between China and Angola appears timely. Now that five years have passed since the 2004 credit line was signed, what has been the impact of China-Angola aid relations thus far?

This study makes use of both quantitative and qualitative methods of analysis, employing theories of international political economy and social studies to assess the impact of China-Angola aid relations on Angola's political system and its socio-economy.

The paper utilises a holistic body of data sources comprising personal interviews, primary sources, official documentation, policy documents, theoretical literature, as well as critiques and discussion papers from the media. The author conducted field research in Luanda between 2nd - 13th March

2009, during which she interviewed representatives from various entities including the Angolan Ministries of Planning, of Agriculture and Rural Development, and of External Relations, the National Private Investment Agency, the National Institute for Scholarships, the Chinese Embassy, the Chinese Economic Counsel's Office, China Railway 20, and CITIC Construction. Field research was also performed in Beijing between 22nd April – 2nd May 2009 where the author met various stakeholders, including the Africa Department of the Chinese Ministry of Foreign Affairs (MOFA), the Chinese Academy of International Trade and Economic Cooperation (CAITEC) in the Department of Aid Studies of the Ministry of Commerce (MOFCOM), and the China-Africa Development Fund.

5. AN ANALYSIS OF THE IMPACT OF SINO-ANGOLAN AID RELATIONS

5.1 The Disciplinary Focus of Chinese Aid to Angola

China's aid to Angola cuts across various sectors and disciplines, as categorised in Table 4. Although concessional loans form a great part of China's development assistance to Angola, the section below explores the diverse nature of Chinese aid to the country providing an indication of where the aid funds are channelled.

Table 4: Composition of Exim Bank's Loans to Angola

Sector	2004: Phase I		2004: Phase II		2007
	No. of Contracts	US\$ Million	No. of Contracts	US\$ Million	US\$ Million
Health	9	206	1	43	159
Education	8	217	3	229	145
Energy and Water	8	243	3	144	76
Agriculture & Fisheries	3	149	4	320	41
Transport	1	13	...	...	...
Social Communications	1	66	4	276	56
Public Works	1	211	2	89	65
Subtotal	31	1105	17	1101	542

Source: Angolan Ministry of Finance

Further bilateral cooperation in social development incorporates aid towards human resource development, exchanges and infrastructure development. Although the rudimentary data is easily accessible from the Angolan Ministry of Finance, the details of the projects are generally considered difficult to attain. Also, there is often uncertainty in distinguishing projects from one another and discerning where the funding comes from for the various projects. The projects examined below are an incomplete account of all the Chinese aid cited in Table 3. Nevertheless, they illustrate the type of

aid provided by the Chinese government and offer a basis of analysis. The information was collated from various media, as well as verified during field research in Angola.

Public Health and Medical Care

Since the end of the war, Angola's government has been adamant to restore the country's medical care facilities and its public health system, which are both significant factors in the production and productivity of the country's human capital. Countless human lives were lost in battle during the liberation struggle and over one million more subsequently during the 27 years of civil war. Even after peace was established in 2002, the legacy of this volatile period of Angola's history remains a reality in many remote areas of the country where landmines continue to claim new lives till this day.

The life expectancy in Angola is only 41.7 years and individuals have only a 46.7 percent chance of surviving past the age of 40. Malaria and HIV/AIDS are the main causes of death caused by illness, followed by those associated with maternity and water-borne diseases. Malaria kills an average of 14,000 people per year.³² Instances of cholera often sprout around the country, which is unsurprising considering almost half the population (47 percent) is without access to improved water sources.

The Chinese government has pledged aid towards medical care and improving Angola's healthcare system. Chinese enterprises have been upgrading existing medical facilities on behalf of the Ministry of Health. During the period 2006/2008 Sinohydro, for instance, embarked on a US\$ 148.7 million project to expand and renovate four regional hospitals around the country – i.e. in Benguela, Huambo, Lubango and Malange.³³ In April 2007 Sinohydro also processed the procurement of 86 ambulances for Angola's Ministry of Health with funding (US\$ 4.38 million) from the Exim Bank line of credit. Seven ambulances are in reserve, while the remaining 79 have been issued across all 18 provinces.³⁴

The Chinese government has also provided aid towards the construction of hospitals in many African countries. Accordingly, Beijing funded the construction of Luanda's Central Hospital in Kilamba Kiashi, which was inaugurated in February 2006. The US\$ 8 million contract was handed over to a Chinese company, which took 15 months to build hospital that today accommodates 100 patients and offers speciality services in laryngology, dermatology, neurology, ophthalmology and physiotherapy.³⁵ President Hu Jintao visited the hospital premises in June 2006 while he was in Angola; he appraised it as a symbol of the growing friendship between China and Angola.

The hospital also contains an anti-malaria centre, which has become a central feature of Sino-African cooperation in the field of medical care and public health. Malaria is a rampant illness in Angola, exacerbated by the country's tropical location. The infection rate is extremely high, making malaria the main cause of deaths incurred by illness in Angola. Re-infections occur several times over if not treated adequately, and generally lead to death in extreme cases. To assist in combating the ailment, which is a pandemic across the continent, Beijing donates anti-malaria medication to African

countries. Angola's Ministry of Health received some RMB 2 million worth of medication (approximately US\$ 300 million) on 9 April 2009.³⁶ Such provisions increase the availability of the medication, but its distribution remains a challenge.

Notwithstanding Angola's efforts to restore and increase the number of medical facilities across the country, its poignant deficit of medical doctors is of grave concern. According to the Minister of Health Dr. Anastácio Rubam Sicáto, of the 57,000 medical workers in the country less than 2,000 of them are doctors. The rest and overwhelming majority consist of nurses and technicians.³⁷ This debilitates the public health system, to which as a result many patients must receive treatment abroad through the Ministry's National Medical Association.

In 2008 Angola and China signed an agreement pertaining to the dispatching of Chinese medical doctors. However, the programme was postponed on account of inadequate housing for the doctors. New accommodation has since then been arranged in Kilamba Kiaxi, where 20 houses have been built within the vicinity of Luanda's Central Hospital. Angola was scheduled to receive 18 Chinese medical doctors during the second half of 2009. They would be based at the hospital and would provide new treatments in urology, acupuncture and cardiology.³⁸

Education

At independence Angola launched an ambitious public education system, free of charge from primary to tertiary level, to alleviate racial imbalances amongst scholars and students enrolled in public institutions. But the public education system came under strain soon after the civil war erupted. As a result, today there is an entire generation of Angolans that has foregone formal education.

Hundreds of private schools are well established across the country, which now dominate the sector. Nevertheless, Angola is adamant to restore the country's public education system. Chinese companies feature prominently in the restoration and construction of education facilities in Angola, many of which are also funded through the concessional loans provided by the Chinese government. This area of cooperation is managed by Angola's Ministry of Education.

In 2005 the Golden Nest Angola Lda³⁹ received funding from the Chinese government to build 11 schools: four junior schools in Luanda's districts of Cacuaco, Panguila and Viana; and six science and technology colleges in the city's Cacuaco, Cazenga, Pangila, Sambizanga and Viana districts and also in Lobito. Golden Nest spent US\$ 19.95 million renovating Malange's Agricultural College, which was inaugurated by President dos Santos in July 2007.⁴⁰ During the course of the same year the company received a second round of funding from the Chinese government to build five technical institutes and four secondary schools in Bengo, Benguela and Luanda. In accordance with FOCAC's Beijing Action Plan (2006), the Chinese government is funding the renovation of one primary school in

Luanda, the construction of another primary school in Bengo and of two secondary schools in Benguela and Kwanza Sul respectively.⁴¹

Sinohydro was contracted on US\$ 69 million project to build four secondary schools over the period 07/08, two schools in Huambo and another two in Huíla. The company also began working a US\$ 93 million project in July 2007, building the following:

- Four colleges - in Luanda, Bengo, Cabinda and Namibe;
- Five management and administration institutes - in Benguela, Namibe, Zaire and two in Luanda;
- Six secondary schools – two each in Luanda, Benguela and Namibe.⁴²

Sino-Angolan cooperation in education also entails higher education, through Chinese government sponsored scholarships. Angola's scholarship programmes are managed by the National Institute for Scholarships (*Instituto Nacional de Bolsas de Estudo - INABE*). Angolan students have generally preferred to study in Europe, the USA and South Africa. However, according to INABE there is now a growing interest from students to study in China as well. The number of Chinese granted scholarships has averaged at six annually for the past four years, except in 2008 when 15 students were admitted into the programme.⁴³ Once in China the students' first year is spent at an intermediary institution, where they study Mandarin Chinese. Only as from their second year in China are the students assigned to different universities around the country to study their specialities.

Agriculture and Fisheries

Angola's agricultural sector had been very productive before the civil war, so much so that the country was self-sufficient in all major food crops. The country was once the world's fourth largest coffee producer and was also a prominent exporter of banana, cotton, sisal and sugarcane. These days, however, Angola is a net importer of food and agricultural products. After some 27 years of civil war peace has now been restored and the government intends to revive its agricultural sector, making it one of Angola's key priorities.⁴⁴

Angola's agricultural sector makes a marginal contribution to the country's economy, yet accounts for 85 percent of the country's labour force – i.e. approximately 6.1 million out of 7.2 million. ⁴⁵ Farmers generally use minimal technology and manual tools on their plantations. According to a study performed by Netherlands-based Technical Centre for Agricultural and Rural Cooperation (CTA), 80 percent of Angola's farm holders perform subsistence agriculture and cultivate on less than 5 percent of the country's arable land.⁴⁶ Angola is considering means to increase its agricultural output through large-scale farming in order to reap economies of scale. Raising the level of agricultural productivity will concurrently address various socio-economic issues, including food security, improving livelihoods, poverty alleviation and developing niche products for the export market.⁴⁷

Last year Angola's agricultural sector contributed US\$ 10 billion to the economy, a mere 9.2 percent of the GDP.⁴⁸ Although production is low at the moment, it is sure to make a remarkable turn considering Angola's plans to achieve food self-sufficiency by 2012. The Ministry of Agricultural and Rural Development (*Ministério da Agricultura e Desenvolvimento Rural* - MINADER) conducted a study in 2006 to determine which tools would be required to improve nutrition and establish food security in the country. It consulted various actors during its research, including other ministries, UN agencies, the EU Commission, donors, NGOs and universities. The process led to the launching of the National Food and Nutritional Security Strategy (*Estratégia Nacional de Segurança Alimentar e Nutricional* - ENSAN) and its corresponding Action Plan (*Plano de Acção de Segurança Alimentar e Nutricional* - PASAN) for the period 2009 to 2013.⁴⁹

MINADER asserts that food security is a cross cutting issue in Angola that mutually affects and depends on various sectors, namely agriculture and rural development, fisheries, trade, transport, education, health, public works and social safety, urbanism and environment, social reintegration, finance, media, energy, and water. Three of ENSAN's main objectives in attaining food security in Angola are to guarantee the improved quality of food, maximise its production and ensure that it is accessible to the masses.

PASAN was drafted with technical support from the UN's Food and Agricultural Organisation (FAO) and funding from the AECI. China's potential involvement in PASAN is to be advised. In the meantime, MINADER is strategising its national plans and implementing programmes with some of the country's leading institutions:

- Institute for Agrarian Research (*Instituto de Investigação Agronómica* - IIA);
- Institute for Agricultural Development (*Instituto de Desenvolvimento Agrário* – IDA);
- Institute for Veterinary Research (*Instituto de Investigação Veterinária* - IIV);
- Office of Food Security (*Gabinete de Segurança Alimentar* - GSA);
- National Cassava Programme (*Programa Nacional de Mandioca* – PNM);
- Institute for Forestry Development (*Instituto de Investigação Florestal* – IDF); and
- Institute for the Development of Coffee (*Instituto Nacional de Café de Angola* – INCA).

Angola's Prime Minister, Paulo Kassoma, appealed to the country's academics and scientists at the national conference on the Agricultural Executive Programme held this past 28th April 2009. Kassoma announced that Angola needs to generate agrarian research that responds to the needs of food production, which will guarantee the wellbeing of Angolan families.⁵⁰ In order to do this, Angola would need to strengthen human resources, technical expertise and institutional capacities across industry and especially in the above-listed institutions.

At the grassroots there are various programmes being led by a coalition of NGOs, churches, unions and associations. At a national level provisions are also being made to cultivate the agricultural

sector. To fast-track this process multiple parties are being co-opted for cooperation, to which the Chinese government is one of the most recent development partners to the country's agricultural sector.

In August 2004 China and Angola signed a six-month procurement contract to the value of US\$ 22.36 million, for agricultural equipment, machines and tools to MINADER. The merchandise has been distributed to IDA and the National Company for Agricultural Mechanisation (*Empresa Nacional de Mecanização Agrícola* - MECANAGRO). The next procurement contract was signed upon completion by March 2005. The second was valued at US\$ 32 million and was used to further stock MECANAGRO.⁵¹ A local informant suggested that the distribution of the machinery needed to be reviewed and commented that no training is performed on the utilisation and maintenance of the new resources. As a result, even though a tractor is supposed to last ten years on average, some of the tractors that were procured are ruined already.

In July 2005 MINADER contracted China's Sinohydro US\$ 54 million to setup irrigation systems in four regions: Caxito (Bengo), Gandgelas (Huila), Luena (Moxico) and Waco-Kungo (Kwanza Sul).⁵² A year later Sinohydro completed another US\$ 5 million project that was also funded by the credit line. It built a hydroelectric dam in Gangelas and an irrigation channel in Chibia, which are situated some 20 kilometres south of Lubango in Huila Province. Chibia's irrigation channel covers an area of 1,400 hectares of arable land and the dam stores a volume of 3.5 million cubic meters of water. The Chibia municipality is a small farming community of just 133,000 inhabitants, with some 60 farming associations and cooperatives. There are plans underway to produce citrus fruits, maize, massango, massambala, leguminous plants and vegetables.⁵³

There are indications that the agricultural sector may become the new focus of bilateral cooperation. In addition to services rendered by Chinese companies, in March 2009 the Chinese government granted US\$ 1 billion to Angola through CDB⁹ for the development of its agricultural sector. At the time of writing this report the plans for the new funding had not yet been announced, but there have been discussions around prospective rice production. Nevertheless, this new agreement with CDB demonstrates that Angola is cementing relations with another one of China's policy banks.

MacauHub reported in April 2007 that some 60 Angolans were trained by the Chinese Academy of Agricultural Sciences during the first quarter of the year.⁵⁴ However, MINADER could not confirm this information, almost two years later. Logically, the trainees should have been selected either from MINADER, one of the 11 institutions listed above or perhaps Agostinho Neto University's Faculty of Agricultural Sciences that is based in Huambo (recently renamed José Eduardo dos Santos

⁹ The CDB is also the administrator of the China-Africa Development Fund (CADFund), an initiative that was announced at the 2006 FOCAC Ministerial Meeting and Summit. CADFund seeks to accumulate US\$ 5 billion, which it will make available to finance Chinese investment in Africa.

University earlier this year). It is imperative that once the supposed trainees are identified, Angolan authorities must conduct a review of the training programme to determine its value and streamline new capacity.

Chinese aid also extends into fisheries, cooperating with Angola's Ministry of Fisheries. The Ministry has a programme dubbed the 'Renewal of Fleet' (*renovação da frota de pesca*), which is managed by the Fund for Assistance to the Fisheries and Industry and Agriculture (*Fundo de Apoio ao Desenvolvimento à Pesca Artesanal* - FADEPA) and Artisan Fishing and Aquaculture Development Institute (*Instituto de Desenvolvimento da Pesca Artesanal* - IPA). The objective of the programme is to distribute tools and resources throughout the country's fishing provinces Bengo, Benguela, Cabinda, Luanda, Kwanza Sul and Zaire. The cooperative has set a target to distribute 3,000 boats by 2010 to the maritime artisan fishing sector, which will effectively replace half of the existing stock. It was reported in February 2009 that FADEPA received 440 vessels, of which China provided 250 and Spain provided 190.⁵⁵ The new boats have renewed interest amongst artisan fishermen, as well as reassured their sense of safety and security while out at sea.

In addition to the above, bearing in mind that the agenda for the US\$ 1 billion loan has not yet been made public, Angola should consider what best practices it could learn from its development partners. China, for instance, has Town and Village Enterprises (TVEs) that were originally established as collective economic units that were run by local governments. Their main objective was providing employment for rural peasants in the agricultural, manufacturing and the service sectors close to their homes. Gradually the ventures grew from privately owned small businesses to major SMMEs.

The TVEs set China aside from Africa. With the exception of South Africa and Nigeria, no sub-Saharan African country has developed a significant manufacturing base despite the ample evidence that this is required and crucial for higher per capita incomes. The trend of urbanisation in African countries has produced too few economic opportunities and has actually contributed to urban poverty. China chose to move the manufacturing activity to the villages instead of move the villagers to the manufacturing 'zones' in the city.

Sandrey and Edinger (2009) examined China's agricultural development and its growing interest in African agriculture. They reported that with just nine percent of global arable land, China has managed to achieve food security for 20 percent of the world's population. During the process it also lifted its own citizens out of abject poverty. To achieve this China implemented key measures that supported technological changes and a broad review of the conditions, including the following:

- Easing the process of land ownership;
- Moving closer towards a free market regime by relaxing the prices of inputs and outputs;
- Reducing border controls and restrictions;

- Improving infrastructure and utilities in rural areas (particularly electricity and irrigation);
- A reform of agricultural-specific policies to encourage a dramatic rise in fertiliser, insecticide and pesticide usage; and
- Improved agro-processing and storage procedures.

The technological changes consisted primarily of an efficient use of irrigation water, genetically modified plant varieties, and changes to soil and fertiliser management. The traditional agricultural pathway was driven by technology that mainly involved the adoption of new plant varieties but was augmented by the associated increases in the use of other inputs that are a necessary part of their success. These were backed by an extension service of over one million staff facilitating the transfer of technology right through to virtually the last farmer. The other and uniquely Chinese rural pathway has been the TVE system discussed above. The challenge for Africa, and in particular land-rich countries such as Angola, is to operationalise technologies and such pathways for development in the absence of much of the necessary flanking support (policies, prices, infrastructure, agricultural credit etc). Of crucial importance is to understand what technologies, developments and processes have worked for China and which could potentially be applicable for Angola's agricultural development.

China's commitment to assist African agricultural development is evident through the more than 200 cooperation programmes that have been rolled out in the sector since the 1960s, which include the dispatching of Chinese agricultural experts, agro-technology programmes and the construction of demonstration centres. Other donors extend similar aid programmes through NGOs operating across the continent, providing expertise and equipment. It shall soon be revealed how Angola and China will proceed with new venture in agricultural cooperation.

Infrastructure Development

The Chinese government is without a doubt a key player in Angola's ambitious national reconstruction and development programme. Loans extended by the Chinese government are pooled into infrastructure development and construction projects, which are contracted to some of China's biggest enterprises, such as China Railway 20 (*China Ferrovia 20*), China Road and Bridge Cooperation (CRBC), Huawei and Sinohydro amongst many others.

Some scholars have written extensively on China's involvement in Angola's infrastructure; and several institutions and research centres also annually publish reports and release briefing papers on the subject. To avoid duplicating existing work, the next section focuses on new infrastructure projects as of end-November 2006 and provides updates on the prominent projects. Herewith is an outline of major infrastructure development projects in Angola that involve Chinese funding and/or enterprises.

Electrical project in Luanda: in January 2009 China National Machinery and Equipment Import and Export Corporation (CMEC/CMIC) signed a US\$ 298 million contract for the "Electrification Project for

Southern Suburbs of Luanda in Angola".⁵⁶ It is building transmission lines, substations and power distribution facilities in the Luanda municipal district. The project will boost the capital city's electricity supply quite substantially, considering the city currently suffers from chronic power outages that in certain areas up to four times a day that in some areas can last for periods longer than 48 hours at a time. CMEC has been actively involved in Angolan's electrification process for several years already, during which it has already completed the installation of transmission lines and rehabilitation of the grid system in the greater Luanda area.⁵⁷

Housing: there is a pressing and rapidly growing demand for new housing in Angola, where an estimated one third of the country's population reside in the surrounding areas of the capital city. However, this situation is not entirely a result of urbanisation, which is the case in most developing countries. The civil war in Angola prompted massive migration into the city because of prevailing insurgent activity in the countryside and the prominence of land mines that made many areas inhabitable. Now that security is restored since the 2002 peace accord, members of the insurgent groups and the countryside have been demilitarised. However, there are still remains great disparities in the occupant density of various parts of Angola.

For a city that was originally built to house 500,000 people, it is very alarming that there currently are over 5 million people living in Luanda.⁵⁸ New suburbs such as Talatona have in recent years drawn many families out of the inner city, but much more decentralisation is required. Angola launched its new National Urbanisation and Housing Programme on April 13, 2009. Its target is to build one million houses over the next four years in designated areas around the city. A few days after the launch of the programme Angolan Minister of Public Works, Higinio Carneiro, led a delegation to China to reinforce bilateral cooperation.⁵⁹ Hence, a growing number of Chinese firms will soon be involved in this sector.

New Dundo City: In early May 2009, it was reported that Pan-China Construction Ltd is developing the new Dundo City, in the north-east of Lunda Norte Province. The new city will have nearly 200,000 new residences, over an area of five million square kilometres and 500 hectares. The new housing will meet the growing demand for housing in the province, especially now that the area is attracting much activity surrounding the construction of the new 12.8 megawatt hydroelectric dam in the province.

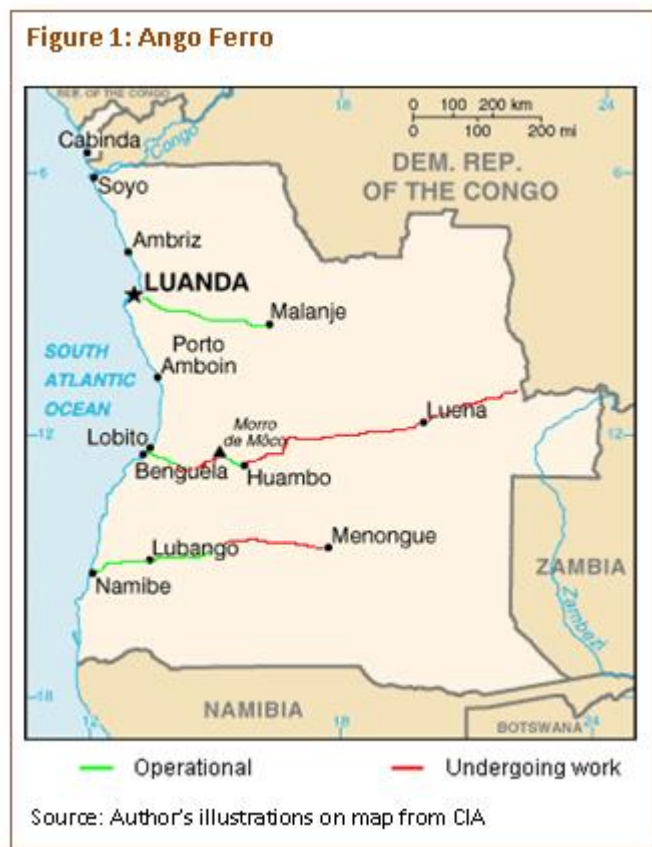
Funda Residential Zone: China Nantong Holding Corporation was commissioned a US\$ 300 million housing project for the Ministry of Defence. The construction on this three-phase project began in November 2008. The residence covers an area of 30 hectares, on which 2,000 apartments and several hundred villas will be built. This is the largest housing project that the country's Ministry of Defence has ever endeavoured. The Funda military compound will contain pre-primary, primary and middle schools, shops, swimming pools, health centres, sport facilities, street gardens and greeneries⁶⁰. The new residential zone will restore security to a lifestyle of military service, by

providing physical infrastructure towards a solid support system for the military officers and their immediate families.

Ango-Ferro 2000: the project involves the rehabilitation of 3,100 km of railway, 8,000 km of extensions, 36 bridges, and rehabilitation and construction of 100 stations and 150 new substations. Angola has contracted the services of China Railway 20 (*China Ferrovia 20, CR-20*) on what may be the single largest infrastructure project that has been awarded to a Chinese company in Angola.

As displayed in Figure 1, the project involves three railway lines. The route of *Luanda Railway* is from Luanda to Malanje. The route of the *Benguela Railway* is from Benguela - Huambo - Luena – Luau. The route of the *Moçâmedes Railway* is from Namibe (formerly Moçâmedes) – Lubango – Menongue.

Luanda Railway stretches over 450 km of rail. It was completed in 2008, but only formerly handed over to the Angolan government in April 2009. Benguela Railway is the longest of three. It stretches over 1,343 km of rail, cutting across four provinces. At the eastern border the railway tracks continue across the DRC and into Zambia, where they proceed out of Africa's east coast on Tanzania's Tazara Railway. During the Zambian President's visit to Angola in 2008, the late Levy Mwanawasa visited the tracks at Benguela and expressed enthusiasm over the rehabilitation of the railway.⁶¹ Zambia is land-locked country, whose main sea points are on the east coast – i.e. Dar es Salaam (Tanzania) and Durban (South Africa).



Work on the Benguela Railway began in June 2005 but was delayed temporarily due to financial constraints. Operations resumed later in 2008 shortly after the CIF poured US\$ 330 million into the project. The project's total investment in the Benguela railway stands at an estimated US\$ 1.8 billion.⁶² Only 30 percent of the track has been laid as of March 2009, but is rapidly progressing. CR-20 is using machinery that lays 25 meters of track per section, which adds up to 2 km of line per day. The Moçâmedes Railway is the third line. Its rehabilitation started in 2006; it is expected to be completed by 2010. This line stretches over 950 km rail.⁶³

Road networks: still on the subject of internal linkages, Angola has been steadfast on restoring and developing over 10,400 km of the country's road networks. Table 5 cites some of the prominent projects reported in the media that involved Chinese funding and/or enterprises.

Table 5: List of prominent Sino-Angola road projects (2007-2009)

Project	US\$ Million	Year awarded	Creditor	Contractor
Road links in Cabinda and Zaire provinces ⁶⁴	3	2007	China Exim Bank	-
Cunene Bridge ⁶⁵	30	2007	China Exim Bank	-
City streets of Caxito (Bengo), Uige and Negage (Uige) ⁶⁶	56	2008	China Exim Bank	-
Road, electricity and water systems ⁶⁷	135	2008	China Exim Bank	-
National roads: Uíge /Quinzala / Damba / Maquela do Zombo / Negage to Bungo	79.6	2008	-	Sinohydro ⁶⁸ and CRBC ⁶⁹

There is a serious security concern with the roads and rail networks that have been built and/or restored in Angola. People had become so familiar with the old roads, which were full of potholes and congestion. As a result, pedestrians frequently crossed the roads while the vehicles were in traffic. However, now that some roads have been fixed and enlarged the people risk their lives just to cross the road. Pedestrian crossings need to be installed overhead in key points, as well as fences need to be mounted to barricade the roads and restrict pedestrians from crossing. This will also address the interference from street vendors on major routes. Similarly, the crossings over the railway lines are currently very dangerous. Traffic lights should be installed at the railway crossing with boom gates to warn pedestrians and drivers of oncoming trains.

Soccer stadiums: China's involvement in infrastructure development also includes the construction of sports facilities in anticipation of Angola's hosting CAN soccer tournament, scheduled for January 2010. Shanghai Urban Construction Group (SUCG CN) and Sinohydro are building four new soccer stadiums in Benguela, Cabinda, Luanda and Lubango.

Luanda's new stadium is situated in the Camama district, some 20 km away from the inner city. The Camama stadium is the biggest of all four, with a capacity for 50,000 spectators. SUCG CN has 1,500 people working on the construction team to complete the work on time, especially since this stadium will be hosting the opening and closing ceremonies of CAN 2010.⁷⁰ The stadium in Benguela has a capacity for 35,000 seats, while the remaining two stadiums will each seat 20,000 spectators. All the construction is scheduled to be completed in October 2009.⁷¹

Human Resource Development

Under Part IV of China's African policy (2006), the document states that cooperation in human resources development and education shall encompass the following:

The Chinese Government will give full play to the role of its "African Human Resources Development Foundation" in training African personnel. It will identify priority areas, expand areas of cooperation and provide more input according to the needs to African countries so as to achieve greater results.

This position was repeated in section Part V (section 5.2) of FOAC 2006 Beijing Action Plan (2006), where the Chinese government has pledged to provide "training of professionals and management personnel for African countries in response to their needs." The action plan cites that based on the success of the China-Africa Inter-governmental Human Resources Development Plan, the Chinese government pledged to train 15,000 professionals from African countries over a three year period.

Generally Chinese cooperation in human resources development involves the training of professionals in China, where they attend a series of workshops and lectures for periods of between two weeks and two months on average depending of the specialty. Africans can receive training in China in the fields of trade, informatics, agriculture, medical botany, distance learning, vocational education, nursery education, economic management, and military administration to journalism, culture and tourism and even low-interest loan provision. The training programmes are generally carried out by institutions that specialize in African studies, such as those at Beijing University and Zhejiang Normal University, amongst many others. Several technical colleges and universities are co-opted for their specialties and scientific disciplines.⁷²

In April 2007 the Chinese government sent a MOFCOM delegation to Angola to visit the country and negotiate opportunities for human resources development. The Chinese delegation reportedly met with 15 of Angola's key ministries to discuss research activities, training topics, training methods, and participant organisations.⁷³ To this effect, apparently 200 Angolan officials and professionals were trained in China during the course of 2007 and 2008, primarily in agriculture and industry.⁷⁴

In January 2009 Angola's Minister of Finance, Severim de Morais, announced that China's loans have funded 125 contracts and thus permitting the reconstruction of the country's infrastructure.⁷⁵ Angolan and Chinese policy-makers are confident that the enormous activity surrounding infrastructure development is creating employment in the country, thus sustaining the livelihoods of millions of people. However, critics are more concerned about the sustainability of the infrastructure.

The African Labour Research Network's study of the labour affairs on Chinese contracted projects in Angola revealed mixed findings. Emmanuel (2009) conducted a survey of three projects, each contracted to three different teams of Chinese companies: Xangahi Belt, Jiangyuan Fujian and a joint venture of China Harbour Engineering Company Limited (CHEC) and Sinohydro.

The *Nossa Senhora de Monte Multi-functional Pavilion Project* is located in Lubango, the capital of Huíla Province. It is one of the four stadiums built by Sinohydro to host the 2007 Afro basketball tournament and the 2008 African Handball Cup of Nations. The project team consisted of approximately 100 workers. Emmanuel only mentions that the majority of them were Chinese, but gives no actual figure. Also his sample survey consisted of 40 workers, but again gives no indication of how many of them were locals.

Emmanuel discovered that none of the local workers signed employment contracts, even though those interviewed had been employed for 3 – 12 months already. They all worked for 44 – 71 hours per week, at an average rate of 10 hours per day if including weekends. They earned between US\$ 93 – 120 per month. The workers did not receive any formal training, nor were they remunerated for periods of sick leave or maternity leave. Only some workers received paid annual leave and subsidised transportation. Protective equipment was limited and some workers experiences breathing problems because of dusty conditions on the work sites.

The Luanda-Lobito Highway Project entailed the rehabilitation of the of a 300 km highway over a two-year period. The project was contracted to Jiangyuan Fujian and had a workforce of approximately 1,000 workers. Emmanuel interviewed about 100 of its local workers, as well as another 40 workers from Xangai Belt who were working on the *rehabilitation on the communication networks in Lubango, Namibe and Luanda*. As such, the information below reflects the findings from both groups.

The fundamental outcome of Emmanuel's survey is that the local workers were generally treated as cheap labourers and they changed jobs frequently (e.g. loading, cleaning, assistant drivers). They also did not have any contracts, even though they had been employed for between 3 – 24 months. Most of the workers on the highway project worked continuously on eight-hour shifts. There are some who also worked from 6h00 – 20h00, which amounts to 14 hours per day and 70 hours per 5-day week. Their wages ranged between US\$ 120 – 150 per month; and they were not remunerated for overtime or during period of sick leave. There was no mention of training, but the locals did receive uniforms and safety helmets and gloves on occasion.

According to Angola's General Labour Law (2000), the normal period of work per week is 44 hours and may not exceed 54 hours. Full-time workers shall ideally work 8 hours per day and overtime limits may not exceed 2 hours per normal working day or 40 hours per working month (10 hours per working week). This means that a local employee can work up to 10 hours per day.

The locals employed by Sinohydro were therefore clocking within the legal parameters, but only if their monthly overtime was sporadic. If they actually worked 71 hours every week, then they would be exceeding the legal limit with an additional 17 hours each. Physiologically, working 71 hours per week is a very tough routine. With no gaps for weekend break, it may actually be considered impossible by some industry players. Nevertheless, the Chinese employees generally work on rotating 12 hour

shifts. The minimum wage in Angola is between US\$ 70 – 100 per month, which all three companies generally adhere to. However, Article 105 of the Labour Law states that workers must also be remunerated with an additional 50 – 70 percent of the value of each hour for overtime. None of the local workers at all three companies were being compensated for their overtime.

Critics of the practices of Chinese companies on infrastructure projects in Angola generally argue that the prominence of Chinese workers inhibits Angola's human resource development. First, they claim that too few locals are hired. Second, even for those on the workforce, they claim they only perform menial tasks. This is a valid concern, one which may be inspired by general practice and genuine concerns for the role and responsibilities of foreign companies working in Angola. In fact, Article 18 (b) of the Basic Private Investment Law reads that specific investors (local and foreign) must "promote the training of national labour and the progressive taking over of management and other posts of responsibility by Angolan nationals". Training is a reasonable request, but the nationalisation of management is unrealistic under the circumstance.

Foremost, the Chinese companies cited above (and in the entire report) are not investors. Although these companies are still expected to follow the general laws and regulations of the country, they are contracted on aid projects and so do not register with ANIP on any official capacity. The terms of the loan agreements have been negotiated and agreed upon by both governments. Nevertheless, this does not in any way reduce the point or the gravity of the claim. Each Chinese worker on a project assumes a post that is immediately unavailable to a local worker.

The only way to rectify the matter would be to uphold existing regulations regarding the employment of expatriate workers. Decrees 5/95 and 6/01 stipulate that all companies operating in Angola must limit the number of expatriates on their workforce to 30 percent. Interestingly, Article 11 of Angola's Private Investment Law (2003) made provision of companies working on aid projects:

The companies and firms incorporated in Angola for purposes of obtaining aids and incentives to private investment operations, though with foreign capital, have the same legal status as Angolan companies and firms, unless otherwise stipulated in this Law or in specific legislation, shall be governed by Angolan general law

However, the bilateral agreement that was signed as part of the credit line overrules the legislation. According to this agreement, 70 percent of projects financed by the credit line are to be contracted to Chinese enterprises. In return for this arrangement, the Angolan government and its people would be pleased with the accelerated reconstruction and development. Many Angolans appreciate the dedication of Chinese workers, their work ethic and the Chinese enterprises' rapid pace of project delivery.

The workers' conditions on Chinese contracted projects are all relative, as they differ according to project and company. Circumstances on one fixed site are not that same as along stretches of railway

in the countryside. CR-20 has a total staff of 8,000 employees working on the Ango-Ferro project, of which approximately 3,500 are Angolans. The local workers are difficult to retain for various reasons, but predominantly due to the nomadic aspect of the project. CR-20 persistently hires and trains hundreds of locals every couple of month at the same rate that it loses its local staff. This is because many of the locals stop coming to work once their work stations reach further than 100 km from their homes. The Chinese workers generally reside in temporary accommodation and on camp site along the railway track, which the locals are very seldom willing to do. The locals do a range of tasks on site, as well as inter-related services. For example, a sleeper and gravel factory was set up in Liangongo just over 70 km east of Luena – Moxico's provincial capital.⁷⁶ Also, two factories were put up in Cubai and Huambo to build the rail lines, which are all made of concrete instead of wood. The next factory will be set up in Benguela.⁷⁷

The *Kilamba Kiaxi Housing Project* is one of the biggest infrastructure development projects in Angola. It was contracted to China International Trust and Investment Corporation (CITIC/CICI) and the construction began in August 2008. The US\$ 3.5 billion project is being funded solely by the Angolan government and is managed by the GRN. There are 10,000 people on the workforce, of which approximately 4,000 are locals. CITIC enrolls all its local recruits, ten at a time, into an intensive four-week training programme to bring them up to speed with their project plans, company practices and tools.

CITIC has made provisions on this project for the impeding language barrier, with interpreters in the classes as well as translated versions of text (posters, safety procedures and hazard signs). There are generally two set of translations, from Mandarin to English to Portuguese and vice-versa. However, since there are no interpreters on the actual work sites, instructions are therefore not clearly understood. In fact, they are merely repeated either in a slower manner or with louder volume. This is a source of great frustration for many locals because their Chinese supervisors are then reluctant to delegate specialised tasks. Hence, observers note that the Angolan workers perform mostly menial tasks.

Workers at the Kilamba Kiaxi housing project also work on 12-hour shifts in order to build this entirely new district in just 38 months, which will in the near future accommodate some 200,000 residents. Over an area of 880 hectares, CITIC is building 710 apartment buildings – including 20,000 residential apartments, 246 business units, schools, and several electrical and water supply substations. The local employees work from 08h00 to 18h00 on weekdays and half the day on Saturday.⁷⁸ In addition to the local workers on the construction site, there are also locals working in the office doing administrative work.

Although the language barrier does present certain challenges, CITIC's director for Human Resources and manager in charge of the training programme on the project remarked that the local recruits were generally quite competent. Also, in spite of their minimal formal training, some local workers

demonstrate an acquired skill from practical experience. CITIC thus plans to establish a technology school adjacent to its existing training programme, so as to gradually reduce the number of Chinese workers on its payroll.⁷⁹

In response to the criticism about minimal training, a local politician argued that unrealistic expectations are put on the Chinese government and its enterprises. The respondent remarked that there are other international construction and civil engineering firms working in Angola, from which the locals could learn from and develop new skills.⁸⁰ Therefore if language is so much of an impediment, there are three very prominent Portuguese firms in Angola currently working on contracts of similar magnitude as the Chinese enterprises, namely *Teixeira Duarte*, *Soares da Costa* and *Motal Engil*. Nevertheless, one Chinese manager commented that replacing Chinese workers with locals also makes economic sense, especially since Luanda is considered one of the most expensive cities in the world. Also Chinese enterprises must incur additional expenses for plane tickets, visa, accommodation, meals and insurance.

5.2 The Risk of Chinese Aid Mounting Angola's Indebtedness

There are growing concerns over African countries' risk of initiating another round of high indebtedness on account of their aid relations with China, most of which are in the form of concessional loans. By the mere consideration to receive new loans, irrespective of the sources, any country would automatically increase its indebtedness. A country's debt service capacity is thus managed by the state to ensure that its indebtedness does not debilitate its economic development. Unfortunately most developing countries' mismanagement of debt, coupled with increased loans, has created a catastrophic financial predicament where debt relief was sought as a plausible solution.

“The paradox of debt is that heavily indebted poor countries (HIPCs) became heavily indebted *after* two decades of debt relief efforts” – William Easterley

The HIPC Initiative was signed in September 1996. It was a pivotal moment in development theory because it was the first time that the international donor community, led by the Bretton Woods institutions, demonstrated efforts to address mounting debt problems in a holistic manner. The HIPC programme seeks to ensure sustainable levels of debt, by promoting debt relief and low-interest loans in order to reduce a country's external debt. There are 42 countries under the HIPC country, of which 32 are in Africa. Although Angola is given LDC status, it is not recognised as a HIPC.

Angola has made positive steps towards reducing its external debt. In late-2006 and early-2007 Luanda eliminated its outstanding contracts with the members of the Paris Club, which amounted to US\$ 2.3 billion in interest and principle. Angola also signed an agreement with the Paris Club on new terms and conditions for the payment of US\$ 1.8 billion in accumulated interest on late payments.⁸¹ The Paris Club consists of 19 members: Austria; Belgium; Canada; Denmark; Finland; France;

Germany; Ireland; Italy; Japan; Netherlands; Norway; Russia; Spain; Sweden; Switzerland; the UK; and the USA.

Angola's external debt has gradually decreased over the years from 39.5 percent of GDP at end-2005 to 20.7 percent at end-2006 and then 15.6 percent at end-2007.⁸² The country is now in a position to meet the schedule of its current external debt service payments. According to the World Bank (2007), Angola's cumulative external debt is an estimated US\$ 11 billion. This appears trivial when considering that the country's GDP in 2008 was an estimated US\$ 110.3 billion. However, one must recognise that the economy is backed entirely by mineral exports, namely of oil and diamonds. As such, economists are concerned about Angola's capability to service its external debt and China's role as an 'enabler' in furthering its indebtedness.

Following the precedent of the HIPC programme, China also extends debt relief to beneficiaries of its grants and loans. Considering the large volume of Chinese credit available to Angola at present, there are concerns debt relief could have detrimental effect on Angola. Easterley (2002) argues that the easing of conditions for debt relief can have a perverse effect on borrowing, as countries will borrow more money in anticipation of debt forgiveness. The real question, however, is what are the risks of its mounting indebtedness on account of most Chinese aid being granted in the form of concessional loans.

According to Reisen (2007) Chinese authorities consider that 90 percent of its aid in kind and zero interest loans to African countries will be written off over time. This coincides with Hu Jintao's fifth policy measure to "cancel debt in the form of all the interest-free government loans that matured at the end of 2005" for all African HIPC and LDCs that have diplomatic relations with China. Furthermore, China also plans to cancel additional debt for interest-free loans to LDCs that have now matured in 2008.⁸³

Angola and China signed an agreement in 2007, from which China cancelled RMB 50 million (approximately US\$ 7 million) of debt owned by the Angolan government.⁸⁴ In addition, a minor amount of debt relief has occurred since then. At a meeting held on 18 January 2009 between the Chinese Minister of Commerce Chen Yuan and the Angolan Prime Minister Antonio Kassoma, Chen announced that China's debt relief towards Angola had reached RMB 67.38 million to date, which is approximately US\$ 10 million.⁸⁵

Even though there is growing concern over Angola's mounting indebtedness to IFIs and the donor community, Angola still needs funds to support its own reconstruction and development. In March 2006 the cabinet thus made the decision to create the Development Bank of Angola (*Banco de Desenvolvimento de Angola* - BDA), which was subsequently established on the Decree 27/06 in July 2006. The BDA (2009) aims to increase national wealth, to enhance the welfare of the people, and improve the consolidation and development of the country's economy. It manages the National

Development Fund, which draws funding from the National Budget: 5 percent of annual oil revenue; and 2 percent of annual diamond revenue.

Setting up the BDA demonstrates Angola's commitment to taking ownership of its development. Recognising the economy's heavy dependence on its extractive industry (oil and diamonds), the need to diversify Angola's economy is critical. There is a budding SMME sector in the country, but entrepreneurs have extreme difficulty accessing commercial banking credit. Also, the country's harsh business environment still deters foreign investors from the non-extractive industries. On the World Bank's Doing Business Report (2009b) Angola rated 168 on its ranking of 181 countries on the ease of starting up a business. Yet the country's informal economy is vibrant and dynamic. The BDA is thus a crucial catalyst in the country's socio-economic development, channelling capital that will jump-start transformation and the sustainable growth of the SMMEs sector.

Notwithstanding, the BDA was set up against strong reservations from the IMF, amid concerns that it would fuel further financial mismanagement and perpetuate corruption. Prior to the launch of BDA, the IMF (2006) reported that "evidence from other countries (and of past experiences in Angola) is that such institutions are prone to poor governance, including privileged access and to emergence of non-performing loans, and that they promote inefficiency and moral hazard". The IMF suggests in the report that there are more effective means for Angola to address the financing of SMMEs, such as "microfinance, venture capital and supportive action on contract enforcement". Even so, economists argue that for what BDA intends to do the restrictions for micro finance are adverse and the interest on venture capital is generally too high. As for contract enforcement, supportive action is progressively sought to restore the regulatory system and adherence to the rule of law.

By the IMF's own definition (OECD 2009), a development bank is a "non-monetary financial intermediary controlled by the public sector. It primarily engages in making long-term loans that are beyond the capacity or willingness of financial institutions." Considering the BDA's aim to target Angola's non-extractive industries and foreign investors' disinclination to consider otherwise, it seems only rationale that the state makes provision for its willing entrepreneurs to engage in the diversification of the country's economy. As such, perhaps the IMF's main objections are not necessarily with the BDA itself or with the source of its funds, but actually with the eminent risk the BDA carries for Angola's books.

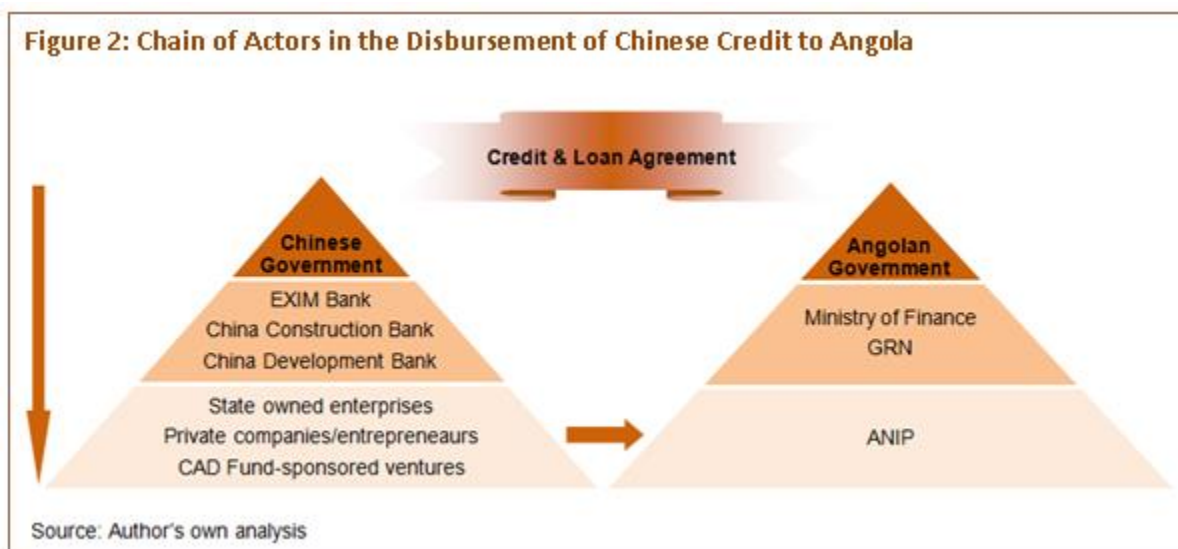
Apart from domestic issues of governance, the sustainability of Angola's debt management actually lies in the oil price. The global financial crisis revealed to policy-makers the fragility of Angola's economy and the urgent need to diversify the country's economy. Angola needs major investments in non-mineral sectors that will produce locally-owned and self-sustaining businesses.

5.3 The Eminent Risk of Chinese non-interference and Lack of Political Conditionality

Risk is a relative concept that denotes the probability of certain contingencies, typically of negative consequence. In this instance, the question is whether China's non-interference in Angola's domestic affairs and non-policy conditionality to loans poses any risks for Angola. More specifically, do these two features pose any perverse responses to Chinese aid?

Traditional donors, the Bretton Woods institutions in particular, have always attached policy conditionalities to their loans. In effect this practice is to demonstrate their condemnation of suspected abuse of power, corruption, financial mismanagement and violation of human rights. In spite of their differences on this subject, their only common thread is their support for socio-economic development in the receiving party.

Cautious of the faults in the principles of the Bretton Woods institutions, China has sought to pursue an alternative approach to its lending practices. As the pilot case for China's new strategy to coupling concessional loans with infrastructure development, the new approach was quickly dubbed 'Angola Mode' or 'Angolan Model'. The key to the formula is its ingenious strategy of minimising possible financial malpractice in Angola. Accordingly, the Angolan authorities are minimally involved in the disbursement of the funds. Instead, the funds were disbursed directly to Chinese enterprises that carry out the reconstruction and infrastructure development projects in-market.



Displayed below in Figure 2, the credit and loan agreements are signed by both governments. In Angola's case the funding has been provided by Exim Bank, CCB and China Development Bank. Adjacent to this, although not displayed in the illustration, CIF loans are also disbursed similarly. The funds are then disbursed directly to Chinese companies that are contracted to execute projects. These have predominantly been state-owned enterprises (SOEs) thus far. Then there is also

evidence of capital flows into Angola, but that are unrelated to the credit and loan agreements. These are from the investments of SOEs, private companies and entrepreneurs, which are channelled through Angola's National Private Investment Agency (*Agência Nacional para o Investimento Privado* - ANIP).

African leaders commend China for its willingness to provide financial assistance to African countries without forcing conditionalities attached to governance and other indicators of state administration. Effectively, international financial institutions have been trying to trade loans in exchange for good governance. Ethiopian Prime Minister, Meles Zenawi, proclaims "it would be wrong for people in the West to assume that they can buy good governance in Africa". Zemawi believes that the neo-liberal reforms imposed by the World Bank and other Western institutions actually failed to "generate the kind of growth they sought. Good governance can only come from inside; it cannot be imposed from outside. That was always an illusion. What the Chinese have done is explode that illusion".⁸⁶ And Angola may well be the most notorious archetype of this sentiment at the moment.

Human Rights Watch (2004) claims that US\$ 4.2 billion of Angola's oil revenue over the 1997/2002 period is unaccounted for. Clearly the problem lies with the quality and management of the country's investments and its usage of state revenue. However, the western institutions claim that their efforts to induce reformation in Angola are now compromised by China. Beijing is being accused of disregarding the practices of the donor community and undermining its principles of responsible lending to developing countries.

China's non-interference and the absence of policy conditionalities attached to its credit and loan agreements carries eminent risks for Angola. In addition to concerns over mounting indebtedness, there is the enabling factor to its poor record of governance and contention over corruption. There is certainly an opaque nature to China and Angola's bilateral relation, but one feature is clear. Both parties acknowledge and respect the distinguishing limitations of their political and economic diplomacy.

6. CONCLUSION

6.1 Concluding Remarks

China-Angola aid relations have experienced unprecedented growth since the end of the civil war. Both parties have been able to secure their national interests using very strategic and opportune mechanisms of diplomacy. China has emerged in the new millennium as an economic force to be reckoned with, now assuming the positions of the world's third largest economy. Its own experience has prompted a paradigm shift in development theory, which has penetrated its foreign policy towards other developing countries and particularly those in Africa. China's diplomatic efforts in FOCAC and

bilaterally with African countries demonstrate a new feature of the country, one that is of a development partner.

Once only considered an aid recipient, this report has demonstrated that China is also a significant aid donor. Its definitions, principles and mechanisms pertaining to aid differ slightly from those of the more established donor community in the OECD. However, its intention is the same. Since China's economy and its socio-political fabric differ greatly from the DAC countries, perhaps it should be expected that the country's policy towards aid would as well. Hence, China may be redefining the parameters of aid.

6.2 Contribution of this study

There is limited research available on China-Angola aid relations and even less that assesses the impact of the cooperation. The literature review revealed a gap in existing knowledge, which this paper has sought to fill.

The first contribution made by this study is an empirical analysis of the impact of China-Angola aid relations. The paper acknowledges that the overwhelming bulk of China's aid is directed towards infrastructure development, but the disciplinary focus of Chinese aid to Angola is far more diversified. This paper examined the other sectors of cooperation, with particular emphasis on how both parties could address human resource development in order to build capacity and encourage technology transfer.

The second contribution is a quantitative estimation of the impact of China-Angola aid relations. There is a lot of approximate figures and 'guess-timations' in the media on Angola's accumulated debt to China and the size of its credit line. Some articles report exaggerated amounts, bundling the aid from the Chinese government with that from CIF. Others insubstantially report dichotomous figures between US\$ 4 – 10 billion. This paper has provided a narrative account of Chinese aid to Angola, as well as discussed the terms of the financial agreements.

The third contribution of the study is the critical observation of what China-Angola aid relations implies for in the global financial systems and in the international donor community. It seems that 'China Mode' as had an influence on other countries, who are now more inclined to extending credit lines instead of just signing fixed loan agreements.

6.3 Summary and Policy Implications

It was made clear from the onset that the concept of aid/ODA, which is itself a product of constructivism from the OECD, is confining. Now that a significant new player has emerged into the donor community with its own preconceived ideas and mechanisms of disbursing funds, China is

challenging the parameters of aid. The OECD players use aid to relieve poverty and promote development, but also to induce good governance. China seemingly imposes no conditionalities, which they believe undermines their efforts. This is especially contentious because up until now the effectiveness of aid has come under question, yet China's efforts appear to be popular and successful.

The emergence of Angola Mode set a precedent, both in development theory and in the international donor community. The exchange of resources for services is an ingenious model to fast-track infrastructural development in African countries. The mechanisms used to disburse the funds also lower the risk of financial mismanagement and the misappropriation of capital.

As a post-conflict country, the motivation for aid to Angola is obvious. Socio-economic conditions are dire, institutions are broken, the rule of law is frail and the political system has long been riddled with corruption. Nevertheless, Angola has made remarkable strides in the last seven years. In addition to the contributions of the traditional players, China's role as a development partner in Angola has really come to light.

The disciplinary focus of Chinese aid to Angola is varied. Infrastructure development is the main component, consisting of projects in energy and water, transport, social communication and other public works. Chinese companies have been contracted to build school facilities and medical centres. Cooperation includes the dispatching of Chinese medical doctors and the provision of scholarships for tertiary studies at universities in China. With the construction sector experiencing a major boost, it would be opportune for employment creation. However, the import of Chinese services also includes a major Chinese expatriate labour force. Concerns have been raised over the sustainability of this model and the impediment is caused by skills development and technology transfer.

The agricultural sector has been identified as a prime target for future cooperation, especially since Angola plans to attain food security by 2012. There are prospects for using China's experience of involving the subsistence farmers into the formal sector. Angola has been importing agricultural tools and machinery through the credit line, but the recent pledge of US\$ 1 billion for agricultural development offers much potential in the area of human resource development.

The credit lines made available to Angola by China (the PRC) and other actors (namely CIF) have certainly increased Angola's debt. However, as long as Angola is borrowing funds the country's debt would be the same irrespective of the source. The real concern is whether China is lending responsibly. Since traditional donors perceived corruption as a deterrent to aid and loans, China has short-circuited the disbursement of funds and the credit line acts much like a current account. The funds do not go through Angola, but are actually channelled directly to the Chinese firms contracted on projects.

Angola faces many political, economic and social challenges at a national level that it is addressing, but the aid efforts its partners must be synchronised with its own agenda. China-Angola aid relations appear to be benefiting the country, as the output is tangible and extremely visible around the country. Structures are erected and new facilities are now available. However, the long-standing impact of China-Angola aid relations will truly reveal itself in the long-term once the projects are complete and the Chinese enterprises have left the country. Therefore, it is imperative to place a stronger emphasis on human resource development.

Emanating from this study, the opportunities for future work with respect to the impact of China-Angola aid relations are endless. Possible future research which could be identifiable is:

- (i) Pooling development efforts in Angola: the effect of duplicate actors in the aid system;
- (ii) Developing a model for China-Angola agricultural cooperation: a review of the effectiveness of Chinese agricultural projects in African countries;
- (iii) The impact of FOCAC's human resource development programmes: opportunities and challenges;
- (iv) Levelling standards in the construction sector: mechanisms to ensuring quality and maintenance;
- (v) Developing regional linkages in SADC: the prospect of formulating trilateral agreements with China; and
- (vi) The expanding presence of Chinese policy banks in Angola: the implications of the differing bilateral agreements.

6.4 Policy Recommendations

The policy recommendations provided here aim to ensure that China-Angola aid relations are not based on or determined by China's own resource-seeking agenda, but rather by partnership that is indeed mutually beneficial and also reflective of Angola's development agenda:

Stimulate the manufacturing industry

Angola needs a manufacturing sector that will promote value-add production, create professional employment and develop industries. However, there is a paradigm shift on models of development. As such, it not clear whether ODA can have any role to play in developing a country's manufacturing sector, especially since investment (particularly foreign direct investment) has immemorially been considered the preferred strategy. However, China may have created a loop-hole in this regard with its CADFund. The Fund was intentionally set up to assist Chinese enterprises and entrepreneurs invest in Africa. Angola could use FDI in its industrial development zones to stimulate the manufacturing sector. Angola has seven designated industrial development zones across the country, which could be an opportunity to decentralising manufacturing activity. However, Angolans will still

need capital investment to jump-start new ventures and feasible business plans that will produce self-sustaining and income-generating businesses.

Learning from China's agricultural practices

Foremost one must bear in mind that there is heavy dependence on agriculture in Angola to sustain the livelihoods of 85 percent of the labour force. By consequence, any disregard for these farmers or state-orchestrated substitution of subsistence farming for commercial farming will have a devastating effect on more than 6 million people. Once again, Angola could learn from China's experience in this sector. Chinese agriculture is built from some 200 million small farmers, who each cultivate on just about half a hectare of land.

The effectiveness of Chinese agricultural aid programmes remains questionable. However, the onus actually rests with MINADER to strategically co-opt Chinese aid in a manner that will efficiently maximise and sustain agricultural productivity. Using the TVE model, subsistence farmers should be empowered with new skills and technology. All Chinese sponsored tools and programmes must be adapted to meet the requirements and satisfy the needs of each local community. Produce must be suitable for each region's climate, soil and market demand.

Aquaculture and the fishing industry

Upgrading a fleet of vessels of artisan fishermen does not necessarily increase Angola's fishing capacity. What is actually required is to empower the people with efficient fishing practices, to maximise productivity and safeguard the environment. For instance, FADEPA has received some Norwegian-made fishing equipment, which with the new fleet of boats could potentially increase the productivity of Angola's fishing industry. To capitalise on this further, the artisanal fishermen should be empowered with more sophisticated fishing techniques. FADEPA has recently received funding from China, Poland and Spain – of US\$ 250 million, US\$ 27.5 million and € 81 million (approximately US\$ 110 million) respectively. A fraction of the aid could be invested in setting up SMMEs. After all, once production levels start to rise there would be market opportunities for the processing and packaging of the marine products. Such a shift would reduce the risks of artisan fishing, stimulate industrial activity and create skilled employment.

Fishing alone may be rewarding in the short-term, but it is an unsustainable activity. Namibe province, for instance, recorded a drop in its catches for the first quarter of this year – from 7,244 tonnes in 2008 to 5,630 in 2009.⁸⁷ The slump could be a result of global environmental factor, which if is the case then strongly suggests that Angola must explore efficient mechanisms and value-add avenues of sustaining its fishing sector. There are many water pockets around the country in the above-mentioned fishing areas, which would be ideal for fish breeding. With the right skills, technology,

financial support and strategy, there is a lot of potential for aquafarms in Angola. This would create professional employment and steer the artisan fishing industry into the formal economy.

Fine-tuning the infrastructure development agreements

China's current model of exchanging capital and services for mineral resources is an ingenious strategy. It guarantees each party's interests, while simultaneously minimising their risks. For China to change its terms and conditions for extending concessional loans to Angola, it essentially requires that the country would no longer need to import oil from Angola. However, the prospect of this is very unlikely in the short-term. If it were though, then two important variables would need to be in place. First, Beijing's 'One China' policy would need to become irrelevant. Second, in addition to a newly acquired advanced industrialised economy, China would also need to demonstrate an impressive record of good governance.

The barter deals may be considered a 'win-win' for both parties, but they have created an environment where Angola is extremely dependent on China for its services - particularly in infrastructure development. The implications of this are severe for the sustainability and maintenance of infrastructure. Infrastructure development is an important catalyst of improving living conditions in Angola. It is therefore in the country's national interest to manage this process effectively. However, its efficiency requires that one examines the long-term implications of one chosen strategy. A contentious subject of discussion is that China's current model for infrastructure development in Angola provides minimal employment opportunities for locals and does very little to alleviate the country's skills shortage.

The Angolan government recognises the importance of employment equity, skills development and technology transfer. However, it will only enforce them in policy according to the roles that it envisages each actor to play. Even so, unless there is some indemnity clause for all the work done up until now, Angola would not want a situation in the future where it would need to recall Chinese companies on maintenance contracts. It is therefore only sensible to refine the terms of infrastructure development projects, in order to foster employment equity, skills development and technology transfer.

Rigorous fiscalização (surveillance and inspection) of infrastructure projects

The 'fiscalização' (process of due diligence) that is carried out on construction contracts in Angola has a patchy track record. While some contractors attest to the stringency of the process, it has been described by others as a rubber-stamp process that pays lip-service to its function of auditing and overseeing the successful execution of the project.⁸⁸

The engineering and construction services provided by Chinese companies are not the only ones in Angola that are financed by concessional loans. There are many other foreign construction companies that are similarly financed by their respective governments. Also, Chinese companies are not the only companies in Angola who have been accused of inadequate workmanship or the flouting of labour and environmental standards.

The employment of independent engineering contractors to oversee the projects is of vital importance to ensuring the standard of the work carried out. Where independent contractors have been employed in the past in Angola, the results have been highly successful.⁸⁹ This process should thus be encouraged on projects contracted to Chinese companies as well.

Sustaining healthcare and empowering Angola with medicinal expertise

The dispatching of Chinese medical doctors to Angola is a positive initiative that enables mutual learning amongst the medical practitioners. Also, patients will benefit from an alternative/Chinese medicine and techniques. Judging by the experience of the Chinese medical teams in Mozambique, the Chinese doctors in Angola will face the same linguistic challenges in their practice. For the 12 Chinese doctors at Maputo's Central Hospital, there is only one interpreter (also a Chinese national) available to assist them. Although it remains uncertain whether an interpreter will also accompany the Chinese doctors dispatched to Angola, it would most certainly be impossible for the interpreter to attend to all the doctors simultaneously. Patients would thus benefit more from the exchange programme if the Angolan government encouraged the Chinese medical team to learn Portuguese (medical terms and casual conversation). Upon their arrival they could do a five-day course, followed by a one-hour class per week for a couple of months thereafter.

The donation of anti-malaria medication is a valuable programme for Angola, but it is unsustainable. Malaria is a tropical disease and until there is a vaccine it will remain an enduring one in Angola. To go beyond the anti-malaria treatment centre in Luanda's Central Hospital, Angola should guide China's cooperation towards empowering its professionals with medicinal expertise. Therefore, instead of continual donations, there could be domestic manufacturing of the drugs.

Equipping education and medical facilities with human resources

Angola's education and medical sectors are receiving a major boost in new and renovated facilities that are co-funded by the state and loans from the Chinese government. With the physical infrastructure in place, Angola is a few steps closer to achieving its Millennium Development Goals. Civilians have greater access to medical care and the public health system. Also, scholars have a conducive environment for their studies.

However, the key to sustaining the medical and education facilities is to invest in a dedicated team of professionals and educators. Chinese ODA has served well to develop the infrastructure, as it was initially intended. Considering the skills shortage in Angola and China's linguistic limitations, Angola will need to recruit the services of qualified expatriates and personnel from abroad (ideally from Portugal and Brazil). Furthermore, skills development is an ongoing process – e.g. outreach programmes, teacher training courses and degrees, and exchange programme.

Capitalising on Chinese sponsored scholarships

China's contribution in education also involves the financing of university scholarships. Angola must review the management of the Chinese government-sponsored scholarships. It should lobby for the fields of study to project its national strategic plan. Upon completion of their studies, the graduates should return to Angola and be channelled into strategic positions where their newly-acquired professional expertise could be used but also their proficiency in Mandarin Chinese.

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