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Chapter 1 - Introduction

This chapter introduces the topic of this Master’s thesis. The first point explains the aim of the area of research and afterwards the relevance of the chosen topic.
1.1 - The Area of Research and the Relevance of the Topic

In general terms, this Master’s thesis is a social study focusing on evidence linking FDI with reduction of income and non income poverty. This thesis is centred on the Chinese outward foreign investment (OFDI) into Angola. In academic terms, this Master’s thesis holds the core relevance the aim is to provide the element between the FDI and impact on poverty reduction. The lack of empirical data underlining the linkages between FDI and influence on reduction of income and non-income poverty has been pointed out as a missing variable by scholars in social science studies (Crabtree and Sumner; 2005, 12). This is the main element within a social study perspective justifying the academic relevance of this Master’s thesis.

- There are some other political, economic, and social aspects which can be added in order to make this Master’s thesis worthwhile to deal with. For instance the fact that it centres on the Chinese OFDI into Angola contributes to its academic relevance since Chinese OFDI into Africa has been heavily discussed in the internationally, almost at all levels. This Master’s thesis offers the opportunity to gather data and deal with this topic and hopes to shed light onto this topic. Finally the last contributes to the relevance of this topic, is the fact that poverty reduction program in Angola also named “Estratégia de Combate a Pobreza (ECP).” This program was launched by the Angolan government, in 2005, aimed to meet the Millennium Development Goals and thereby reduce poverty in Angola (ECP doc; 2005, 5). Further on, the ECP program will be in detail presented in order to provide a clear insight into poverty related topics Angola. The ECP is the framework for all stakeholders, contributing to develop Angola, must rely on. For that reason it is found relevant to include it here since this study is dealing with poverty in Angola.

1.1.2 - Background
“China is a friendly country, a nation that believes in the Angolan people and trusts its officials. And like us, it is willing to establish useful partnerships for both countries’ developments (ANGOP; 09.08.08).” Stated by the Angolan President, Mr. José Eduardo dos Santos, which can be seen as an expression of the importance China plays in the Angolan development program.

Angola has experienced a remarkable economic growth in recent years. According to figures released by IMF, in 2006 the real economic growth in Angola was around 19 percent primarily based on oil, diamond mining and other industry such as fishery (Angola—2007 Article IV Consultation). In addition to that, inflation rates have been held under control which has a positive effect on the country’s economy (Ibid). Regarding the 2007 year the real GDP growth in Angola was expected to reach 31 percent (Angola—2007 Article IV Consultation). Additionally to that, it should be mentioned here Angola is the largest oil producer in the Sub-Saharan part of Africa, producing almost 1 million 500 thousand barrels a day (Angola Energy Profile).

The economic growth Angola is going through is, presumably, a unique opportunity for the poor to have a chance to improve their lives. If is happening in reality, is what the data to be gathered further on is going to figure out.

Another aspect, serving to justify the relevance of this topic, is a new trend within FDI towards Africa which has registered a remarkable turn in a positive direction. This shift is interesting because historically Africa has been marginalized by the traditional investors and donors, in this case the Western countries (Tull 2006:459). Asia’s entrance into the global financial scene seems to have given a new dynamic to the outward FDI into Africa with China as new substantial player (Ibid). There are several examples of the African countries such as Sudan, and Nigeria who have been recipient of Chinese investment. Among these countries Angola is the country elected as the country to be analysed because not only it is my country of birth, but also because the media is focusing on
Angola as a paradox country where wealth and poverty go hand in hand (BBC News- Oil helps Angola but poverty rife; 30.03.06).

Angolan government, through the Ministry of Finances, confirms that China has become the major foreign direct investors in the country Angola though an oil-backed loan (credit line) amounting around 7 billion USD (Angolan Ministry of Finance 2008). Since February 2006 Angola became the largest supplier of oil crude, surpassing Saudi Arabia, to China (EIA). The Chinese crude oil import from Angola increased to around 70 % from may 2005 to may 2007(Ibid).One of the strings imposed by China, within the financial package made available for the Angolan government is that Chinese companies must be granted priority to 70 % of the bid offered for the reconstruction programme in Angola (Angola and China: A Pragmatic partnership). Only in 2007 was involved in more than 50 big construction projects across the country (Ibid). The range of areas covered by these projects is vast and profound especially the Angolan construction sector is totally controlled by Chinese SOEs. More information concerning the Chinese OFDI into Angola is given in the chapter addressing this topic.

The third element that makes this topic valuable to work with is the poverty issue. According to data published in 2007 by the World Bank regarding the Human Development Index Angola was placed number 162, among the Low Human Development countries (HDI, 2007). The Human Development Report from 2006 placed Angola as number 161(HDR, 2006). Despite the fact that Angola is producing around 1.5 million barrels a day, which places the country as the second largest oil producer in Africa behind Nigeria, Angola is still poor country and poverty rates are still high and there are no signs of reduction, according to sources within the country two out of three Angolans are still living on less than a dollar a day, which is the same number of people as it was in 2002 (New York Times, Oct. 2007).
Summary

Three main elements are compressed in this section aimed to justify in academic, social and economic terms the selection of the chosen topic. The first element is the lack of empirical data confirming evidence of the linkages between FDI and impact on reduction of income and non income poverty. The second element concerns itself with the new OFDI trends towards Angola and the subsequent economic based primarily on natural resources endowment. The third element is the high poverty levels in Angola nevertheless the positive OFDI trends towards Angola. These three elements provide the basis for the main purpose of this Master’s thesis which is to find evidence linking FDI with poverty reduction. To summarise this section, the conclusion must be that Angola fulfils all requisites to search for such evidence.

Afterwards in the following section the hypothesis and the research question are presented.
1.2- The Research Question

The research question objective is to provide a framework in order to bring some empirical evidence on the linkages between the outward FDI and poverty reduction. It gives the possibility to look at different elements, such as the Chinese OFDI into Angola, the situation of the poor in Angola. The main consideration behind the research question are the material that has been published dealing with the Chinese OFDI into Africa, my own observations while I was in Angola, poor people’s living condition in Angola, and the efforts the Angolan government, claims to be doing, in order to reduce the high levels of income and non-income poverty in the country. The idea behind the research question is that it should lead the research into a direction where some data must be provided in order to confirm or disconfirm whether the outward Chinese FDI having a positive or a negative impact on poverty reduction in Angola. A combination of a country endowed by natural resources, increasing Chinese outward FDI, high levels of poverty, and a governmental program aimed to reduce poverty are the main elements behind the research question. The research question is anticipated by a hypothesis that reflects the initial assumption before the beginning of the writing process.

1.3 Hypothesis & Research Question

1.3.1 Hypothesis
Chinese OFDI into Angola is detrimental for Angola in terms of reduction income and non income poverty.

1.3.2 – The Research Question

“The reduction of poverty, particularly of extreme poverty, continues to be a priority for the Angolan State and other stakeholders interested in the development of the country. The “Estratégia de Combate a Pobreza-ECP”, formally approved on the 11\textsuperscript{th} February 2004 and revised in September 2005, is still the main strategy document which orientates the main areas of intervention for government and stakeholders. It prioritises the reconstruction of infrastructures, increasing access to education, health, and other basic services, as well as the decentralization of governance structures. During 2008, the Government of Angola is expected to approve the new medium term development plan, for 2009-20013, and this medium term plan should refine and build upon the “Estratégia de Combate a Pobreza”

Poverty Reduction UNDP

Based on the statement presented upon, the research question for this Master’s thesis turns on into following:

Aiming to find any evidence linking FDI to poverty reduction, the chief question for this Master’s thesis is:

- What are the impacts of the outward Chinese FDI, in terms of reduction of income and non income poverty, in Angola?

1.4 - Limitations
The academic purpose of this Master’s thesis is to search for evidence linking FDI with reduction of income and non income poverty, a fact that has mentioned as a missing element by scholars.

Due to the broadness of this topic the focuses will be limited to a single country, in this particular case Angola. The focus will center on the Chinese OFDI into Angola and impact on reduction of income and non income poverty. Due to the lack of financial means to cover this topic more extensively only the Benguela municipality will be covered by this study. For the same reason the focus will be kept at microeconomic level leaving all macroeconomic aspects out of analysis.

Nevertheless covering the traditional ways of measuring poverty such as through income and non income poverty, other multidimensional aspects based on Amartya Sen’s way of measuring poverty, like the capability and well being approach, are addressed her order to give a broader image of poverty in Angola. All other forms of poverty that might exist are not included here. The definition of poverty in Angola the governing this study is the one supported by the ECP document considered official guide, for government officials and stakeholders, dealing with the poverty issue in Angola. The reason for this approach is that the ECP embraces all to the measurable tools considered vital in terms of identifying poverty in Angola. It defines clearly what poverty is in Angola and gives a clue about how the poor are living in Angola as well as the main causes for their situation. This fact turns the ECP into a valuable tool because it allows establishing a framework from which making it possible to benchmark observational data that is uncovered that is uncovered the relationships between FDI and poverty reduction.

A case study will be incorporated into this thesis, as an illustrative example, in order to provide palpable data confirming or disconfirming the hypothesis. The case study mentioned previously centres on the renovation project of an old railway that crosses Angola, named Benguela Railway (CFB). More information about this project is provided further on in the section about the CFB renovation project. This project has mainly been selected due to its huge economic, social, cultural, and perhaps political
impact on the region. Also the fact that it represents a huge employment possibility for the local working force only reinforces the importance behind the selection of this project. These two factors 1) size / multidisciplinary effects / scope of the project 2) opportunity to use local labour force serve perfectly the main academic purpose of this Master’s thesis. All the evidence of linkages between FDI with poverty reduction in Angola will only be provided by f Angolans working for a Chinese construction company involved in the CFB rehabilitation project.

Furthermore this thesis does not go into a detailed discussion about what FDI, in what its different variants can be. Since is not the primarily objective with this study, the theoretical section only touches slightly the topic FDI, and different forms of FDI and the social impact of it in the host country from a theoretical perspective. This approach will serve to help in setting up the data collection as well as the analysis.

In terms of poverty and people living under extreme poverty, also called the chronic poor, are automatically excluded from the sample universe due the fact that it is assumed that they are not part of the working force. Women are also excluded from the sample universe because they are not a representative gender in the construction sector in Angola.

Finally it is also important to emphasize here that the pattern of Chinese OFDI in other African countries are not taken into consideration due to the uniqueness of each country. Perhaps there might be some similarities that could have been included here, but in order to not dilute the analysis these similarities are left out.

1.5 - Definitions
Poverty: There are several ways whereby poverty can be defined. For instance, Stuart R. Lynn on writes his book, named Economic Development Theory and Practice for a Divided World that study about poverty must include data on: life expectancy, schooling, access to a doctor and health aspects in general, nutrition in form of calories a person has the possibility to consume and income (Lynn; 2003, 3). There are two levels of poverty, one is absolute poverty, which is when people only have access to the minimum, regarding, nutrition, clothing and shelter and the other is relative poverty which is when people’s living standards are relatively low when compared to other members of the local community (Lynn; 2003, 252).

FDI: According to Lynn, Foreign Direct Investment (FDI) is pretty much a financial activity - business enterprise - in a country, also called host country, but is controlled by individuals or institutions from a second country (Lynn; 2003,399). The percentage of ownership varies from country to country and project to project. One example, he mentions, is that in the United States FDI is characterized if a foreign institution owns 10 percent in a business enterprise within the United States (Ibid).

ECP: Estratégia de Combate a Pobreza is a program launched by the Angolan government in 2004 with the purpose of putting focus on poverty reduction in Angola. The ECP program is based on Millennium Development Goals (MDGs) comprising 10 points mentioning how the Angolan government defines and combats the different dimensions of poverty (ECP; 2004, 4). There is a section dedicated to this program further on.

EBC - The Exim Bank of China Chinese Export and Import Bank founded in 1994 and is owned by the Chinese Government. The main goal of the bank is to support the Chinese industry in order to improve China economic and financial interests internationally. The bank also provide loans, and credit lines to foreign governments (Retrieved from EBC’s site).
1.6 – The Target group

This section points out those who are the people that can be considered as the target group for this Master’s thesis. Through my readings I have noticed that the available empirical data on the socio-economic impact of the inward FDI in to Africa is very scarce. Due to that fact, it is prevalent that the main target group for this Master’s thesis are mainly my fellow students, other scholars, journalists that might use the information provided herein for inspiration for further debate or academic papers, or practical guide for models into Africa. On the other side NGOs, other institutions or companies are also considered as a target group due to the fact that some of the information available here could be valuable for those who might have other interests in Africa. Last, but not least, my fellow citizens or other people who might be interested in the socio-economic development of the situation in Angola, could find the results of this study valuable enriching to the debate about poverty reduction in Angola.

It is my opinion that Chinese FDI and Poverty Reduction are two topics that are of extreme relevance in the political and social debate worldwide, especially because of the fact there is no evidence that poor are benefiting from Chinese FDI into Africa.

1.7 – The Overall Structure of the Master’s Thesis

This Master’s thesis is divided in three main blocks. The first block is the theoretical block that is composed by three sections which are the FDI section, the poverty section, and the Millennium Development Goals section. These three sections together serve as the framework for the entire theoretical section.
The second block is the empirical block also composed by three sections which are the Angola section, the section addressing Chinese OFDI into Angola, and the ECP program section. The Angola section introduces general aspects related to Angola’s socio-economic situation. The Chinese OFDI section addresses the Chinese outward FDI into Angola in general. The ECP addresses the program launched by the Angolan government based on the Millennium Development Goals and it serves as a framework for governmental officials as well as stakeholders in terms of identification and implementation of programs aiming to reduce poverty in Angola.

The third section is the section that addresses a case study the CFB rehabilitation project in the Benguela municipality. The CFB rehabilitation project serves as main source of data collection. Following the third section, the discussion section and the conclusions section are included. The following figure presents a graphic illustration of the structure of this Master’s thesis.
Chapter 2 - Methodology and other Social Scientific approaches

This section comprises the academic considerations found relevant for structure of this Master’s thesis. Key topics within social science studies, such as ontology and epistemology are superficially addressed before moving on in to general aspects of the methodology applied here.

The term ontology is defined, in terms of social science studies, as the study of being. It can also can be resumed as a study of anything and everything (Latsis et al.; 2007, 2).
The ontological approach focus on issues considered basic or significant for the study carried out (Ibid). Juxtaposed to ontology is epistemology, which is the study of knowledge, which leads to stage methodology (Ibid). A social research, like this study, can be carried out by adopting two approaches which are the deductive and inductive research approach (Ruane; 2005, 49). Briefly speaking the deductive research approach is applied to test established theories through the usage of empirical data while the inductive research approach is conducted by the empirical data and ends up by trying to generate a new theory (Ibid).

Summary

In general terms the ontological perspective in this Master´s thesis is covered by the study of poor in Angola, to be more concise poor people working for a Chinese company involved in the CFB rehabilitation project in the Benguela municipality. The epistemological approach in this thesis is covered by the study of the impact of FDI on the living in poverty. The epistemological approach serves as the backbone of the methodology section of this Master´s thesis.

The following section gives an overall and concise description of the basic structure of this Master´s thesis. In relation to the research approach to be adopted by a social study the deductive approach is found appropriated to be applied here. This Master´s thesis supports its research based on a self constructed theory in order to the desired results and tries to find evidence that support what theory says. The aim is not to challenge any theory, but try to reach to conclusion through with the support of a theory.

2.1 – The Research design

According to Robson (2002; 80) research design is pretty much where the scholar puts down on paper the strategy whereby he wants to solve the task he is dealing with. There are several ways a research design can be presented, for instance it can be composed by the following four elements: a) Purpose of the study; b) The theory that is
going to bear the study; c) The research question of the study; d) methods; e) The sampling strategy (Ibid). The structure of this Master’s thesis is based on the research design presented above. For further clarification in the following sections explain how each of the above presented points is embedded here in order to help it develop.

2.1.1 - The purpose of this study

Typically the purpose approach addresses questions regarding the aim of a study, the main objectives of the existence of a study (Robson; 2002, 80). This study has social scientific characteristic. Primarily it aims, through the case study format, to gather data showing evidence of linkages between FDI and impact of it on poverty reduction in the host country.

There must be some additional information included along the way, such as identification of poverty in Angola, and detailed information about how poor are living in Angola as well as social consequences of the Chinese OFDI into Angola. Another scoop of the way this study is conducted might be providing information on how poor Angolans perceive the Chinese invasion into their country.

2.1.2 – The Theory

Theory gives an overall perspective about this study and the general framework connected it (Ibid). It is important to keep in mind that the aim of this thesis is to search for evidence linking FDI to poverty reduction. To reach that purpose this thesis comprises a section dealing with FDI theory aimed to illustrate the benefits FDI can bring into the host country. Furthermore a section addressing the poverty issue and the different aspects of it is also part of the theory section. This approach serves to clarify and simplify the poverty variable and thereby create better conditions to analyse it further on.

Nowadays it is almost impossible to deal with the topic poverty without referring to the MDGs. For that reason, and because the ECP is retrieved from the MDGs, a space
dedicated to the MDGs in the theoretical section. The MDGs section serves support the ECP section and also to help in structuring the questions to be presented to the sample universe.

In general terms these are the considerations behind the set up of the theoretical section in this Master’s thesis.

2.1.3- Research Question

With reference to the research question it has as to be elaborated in a way that can provide a desired answer. Another requirement is that it has to be reasonable regarding to the available resources (Ibid). This is exactly what the research question of this Master’s thesis does. Since the aim is to find the empirical data about the impact on poverty reduction of the inward Chinese FDI in to Angola the research question seems to be appropriated for that purpose. The research question behind this Master’s thesis is “What are the impacts of the outward Chinese FDI, in terms of reduction of income and non income poverty in Angola?”

Through a strong and a well structured methodology, and theory section, the research question definitely gives the opportunity to obtain the desired answer. It is important to pay attention to the fact the research question paves a way to search for evidence linking FDI with poverty reduction through the study that in the end will yield evidence linking the Chinese OFDI and poverty reduction.

2.1.4 - Methods

Shortly, the methods section serves to draw the lines around the techniques to be applied in order to, among other things, gather the data, analysed it, and explain how its validity is insured (Robson; 2002, 80). The method section which is introduced further on, pores over all these aspects in more details.
2.1.5 Sampling Strategy

The sampling strategy will provide information on who is generating the data to be collected, the time, and how the sources will be selected (Ibid). The sample strategy is of a huge importance for this Master’s thesis because it, deeply, influences the outcome of this Master’s thesis. The sampling strategy adopted, in order to collect the required data, is adapted to the local social, cultural and politic conditions in Angola, as well as to the financial means available for that purpose. These factors have a huge influence on the considerations behind the sampling strategy. Further on the sampling strategy is addressed more detailed.

2.1.5 .1 – Types of empirical research

This section addresses the type of studies that can be carried out in order to yield the desired result social studies. The main concepts within this discipline are addressed here in this section and the one found appropriated for this Master’s thesis is described in more details. According to Hakim (1983, 11) all types of empirical research have their strong and weak side which in the end can affect the end result of the study carried out by the researcher. The choice of the appropriated type of research for a study depends on the choice of the researcher carrying out the study and the means available to the researcher (Ibid). For instance, Simon (2003; 43) mentions the nine types of empirical research methods presented afterwards. The nine types of research mentioned by Simon are 1) Case-study Descriptive Research; Classification Research; 3) Measurement and Estimation; 4) Measurement and Estimation; 5) Comparison Problems; 6) Research That Tries to Find Relationships; 7) Finding Causes and Effects; 8) Mapping Structures; 9) Evaluating Research (Simon; 2003, 43). According to the same source the selection of the type of the empirical research depends, among other things, on the academic background of the researcher (Ibid). A research can either be exploratory or descriptive (Ruane; 2005, 12). Explorative research serves as mean of understanding or getting insight into a social phenomena or topic that has been little researched where the
researcher gets deeply involved into the process through close and face-to-face interviews in order to get first hand information (Ibid). This approach will typically force the researcher to work with a small sample universe and it yields qualitative data (Ibid). On the opposite side of the explorative research approach there is the descriptive research approach which is characterized by reproducing a social phenomena or topic situation in more details and as accurate as possible and it is known for applying and yielding quantitative data (Ruane; 2005, 12).

Since the other elements are considered as being not relevant for this Master’s thesis the only element that is emphasises only case studies perspective. The summary of this chapter explains the reason why case study is elected.

2.1.5.2 - The Explorative Case Study Research Approach

Case studies are considered narrative and this type of research is mainly used in cases where there not that much background knowledge about the issue supposed to be studied, while on the other hand, the results yield by studies based on case studies can serve as a point of departure for further kinds of studies (Simon; 2003, 44). Case studies are appointed as having the propensity of being to generalist (Gomm et al.; 2002, 2). According to Mitchell (Case Study Method - Chap. 7; 2002, 172), who again refers to Eckstein (1975; 94 -123), there are five forms whereby case studies are applied. The first are configurative- idiographic studies where the core essence of this kind of study is
narrative, expressing the correlation of aspects related to a certain issue where the end result does not, necessarily, leads theoretical interpretation (Ibid). The second are (Ibid). The third are Heuristic case studies that aims to develop theories, on the contrary of the other two (Mitchell in Case Study Method - Chap. 7; 2002, 172). The fourth elements in the range of ways of using case studies are plausible probes which try paradigms that have been developed in other precedent studies (Ibid). The last form of using case studies is in crucial case studies aimed to challenge established theories (Ibid).

There is, of course, some criticism regarding the usage of case studies as a methodological approach. Some scholars claim that descriptive case study does not generate anything innovative, its main purpose is to provide knowledge for further research (Simon; 2003, 45). At the same time descriptive research is also criticized for being too generalist (Ibid).

**Summary**

Based on the options presented above the conclusion is that this Master’s thesis bents for a explorative research case study since it seeks to understand or get insight into a social phenomena or topic that has been little researched where the researcher gets deeply involved into the process through close and face-to-face interviews in order to get first hand information. It also entails a Disciplined-configurative approach since it tries to seek to analyse the patterns of general conclusion generated on base of established theories, in this particular case that FDI should bring benefit to Angola.

**2.2 - Method**

This section addresses the methods selected to relevant data considered proper for this Master’s thesis in order to achieve the desired results. It has been stated earlier in the previous section that the framework work of this Master’s thesis includes a case study. The case study is centres on the Benguela municipality and takes a point of departure on a number of Angolans working for a Chinese construction involved in the huge CFB
rehabilitation project. It is relevant to mention the form the data to be used in this Master’s thesis is collected. To be more specific, this section addresses methods regarding interviews and data collection, as well as the advantages and disadvantages of the chosen methods.

Regarding the empirical data, it is divided in two sections and will be collected in following terms:

1- The primary data will be collected in terms of interviews, on a face-to-face basis, of Angolan workers working for a Chinese construction company which involved in the CFB rehabilitation project (CFB). The interviews will be elaborated here in Denmark and thereafter will be sent to a university student in Angola who will be responsible for carrying out the field interviews. Afterwards they will be sent back to Denmark by e-mail and translated into English before serving as the basis of analysis. Fifty people will be interviewed as part of the sample universe in order to provide the necessary data to reach to any kind of conclusion. My own personal observation made during my stay in Angola, in 2007, are also part of the analysis section. Furthermore three spouses of the people belonging to the sample universe, a school leader, a nurse care, and an Angolan owner of a construction company will also be interviewed as part of the triangulation process. These interviews are an essential part of the case study. More details about the kind of interviews, data collection process and the case study itself are given in the following section.

2- The secondary data will be collected in terms of printed material made public by official sources, internet sources, and my own observations made during the time I was in Angola doing research.
Afterwards more detailed explanation about the way the primary data is collected is given in more details in the next section.

2.2.1 - Selection of the Sample Universe

In general terms the sample universe is the group of people the researcher intends to study, also called the target population, in order to generate the empirical data that is desired (Firebaugh; 2008, 93). The sample universe can be selected through a three steps exclusion or winnowing method where the first step is finding and selecting a representative group, the second step selection is an extraction of fraction people, the so-called frame population, from the sample universe and the third step is the extraction a sample from the frame population (ibid). This is where the exclusion process takes place and where the number people to be studied are defined (Ibid). The end result of this process is a sample which represents people who lives up to the requirements imposed by the researcher aimed to obtain the desired empirical material (Ibid).

A reference to the sample universe to be studied selected for the purpose of the case study is mentioned in the summary section of this chapter.

2.2.2 – Interviewing Methods

This section addresses the methods that can be applied in order to gather data as well as the method found appropriate for this Master’s thesis. Since the primary data is the core element of this Master’s thesis it is important to give some space addressing the various techniques of interviews that are available for a researcher. This section ends up by pointing out the selected technique found appropriated to be used here in this study.
According to the literature, primary data can be collected in various ways, for example by doing questionnaires, interviews, observations, case studies, etc (Primary Data collection methods).

The way the interview is addressed influences on the outcome of the research carried out (Hollway & Jefferson; 2000, 30). The literature mentions four main approaches to be applied when it comes to interviews which are the following: 1) the traditional interview technique; 2) the feminist interview technique; 3) the narrative interview method; 4) the clinical interview method (Ibid).

Afterwards all the four interview methods are described shortly including the selected interview method that serves as the in to gather the data.

In the traditional it is important to apply questions that make the interviewee comfortable by not using questions that can threat or scare him/her (Ibid). Within this concept it is important for the interviewee that he feels that he/ her can trust the interviewer and that he/ her, at same time, understands the questions he is answering to (Hollway & Jefferson; 2000, 30).

The second method is the feminist approach where the relationship between the interviewer the interviewed is not equal. For instance, the gender and the questions addressed must be balanced in such a way where the interviewee feels represented, for instance a female interviewer conducting an interview to female interviewee. These two approaches are based on a question-and- interview approach (Ibid).

The third method is the narrative approach, based on a structured and semi-structured question-and- answer interview, but here the interviewee is free to talk more open instead of just answering the questions he is introduced to. At this point the interviewer has to be able to listen and decode the message sent by the interviewee (Hollway & Jefferson; 2000, 31-32).

The last method is the clinical case-study approach which is based on a survey in order to give a more precise picture of the reality within a social context. This approach has incorporated a psychoanalytic perspective, where the interviewer has to analyze his
Involvement in the whole process in order understand the end result of his/her interview (Hollway & Jefferson; 2000, 31-32).

In order to obtain qualified answers, while conducting interviews, it is relevant to address open questions and questions that people can identify themselves in order to motivate people to tell their stories (Hollway & Jefferson; 2000, 34-37). Furthermore the same literature argues that to get most out of an interview the proper approach to adopt, while conducting an interview, is to present to the interviewee specific questions, for instance by referring to a specifically date or period (Hollway & Jefferson; 2000, 34-37). Interview methods, for instance, can be conducted as postal survey, telephone, and personal interview depending on the possibilities available to the group (Primary Data Collection).

2.2.3 Types of Interviews

This section addresses the different types of interview that can be applied. There are mainly three types of interview that can be applied which are: structured, semi-structured and unstructured interviews. Structured interview are carried out on a basis of specific questions which also includes not extensive answers (Primary Data collection methods).

Structured interviews are prepared on beforehand, and the answers are simplified and not that extensive. Regarding the semi-structured type of interview the questions are also prepared on beforehand but here the interviewee is allowed to give some more explanations. The last variable within this topic are unstructured interviews in which the questions are more wide open and the interviewee is allowed to express himself freely. Afterwards the interviewer uses the unstructured framework to get deeper information by using “why” questions and referring to answers the interviewee gave before (Ibid).

Interviews can be carried out, among other forms, on a basis of face-to-face interviews, postal surveys (e-mail), telephone interviews (Barnett; 1991, 66-69).
2.2.4 Data Validity and Reliability

This section addresses, in general terms, the relevance of data validity and reliability as well as how it is applied in this Master’s thesis. The relevance of these two terms is emphasized by the framework that has been chosen for data gathering. In order to reduce a certain degree of uncertainty in the results yield by the method selected to gather data, validity and reliability approach are crucial in a sense that they provide credibility to the conclusions reached in this Master’s thesis.

Data validity, in academic sphere, serves to provide credibility to the results yield by a study (Simon; 2003, 21). Validity can be applied to analyze either the whole project or some sections of it (Ibid). Another concept usually applied, in terms of giving credibility to a study, is the reliability concept. In academic terms reliability is defined as consistency of the data gathered or the result of yield by a study (Simon; 2003, 21). The concept serves to measure operational definitions as well as measure methods (Ibid).

The triangulation method is applied here in order to minimize margins of errors as well as, at the same time, provide validity and credibility to the end results yielded by this Master’s thesis.

In general terms data triangulation is the usage of different data collection methods, data sources, and observations which adds credibility and validity to the results yielded by a study (Beck and Manuel; 2004, 226). Data triangulation can be applied in terms of preparation of the data, analysis of the data, as well as on the conclusions achieved by any social study (Firebaugh, 2008, 64). Data triangulation is frequently applied in social science studies in terms of data collection techniques connected to the same study (Berg; 2007, 7). By triangulating the data gathered, a scholar can reduce the chances of reach false conclusions (Bergman; 2008, 23).

The following partial summary serves to resume the methods found appropriated here in order to serve the purpose of this Master’s thesis.
Summary

The narrative and traditional methods are found appropriated to be applied in this Master’s thesis due to the fact that the interviews to be conducted are a combination of structured and semi-structured questions. The other aspect that gives preference to the narrative interview method is the fact that some of the questions are elaborated in a way that gives the interviewees the possibility to go into details about their life stories instead of just limiting themselves answering questions shortly. This is one of the strategies used here to gather data, since the data to be gathered here is the key variable to answer the research question. There is also the fact that poverty is a sensitive topic therefore it has to be dealt carefully in order to create the confidence. The aim of this applying this strategy is to make people talk freely and not just answer the questions to get rid of the respondents.

Concerning the traditional interview techniques it is almost a matter of course, due to the fact that the elements comprising this approach are a precondition for the success of the interviews carried out here. The interviews are carried out here have three main characteristics. The first characteristic of the interview is that it is carried out on an open face-to-face base. The second characteristic of the interview is that they are semi-structured interviews. The third and last characteristic of the interviews carried out is that they are unstructured with the objective to give the interviewees a certain degree of freedom in order the get as much information as possible.

But on the other hand the questions presented to the elected sample universe are structured in order to create a certain degree of discipline and homogenise the answers. In the end this approach aims to facilitate the analysis of the data gathered on the field. It is also important to refer here to the fact that the questions are presented to the sample universe are elaborated in Portuguese, due to the fact that the interviewees are not able to express themselves in English. Afterwards the results of the data gathered are analysed in
the analysis section and a copy of the questionnaire, in English, is included in the back of this Master’s thesis.

There are, of course, some concerns linked to the strategy chosen in this Master’s thesis. For instance, perhaps also the most important, is the fact the interviews are conduct in a semi-structured basis by a person who is not specialist on the field. One of the consequences is the fact that the quality of the data gathered might be affected by this fact. There is also a risk that the pattern of the interviews, especially breath or depth, my not be constant along the interviewing process which also might affect the quality of the data collected. The third aspect is the fact the geographical distance between the Denmark and Angola removes the possibility to control the interviewing process as well as it, in the end, can reduce the engagement during the interviewing process.

Some steps are taken to counterbalance the presented situation in order to give validity to the data gathered.

The conclusions the data gathered here may lead to, must under any circumstance be generalized. They can only serve as an indicator of the development in the country regarding OFDI and reduction of poverty. These results cannot either be transferred to other regions of Africa or other parts of the world without taking local social, economic, political, cultural aspects into consideration. Even in Angola the regional aspect has huge influence in the results obtained here due to the fact some regions give the residents other income possibilities. For instance in the regions endorsed with diamonds resident people can get better income by digging diamonds themselves or working on diamond mines.

Data triangulation in this Master’s thesis aims to provide validity and reliability which in the end serves add more credibility to the results yielded by this study. Has it has been mentioned before the data collection is conducted by people in Angola who are not that familiar with the concepts used in this thesis. In order to minimize errors in the data collected a triangulation will be conducted. Data triangulation focus on the sources providing the data gathered here. In order to verify the credibility of the information
provided by the interviewees, some of their spouses, teachers of a local school at the local community, people working at health care centres are also interviewed. As mentioned earlier, the aim is to provide credibility and validity to the data gathered before reaching any conclusion.

The sample universe is elected through the winnowing method that includes three steps. In this particular case the first step includes main prerequisite that they must live up to be included as part of the sample universe is gender and age. It is required that they must be active workers for a Chinese company connected to the CBF renovation project. The second criterion, aimed to reduce the sample universe into a smaller group, is that they are males, aged between 18 and 40 years old. The last requirement to be part of the sample universe is that people must only have between one to four children and not being in charge of more than one household, read more than one wife.

The age criterion is relevant because it serves to group a study universe only of people who already have a job and are in charge of their own families. The criterion linking them to Chinese construction companies is due to the topic addressed here. The last requirement also serves to give a context that includes more than one generation. By collecting data on how children are doing today, helps to predict what the future look like for the next generation of poor people in Angola.

As a direct consequence of the lack of financial means this study only covers the Benguela municipality and no other part of Angola is included in this study. This fact affects the conclusion reached by this Master’s thesis and reduces considerably the validity of the results achieved here.

Women are excluded from the sample universe due to the fact that they are not representative among the working force in construction companies working in the CFB renovation project. The only women interviewed are those living with the interviewees for the only purpose of data triangulation.

The data triangulation will only focus on the data collected through the. The number of family members composing a family is extremely relevant, due to the fact that it
affects heavily people’s the purchasing power. The exactly number of persons interviewed in this thesis is exactly 50 person, plus five wives, two teachers and one nurse who works at the public health centre. Another relevant aspect that also influences the analysis is my own experiences and observations made during the 2007 year where I lived in Angola for that period. I used huge much time to across the country and talk with many Angolans working for Chinese constructions companies. I also talked with one Angolan who owns of construction companies in order to get their opinion on that topic.

Chapter 3 - The Theoretical focus

3.1 - Theoretical Focus

This chapter addresses the theoretical material which is the overall basis of this Master’s thesis. In order to simplify the gathered information provided by the literature that deals with poverty and FDI, this chapter is divided in three sections.

The first section addresses poverty in its general aspects and ends up by picking up the poverty dimensions which are relevant for this Master’s thesis. The Millennium Development Goals, a short version, is also included as a part of this section because it serves as the frame work for the “Estrategia de Combate a Pobreza “a program launched by the Angolan government. The ECO serves as a guide for government officials and stake holders as guide for all programs to identify poverty, the causes of poverty as well as set up programs aim to reduce poverty in the country. Latter on this thesis this program is described in more details.

The second section addresses, in general terms, FDI and embraces also aspects related to linkages between FDI in general and of the contribution of it on reduction income and non income poverty. The last section is devoted to the data gathering technique in connection with surveys. The data collection is of extreme importance for thesis since it is the core procedure that in the end yields the results to answer the research question.
There relevant theory dealing with FDI as growth and income generator in many developing countries as well as several books referring to the many aspects of it. Nevertheless, globally, the common acceptance that FDI can generate growth, the Achilles heel on that discussion is that there is no conceptual and empirical regarding evidence on linkages between FDI and reduction of income or non-income poverty (Crabtree and Sumner; 2005, 2). This is the fundamental reason for structuring the theoretical chapter the way is structured.

3.1 - The Various Concepts of Poverty

This section addresses the different concepts of poverty and aims to identify the relevant concepts to be used in this Master’s thesis. Generally speaking the overall common sense concerning the definition of poverty as multidimensional, e.g. poverty can be measured in terms of monetary and non-monetary indicators (World Development Report 2000/2001). The monetary indicator includes, of course, income and consumption as the main parameters of poverty measurement which has been a traditional practice (UNFPA; 2002, 3). The non-monetary indicators are measured, among others, in terms of others illiteracy, bad sanitation, poor health, nutrition, and lack of shelter (Ibid). Further on these the income and non-income indicators are described and advantages or disadvantages, as well as the consideration to be made when using this indicators. The following figure illustrates several aspects of poverty’s multidimensional characteristic based on UNDP’s own definition of multidimensional poverty. This figures serves as guidance for the questionnaire presented to the sample universe in order identify some other poverty signs than income poverty in Angola.
3.1.1 Monetary Indicators

This section addresses the monetary indicators of poverty which are income and consumption as well as the advantages and disadvantages related to the use of these indicators as a framework for poverty indicators.

Source: UNDP 2006
3.1.2 Income Poverty Measurements, Advantages and Disadvantages.

Traditionally poverty has been defined in terms of income and consumption made on the basis of household surveys (World Bank: Attacking poverty; 2001/02, 16). The World Bank considers consumption as a useful tool to measure poverty arguing that consumption is a reliable tool in terms of providing information on the welfare levels of people (World Bank: Attacking poverty; 2001/02, 17). Information on consumption can be gathered from two main sources which are at household level or at individual level (World Bank: Choosing and Estimating a Poverty Line). These two variables are taken included here when the data is collected.

There are, of course, some advantages and disadvantages tied to the use of income and consumption as poverty measurement tool, only few of them are mentioned further on.

Starting with the advantages the first one to be mentioned is the fact that it helps to clearly draw the poverty line in a given country or region (World Development Report 2002/2001, 18). This poverty line can have double functions which are: one turn out to be the point of intersection, where all the households and individuals living below that line can be defined as poor, as well as tool to test a household capability to purchase basic commodities, such as food, and medicine (Ibid). Since income and consumption data are based on household or individual surveys it also allows to gather additional information, apart from the above mentioned, that can be valuable for the end result (Ibid). On the other hand there are of there are the disadvantages of using income and consumption as poverty indicator factor (World Development Report; 2000/2001, 16). An example worth to point out here is the fact that the answers provided by the households might not be based on the same standards, which might affect the end result (Ibid). First, if not well collected, the data gathered based on income or consumption can hardly affect women due the fact that men are, typically, the ones who are employed in the formal sector there which also means stable income (World Development Report; 2000/2001, 18). Second, the time perspective can affect the reliability of the data in a sense that over time people
might change their perspectives and thereby also answering differently if asked the same questions (World Development Report; 2000/2001, 17). Third, the poverty line defined by income and consumption has to be adjusted to local, regional, or national context due to factors at local that might originate distortion of the obtained data (Ibid). These factors can vary from prices differences, socio-cultural factors, and political aspects within the country (Ibid).

3.1.3 Non Monetary Indicators

This section addresses in general terms the non monetary indicators of poverty. Non monetary indicators are measured in terms of poverty indicators based deficiency of other indicators than income and consumption.

3.1.4 Health, Education, Nutrition, Illiteracy, Social Exclusion, the capability and well being Approach

Non monetary indicators of poverty are important to take into consideration due to the fact that they are measured, among other things, on the basis of the nutritional deficiency, poor access to decent health facilities, no access to education, social exclusion, lack of security, and low self confidence (Coudouel et al.; 2002, 32). It is also extremely important to refer here Amartya Sen’s Capability Approach, which can be considered the opposite of the traditional perception of measure poverty on a base of income and consumption are focus more on the well being of the humankind (Human Development and Capability Association; 1). The first of the three elements comprising this approach is Functionings which, general terms, is all the different things a human been can do or be in life according to his desire while the second element within this approach, capability, stands for the different set of alternatives of Functionings a human being can freely achieve (Nussbaum and Sen; 1993, 31). The capability approach is based on the perception that quality of life can be reached through the capability to achieve useful Functionings (Ibid).
Depending on the social context Functionings can have different significance for each person such as being well nourished, being healthy, living in a decent house in some places while on others cases it can be more abstract for instance achieving self respect, feeling respected, feeling self-realized, etc (Ibid). The last variable within the capability and well being approach are values. Since the term value is too vague it is found necessary to identify ways to turns it into a measurable tool and one of way of doing that is through what is called the evaluative space (Nussbaum and Sen; 1993, 32). In general terms the evaluative space are nothing but common terms like enjoyment, joy, and aspiring self-realization (Ibid).

Summary

In terms of monetary indicators the income variable is the elected in order to test household’s capability to purchase basic commodities, such as food, medicine, and other items. Regarding non monetary indicators apart from variables such health, education, nutrition, and illiteracy, Amartya Sen’s capability and well being approach are also included in the theoretical framework of this study. Sen’s capability and well being approach serves an important element in the elaboration of the questions to be presented to the sample universe as well as it also serves as a framework for the analysis section further on.
3.2-The Millennium Development Goals

As mentioned earlier in the previous section the Millennium Development Goals (MDGs) are an important part of this Master’s thesis. Due to the fact that the core topic addressed here is poverty related, it is obvious that the MDGs must be included here as essential part of this study. Further on there is an explanation clarifying the role of the MDGs here in this Master’s thesis.

3.2.1- The Background of the Millennium Development Goals

The MDGs are a result of a United Nations General Assembly held between the 6 to the 8 September 2000 (UN; 2000, 1). Several head of States and their representative conscious of their responsibility, as world leaders, decided that time had come to define and solve global problems affecting the humanity, especially in poor countries (Ibid). The General Assembly yield a document (MDGs) that is based in a set of values aimed to improve life condition worldwide (UN; 2000, 2). Some of the set of values in the document mentioned above are freedom, equality, solidarity, peace, development and poverty eradication (UN; 2000, 4). For instance, among other goals, the document states that the aim is by 2015 the number of people earning less than one dollar a day should be reduced, and give access (UN; 2000,5). Furthermore the MDGs addresses not less relevant issues like protection of the environment, human rights defence, good governance, and democracy (UN; 2000, 6-7)
3.3- The Millennium Development Goals

The short version of the MDGs contents eight points which are; 1) Eradicate extreme poverty and hunger; 2) Achieve universal primary education; 3) Promote gender equality and empowerment of women; 4) Reduce child mortality; 5) Improve maternal health; 6) Combat HIV/AIDS malaria and deceases; 7) Ensure environmental sustainability; 8) Develop a global partnership development (UN - Millennium Development Goals).

The poverty reduction perspective is important in a sense that it is the aim of this study is related to this topic. There are three core points that the program focus on which are; 1) Reducing by the half the proportion of people living on less than a dollar a day; 2) Achieving full employment and decent work for all, including women and young people; 3) Reducing by the half the number of people who suffer from hunger (Ibid).

The summary of the chapter gives an explanation of the relevance of the MDGs for this mater thesis. Afterwards the following section addresses the FDI topic and.

3.4 - FDI

This section stresses FDI in general terms as well as it emphasises the impact on economic growth of inward FDI in the host country. The presumption is that thereby FDI has an impact on poverty reduction. There has been an ongoing discussion regarding the impact of FDI on poverty reduction and the extent on poor countries. The aim of this section is to set up part of the framework through which the empirical evidence fit in. This section is a complementary section to the above presented poverty section, and together with the Millennium Development Goals section they form the ground structure of the entire Master’s thesis. The aim of this section is not make a deep dissertation on FDI, but to touch general aspects regarding FDI and emphasise the correlation of it with poverty reduction.
3.4.1 – Definition of FDI

A short description of FDI is that it happens when there is a financial engagement of around minimum 10% equity in a foreign country (Razin et al.; 2007, 1). FDI is mainly composed by three elements which are equity capital, intra-firm loans (Ibid). The financial engagement can be in for of building or buying a plant in the host country, merger and acquisition also called joint venture (Brakman et al. 2008, 25).

Within the FDI universe there is a term named eclectic paradigm (OLI) that has served as strong analytical tool of FDI and MNEs modus operandi (Dunning; 408, 2002). The eclectic paradigms comprise three variables which are independents and considered as driven elements behind MNEs motivation to go abroad by doing FDI. Soon after the three variables, also called sub-paradigms, are and shortly described: 1) The first sub-paradigm is competitive advantage (O), this sub-paradigm advocates that if MNEs are in possession of a unique advantage over the competitors, it could be unique technology, capital, competent human capital, the greater is the tendency for the MNE to go abroad by adopting the FDI approach FDI. 2) The second sub-paradigm is location attraction (L) this sub-paradigm advocates that if a there some immobile, naturally or created, endowments that are necessary for a MNEs in order to create competitive advantage, benefit its presence in a foreign market instead of staying at home, the MNEs will tend to embark on a FDI by using their (O). The third sub-paradigm (I) is addresses an evaluation of the model the MNE would choose to take advantage of their core competencies and on the FDI ship. There are several ways MNEs can adopt to approach implement FDI. For instance it can be by just entering an open market and selling their goods, it happens also through inter-firm non equity agreements, by joining a joint venture, or buying a company or production site (Ibid). The eclectic paradigm mentions that the greater the benefits are by entering the foreign market the less motivated are MNEs to involve third parts FDI process.
3.4.2 The impact of FDI in the host country

Based on data released by the UNCTAD (Table. 2), Sumner emphasises that inward FDI into LDCs, including Africa, has increased considerably (Crabtree & Sumner; 2005, 5). He synthesises different perspectives that advocates that FDI brings capital, government revenues, and spillovers to the local firms in the host country (Crabtree & Sumner; 2005, 18). The following table is retrieved from the book mentioned above and reflects UNCTAC own calculation on the OFDI flows. The interesting here is to see how inward FDI into Africa increases at the same way as Chinese OFDI grows. The correlation between increasing FDI into Africa and impact on the host country is relevant in this particular context.

Table 2 Trends in FDI Flows to LDCS, 1980-2002 (USD bn)

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</tr>
</thead>
<tbody>
<tr>
<td>All LDCs</td>
<td>12.6</td>
<td>24.7</td>
<td>91.5</td>
<td>193.2</td>
<td>191.3</td>
<td>229.3</td>
<td>246.1</td>
<td>209.4</td>
<td>162.1</td>
</tr>
<tr>
<td>as a percentage</td>
<td>33.9</td>
<td>21.2</td>
<td>36.0</td>
<td>40.0</td>
<td>40.4</td>
<td>27.8</td>
<td>17.8</td>
<td>35.5</td>
<td>35.2</td>
</tr>
<tr>
<td>of world</td>
<td></td>
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<tr>
<td>Africa</td>
<td>1.4</td>
<td>2.8</td>
<td>4.6</td>
<td>10.7</td>
<td>8.9</td>
<td>12.2</td>
<td>8.5</td>
<td>18.8</td>
<td>11.0</td>
</tr>
<tr>
<td>Latin America</td>
<td>6.0</td>
<td>8.1</td>
<td>27.1</td>
<td>73.3</td>
<td>82.0</td>
<td>108.3</td>
<td>95.4</td>
<td>83.7</td>
<td>56.0</td>
</tr>
<tr>
<td>and the Caribbean</td>
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<td></td>
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<tr>
<td>Asia and the Pacific</td>
<td>5.1</td>
<td>13.5</td>
<td>59.8</td>
<td>109.3</td>
<td>100.3</td>
<td>108.8</td>
<td>142.2</td>
<td>106.9</td>
<td>95.1</td>
</tr>
<tr>
<td>China</td>
<td>0.7</td>
<td>2.6</td>
<td>26.5</td>
<td>44.2</td>
<td>43.8</td>
<td>40.3</td>
<td>40.8</td>
<td>46.8</td>
<td>52.7</td>
</tr>
<tr>
<td>as a percentage</td>
<td>5.5</td>
<td>10.5</td>
<td>29.0</td>
<td>22.8</td>
<td>22.9</td>
<td>17.5</td>
<td>16.3</td>
<td>22.0</td>
<td>32.1</td>
</tr>
<tr>
<td>of LDCs</td>
<td></td>
<td></td>
<td></td>
<td></td>
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Note: 1980-84, 1985-90 and 1991-96 are annual averages.

Regarding the topic FDI and poverty reduction in the host country Crabtree & Sumner raises two relevant questions in connection with that. The first question is if increasing the flow of capital into poor countries helps to reduce poverty? The second question is if improvement of sanitation, general living conditions can be considered as poverty
reduction (Crabtree & Sumner; 2005, 109). From Crabtree & Sumner’s point of view there are no questions about the fact that FDI brings economic growth into the host, the missing link is the lack of empirical data evidencing clearly the correlation between FDI and poverty reduction in the host country (Crabtree & Sumner; 2005, 3). The following table (3), is retrieved from a Crabtree & Sumner article and it emphasises some of the alleged impacts of FDI on poverty reduction (Crabtree & Sumner; 2005, 11). Since the main purpose of this study is to find linkages between OFDI and poverty reduction this table is relevant because it helps to stress the relevance of the aim of this Master’s thesis.

<table>
<thead>
<tr>
<th>FDI and socio-economic variable</th>
<th>Conclusions of cross-country empirical research</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI + economic growth</td>
<td>Positive but may depend on pre-requisites such as human capital, economic development, etc.</td>
</tr>
<tr>
<td>FDI + net impact on capital account</td>
<td>Positive but outflows reduce benefits</td>
</tr>
<tr>
<td>FDI + net impact on current account</td>
<td>Mixed, concentrated in a few countries</td>
</tr>
<tr>
<td>FDI + net impact on government revenue</td>
<td>Very difficult to assess</td>
</tr>
<tr>
<td>FDI + net impact on local firms</td>
<td>Positive but linked to policy?</td>
</tr>
<tr>
<td>FDI + income per capita a</td>
<td>mixed and inconclusive</td>
</tr>
<tr>
<td>FDI + income poverty</td>
<td>unclear; indirect relationship at best</td>
</tr>
<tr>
<td>FDI + multi-dimensional poverty</td>
<td>Largely unrehearsed?</td>
</tr>
<tr>
<td>FDI + inequality</td>
<td>Negative</td>
</tr>
<tr>
<td>FDI + employment</td>
<td>overall direct low; high in a few countries</td>
</tr>
</tbody>
</table>

Table 3- Summary of Cross Cultural Empirical Research on FDI. Retrieved from Crabtree and Sumner (2005 and References) therein
In spite of the fact the common sense is that inward FDI generates economic growth, there is not substantial empirical evidence linking FDI to poverty reduction in developing countries (Tambunan; 2004, 5). The table presented above confirms the importance of this Master’s thesis which is about the impact of FDI on poverty reduction in Angola.

Technology transfer is usually one of the benefits host countries can benefit from in form of spillovers (Blomstrøm in The Investment Canada Research Series; 1993, 93). Spillovers occur in two ways which are intra-industry spillovers and inter-industry spillovers (Blomstrøm in The Investment Canada Research Series; 1993, 95). Intra-industry spillovers occurs when industries within the join each other to face competition, e.g. by sharing knowledge about customer behaviour in a country x, or sharing risks when entering a new market (Blomstrøm in The Investment Canada Research Series; 1993, 95-96). Another aspect that can be considered as advantage to the host country in connection with FDI is the fact that multinationals tends give training programs to their employees (Ibid). In long term the employees that benefit from such a program can increase their life standard by moving to other jobs, or by opening their own firms (Ibid).

On the inter-technology side the reference here is the fact that foreign owned companies can have an influence on the performance of local firms in a sense that typically the demands of MNEs to their supplier will force local firms to raise their performance (Blomstrøm in The Investment Canada Research Series; 1993, 98).

Summary

This chapter addresses the overall perception of poverty and as well as the impact of FDI on poverty reduction. It is proved here in this chapter that there is a missing link evidencing the fact that FDI has an impact on poverty income poverty reduction as well as on multidimensional (non income) variables of poverty. The elements presented here in this chapter serve as the framework of analysis for this Master’s thesis. That is why it is important to define poverty what is before analysing impacts on it. On the same way it
is vital get a measurable tool to work with. That is the main reason why this section addresses poverty in terms of income as well as multidimensional. The MDGs role in this Master’s thesis is to give the modern vision of poverty definition and serves as the base of reference to the way poverty is measured in Angola. Finally there is also a reference to FDI which is an important element in the process of reducing poverty due to the fact that multinationals can help to reduce poverty. The elements in this chapter serve also as a guideline to the elaboration of the questions which to be presented to the unit to be studied.

Chapter 4 – Research, Analysis

4.1 – Angola the Country Profile

This section gives the reader a general overview of what Angola is. The aim of this section is to give the reader overall background information about Angola. Most of the information provided here is concise. If further background information is required most of it can be obtained on the internet from where the information made available here is retrieved from.

**Country name:** *conventional long form:* Republic of Angola

*Conventional short form:* Angola

*Local long form:* República de Angola

**Capital:** Luanda

**Government type:** Republic; multiparty presidential regime
Administrative divisions: 18 provinces (províncias, singular - província); Bengo, Benguela, Bie, Cabinda, Cuando Cubango, Cuanza Norte, Cuanza Sul, Cunene, Huambo, Huila, Luanda, Lunda Norte, Lunda Sul, Malanje, Moxico, Namibe, Uige, Zaire

Economic Overview: Angola has in the past years experienced high growth rate is mainly because of the constantly soaring oil prices and rising petroleum production. About 85% of GDP is supported by the oil production. Recently, after ending the war, the government has implemented a reconstruction national program as well as other social programs aimed to less favoured people which led to a considerable growth rates in construction and agriculture sectors of the Angolan economy. The majority of the population relies on subsistence agriculture, which forces the country to import most of the food consumed in the country. The Angolan government was awarded at around $7 billion credit line from China, earmarked to the Angola’s reconstruction of public infrastructures, and other large-scale projects all over the country. Angola has also granted some other credit lines from countries like Spain, Portugal, and Germany. On the inflation side it has been reduced over the time and kept under control due to a stabilization program launched by the Angola Central Bank, BNA, back in 2003. Due to soaring oil prices and increasing oil production the country has been able to use foreign currency reserves to buy the national currency (Kwanzas) out of circulation and thereby keeping the currency stable. Since 2006 Angola became a member of OPEC in late and in late 2007 was assigned a production quota of 1.9 million barrels a day, somewhat less than the 2-2.5 million bbl Angola's government had wanted. Apart for the oil reserves, Angola is endorsed with other natural resources such as, diamonds, extensive forests, gold, and Atlantic fisheries. But the country has not been able to fully take advantage of these natural resources due to the infective way the government has ruled the country. High levels of corruption, lack of transparency within government financial transactions, have been pointed out by the IMF has the some of the problems affecting the Angolan government. The Angolan government turned its back to the IMF’s monitored program with the argument that the IMF was too intrusive in internal affairs.
Natural resources: Petroleum, gold, iron ore, phosphates, diamonds, copper, bauxite, uranium.

GDP (purchasing power parity): Around $91.29 billion in 2007

GDP (real growth rate): Around 21.1% in 2007

GDP - per capita (PPP): Around $5,600 in 2007

Labour force: Around 6.64 million people in 2007

Unemployment rate: There are no official figures on the unemployment data in Angola, but the fact is that underemployment affects more than half of the majority of the Angolan population.

Debt - external: Officially the Angolan external debt was estimated in $8.234 billion in 2007 December 2007.

Stock of direct foreign investment - at home: Officially the stock of FDI in Angola was in, 2007, estimated in $17.23 billion.

Population below poverty line: According to official figures 70% of the Angolan population lives under the poverty line.

Reserves of foreign exchange and gold: Officially Angolan reserves are estimated in $11.33 billion.

Angola Population Info:

Population: Officially the Angolan population is estimated in around 13.000.000, and the growth of the population is around 2.136 %.

Age structure: Statistically the age structure of the Angolan population is as following:
Infant mortality rate: 182.31 per 1000 live births

Minimum Wage: 8 thousand and 609 AKZ\(^1\)


4.2 – Outward Chinese FDI into Angola

The section addresses the outward Chinese FDI in to Angola. It describes, in general terms, all the sectors Chinese are involved, how they operate, how they are supported financially, and how they win contracts in Angola. The aim is to give a concise version of the huge outward Chinese FDI into Angola.

The Chinese outward into Africa has increased over the past decade and today China is one of the main of investors in many African countries, especially the ones endorsed with natural resources, such as Angola (Centre for Chinese Studies; 7). The literature on that topic points out two main reasons why China is investing heavily in Africa. The first is that China is seeking natural resources to satisfy the needs of the fast growing Chinese economy, and the second is to create a market for Chinese products in the huge African market (Ibid). But, what are the main characteristics of the Chinese outward FDI into Africa? To answer this question the particular case of the Chinese outward FDI into Angola is used as a reference to draw a general picture of the outward Chinese FDI.

\(^1\) Equivalent to approximately 112 USD year 2008 exchange rate. Source BNA
At the first point the main difference between the outward Chinese FDI into Angola is that the main companies operating in Africa are SOEs, instead of the MNC or TNC (Centre for Chinese Studies, 9). How does the Chinese FDI into Angola work? The next section answers that question.

4.2.1 - The Financial Agreement Between China and Angola

Back in March 2004 the Angolan Ministry of Finance signed a 2 billion “financial agreement“ with the Chinese Construction Bank (Linha de Crédito com o EBC; 2008, 2). Furthermore in 2007 two more agreements were signed the first one amounting to 500 million US dollars, and the second amounting to approximately 2 billion US dollars (Ibid)

<table>
<thead>
<tr>
<th>Date of Signment</th>
<th>Amount Provided in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2004</td>
<td>2 Billion</td>
</tr>
<tr>
<td>July 2007</td>
<td>500 Million</td>
</tr>
<tr>
<td>September 2007</td>
<td>2 Billion</td>
</tr>
</tbody>
</table>

Table 4- Overview of China and Angola Financial Agreement. (Source Angola Ministry of Finance 2008)

The credit line is controlled by the EBC as well as the payments are made directly to the companies in charge of projects the Angolan government only had to point out the projects (Angolan Ministry of Finance 2007). The loans are made available for the
Angolan government in terms of a credit line payable in between 12 to 17 years and that the interest rate of 1.5% including a grace period of three years. One of the main requisites imposed by the EBC before providing the loan to the Angolan authorities is that up to 70% of the bids offered by the Angolan Government, to be financed by the loan, must go to Chinese companies and remaining 30% to Angolan companies (Ibid).

The loans are primarily earmarked for construction and reconstruction projects targeting roads, railways, schools, hospitals, houses. But also fisheries projects, agricultural projects are also included in this huge project mainly controlled by Chinese companies (Ibid). The next chapter gives a short general overview of projects, estimated costs, and areas involving Chinese companies in Angola.

4.2.2 – Short Overview of Chinese FDI into Angola

Chinese companies operating in Angola are involved in an expansive range of activities all over the country. The following figure gives a general overview of the range of activities of Chinese firms in Angola.
<table>
<thead>
<tr>
<th>Project &amp; Company in Charge</th>
<th>Provence Awarded</th>
<th>Amount in USD</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation and to equip a Public Hospital</td>
<td>Malange</td>
<td>29,185,00</td>
<td>Health</td>
</tr>
<tr>
<td>Entrepreneur: SINOHYDRO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Build and equip 4 Technical Schools + 2 Second level schools.</td>
<td>Luanda, Namibe, Benguela,</td>
<td>93,232,440,78</td>
<td>Education</td>
</tr>
<tr>
<td>Entrepreneur: SINOHYDRO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Build and equip the National Public TV</td>
<td>Luanda</td>
<td>66,905,200,00</td>
<td>Social Communication</td>
</tr>
<tr>
<td>Entrepreneur: CEIEC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rehabilitation of the Road Kifangondo- Kaxito Uíge-Negage</td>
<td>Luanda and Uíge</td>
<td>221,684,100,65</td>
<td>Public Sector</td>
</tr>
<tr>
<td>Entrepreneur: CRBF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliverance diversified fishery equipment.</td>
<td>All over the country</td>
<td>98,119,525,00</td>
<td>Fishery Sector</td>
</tr>
<tr>
<td>Entrepreneur: CMEC</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5 - Concise Overview of Chinese OFDI into Angola. (: Source Angola Ministry of Finance 2008)
Lately, the bulk of Chinese firms investing in Angola go behind the sectors mentioned on the table. For instance, Chinese SEOs are also getting a foothold within the financial sector in the Africa in general, including Angola through the International Commercial Bank of China (ICBC) that has acquired 20% shares of the Standard Bank. The Standard Bank, a South African based bank, has representations in 16 countries in Africa, 11 of them in Africa Sub-Sahara, including Angola (Standard Bank vai abrir representante no país; Jornal de Angola Online, 11.07.08).

Another remarkable step taken by a Chinese SEO into Angola is the construction of car assembly site in Luanda, by a Chinese SEO named CDG-Automobile Limited. Initially this site is projected to assemble is to assemble 30,000 vehicles a year (Viana contará com fábrica de montagem de automóveis; Angop Online, 11.07.07). The project also includes sales of spare parts and technical assistance of the vehicles assembled in Angola. As part of this project 44 young Angolans were sent to China for a 45 days course before being employed by the project which is estimated to the cost around 30 millions USD and employing more than 300 people, more than half Chinese (Jovens angolanos recebem formação na China; Jornal de Angola Online, 15.10.07).

China’s investment in the oil sector in Angola is not that representative. The only Chinese investment worth to mention on this sector was a construction of a 5 oil refinery in Lobito. The project was supposed to be a joint venture between the state owned Angolan oil company Sonangol and the Chinese Sinopec. But the Sonangol ended up running the project alone, due to disagreements between the two parts on the purpose of the refinery. Sinopec wanted a huge percentage of the products to be sold in China and Sonangol rather wanted to supply the national and regional market (Sonangol compra refinaria de Luanda in Jornal de Angola; 16.05.2007). It is becoming a common pattern among Chinese companies that started working in Angola by virtue of the credit line, to register themselves as Angolan companies and thereby extending their activities according to the market opportunities ( China’s Engagement in Africa; 2007, 32). China Jiangsu International is one concrete example of
a company that came into Angola as a result of the credit line but now has registered at ANIP and is extending their activities to other sectors within the Angolan economy (Ibid).

4.2.2 – Chinese Labour Force into Angola

Chinese companies argue that the Angolan labor force is not enough qualified to join the huge projects they are pursuing in Angola. In order to overcome this situation they bring their own employees. As result of that the Chinese community has increased considerably. According to unofficial sources there are more than 30,000 Chinese living in Angola which makes them to the second largest emigrant community after the Portuguese (China’s Engagement in Africa; 2007, 33). This number is expected to increase very fast over the next years due to the increasing of the Chinese engagement is Angola (Ibid).

Summary

The information concerning Angola country profile is retrieved from an Internet source and it is very concise. The objective of including this section is to give the reader a quick general overview about Angola’s social, economic, political situation. Only understanding and having them in mind it is possible to acknowledge that poverty represents is huge problem within the Angolan society. More information about poverty in Angola is available in the section that addresses the ECP program.

In general terms this chapter gives a general overview of the way China is managing the OFDI into Angola. The information gathered in this chapter shows that the Chinese government is the principal pillar behind the Chinese OFID into Angola. There are two core elements within the Chinese OFDI into Angola worth to be emphasized. The first element is the entire OFDI process is based on credit line offered to the Angolan
government, but controlled by the Chinese government. The second element is the clause that grants 70% of the bids offered by the Angolan government go to Chinese SOEs. It is a fact that companies investing in Angola are not private owned and the government is, in high degree, involved in the process. Chinese SEOs are heavily represented in the construction sector, but it seems that they are trying the get a foothold in some other sectors in Angola, such as the financial through the Standard Bank and vehicle production through the CDG-Automobile Limited. The fact that Chinese firms also stands for the equipment of the schools, hospitals, together with agricultural equipment gives also a market advantage to Chinese companies in the long run. The only sector where China seems to have difficulties in getting a strong foothold into is the huge oil sector, as the example mentioned above shows.

Chapter 5 – The Angolan Poverty Reduction Program (ECP)

The primarily aim of this chapter is to give an institutional indicators of poverty in Angola through the ECP. This section initially gives a general explanation of what the ECP is and covers its background, aims, and ends up by giving factual information about income and non-income poverty in Angola. This section is of extreme importance due to the fact that it defines the concept of poverty in Angola.

5.1 – What is the ECP?

In short terms the ECP is a program formally implemented in February 2004 by the Angolan Government. The program is aimed to, partly, identify index of poverty in Angola as well as serve as a manual that conducts programs within sustainable poverty reduction sphere in Angola (UNDP; Poverty Reduction). The program was revised again in 2005 and it is expected to be upgraded this year in order to adjust it to the new Angolan context (Ibid). According to the document the ECP has identified ten main areas considered as crucial in order to reduce income and non-income poverty in Angola. The main areas are 1) Improving social reinsertion of displaced population: 2) Protecting the
more part of population: 3) Assuring nutrition and developing rural areas: 4) Preventing the expansion of HIV/AIDS cases as well increasing the volume of medicine available to the HIV positives. 5) Providing, and improving the quality of academic education to the population. 6) Improving the quality of the health system as well as extend it all over the country: 7) Rebuilding and building basic infrastructures all over the country: 8) Creating conditions for increasing of the employment rate as well as promote vocational training to the existing labour force. 9) Improving good governance and transparency all over the country: 10) Improving professional macroeconomic governance (ECP doc.2005; 5).

Afterwards the 10 points summarizing content of the ECP are explained more detailed.

1) Social reinsertion of displaced population, due to the long civil war that devastated the country, is appointed by the ECP as one the factors behind the high indexes of poverty in Angola. Many people were force to leave the rural areas where they had their live hood to seek protection in urban zones. Within the ECP context to create the conditions to return of displaced people would help to reduce poverty in Angola.

2) Protecting the vulnerable during the war a considerable number of land mines were spread all over the country, in the rural zones in particular. For that reason the ECP emphasizes the importance of removing all landmines in order to give the internally displaced population to return to their place of origin. Furthermore the rain season usually hits hard on poor people. For that reason the ECP centres on the importance of protecting vulnerable people in cases of natural catastrophe.

3) Assuring nutrition and developing of rural areas, within this area the ECP refers to the importance of helping displaced people to grow their crop in their rural areas. The aim of this procedure is, gradually, to reduce dependency of imported food. This process would also allow rural communities trade the
exceeding crops and thereby improving their income which in the end would help to reduce income poverty in the country.

4) *Preventing the expansion of HIV/AIDS cases as well increasing the volume of medicine available to the affected population*, taking into consideration the high rates of HIV/AIDS in Africa, the ECP, considers has of extremely importance to prevent the expansion of the disease as well as give the HIV positive access to medicine and avoid social exclusion.

5) *Providing, and improving the quality of academic education to the population*, the human development goes through education of the population, as referred in the ECP document. Education gives people the possibility to seek information, get jobs, earn their own money, and thereby improving the chances to get out of poverty.

6) *Improving the quality of the health system as well as extend it all over the country*, within the context of the ECP improving the quality of the health system all over the country is crucial in terms reducing non income poverty in Angola.

7) *Rebuilding as well as building new basic infrastructures all over the country*, infrastructures is a basic element in the functionality of any society. That is why the ECP pays particular attention to the importance of the rebuilding and building new infrastructures all over the country.

8) *Making policies aimed to increase the employment rates as well as promoting vocational training for the existing labour force*, the ECP recognizes that to lift people out of poverty it is important to create jobs to people so people are given the chance to earn their own money which in the end contribute reduce income poverty in the country. The ECP also recognizes that it is not enough to create
jobs. It is also enhance people’s chance to the jobs available by providing them vocational training.

9) Good governance, the ECP recognizes that good governance also affects the can help to reduce non-income poverty in the country. Good governance can help to give voice and participation to the poor. Legal, civil rights, as well property right must be recognized and implemented by the judicial system, in order to protect land and property owners. Control of public finances should be implemented and reinforced in order to embezzlement of public funds and diminish corruption.

10) Good macroeconomic management is considered, by the ECO, as a key factor for all the points 9 points mentioned above. The ECP counts on foreign direct investors (FDI) in order to implement the program. Private investors are those who, by investing in the country, can generate jobs and thereby increasing the population’s income. This is the main reason why good macroeconomic management, within the Angolan context, is important in order to make Angola an attractive country to invest in for foreign investors.

5.2 – Definition of Poverty in Angola According to the ECP

Based on the ECP this section summarizes the index of, income and non-income poverty, within the Angolan context. The concept of poverty in Angola does not differ that much from the world’s concept of poverty. In Angola non-income poverty is also defined in terms of deprivation, vulnerability, susceptible both to epidemic outbreaks and natural catastrophes (ECP doc; 2005, 18).
Based on survey carried out in 2001 by the INE the ECP concludes that the income poverty at that time corresponded to 392\(^2\) Kwanzas a month. This amount is equivalent to 1, 7 USD a day. There were also identified some index of extreme poverty where people leaved to what corresponded to 175 Kwanzas a month. This amounts to approximately 0, 76 USD a day.

The indexes of poverty are higher in rural areas, representing around 94%, comparing with urban areas where the incidence of poverty is around 57% (ECP doc.; 2005, 21).

The structure of the family seems to play an important role in the correlation between number of family members and the level of poverty. The more extensive the family the more poor the family is. The following table is retrieved from the ECP report and is based on a survey made in 2001 aimed to identify the levels of poverty. It serves to underline this statement.

\[^2\) Based on year 2000 exchange rate- 1 USD equivalent to 7,7 Kwanzas
The level of academic education also directly influences the poverty in Angola. The correlation is the number of years people attended school and the position they occupy within the poverty scale. According to the ECP around 47% of the poor people in Angola has not any kind of vocational training while 56 % are illiterate (ECP doc; 2005, 24). This example makes underlines the correlation between the educational level and the levels of poverty.

Regarding access to health care figures shows that only 35% of the entire population has access to medical assistance. The poor rely mainly on health centre, hospitals, and traditional doctors, while non poor typically recur to private clinic or family doctors.

<table>
<thead>
<tr>
<th>No. of members</th>
<th>Moderate Level of Poverty in %</th>
<th>High Level of Poverty in %</th>
<th>Extreme Level Of Poverty in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3</td>
<td>42, 8</td>
<td>0,213</td>
<td>0,133</td>
</tr>
<tr>
<td>4-6</td>
<td>58, 4</td>
<td>0,288</td>
<td>0,185</td>
</tr>
<tr>
<td>7-9</td>
<td>66, 2</td>
<td>0,331</td>
<td>0,211</td>
</tr>
<tr>
<td>10-12</td>
<td>67, 7</td>
<td>0,339</td>
<td>0,216</td>
</tr>
<tr>
<td>13-15</td>
<td>68, 4</td>
<td>0,326</td>
<td>0,203</td>
</tr>
<tr>
<td>Over 15</td>
<td>75, 0</td>
<td>0,380</td>
<td>0,229</td>
</tr>
<tr>
<td>Total</td>
<td>62, 2</td>
<td>0,331</td>
<td>0,198</td>
</tr>
</tbody>
</table>

Table 6- Table Evidencing the Correlation between Family Extension and Level of Poverty in Angola
Source: The ECP document page 24
The HIV/AIDS index in Angola is around 6%, according to official sources. There are no figures linking people’s social status and proportion of infection (ECP doc; 2005, 25). Nutrition is also a remaining problem affecting the poor in Angola. Approximately 50% of the Angolan population is affected by undernourishment. Around 75% of the income is spent in food, and it is presumed that half of the population does not cover the recommended amount of calories for a human being. The main dish among poor people in Angola is based on corn flour and (Ibid).

The educational performance among poor is also problematic. Around 35% of children the under 11 years, from poor families, never were sent to school while the rate among those families considered well establish, within the Angolan context, is around 77% (ECP doc; 2005, 25). Apart from facing problems with low school participation poor families are also overrepresented in the percentage of school abandonment, and low performance which is problematic for poor families (ECP doc; 2005, 27).

Shelter is considered as a key element in terms of improving the living conditions of the poor in Angola (ECP doc; 2005, 35). In Angola the shelter conditions offered to poor people in Angola is critical. A typical poor family in Angola lives in shanty houses without electricity, running water, and sewer. This situation forces poor families to solve their basic needs by recurring to firebrand, petrol lamps, and well which deters the poor peoples’ living condition security and the health of these poor (ECP doc; 2005, 29).

Regarding the quality of the Angolan labor force the ECP’s the conclusion is that the Angola is low. For many years the investment in human capital in form of academic education and vocational training has been neglected which is one of the main reason for the present situation. The qualified labor force in Angola is mainly absorbed by the powerful oil industry. Those who are not qualified are left without any other alternative but recurring to the informal sector. Typically non-qualified labor force is common among poor families (ECP doc; 2005, 31).
Summary

This section is a summary of the key points of the ECP which is the official program aimed to reduce poverty in Angola. The term poverty is wide and has to be treated carefully due to the fact that it differs from country to country, region to region, as well as family to family. That is why the ECP and of course this section is of huge importance for this section. This section serves as a framework aimed to define poverty in Angola. The following section addresses the case study that serves to find the correlation between Chinese OFDI and signs of reduction of any sort of poverty in Angola.

Chapter 6 – The Case Study (CFB)

As mentioned earlier this section takes point of departure in a case study that centres on the Benguela Railway (CFB). This project has been chosen due to its economic and social importance for the country as well to region. Based on that importance this project and its economic dimension the CFB project is, as indeed, a tremendous opportunity for the local population in terms of moving up in the poverty scale by being employed by companies in charge of the project. This is the main reason why this project has been elected to illustrate linkages between FDI and poverty reduction.

Afterwards the next section addresses, very shortly, the CFB project in order to give a basic knowledge of the CFB project.
6.1– Historical overview of the CFB

The CFB is a project from the remote colonial period that has been a key factor in the economic development of Angola since that time. It took approximately 26 years to build and finish it (March 1903 to February 1929). It stretches over an extension of approximately 1,303 km linking the Atlantic coast (Lobito) to the interior of Angola Luau (Zambian border) (Angonoticias, 08.07).

The CFB has always had an economic importance to the region. In a remote past the CFB gave access to the copper mines in the present Democratic Republic of Congo as well as Zambia (wikipedia.org- Benguela railway). The CFB also gave access to passengers and export commodities from Democratic Republic of Congo, Zambia, and Tanzania to Lobito seaport and from there to Europe (Ibid). On that sense the Benguela seaport had a huge economic and social importance for the region. In November 2001 the CFB become property of the Angolan State after ending a 99 years concession contract with a Belgium consortium (Jornal de Angola; 28.11.01 in Economic section). In short terms this is a historical review of the CFS’s long history that serves to illustrate the colossal importance of the CFB has not only for the country, but also for the entire region. The following section addresses shortly the CFB rehabilitation project.

6.1 – Summary of the CFB Rehabilitation Project

This huge rehabilitation project is financed by the Chinese credit line conceded to the Angola and is forecasted to be completed in 2011. It is forecasted to cost around one billion and 800 million US dollars (Angop- Comboio Volta ao troço Lobito/Luau em
CR20 Ferrovia is the Chinese in charge of the all project including several other subcontracted Chinese firms. In terms of employment, the all project is estimated to generate job to some three thousand Angolans and one thousand and 500 Chinese (Ibid). There is no specific information available referring to which functions the Angolans are going to occupy, or in which stage of the project these Angolans are going to be employed.

This project includes, removing old rails, preparing the landscape that has not been used for more than 20 years, building and running a production site aimed to manufacture new rails, and building bridges that have been destroyed by the war. Chinese CR20Ferrovia is also in charge of rebuilding old train stations as well as building and equipping new ones along the train stretch (Ibid). Apart for the above mentioned facilities some other are created in two municipalities, Damba Maria, and Negrão in Benguela province aimed to keep all the material such as trucks, and other heavy construction equipment to be used in this huge project (Angop- Reabilitação do CFB aumenta em 50 kilometros a velocidade de locomotivas; 24.09.08). There are no figures available informing the number of employees in this huge project. The project was predicted to be finished in 2006, but this date has been postponed several times. The new date for handling over the project is 2011 (Ibid).

In general terms these are the most important aspects of the CBF renovation project found important to mention here in this Master’s thesis. Afterwards the next section addresses the analysis chapter.
Chapter 7.0 – The Analysis

The analysis section is divided into two different and partially important parts for the final conclusion of this Master’s thesis. The first section comprises the identification and analysis of the type of the OFDI China is pursuing in Angola. The OFDI section justifies its own existence due to the fact that only by understanding the type of OFDI China persuades by the Chinese in Angola it is possible to analyze its social impact among the poor in Angola.

The identification of the type as well as the analysis of OFDI pursued by the Chinese is based on the FDI section presented previously. Within this context, repercussions the Chinese OFDI, including the massive exportation of Chinese labor force, into Angola represents for the poor’s precarious situation in Angola are centered in this chapter.

The second section addresses the analysis of the data collected in Angola through interviews of people who are directly affected by the Chinese OFDI into Angola. This approach aims to search for evidence proving linkages between the Chinese OFDI and impact on poverty alleviation in Angola through monetary and non-monetary indicators. In terms of monetary indicators of poverty, income and consumption are the two variants serving as the structure of analyzes.

Apart from concerns about job creation the people interviewed were presented to question about their wage and expenditure on housing, children’s schooling and clothing, health care, and transportation. This approach serves mainly to define in which extent their income is proportional to the expenses that cover their families’ basic needs. Only income the employees get from their work related to the CFB rehabilitation project is taken into consideration due to the irregularity on frequency people get money from all other alternative source of income.

In addition to that other variables concerning poverty indicators such as, access to qualified health, access to qualified education, access to proper nutrition and shelter, illiteracy eradication, avoiding social exclusion, well being, lack of political clout, and
lack of information are also included in this section as poverty indicators to help the
analyzes here in this section. There are two main reasons to include the analysis of non
monetary indicators in this section. The first main reason for this approach is that it gives
that an opportunity to looks at the topic poverty from a different angle than the traditional
monetary poverty indicators (income and consumption). This step gives the possibility of
including Amartya Sen´s capability approach and well being approach in the analysis of
poverty in Angola. The second reason for including non monetary indicators in the
analysis is that this Master´s thesis recognizes poverty has being multidimensional and
for that reason it is crucial to analyze non monetary aspects in order to get a broader
picture of the linkages between OFDI and impact on poverty reduction.
The analysis starts by presenting the sample universe; thereafter it addresses the Chinese
OFDI into Angola; the last section comprises the analysis of income and non income
indicators among the sample universe.

7.1 – The Sample Universe

The sample universe selected to illustrate such linkages are all male due to the fact that
there are the dominant gender within the construction sector. Around 50 aged
between 18 to 40 years are interviewed for the purpose of this Master´s thesis. They responded to 37 questions related
to income, living conditions, expenditure, educational background, vocational training before and after
joining the new job. The entire questionnaire is attached in the back of
this Master’s thesis. The people represented in this sample universe have all between 2 to
12 years schooling. They work as truck drivers, stonemasons, smiths, painters and
construction assistants. There was not possible to find architect or some other Angolan
professional working for Chinese firms in CFB rehabilitation project.

The questionnaire presented to the sample universe comprised around 39 questions
where some of including additional questions. the interviewees respond to is included on
the back of this Master’s thesis. (See enclosure).

7.2 – The OFDI Pursued by China in Angola and the Social
Repercussions of it.

With reference to the eclectic paradigms (OLI), as previously mentioned in the FDI
section, the bulk of Chinese OFDI into Angola has similarities with two of the eclectic
sub-paradigms, namely the sub-paradigm (O) and the sub-paradigm (L). Concerning the
first sub-paradigm the Chinese OFDI into Angola comprises three assets which, in this
particular case, are a huge amount of capital to invest, relatively cheap technology, and
the high number cheap labor force. In relation to the second sub-paradigm the factor
location attraction (L) seems to be a sustainable argument behind Chinese SOEs
incursion into Angola. The first evidence confirming this statement is the fact that China
is granted a certain amount of oil barrels a day, by Angola, as payment for credit line.

The second evidence is that China has imposed priority to the huge opportunities the
construction sector is offering by demanding 70 % of the bid to Chinese SOEs, this fact
adding to the fact that Chinese companies, due to their massive market presence in,
Angola are expanding their activities to other sector of Angolan economy. The third
evidence is the fact that Angola’s natural vast amount of natural resource has originated
an economic boom. The last element is the fact that the end of the civil war creates a
stability factor which is favorable for investment promotion. These three factors can be
considered as the immobile, naturally, and created endowments making it attractive for the Chinese SOEs pursue their market presence in Angola instead of staying at home.

Regarding to the (I) variable within the eclectic paradigm approach the general approach adopted by Chinese SOEs it seems that they have chosen to internalize their entire OFDI operations in Angola.

The Chinese OFDI has repercussions for the poor people social conditions. For instance the huge number of Chinese labor force coming to Angola has an impact on the poor people´s change to get a job in the construction sector. A concrete example to be pointed out here is the fact that no one of the interviewees practices any kind of technical function Chinese companies they worked for. They all got a job due to qualification they acquired before getting their present job and has, so far not joined, any kind of vocational training in connection lately. The more than 30 thousand Chinese expatriated workers operating in Angola are not job improving the chances for poor to get a foothold within the job market. The interview said that the Chinese, typically, do the more technical related jobs. According to them the machines are operated by Chinese workers, while Angolans follow the orders given by the Chinese. Manuals are all in Chinese and they really do not have a clue about what the

Figure 5 - A Chinese machine paving a road in Angola
Source: Own picture

The Chinese OFDI has repercussions for the poor people social conditions. For instance the huge number of Chinese labor force coming to Angola has an impact on the poor people´s change to get a job in the construction sector. A concrete example to be pointed out here is the fact that no one of the interviewees practices any kind of technical function Chinese companies they worked for. They all got a job due to qualification they acquired before getting their present job and has, so far not joined, any kind of vocational training in connection lately. The more than 30 thousand Chinese expatriated workers operating in Angola are not job improving the chances for poor to get a foothold within the job market. The interview said that the Chinese, typically, do the more technical related jobs. According to them the machines are operated by Chinese workers, while Angolans follow the orders given by the Chinese. Manuals are all in Chinese and they really do not have a clue about what the
Chinese are doing. Has one of the interviewees stated “we are only doing what they tell us to do”.

This factor, added to the fact that Chinese are not only charge building, but also equipping schools, hospitals, and governmental institutions, is upsetting people in Angola. To that aspect Zeferino Kalumbe, aged 33 and self made stonemason says “it is like they are all over the country, not leaving any space back for us. They do not even speak our language or share our culture, share our common values, and they leave separated from us. When you work for them, they treat you worst than an animal, we do not like them”.

This statement perhaps expresses the perception of how poor people are looks at the Chinese’s presence in Angola.

Notwithstanding the fact that FDI is presumed to create jobs, transfer technology to the host country it seems that it is not the case in this particular case. In this particular case, China has internalized, through national inter-firms cooperation, all the technological transference into Angola. By internalizing the supply chain as well as only allowing Chinese workers to control and execute all the technological functions in Angola Chinese, SOEs managing to maintain the technology in their own hands. Another interesting perspective, to be taken in consideration, within this context is the fact that China is developing solid knowledge about the Angolan market that, in the future, can be turned to a colossal comparative advantage for Chinese SOEs. So far the Chinese OFDI wave into Angola seems not to include Angolan working forcing in key positions. In this particular case there is no evidence of Angolan construction companies and Chinese sharing out any kind of know how.
7.3 – Search for Evidence that Links Chinese OFDI with Monetary Poverty Reduction in Angola (Monetary Indicators).

This section as the title refers to comprise the analyses in aimed to find evidence linking Chinese OFDI and monetary and non monetary poverty reduction in Angola. Before setting in a dissertation on the topic mentioned previously a little attention is given to results of the data collection. The following table is a summary of the interview conducted in Angola in order to find the above mentioned evidence. The results achieved here are based on a semi- open questionnaire the 50 interviewees were presented to. The answers were rewritten in order to serve the main purpose of this Master’s thesis. Due to the sensibility of the topic many of the questions presented to the sample group were not direct, because many people are ashamed of assuming their poverty. Especially questions related to income and expenditure are sensitive information and people usually felt suspicious when those carrying out the interviews approached them.

It is important to keep in mind that the table presented afterwards does not translate the emotional and cultural relevance of being poor, disrespected, and being capable of change one’s life for better. All this feeling was expressed to those who collected the data ant to me at the time I was in Angola. People are ashamed of being poor and they care around this feeling of guilty because they are not able of taking care of their family. The person in charge told me first people did not want to be interviewed and reacted by being suspicious and aggressive. But when the interviewed realised the real goal of this study they felt released and did all to cooperate with people collecting data. They said that they want people to know what they are going through.
<table>
<thead>
<tr>
<th>Number of Interviewed</th>
<th>50+10 People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Place</td>
<td></td>
</tr>
<tr>
<td>Income of People Earned by Working for Chinese Company</td>
<td>Between 10 to 22 Thousand Akz</td>
</tr>
<tr>
<td>Gender</td>
<td>Male</td>
</tr>
<tr>
<td>Ages</td>
<td>Between 18 to 45</td>
</tr>
<tr>
<td>Area of Residence</td>
<td>Benguela Municipality</td>
</tr>
<tr>
<td>Family Members in Single family</td>
<td>Between 3-6 People</td>
</tr>
<tr>
<td>Average Food Expenditure per Family</td>
<td>Between 3,500 - 13,000 Akz</td>
</tr>
<tr>
<td>Average Expenditure on Medicine and Health Care per Family</td>
<td>NA</td>
</tr>
<tr>
<td>Number of People who Capable to Afford Medicinal Costs</td>
<td>Around 47</td>
</tr>
<tr>
<td>Number of People who are Not Capable to Afford Medicinal Costs</td>
<td>Around 3</td>
</tr>
<tr>
<td>Number of People Using Public Hospitals</td>
<td>Around 33</td>
</tr>
<tr>
<td>Number of People Using Public Health Centre</td>
<td>Around 17</td>
</tr>
<tr>
<td>Number of People Using Private Clinic</td>
<td>Zero</td>
</tr>
<tr>
<td>Average Expenditure on Children’s Education per Family</td>
<td>NA</td>
</tr>
<tr>
<td>Number of People who are Capable to Afford Children’s Schooling</td>
<td>Around 11</td>
</tr>
<tr>
<td>Number of People who are Not Capable to Afford Children’s Schooling</td>
<td>Around 39</td>
</tr>
<tr>
<td>Number of People With Children Attending Public Schools</td>
<td>Around 36</td>
</tr>
<tr>
<td>Number of People With Children Attending Private Schools</td>
<td>Zero</td>
</tr>
<tr>
<td>Number of People With Children of a School Age not Attending School</td>
<td>Around 14</td>
</tr>
<tr>
<td>Number of People Buying Food at Supermarkets</td>
<td>Around 4</td>
</tr>
<tr>
<td>Number of People Buying Food in the Informal Market</td>
<td>Around 46</td>
</tr>
<tr>
<td>Number of People Living in Shanty Towns</td>
<td>Around 38</td>
</tr>
<tr>
<td>Number of People Living in the Inner City</td>
<td>Around 12</td>
</tr>
<tr>
<td>Number of People Living in Own Hoses</td>
<td>Around 34</td>
</tr>
<tr>
<td>Number of People Living in Rented Houses</td>
<td>Around 16</td>
</tr>
<tr>
<td>Average Amount Paid in House Rent</td>
<td>NA</td>
</tr>
<tr>
<td>Number of People with Tap Water in their Houses</td>
<td>Around 10</td>
</tr>
<tr>
<td>Number of People With no Tap Water in their Houses</td>
<td>Around 40</td>
</tr>
<tr>
<td>Number of People With Electricity in their Houses</td>
<td>Around 14</td>
</tr>
<tr>
<td>Number of People without Electricity in their Houses</td>
<td>Around 36</td>
</tr>
<tr>
<td>Number of People with Sewage in their Houses</td>
<td>Around 14</td>
</tr>
<tr>
<td>Number of People Using Public Transport</td>
<td>Around 32</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Number of People Using Own Transportation Means</td>
<td>Around 18</td>
</tr>
<tr>
<td>People Who Received Vocational Training Provided by a Chinese Company</td>
<td>Zero (100%)</td>
</tr>
<tr>
<td>Numbers of People who Believe that Chinese are Taking their jobs?</td>
<td>All Interviewees</td>
</tr>
<tr>
<td>Number of People who Believe that Chinese FDI that Working for The Chinese they Are Respected</td>
<td>Zero (100%)</td>
</tr>
<tr>
<td>Nr. of People Who think Chinese is Helping them to Better Living Conditions</td>
<td>Zero (100%)</td>
</tr>
</tbody>
</table>

Table 7- Overall summary showing the results of the data collection in Angola

7.4– Spending on Shelter and Housing Conditions

Shelter is a huge problem among the sample universe, as all the interviewees acknowledged that their housing conditions as directly awful. For instance around 68% of the respondents live in rented houses or annexes to house belonging to parents or other relatives in shanty towns. Most of them argue that this is the only affordable way they found to have their own place to live with their wives and children. The house rent in these shanty towns are cheaper comparing to prices practiced in the city. Typical, mainly due to lack of financial means, the construction materials used to build these houses are very rudimentary.

Many of the interviewees complained about the conditions they

Figure 6-Houses showing the poor conditions poor people are living under in Angola
Source: Own picture
lived under, especially those living in shanty towns. The main reason for leaving under such conditions appointed by them is their lack on financial means in order to build a decent house for their families.

7.5 - Job and Income situation

In terms of job creation 70% of the respondents had a job before the being hired to work for the Chinese. The remaining 30% had no jobs and got their income by working, casually, in the informal market. Those who were employed before were forced to leave their jobs in Angolan construction companies to work for the Chinese. They did so not because they got better wage, or better working conditions for that sake, but due to the fact that the companies they worked for were forced out of business by the Chinese. To this fact they comment that they had no chance, but joining the Chinese companies. In terms of income the wages Chinese companies offer to Angolan workers does not represent a remarkable increase. Figures show that very few, or none, experienced a remarkable income growth by changing to a Chinese construction companies. The wage offered to the respondents varies between 10 thousand to 22 thousand AKZ\(^3\) depending on people’s function within the company. Truck drivers are those who are better paid while construction assistants get less money for their work. As mentioned, before this amount does not differ that much from what people use to earn in their former jobs.

\(^3\) Equivalent to Approximately 200 USD. Year 2008 exchange rate
7.6- Spending on Nutrition

Food represents a huge posting in the respondent’s familiar budget. The data gathered shows that the majority of the respondents spent at least 5 thousand AKZ on food which represents over 30% of their personal income. All 92% of the respondents said that bought their food from the local informal market arguing price reasons for doing so. The informal market offers lower prices, but food safety is also according to the price. Another aspect related to nutrition is that their diet is not that varied, and it is typically based on cornstarch, fish, and local produced greens. The general opinion is that people would like to have a more varied nutrition, but they cannot afford it. There cases where respondents claimed that they spent more than earned on food, which forced them to find alternative ways to finance their families’ food consumption.
7.7- Spending on Children´s Schooling

Children’s schooling and clothing are huge posting in the respondents’ family. Not a single person was able to say, precisely, how much they spent on children’s schooling and health care, but figures shoes that 78% of the group studied claimed that they cannot afford the costs connected to their children’s schooling. Typically they face problems in buying books, decent clothing, and some other pedagogical material considered vital for their children’s schooling. These people are also forced to send their children to the poor equipped public schools instead of sending them to, the better equipped, private schools which is by far their desire. They said that not being able to buy decent clothing to their children is a great frustration for them as they feel that clothing is an important element in the social inclusion of their children. But due to their low income “decent” clothing has low priority in their budget. There are some of the respondents that really have experienced their children refusing going to school because they felt that they were not “properly” dressed to go to school.

7.8 - Spending on Family´s Health Care

Concerning health care, the common pattern among the sample universe is that buying medicine is headache for all families, but it has high priority in their budget. All 94% said that they always buy the prescribed medicine when someone is sick in the family, although they buy medicine in the informal market which is cheaper than buying in pharmacies. Some of them recognized that many cases they see alternative treatment forms as the only resort to cure their family members. The majority, 66%, of members of the sample universe recognized that they used the Provincial Public Hospital for treatment while the remaining 34 % used Public health Centers for treatment. Not a single person resorted to the well equipped private health clinic due to the fact that cannot afford it. They all agree that it would be better for their families’ health status if they could
afford private health clinic, but the money they get for their work can not cover private clinic bills.

7.9- Spending on Transportation

The last relevant element to be covered within this section is the transportation costs. All 64% responded that make use of public transport in different variants. The cost of public transports varies, depending on which form for transpiration people used or how far people leaved from their working place. In some cases transportation represents 23% or more of the sample universes’ income. The remaining part of the sample group uses their own means which in this particular case can be translated in bicycle, motorcycle, or walk. They mention the fact that transportation has huge impact on their mobility which in the end prevents them from looking for better living condition in other provinces.

So far this section has addressed the aspects related to monetary poverty of the sample universe that is directly influenced by the Chinese FDI in Angola. Afterwards the upcoming sections addresses aspects connected to non monetary poverty.

7.9.1 – Material Poverty

The figure presented previously in the theoretical section mentions material poverty as one of them several indicators that give poverty its multidimensional characteristic. On that sense it seemed to be relevant to include a question about material possession in terms of home appliances, clothing, and furniture. In general terms all those who have electricity at home also have TV, radio, stereo equipment, DVD machine, and in some cases refrigerator. This equipment is Chinese produced acquired in the local informal market. Apart for Chinese brands domestic appliances the majority have some local produced furniture. Most of the people enquired affirm that they buy mainly second home
clothing in the informal market, due to the fact that it is cheaper than in regular shops in town. It is hard to pin down signs of material poverty the overall answer is that people want more than they have. For most of people, in terms of material consumption, people want international recognized brands. For instance Mr. Mário da Silva, aged 40 and self made painter, mentions the fact that even that he has some electrical appliances as well as home appliances is not satisfied with the quality of it. He states “If I could chose I rather would buy brands Sony, Philips, Samsung, or LG, and leave all this Chinese crap. The quality is very low all and breaks very easily, but it is affordable.” Material poverty does not only mean home equipment, but it is extensive to parent’s capability to satisfy their children’s simple desire. Mr. João Kutekila Homateni, himself aged 27 and self made blacksmith, has three children and a wife. For him, his family does experience material poverty on a daily basis. To that fact he says “Toys, shoes and clothing represent a huge challenge to our budget. I can, simply, not afford it and sometimes children must stay at home from school when we cannot manage to wash their clothes.” Furthermore he says when encouraged to give some other examples “ Recently, I felt ashamed when my son came to me asking for a bicycle and I had to disappoint him by saying that I just could not afford it even if deeply wanted him to have one. My children do not have a ball, or a doll to play because I cannot afford buying such things.”

7.9.2 – Search for Evidence that Links the Chinese OFDI with Reduction of Non Monetary Poverty in Angola (Non Monetary Indicators)

This section comprises the sample universe poverty in terms of access to qualified health, access to proper nutrition and shelter, access to qualified education and Illiteracy eradication programs, social exclusion and well being among Poor, and lack of access to Information. In general terms, this section comprises non monetary indicators among the poor in Angola.
7.9.3- Access to Qualified Health

The ECP recognizes that access to qualified health is crucial for the poor in Angola where infant mortality rate is approximately 182.31 deaths per 1,000 live births. The respondents all agree that health has a huge priority in their families and they all also unanimous complain about the poor conditions offered by the public hospitals and public health centers. All 66% of the group composing the sample universe resorts public hospitals whiles the remaining 34% resorts to public health centers in their areas. If they could were offered the option to choose they rather would resort to the better equipped private clinic. When questioned about any kind of health assurance neither for them nor their relatives provided by their employees, the answer is a clearly no. Since they are not able of paying the costs required by private clinics these people are stuck to public hospitals and health centers. Transportation of their family members in acute health cases is also a huge problem connected to the health issue. In acute cases these people typically must rely on their own means to bring their own family members to the hospital. They do not have access to the same health clinics as their Chinese colleges which many of the interviewed defined as well equipped and modern. Also HIV/ AIDS related questions
where introduced, but it is difficult it get people to talk about it. The aim is to know if the people through the companies they work for have access to texts or information on that.

Not even information campaigns are taking place in working places. One of the respondents Mr. Lino Amaro, aged 29 and driver, answers as following to that question “there no access to health facilities at all, we just pray to God that nobody gets sick, otherwise we are in trouble. The public hospitals, apart from not being well equipped, there are no doctors there since they all are working in private health clinic. If you manage to get alive into the hospital, typically, you might have to wait several hours before get attended. Finally, if the doctor arrives they ask you for money and if you are not able to pay he would not treat you.” Questioned about info programs regarding HIV/AIDS implemented by their working place Mr. Manuel Chombossi, aged 26 and self made stonemason, says that the “HIV /AIDS is a private issue and for that reason the company he works for should not get involved in it. Regarding information campaigns he says” I have seen some adds and some campaigns, but nothing at my working place. We never talk with the Chinese anyway. We work and eat separately.”

### 7.9.4- Access to Proper Nutrition and Decent Shelter

The nutritional situation has been emphasized earlier on the previous section. Access to proper nutrition is connected to the income problematic. All the interviewed agree upon the fact that they are not satisfied with their nutritional situation, but they all better income as condition sine qua non for better nutrition for their families. Mr. Emiliano Moma, aged 22 and truck driver, refers to his family´s nutritional situation in following terms” We mainly buy out food in the informal market, because it is cheap. We cannot afford to but meat, milk, cheese, and such kind of things. We only eat fish, greens, maize flour, and sometimes frozen chicken.”
We cannot choose what we want to eat, we eat what we can afford and it does not varies that much”.

Earlier in the previous section the shelter as been addressed in connection with people’s expenditure on housing. This time shelter covers the conditions people live under. Around 84% of the respondents live in shanty towns while 72% has not sewage in their houses. Regarding electricity only 50% has electricity in their houses, but among these many say that the supply is not constant while other says that the electricity they have in their houses comes from their own Chinese produced generators, acquired in the informal market. The remaining 50% say that they have no electricity at all in their house which forces them to find alternative sources. Mr. Guto Kitanda Manuel, aged 38 and self made stonemason, says on that” we cannot rely on the state owned electric company we have not had electricity in area where I live for more than 9 years. That is we I decided to buy a small Chinese generator. At least we can keep the refrigerator running and watch TV. All my neighbors are doing the same.”

Access to tap water is also a huge problem for these people. The collected data shows that around 78% of them do not have access to tap water in their residences. Mr. José Pereira, himself aged 40 and self made blacksmith, comment to that fact “we do not have water at home, my wife and children spends a lot of time solving the water problem in the house. The water represents also a threat for my family, due to the fact that the water we drink is not proper to be consumed. We drink it because we do not have other alternative.”

Finally there is another aspect that illustrates the housing poor conditions of this people which is basic sanitation. All 84 % of the sample universe does not have sewage in their houses which forces them to do their natural calls on open air in the areas where they live. To that question, Mr. Isaias da Silva Mutota, aged 35 and self made
stonemason, says “we do not have a toilet at home, so when we need to release ourselves we just go outside. Everybody in my neighborhood does it. “Furthermore he adds “I cannot afford to build a toilet in my house that is why we do that.”

7.9.5- Access to Qualified Education and Illiteracy Eradication Programs

In this context the education aspects has two aspects that are worth to be taken into consideration. The first one is giving the opportunity to improve schooling among the members of the sample universe. The ECP recognizes that access to regular schooling is important for poor people in a sense that it can be a factor that can help in poverty alleviation. The ECP points out, itself, that poor people in Angola are typically less educated that than those who have better living standard. This aspect confirms the importance of improving and promoting schooling among the poor. When questioned about the importance of schooling the respondents recognize that it definitely would improve their chances for better jobs. Also if the fact that they spend many hours at work it would be interesting for them if the company they work for helped them to join any kind of educational program.

But at the same time they say that conditions have not been created by their employers, in this case a Chinese construction company, in order to improve their schooling.

Another relevant aspect regarding education is vocational training to the working force. It has been mentioned earlier in this Master’s thesis that the quality of the Angolan working force is extremely poor. The theoretical section touches the importance of how foreign investors can provide knowledge educating to their employees through, among other practices, vocational education. Among many benefits education can improve productivity and give poor people possibility to be more qualified and thereby getter
better wage. Within the sample universe there is no a single person who has benefited from any schooling program or vocational training.

For instance, the respondent Mr. Alfredo Capitamolo Querubim, aged 22 and self made stonemason, says “In my working group, we never ever have heard about the possibility of benefit from kind vocational training provided by the Chinese.”

Furthermore Mr. Ngola dos Santos Camama, aged 22 and self made stonemason, confirms that statement by saying “no, as far as I am concerned, I never was presented to the possibility of joining any kind schooling or vocational training program provided by the company or anybody else. It would be very good for us, but it is a dream. We cannot even come close to a single tractor or any other machine, due to it is forbidden for us. If we do it anyway we just get fired.”

The job they have at the moment is due to the qualification they processed before they got their present job. They all complain the fact that they cannot even communicate with the Chinese due to language barriers. They also say that they only have been contracted to do the work Chinese workers does not want to do, in this particular case physical hard jobs. Besides truck drivers no other group, among the interviewed, ever did any kind of technical work during the time they have been working for the Chinese.
7.9.6- Social Exclusion, Capability and Well Being among Poor

As a matter of form, for a good analysis sake, it is important to define what is well being within the Angolan context. In order to integrate this concept into the Angolan context the respondents were asked to define the term “well being” and it was translated to “good life.”

The answers defining “good life” within their own perspective circulated around decent place to live, good health, good job, proper remuneration for their job, respect, being able to provide a decent life for their family so they could feel proud of themselves.

Concerning the aspect of being social excluded there all he interviewed agree upon that. All of them feel themselves as being poor since they cannot satisfy their families’ basic needs. They say that they are socially excluded since they feel they live where other people does not want to live, they eat what other people does not want to eat, their children live a life other people does not want to live, and there is nothing they can do about it. For instance, when asked if they would work for the Chinese or not, if they had other options 100% of the respondents answered negatively. They were also asked if they felt respected and dignified due to their work for Chinese companies and they equally answered to this question negatively, adding that generally Chinese workers were better
treated than them. For instance they work without any kind of contract or another legal protection and can be fired without notice. They argue that it gives him the feeling that nobody cares about the poor.

Also the fact they are not able to send their children to better schools or just shoulder the financial responsibilities of their children schooling make them feel excluded. It has been mentioned earlier the fact that children of the people in this group usually feels outside because they are not dressed “decently” to go to school. Many of them feel less “man” because they are not able to take care of their children. All this is confirmed by the following respondents, such as Mr. Suoami Francisco, aged 22 and self made blacksmith, answers to the question about social exclusion and well being “What do you think? Let me tell you that rich people’s dog, in this country, have better life than my family. We are not respected and nobody cares about us. If we get sick we do not where to go. If my children are sick and starving sometimes I do not what to do.” Furthermore he adds “I word hard every day, but even dog I cannot provide better life to my family. It frustrates me.”

The main indicator of exclusion of these people is the houses where they are forced to live due to their financial situation. The majority of the members of the sample universe want to move to betters houses if they could afford it. They say that criminality rates are high and they fear for the security of their families which affects their life quality. Some of them responded that they feel that Chinese are taking their place and their opportunities to improve their life conditions. They are “everywhere now, we are getting tired of them” as one of the interviewed stated. To that Mr. Jerónimo Gonçalves da Purificação, aged 37 and self made stonemason, says “we live like animals, I would not call the place where I live a house. In the rain season we cannot sleep because water drips from the ceiling. Criminality rates are high here and the police never come here, if anything happens to you nobody helps you. We never go out at night fall just to avoid problems.”

When directly questioned if they consider the Chinese companies as an opportunity to improve their living conditions 100% of the interviewees answered “no”. Generally
speaking, all the respondents mentioned the fact that they feel that Chinese are pressing the wages down due to the huge of number of Chinese workers in Angola. For instance Mr. Euclides Satapa aged 27 and self made blacksmith, “before they came here I we could get job in any Angolan construction companies. Apart from that fact I could also do some sideline job which increased my income considerably. Today the Angolans constructions companies are closing, people rather want to contract the Chinese because the work fast, almost 24 hours a day including the weekends, and they also have the reputation of being cheaper than us. I am worst off today than before these people came. Chinese are ruining our lives.”

7.9.7- Lack of Access to Information

Access to information is generally obtained through radio and TV for those who have one.

Additionally, information concerning political, social, human, and professional rights is not made available for this part of the population. Not either the companies they are working for or any official institution has promoted access to this kind of information.

When asked if they are conscious of any kind of right not a single person, within the sample universe, was respond affirmatively to that question. It is also questioned the importance of access to information would have for these people in case they had access to it. The National Radio Broadcasting sends twice a week a program dealing with all judicial rights, but no one of the respondents noticed the existence of such a program.
8.0 - Data Triangulation

In order to minimize errors that might have occurred during the collection of data some people who can confirm or disconfirm some of the information provided by the respondents in the interview. The questions presented, independently, to the wives were concerned on the number of household members, income of their husbands, expenditures on house rent, food, as well as children’s schooling. All the six wives acceded to answer to questions and they confirmed the information provided by their husbands. For instance Mrs. Filismina Catrongo confirms that his husband earns the amount of money he says he earns. She also confirms that he has not other family than the one they have together. She also confirms the struggle they go through to survive and keep it running. The expenditure on food and children’s schooling, and health care is also confirmed by Mrs. Catrongo. Mrs. Joaquina Kipaxe, married to stonemason working for a Chinese construction company, mentions the fact that they have one child who is not attending school at the moment because she needs someone to help her in the informal market. She says “on one side we cannot afford to send her to school, on the other side we cannot do without the money she helps me to earn.” A third woman is invited to say something about the opportunity Chinese OFDI represents for her family. To that fact Mrs. Helena Chilumbo, married to a truck driver working for a Chinese company, says “they are taking over everything. Some Chinese are now also trying to sell Chinese products at the market where I sell. There product are cheaper than ours, we cannot compete with them. They sell everything from clothing, home appliances, food, not leaving any space back to us. We do not what to do, or where to go if this people take over.”

In order to verify the information provided by the interviewees people working at one health center was given a word during the research phase. When asked about the health condition offered to people who come to the health clinic where they work. Mr. Alfredo Ngola Katumbo, aged 39 and nurse, says that there is no a doctor connected to the health
clinic he works for. When more complicated cases show up they send people to the public hospital, but he also confirms that the people usually try to find other alternatives before heading to the public hospital. There is no statistics on obituaries in the shanty town where he operates but he believes that they are high. Concerning any evidence of improvement in living conditions of adjacent population in general he says that there no signs of it. When it comes to people working for Chinese construction companies, Mr. Katumbo vehemently denies any linkage. On the contrary he says that things are becoming works because Chinese are controlling everything.

Mrs. Margarida Chilombo Director of a local public school confirms that many children in the area are leaving schools due to the hard living conditions home. She says that some families cannot even afford buying books, and other didactic material for their children. As a consequence many children are forced to abandon school early due to parent’s financial situation. When asked about a correlation about families with the head of the family working for a Chinese construction company and better living conditions the answer is negative. She is not able to provide any specific data confirming that fact, but as far she is concerned Chinese companies are not famous for paying remarkable wages. Mrs. Chilombo does not believe that people working for Chinese construction Companies are better off than the rest of the population.

Finally it was possible to get the impression of one business owner. He did not want to be interviewed, but only give a few words on the impact of the Chinese OFDI in his municipality. Mr. Carlos Pedro de Carvalho, Angolan and owner of a business construction company named, Angoconstroi L.da says “the Chinese are ruining everything.” “They are taking everything away from us the worst is that we do not know what to do. “ Finally, when asked if Chinese are helping to reduce poverty in Angola, he answers that “he does not share that opinion, arguing that Chinese are only giving job to their own people leaving Angolans out.”
These are the persons that are conceded to answer questions related to the topic addressed here. Finally this Master’s thesis moves further to the final conclusion based on the data collected.

**Chapter 9.0 - Conclusion**

The research question of this Master’s thesis is:

Aiming to find any evidence linking FDI to poverty reduction, the chief question for this Master’s thesis is:

- What are the impacts of the outward Chinese FDI, in terms of reduction of income and non income poverty in Angola?

To answer that question the conclusion chapter has to be divided into sections. The first section comprises the findings of evidence with linkages between the Chinese OFDI and reduction of income and non income poverty in Angola. The second section comprises findings of evidence confirming linkages between the Chinese OFDI and reduction of non income poverty in Angola.

In terms of income poverty reduction, among the 50 interviewees, nobody confirmed that they benefited from a considerable rise in their wages since they have been employed by a Chinese construction company. The outcome of the data collected confirms that, in general, Chinese construction companies do not pay higher wage than other players in the market. Another consideration, worthy of mention here, is the data linking Chinese OFDI to job creation and thereby helping to reduce income poverty in Angola. In this particular case study there is no evidencing of job creation. One fact underlining this conclusion is that Chinese companies, by bringing their own workers with them do not help to reduce the high unemployment rates in Angola.
This fact is underlined by the data gathered that shows that the majority of the people within the sample universe were already employed before Chinese companies came. The second parameter within the income parameter perspective is consumption which is directly proportional to income. Since Chinese companies do not offer higher income the conclusion is that Chinese OFDI does not affect positively poor people’s purchasing power in Angola. Thereby their consumption is extremely limited to the minimum which is confirmed by the data gathered here.

Regarding evidence that link the Chinese OFDI helping to reduce non income poverty in Angola are also hard to find. The conclusion is, based on the data collected, that there is no evidence providing such linkages. For instance, concerning access to better health facilities, there is no evidence that poor people through their work for Chinese companies have access to better health facilities. The Chinese companies do not provide any kind of medical assistance to their employees and their families. Again access to better health facilities is tied to lack of proper of income. People blame their low income as a key factor when it comes to their choice of medical treatment. Other aspects such as access to qualified education, and as access to illiteracy eradication programs among the poor have not been influenced positively by the Chinese OFDI into Angola. This fact is also confirmed by the data gathered.

In terms of well being and social exclusion which are part of the multidimensional perception of poverty the conclusion is pretty much the same as before. The respondents all agree that their local community does not feel comfortable with the “Chinese invasion.” They feel threatened and insecure at such a level to the extent that they feel that Chinese are threatening their livelihood. The general opinion among the interviewees is that Chinese companies make Angolan works to feel less proud of themselves due to the working conditions they offer. All the interviewees mentioned the fact that they are only working for the Chinese because there are no other possibilities. They all do not feel respected and cannot see Chinese OFDI in to Angola as an opportunity helping them out.
of poverty. For them it is like Chinese workers came to replace them and take their chances to profit from this OFDI wave.

In resume the general conclusion, based on the data collected here, is that the Chinese OFDI does not contribute to poverty reduction in Angola. Even that the Angolan government stats that the ECP all those helping the country to develop should include the ECP the conclusion here is that is not a variable within the ECP that is helped by the Chinese OFDI positively.

9.1 – General Considerations

Finally this section addresses some other aspects that could have influenced the final conclusion of this Master’s thesis. Primarily it is crucial to refer here that the conclusions obtained here, based on the data collected, cannot, under any circumstances, be generalized. The sample universe is only related to one the CFB renovation project and can therefore not reflect the entire Chinese OFDI into Angola. There might be some other geographic, social, political, and cultural aspects that could have given another answer to the research question. The inclusion of macroeconomic elements in the analysis could perhaps have influenced the final result. This fact cannot be transferred to other African countries since there might be many other elements that could have given a different result. The time perspective is also important to have in mind since things might change over the time and people start seeing some results that they are not seeing now.

The role of government has not been included in this study, but it could be used for further studies.

The data collection the field researchers made for this Master’s thesis can serve as basis for further studies on social studies dealing linkages of FDI and its impact on reduction of any sort of poverty. Furthermore all stakeholders concerned with poverty reduction in Angola might be interested in the results achieved by this research study.
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