

# ANGOLA

## Background Report and Possibilities for Danish Development Assistance



Institute of Economics  
University of Copenhagen  
for Danida

April 1992

**Danida**

Views expressed in this report do not necessarily  
correspond to those of the Ministry of Foreign Affairs.

Danida, April 1992

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# TABLE OF CONTENTS

	page
<b>Chapter 1. INTRODUCTION</b>	<b>1</b>
1.1 Geography and Natural Resources	1
1.2 Infrastructure	3
1.3 Population and Society	3
<b>Chapter 2. POLITICAL FRAMEWORK</b>	<b>6</b>
2.1 Background	6
2.2 Political System, Human Rights and Democratization	8
2.3 Gender Relations	10
2.4 Prospects for the Future	11
<b>Chapter 3. ECONOMIC FRAMEWORK</b>	<b>14</b>
3.1 Colonial Heritage	14
3.2 Macroeconomic Features	15
3.3 Socio-Economic Considerations	18
3.4 Sectoral Characteristics	19
3.5 Regional Development	23
3.6 Summing-up	23
<b>Chapter 4. DEVELOPMENT STRATEGY AND ECONOMIC POLICY</b>	<b>26</b>
4.1 Introduction	26
4.2 Economic and Financial Restructuring	26
4.3 Major Development Issues	29
4.4 Prospects for the Future	32
4.5 Implications for External Agencies	34

<b>Chapter 5. INTERNATIONAL RELATIONS AND FOREIGN AID</b>	<b>36</b>
5.1 External Political Relations	36
5.2 Development Assistance	37
5.3 Overall Assessment	40
 <b>Chapter 6. DANISH AID AND TRADE</b>	 <b>43</b>
6.1 Background	43
6.2 Perspectives for Danish Aid	45
6.3 Overall Framework and Priorities	46

List of References

Appendix 1: Maps of Angola  
Appendix 2: Statistical Tables

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## LIST OF ABBREVIATIONS

<b>ABEDA</b>	Arab Bank for Economic Development in Africa
<b>ADB</b>	African Development Bank
<b>ADF</b>	African Development Fund
<b>BNA</b>	Central Bank of Angola (Banco Nacional de Angola)
<b>DAC</b>	Development Assistance Committee (of the OECD)
<b>DANIDA</b>	Danish International Development Agency
<b>DISA</b>	Directorate for Information and Security of Angola (Direcção de Informação e Segurança de Angola)
<b>ECA</b>	United Nations Economic Commission for Africa
<b>ECU</b>	European Currency Unit
<b>EDA</b>	Agricultural Development Stations
<b>EEC</b>	European Economic Community
<b>EIB</b>	European Investment Bank
<b>FAO</b>	Food and Agricultural Organization of the United Nations
<b>FAPLA</b>	People's Armed Forces for the Liberation of Angola (Forças Armadas Populares da Libertação de Angola)
<b>FLEC</b>	Front for the Liberation of the Cabinda Enclave (Frente Para a Libertação do Enclave de Cabinda)
<b>FNLA</b> Angola)	Front for the Liberation of Angola (Frente Nacional para a Libertação de
<b>IFU</b>	Industrialization Fund for Developing Countries (DK)
<b>IMF</b>	International Monetary Fund
<b>MPLA</b>	People's Movement for the Liberation of Angola (Movimento Popular para a Libertação de Angola)
<b>MPLA-PT</b>	MPLA Workers Party
<b>NGO</b>	Non-Governmental Organisations
<b>OAU</b>	Organization of African Unity
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OMA</b>	Angolan Women's Association
<b>OPEC</b>	Organisation of Petroleum Exporting Countries
<b>PAG</b>	Action Programme of the Government (Programa de Acção do Governo)
<b>PRE</b> Económica)	Programme for Economic Recuperation (Programa de Recuperação
<b>PTA</b>	Preferential Trade Area for Eastern and Southern Africa
<b>SADCC</b>	Southern African Development Coordination Conference
<b>SADF</b>	South African Defence Force

<b>SEF</b>	Programme of Economic and Financial Restructuring (Programa de Saneamento Económico e Financeiro)
<b>TAAG</b>	Angolan National Airline
<b>UN</b>	United Nations
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNDP</b>	United Nations Development Programme
<b>UNFPA</b>	United Nations Fund for Population Activities
<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>UNICEF</b>	United Nations Children's Fund
<b>UNITA</b>	Union for the Total Independence of Angola (União Nacional para a Independência Total de Angola)
<b>UPNA</b>	Union of the People of the of Angola (União das Populações do Norte de Angola)
<b>WFP</b>	World Food Programme
<b>WHO</b>	World Health Organization

## Chapter 1. INTRODUCTION

### 1.1 Geography and Natural Resources

The People's Republic of Angola is with an area of 1,246,700 km<sup>2</sup> the third largest country south of Sahara and the largest Portuguese speaking nation in Africa. Consequently, Angola is almost 30 times the size of Denmark. Angola is strategically located in southern Africa on the west coast of Africa between latitudes 04° 22' and 18° 02' and longitudes 11° 41' and 24° 05'. It is bordered by the People's Republic of Congo and Zaire to the north, by Zambia and Zaire to the east and by Namibia to the south. Total border length is 6,487 km, including a 1,650 km coast line. Excluding the province of Cabinda, Angola is almost square in shape measuring 1,277 km from north to south and 1,236 km from west to east. Angola is for purposes of territorial administration divided in 18 provinces, 163 municipalities and 532 communes.

Some two-thirds of Angola is an in-land plateau (*planalto*), which lies at an altitude from 1,000 to 1,500 meters above sea-level. The highest point is Mt. Moco (2,620 m) in the central province of Huambo. The coastal strip on the Atlantic is separated from the in-land plateau by a transitional zone, which varies in breadth from about 160 km in the north to 25-40 km in the centre and south. The most important of Angola's many rivers originate in the *planalto* region. Nevertheless, with the exception of the 960 km long Kwanza river, which is navigable up to Dondo (193 km upstream), Angolan rivers do not provide easy access to the interior from the coast. They do, on the other hand, offer a momentous and as yet relatively undeveloped hydroelectric and irrigation potential.

Angola has a variety of tropical climates, locally tempered by altitude. In addition, the Benguela current influences and reduces rainfall in the coastal strip, and the proximity of the Kalahari desert is characteristic in the south and south-eastern parts of the country. The central inland areas are therefore generally cooler (average temperature 19°C) than the coastal, northern and southern regions of Angola, which have average temperatures at or above 23°C. Average annual precipitation generally diminishes from well above 1,000 mm in the inland areas of the north to as low as 50 mm in the south-west. In the northern areas, the rainy season may continue for 7-8 months (September/October to April/May), whereas it normally only lasts for about 4 months from November/December in the south.

Angola possesses ample arable land, but less than estimated 1.5-2% of the total land area is presently cultivated. Furthermore, soils are generally fertile, and climatic conditions vary. Agro-climatic and land availability conditions are therefore favourable to extensive development of a range of subsistence and cash crops, such as manioc, maize, cotton, coffee, sugar and tropical fruits. Large areas are also suitable for livestock grazing in the southern region, which is free from tsetse flies. The only zone, where natural conditions pose a constraint, is in some of the drier coastal areas. But even here, intensive horticultural production is feasible in the stream and riverbank areas, where a perennial high water table is found. Angola therefore has all the necessary physical conditions for becoming a major agricultural producer in Africa.

Furthermore, both Angola's fauna and flora are diversified as a direct consequence of the

wide variety of climatic and soil conditions and the sheer size of the country. Rare animal species such as white rhino can be found in some of the national parks, and valuable timbers, including ebony, black wood, African sandalwood and rosewood, are available in the Maiombe tropical rain forest in the Cabinda province in the north. Moreover, Angola's resources of biomass (with an aggregate sustained yield of more than 150 million tons per year) are so vast, that they could, under normal circumstances, easily meet urban as well as rural demand for woodfuel.

Angola has extensive resources of fish, mollusks and crustaceans, particularly in the south, off the coast of the provinces of Namibe and Benguela, where the cold waters of the Benguela current, flowing northwards meet warm, tropical waters, flowing southward. This combination of variable temperatures and a vast amount of nutrients, washed down from the many rivers, has created an almost ideal environment for plankton growth. However, overfishing and inappropriate fishing techniques have impaired the stock over the past decades, implying a need for concerted protective measures. There is finally a considerable scope for development of inland fisheries, which has so far been hampered by security problems.

Mineral resources are excessive, and Angola has known deposits of more than 30 minerals, including diamonds, iron ore, coal, phosphates, uranium, titanium, copper and gold. Of these only diamonds, which are almost all of gem quality, and iron ore have been mined on a major scale. Diamonds were first discovered in 1912, and are mined in the north-eastern province of Lunda Norte. Until Independence in 1975-76, Angola was the fourth largest producer in the world, but production has fallen significantly since then. Production of iron ore has come to a complete standstill.

In addition to its large hydroelectric potential of its rivers, Angola is particularly well endowed with petroleum reserves and oil exports have during the 1980s been absolutely essential to the survival of the economy. Domestic sales of petroleum derivatives were approximately 7 million barrels in 1989, while total production was in excess of 165 million. Angola has therefore appeared as the second largest oil producer in sub-Saharan Africa after Nigeria. Reserves already developed and ready for production were estimated at more than 2.1 billion barrels in 1989. Current rates of exploitation (473,000 barrels per day) are therefore sustainable for at least another 12.6 years, but many deposits are, in all likelihood, still to be discovered. The main petroleum basins under exploration, in cooperation between the Angolan state and a range of multinational petroleum companies, are located near the coast of the northern provinces of Cabinda and Zaïre. Important reserves of associated as well as non-associated natural gas have also been found off-shore these two provinces. Angola is therefore, in summary, very well endowed in terms of natural resources, which, if properly developed, could transform the presently war-torn country into one of Africa's richest nations.

## 1.2 Infrastructure

At Independence, the economic infrastructure of Angola was fairly well developed by African standards. A distinctive port-rail corridor system with three main lines, running laterally across the country, dominated. However, the 3,000 km rail network was supported by feeder roads and additional highways, that provided some north-south provincial links. Around 72,000 km of roads existed in 1975, of which more than 8,000 were asphalted. The deep-sea shipping ports of Luanda, Lobito and Namibe, in the northern, central and southern parts of Angola, provided important outlets for exports of agricultural, mineral and fish resources, and for the import of investment and consumption goods.

The three rail lines include the strategically important Lobito-Ndola corridor. Originating in the twin-cities of Benguela and Lobito on the Atlantic coast, it connects Angola with Zaire and Zambia. The rail lines have, however, with the exception of a section between Namibe and Matala in the south, only operated sporadically since 1975-76. Also the road network has deteriorated substantially in recent years because of sabotage and deferred maintenance. Nevertheless, most observers agree, that Angola's transport network remains basically sound, in part due to the presently low volume of traffic.

All internal air transport is provided by the national airline TAAG, which has been of significant importance, given the insecurity of ground travel. TAAG has in fact become one of Africa's fastest growing airlines, and services a significant airport network. In addition to the only international airport in Luanda, the main airports include Cabinda, Huambo, Benguela, Lobito and Namibe. Yet, the airport infrastructure and the aging fleet of TAAG is in dire need of upgrading, and other important centres of the country are poorly serviced. This reflects a combination of factors including the poor state of the runways and shortages of aircrafts.

The major urban centres of Angola include the capital of Luanda, Huambo in the central plateau, and the coastal cities of Benguela and Lobito. Other centres include Tombwa, Namibe, Lubango and Menongue in the south; Sumbe, Kuito and Luena in the central region; and Cabinda, M'banza Kongo, Uíge, N'dalatando, Malanje and Saurimo in the north. Urban infrastructure is at the brink of collapse due to overpopulation and lack of repair. While no accurate data are available, it is estimated that the capital of Luanda, designed for a population of some 400,000, is at present housing well above 1.5 million people.

## 1.3 Population and Society

There are no reliable population figures. The last nationwide census, which was carried out in 1970, registered a population of 5.6 million, of whom 15% were urban dwellers. Government estimates suggest, that the population was slightly more than 10 million in 1990, with an average annual rate of growth of 2.7% between 1985 and 1990. Angola remains a predominantly rural society, but urbanization has gained momentum in recent years, partly following population displacement, caused by the war. Almost 30% are therefore now estimated to live in urban areas.

Angola is sparsely populated with a population density of 8 inhabitants per km<sup>2</sup>. The most populous provinces are Luanda, Huambo, Bie, Malanje, Huíla, Uíge, Kwanza Sul and

Benguela. These eight provinces account for almost 80% of the population. The crude birth rate was estimated at 47.2 per thousand in the second half of the 1980s. However, life expectancy at birth is low, being only 42.9 years for men and 46.1 for women, as compared to the sub-Saharan African average of 51.8 years. This reflects a crude mortality rate of more than 20 per thousand and an extremely high child mortality. Estimates vary between 137 and 200 per thousand, depending on the year and source of information.

Other human development indicators, such as population with access to health services (30%), safe water (35%) and sanitation (21%), on the one hand, and adult literacy (36%) and daily calorie supply (82% of requirements), on the other, are also low by African standards. Yet, although no official estimates are available, it would appear that the share of the population, who are able to communicate in the official language, Portuguese, is relatively high. French and English is spoken and understood by only a small minority in business or official positions.

According to Unicef, social conditions have deteriorated dramatically since the war began escalating in the early 1980s. Post-independence advances in health and education were, in other words, reversed. The UN estimates that between 15% and 25% of primary health and education units had been destroyed by 1989, and repeated cholera epidemics have hit Luanda and other cities over the past three years. The number of doctors (including foreigners) declined from 723 in 1987 to only 662 in 1990. This means that there are presently over 15,000 people per doctor. Furthermore, access and use of Angola's health services is significantly higher in Luanda than in other cities and rural areas.

The educational level of the labour force in Angola is also extremely low, and there is an acute shortage of skilled workers. In Luanda, the percentage of workers in jobs requiring at least secondary education is estimated at 14%, while only 3% meet that requirement. In other provinces, the situation is even worse. Nationwide, there were only 177 people holding university degrees in 1985, and while enrollment in regular primary education grew rapidly up to 1979, it fell sharply thereafter. Secondary education has by contrast continued to expand, and at university level enrollment reached more than 6,000 in 1990. This represents a doubling compared to the level of the late 1970s. However, efficiency in the educational system has deteriorated, and war and economic problems have had damaging consequences for the system as a whole.

Deaths, directly related to combat activities during the war, may be as high as 100,000, but the UN puts the number of direct and indirect war deaths between 1980 and 1988 at almost 500,000. The number of "excess" deaths of children, who would have lived in the absence of war in 1980-88, has been estimated by Unicef to be 331,000. To this should be added more than 100,000 people, who have been seriously mutilated due to the war and the extensive mining of agricultural areas. The human costs of the war, during the past 16 years, have therefore been enormous.

Consequently, it comes as no surprise, that Angola is ranked 147 among the 160 developing countries listed in UNDP's 1990 Human Development Report. This is so in spite of Angola's relatively high GNP per capita, which has been reported by the World Bank to be at US\$ 610 in 1989. Furthermore, the rapid population growth combined with the relatively low life expectancy is an indication of a high dependency ratio. In fact, some 45% of the population

are below the age of 15, whereas only 5.5% are 60 or above. The need for rehabilitation and development, in the light of the ensuing future population momentum, is obviously of considerable dimensions.

The African population is made up of a large number of ethno-linguistic groups, which are all of Bantu stock. The largest group comprising about a third of the total is the Ovimbundu, concentrated in the central plateau provinces of Huambo, Bie and Benguela. The second largest group is the Mbundu, centred on Luanda, Kwanza valley and Malanje, followed by the Bakongo in the north-western provinces of Uíge, Zaire and Cabinda. While little understood, it does not appear that ethnic contradictions *per se* are a major factor underlying the post-independence struggles. A possible exception may be the support by the Ovimbundus to UNITA.

It should be noted as well, that while there are only few Europeans left in Angola, there is a sizeable community of mixed race (*mestiços*), who are relatively well educated. They overwhelmingly live in urban areas, and are descendants of the sizeable number of Portuguese immigrants, who were found on all steps of the social ladder until 1975. Many *mestiços* speak only Portuguese (and possibly French and/or English), but no local languages.

Since 1974, the main developments, as far as the population is concerned, include the massive exodus of an estimated 350,000 Portuguese, some 800,000 internally displaced by the war and somewhere between 250,000 and 480,000 refugees in neighbouring countries (Zaire, Namibia and Zambia). To this should be added about 200,000 soldiers, who are to be demobilized or integrated in the new national army as part of the ongoing peace process. That is, as much as 15% of the population will have to relocate, if stability is to be regained in the near future.

## Chapter 2. POLITICAL FRAMEWORK

### 2.1 Background

#### *Colonial History*

Angola was "discovered" by Portuguese explores in 1483, and slave trade began soon after. Luanda and Benguela became important centres on the Atlantic coast for the export of slaves to Brazil, and while estimates vary, it is likely that some 3-4 million people were enslaved and exported until the second half of the 19th century. Slavery was formally abolished in 1878, and after the Berlin Conference in 1885, Portugal had to activate a process of effective occupation of Angolan territory. A number of plantations were established, and rubber became the main export before World War I. Diamonds were discovered, and also mining of iron ore began. In the absence of slaves, a brutal forced labour system was institutionalized and remained up through the end of the 1950s.

In 1926, the Salazar regime was installed in Portugal. An inflow of white settlers to Angola was promoted actively, and they increased in number to some 175,000 in the early 1960s. The outbreak, in 1961, of armed struggle for the independence of Angola led to a series of social and economic reforms. These included the abolition of the forced labour system, and the number of Portuguese settlers doubled. A series of investments were made in economic infrastructure, and during the last 10-15 years of colonial rule, the economy thrived. Angola became the fourth largest coffee producer in the world, and coffee remained Angola's main export until 1972, when oil took the lead. Parallel with this, diamond and iron ore production developed.

#### *Modern History*

Three major liberation movements appeared after the mid-1950s. The *Movimento Popular para a Libertação de Angola* (MPLA) was founded in 1956, and developed its strongest roots with the Mbundu people and the *mestiços* in urban areas. The *União das Populações do Norte de Angola* (UPNA) was established two years later in 1957 and evolved into the *Frente Nacional para a Libertação de Angola* (FNLA). The FNLA mobilised support from the Bakongo people in the northern parts of the country. The *União Nacional para a Independência Total de Angola* (UNITA) was founded in 1966 and gained support almost exclusively from the Ovimbundus. FLEC, a secessionist group founded in 1963 for the independence of the Cabinda enclave, was largely insignificant before 1974.

Portugal withdrew from Angola in 1974 after the collapse of the Salazar regime, and the People's Republic of Angola became independent on 11 November 1975. Hopes for a peaceful change to a new government were not fulfilled. Severe conflicts broke out among the liberation movements in the transition period to formal independence. President Mobutu Sese Seko of Zaire gave military support to both the FNLA and FLEC, and South African troops invaded Angolan territory to assist UNITA and FNLA. The USA also supported these two movements, led by respectively Jonas Savimbi and Holden Roberto. The MPLA under Agostinho Neto was backed by the USSR, and Cuban troops were called in.

In a successful military offensive the MPLA took the UNITA capital of Huambo on 11 February 1976, and as the South Africans withdrew at the same time, the MPLA and its armed forces (*Forças Armadas Populares da Libertação de Angola*) FAPLA could gradually extend its control over most of the national territory. Nevertheless, military conflict did not come to an end. UNITA managed, with support from some of its traditional Ovimbundu supporters and provision of training and arms from South Africa, to stage an extraordinarily destructive guerilla war. Operations were in the beginning concentrated in the south-eastern province of Kuando Kubango. From there, UNITA infiltrated most other parts of the country.

During the 1980s UNITA's operations were greatly facilitated by a series of massive military interventions and devastating sabotage raids by the South African Defence Force (SADF). These prevented FAPLA from taking UNITA strongholds and stretched the Angolan government's defence to the limits. Despite the South African destabilization and the military and financial support to UNITA by the USA, the balance of forces seemed to be shifting in 1988. FAPLA had gradually built up a sophisticated and increasingly successful military capacity, and the SADF retreated after a major battle of Cuito Cuanavale in the province of Kuando Kubango. This battle is sometimes characterized as "South Africa's Dien Bien Phu".

Shortly after, negotiations started, and when elections took place in Namibia in November 1989, all South African troops had left Angola. Peace hopes were high, but remained in vain in Angola during 1989. In February 1990, MPLA tried to oust UNITA from its southern strongholds. The city of Mavinga was taken and even the UNITA headquarters in Jamba near the Namibian border came under fire. In this situation, the US government intervened. The Angolan President dos Santos, who had taken over after the death of Agostinho Neto in September of 1979, was informed that the USA would consider deploying US troops directly on the battlefield to save Savimbi. New diplomatic initiatives were taken, with the active involvement of the Portuguese government, and on 1 May 1991 the government and UNITA signed a comprehensive peace agreement. Just a few days before the last Cuban troops were withdrawn, as originally agreed between Angola, Cuba and South Africa in 1988.

The agreement provided for a ceasefire and the formation of a single national army before the holding of multi-party elections between September and November 1992. It was also agreed that the whole process should be overseen by a joint political and military commission and monitored by a UN mission. The MPLA government was, under the terms of the settlement, recognized by UNITA in the transition period. It was also mandated to re-establish control of all areas of the country, including those held by UNITA, ensuring basic services, conducting a population census, drawing up a voters' register and prepare for elections.

## 2.2 Political System, Human Rights and Democratization

### *MPLA and the Post-independence State*

Following independence, the MPLA leadership not only had to confront UNITA and FNLA. An attempted coup in May 1977, led by the former Interior Minister Nito Alves was suppressed. A purge of suspected Alves supporters, known as *Nitistas*, followed. At the MPLA Congress in December of the same year, the party adopted a Marxist-Leninist ideology, transformed itself into an avantgarde party, and changed its name to the MPLA-Labour Party (MPLA-PT). The unitary, one-party nature of Angola, enshrined in the Constitution, adopted by the Central Committee of the MPLA in 1975, was therefore consolidated. The party took upon itself to lead the state politically, economically and socially, and considerable power was vested in the Presidency.

In 1980, there were further changes in the political structure, and the Revolutionary Council, established immediately after independence by the MPLA, was replaced by an indirectly elected People's Assembly as supreme state organ. However, the head of MPLA-PT remained Head of State, and the party sustained effective control over state operations. In 1983, the difficult security situation led to the establishment of a presidentially appointed national defence and security council and a number of regional military councils, with extensive powers in military as well as economic matters. Some softening of the image of the central organs of power followed, however, after the Second Party Congress in 1985. Economic reforms were discussed, and a genuine desire to promote a more efficient and technocratic style of government seemed to be appearing.

The Constitution, adopted by the MPLA in 1975, established a series of rights and privileges of the people, including the right to speak and assemble freely. Also the principle of an independent judiciary was recognized. In practice, the structure of the judiciary and the administration of justice has changed considerably since 1975. The People's Revolutionary Tribunal was created in May 1976 to try prisoners, accused of endangering the security of the state or of economic sabotage, in addition to serving as the court of law. The Tribunal examined cases of political detainees through its Review Commission (*Comissão de Revisão*), and defendants were, in principle, accorded a number of basic rights. Nevertheless, arbitrary practices were common, and an Appeals Tribunal was only created in 1980. A Special Military Tribunal was set up after the attempted coup in 1977, and in 1983 military courts were given jurisdiction over political cases in areas where UNITA, FLNA or FLEC were active.

Responsibility for state security rested from November 1975 with the security police in the *Direcção de Informação e Segurança de Angola* (DISA). DISA and its provincial headquarters were authorized to detain suspects for indefinite periods of time, pending investigation. In 1979, the unpopular DISA was dissolved. The Ministry of the Interior took over, and in 1980 a special Ministry for State Security was established. While better controlled than DISA, officials of this Ministry were given legal power to detain suspects for a period of up to 90 days. Also other units of the security establishment, such as the criminal investigation police, had power of detention without formal charge.

## *Human Rights*

Amnesty International has on numerous occasions approached the Angolan authorities about a range of human rights issues including: (i) the imprisonment of prisoners of conscience, (ii) long-term detention without trial of suspected critics and opponents of the government, (iii) the failure of the government to account for the fate of many people, who were arrested following the 1977 coup attempt, (iv) allegations of torture and of severe beating of prisoners, (v) trials, which have not conformed to internationally established standards, (vi) the use of the death penalty for both political and criminal offenses, and (vii) reports of extrajudicial executions.

It has been impossible for independent observers to cross check many of the allegations made, but it is clear that gross violations of human rights have occurred in the post-independence years. The period after the attempted Nito Alves coup, in May of 1977 until March 1978, appears to have been particularly traumatic. Some opposition sources claim that there were thousands of people executed. Amnesty International indicates, that it has received the names of some 90 people, said to have been killed, but indicates that the total number is believed to be considerably higher. More precise estimates are not available.

The government has not generally responded in any comprehensive manner to the concerns of Amnesty International. Yet, "excesses" committed by DISA in 1977-78 were recognized in public by President Agostinho Neto when dissolving the organization. A number of DISA officials were also detained for investigation. Subsequently they were released, and an official inquiry into DISA's activities, announced in 1979, has never been published.

Since UNITA reverted to guerilla warfare in 1976, little accurate information has been available about its treatment of prisoners. On the other hand, reports by various human rights groups have accused Savimbi's troops of systematically committing gross abuses of human rights. Moreover, Savimbi has been reported to suppress internal dissent by killing and detaining critics of his leadership style. And independent sources have confirmed that UNITA guerrillas have killed and mutilated unarmed prisoners, particularly villagers suspected of collaborating with government forces.

Nevertheless, the above atrocities have been committed in a context of war and particular political circumstances. All parties now appear to be seriously concerned about improving credibility. In fact, most observers agree, that there are definite improvements in the human rights situation in Angola. Africa Watch for example visited Angola in late 1990 and reports that no restrictions were put up despite previous critical reports. Furthermore, the security police has been abolished, and government sources confirm that while there are still a few cases of political prisoners, they are now being looked into with a view to their release soonest. Also the death penalty has been abolished.

### *Political Changes and Democratization*

Many other radical political changes have taken place. The MPLA Party, at its third Congress in December of 1990, decided to transform itself into a social-democratic party, and vital constitutional amendments were adopted by the People's Assembly in March of 1991. Angola was defined as a democratic state based on the principle of pluralistic political organization and respect of citizens' fundamental rights and freedoms. The principles of universal suffrage and the secret ballot are now part of the Constitution as are a range of civil liberties. These include freedom of assembly and expression, freedom of the press, freedom of trade union organization and the right to strike as well as the concept of *habeas corpus* and the independence of the courts and judiciary.

The military is being depoliticized, and all references to the establishment of a socialist society have been removed. Instead, Angola is defined as a mixed economy in which different types of property coexist. The necessary accompanying laws have also been approved, to mark the beginning of a new political era. And the adoption of a completely revised Constitution is being planned in a Council of the Republic.

Amnesty International noted in 1983 that although a member of the UN and OAU, Angola had not signed or ratified key international treaties. This has changed. The Vienna and Geneva conventions and the OAU charter on human rights and refugees have since been signed by the Angolan government. This also applies to the UN-conventions on civil, political, economic, social and cultural rights, including the covenants on the rights of women and children. Also the UN-conventions on refugees, torture and apartheid have been signed.

### **2.3 Gender Relations**

According to the Constitution, men and women have the same rights and obligations in Angola. Nevertheless, Angolan women are in reality discriminated against, along much the same lines as elsewhere in Africa. Practices of bride payments (the so-called *alambamento* system) are still in widespread use. Women take care of all household and reproductive chores, and they are also responsible for the brunt of most agricultural activities. Women, who do not bear children, are often summarily dismissed and replaced by another wife. And most men insist on having many children, thereby limiting the freedom of women. Finally, women are clearly at a disadvantage in the schooling system. Only an estimated 23% of the women are literate, as compared to 50% of the men.

The government has indicated its concern with the gender relations in Angola and expressed a desire to change the unfavourable conditions of women. A State Secretariat for the Protection of Women's Rights was established in October 1991 with this objective in mind. The Secretariat is, however, still in its incipient phase, and without considerable support in the coming years, it is uncertain what the impact will be.

## 2.4 Prospects for the Future

The basis for a more open and democratic society certainly seems to be in the making in Angola. The ceasefire is, except for minor incidences, holding. Both sides appear tired of fighting and committed to the peace process. At the more practical level, the clearing of thousands of land-mines, which have limited the freedom of movement and lives of the population, has begun. The foreign involvement in the negotiation process together with a completely new international situation also bear promise of a more hopeful future. This is underlined by the fact that the peace agreement is extremely detailed.

There is indeed much more freedom of expression in Angola than ever before, and several civil-society based organizations have strengthened their autonomy, and can now much more freely solicit support for their social and economic interests. Examples include former MPLA controlled mass organizations such as the Angolan Women's Association (OMA), which has transformed itself into a social movement. Also professional associations and a considerable number of non-governmental organizations, associated with the churches or working with social-welfare, can be referred to. Finally, violations of basic human rights are clearly on the decrease, and a range of political parties are being formed.

Progress is therefore unquestionable and actually quite remarkable, considering that Angola has been in a state of war for the last 30 years. Moreover, some of the changes, that have taken place are clearly irreversible. Nevertheless, the peace and democratization process may still "derail" unless properly assisted by the international community. A series of hard and intricate domestic policy measures also need to be taken.

Demobilization of an estimated 120-150,000 soldiers and the establishment of a national army of 50,000 men are preconditions for a successful peace process. Yet, many troops (possibly as many as 40%) are still not in the designated assembly areas. In addition, food has been insufficient in some of these areas, with obvious implications for the willingness and speed with which soldiers assemble and hand over their weapons. It is in such a situation clear that the vacuum left by FAPLA and the abolished security police does carry with it the risk of anarchy. It may also be relevant in this context to stress that the role of the UN force could be of strategic importance. Its number, capacity and effectiveness should therefore be increased quickly.

The election process is behind schedule. Yet, the elections to be held in 1992 are the first ever, after a history of 500 years of colonialism and 16 years of MPLA government. Consequently, Angolans have at present no experience with democratic principles and the exercise of voting rights, underlining the need for a concerted educational effort. Moreover, government has no background in organizing elections, and its capacity to perform is, under the prevailing conditions, seriously circumscribed. The last population census is from 1970, and massive population movements have taken place since then, and will continue during the coming year. Finally, the national territory is not yet fully accessible by the government.

Some 18 new political parties are apparently underway, but they all face a range of problems. Organizing themselves and registering in accordance with the established procedures require resources and experience, which they simply do not have. Only one new party has managed to register so far. Furthermore, while foreign newspapers are now available in major cities and the relevant legislation has been appropriately amended, no independent news media exist.

One may choose, for the time being, to take an optimistic attitude as members of the joint political-military commission apparently do, and claim that it will certainly be possible to organize the forthcoming elections in time. Others are more pessimistic, and it is, in any case, quite another matter to ensure that the elections will indeed be free and fair and carry real meaning. This does not necessarily mean that they should be postponed. But it does underline the need for assisting Angola in a concerted manner in the formidable task of making its democratization process meaningful. And the international community may after the elections get an important role in ensuring that the outcome of the elections are duly respected, by all parties involved.

It is as yet impossible to make any predictions about the likely outcome of the forthcoming elections. Many observers are of the impression that neither the MPLA nor UNITA will carry much appeal and be in a position to capture the majority of the vote. It is argued that the MPLA is widely perceived as a group of "thieves" due to the existing corruption and past mismanagement of the economy. UNITA, on the other hand, is often perceived as "murderers", due to its connection with devastating sabotage of the economy and ferocious attacks on civil targets, including the planting of an excessive number of mines in rural areas. If these perceptions are deep-seated in society, it will be difficult for both MPLA and UNITA to change images overnight.

President dos Santos may, according to some commentators, have improved the position of the MPLA over the past months. He has explicitly stated that electoral alliances with other parties are not ruled out, and the government seems determined to reorient previous policies. How well this impression reflects the actual feelings among the people is impossible to assess. The same goes for the backing of the UNITA. It has been argued, that its electoral vote is more secure than that of other parties due to its tribalistic backing. On the other hand, large numbers of Ovimbundus are to be found among those, who have suffered the most. Furthermore, UNITA has not yet published its political programme, and while support from the USA to rebuild the destroyed economy is being spoken of, it is hard to know whether such promises will have any impact on the final vote.

Much will probably depend on how well the MPLA government manages during the coming months and on the emerging new parties and their effectiveness in making themselves heard and appearing as the so-called "third force". The role of the church is potentially important in this regard, but so far church leaders have limited themselves to supporting the peace process, urging people to participate, and striking a line of national reconciliation. A government of national unity with third parties controlling the balance of forces may be what the church is opting for, but clear statements on this question are lacking.

It remains, therefore, unclear what kind of Angola will emerge from the current context, and several scenarios are possible. Whatever the outcome of the elections, both the new and the transitional government face a tremendous task in rehabilitating and reorienting the economy in a more productive and efficient direction. It is no exaggeration that the real threat to the future democratic development of Angola may well be the parlous state of the economy - and the challenge of finding productive jobs. The role of the international community in this regard could become critical.

## Chapter 3. ECONOMIC FRAMEWORK

### 3.1 Colonial Heritage

While little economic development took place before World War II, Portugal's change of policy direction in the early 1960s set Angola on a course of rapid economic development. According to the World Bank, Gross Domestic Product (GDP) grew at an estimated 7% per year in real terms between 1960 and 1973. This is high, by any standard, and implies a doubling time of less than 10 years. Angola was also largely self-sufficient in basic foods.

Economic progress was, initially, stimulated by the production of coffee, which increased from 14,000 tons in 1940 to 100,000 tons in 1960 and 225,000 tons in 1974. The share of coffee in total exports was 26% in 1973. Nevertheless, the most striking development occurred in oil production. From very low levels and no exports in 1967, production increased to a peak of 172,282 barrels per day in 1974. A total of 7.5 million tons were exported in that year, valued at more than half of total commodity exports. Other significant exports were, in decreasing order of importance, diamonds, iron ore, fish meal, cotton, sisal, fresh fish, bananas, wood products and maize. The most significant imports were industrial machinery and appliances, iron works and bars, vehicles, tractors and accessories, gasoline and fuel oil, medicaments, textiles, wine and wheat.

Manufacturing industry expanded rapidly at an average annual rate of 15% between 1962 and 1967, and at a higher rate of 20% from 1968 to 1974. Also extractive and construction industries grew rapidly. At the eve of independence, Angola therefore had a relatively large and diversified industrial sector, accounting for close to 40% of GDP. The sector was concentrated in the Luanda area and to a lesser extent in the area of Lobito and Benguela. Yet, there were few heavy industries beyond the mining sector, and the industrial sector was highly import intensive. Light industry, dominated by food, beverages, textiles and tobacco, accounted for 80% of industrial output in 1973. These industries were geared towards supplying local markets, including in particular the urban and Portuguese settler population and a large number of soldiers, coming to Angola for their military service. Consequently, manufactured output amounted to only about one-fifth of exports.

In other words, the pre-independence economy prospered, in spite of the expenses and unrest related with the independence struggle and the suppression exercised by the Portuguese. Nevertheless, the economic heritage left behind by the colonial system was, in reality, extremely fragile and socially deplorable. The economy was dominated by modern enclaves, controlled by the Portuguese, and it supported a divided society. Income inequalities were high, and education and health standards of the black Angolans were similar to those of other African countries, with much lower per capita incomes. In 1970, adult literacy was at 7.6%, life expectancy at 39 years, calorie intake at 20% below requirements and infant mortality at more than 160 per thousand.

Moreover, native Angolans were not only deprived from assuming entrepreneurial, managerial, and skilled technical jobs. Access to semi-skilled and many of the lower-skilled jobs was also restricted, as they were reserved for a large influx of poorly educated Portuguese settlers. Angolans were, furthermore, at a disadvantage, because all shops were

owned by Portuguese traders, who controlled the distribution of staples and other essential commodities. These dealers and the network of "bush traders", who operated in rural areas, were, not surprisingly, exploiting their privileged situation, which caused much resentment. Forced movements of people in rural areas from some of the better lands were also detrimental to large numbers of peasants.

In summary, whatever the colonial economy displayed in terms of economic growth, it did not bring about higher social welfare for local people. Economic development remained dualistic in nature, and was based, in part, on a fragile pattern of industrialization. The impressive oil-boom camouflaged this weakness during the early 1970s, but the colonial economy was starting to show clear signs of so-called dutch disease. Traditional exports and domestic manufacturing and food production were becoming disadvantaged due to the rapid increase in income from the export of natural resources. A broad-based internal growth dynamic had not been established, and the economy could not sustain the shocks due to the war and the massive exodus of the Portuguese in 1975-76.

### 3.2 Macroeconomic Features

#### *General Trends*

As a result of the above, the MPLA government inherited a weak economic system, in a state of total collapse. In fact, GDP per capita probably fell by as much as 40% from 1974 to 1976. The economic programme adopted by the new government was therefore originally geared towards regaining the levels of economic activity prevailing before independence. Yet, despite some recovery in the late 1970s, output has in most sectors remained at only a fraction of the levels reached during the colonial period.

Angola actually has had little opportunity to redress the legacies of the colonial system due to the extensive and debilitating war. In 1989, for example, almost half of government recurrent expenditure was allocated to the military, which has absorbed a large part of the country's exceedingly scarce skilled manpower. It has, more specifically, been impossible to focus government attention on macroeconomic management, policy analysis and appropriate medium to long term planning.

Moreover, the macroeconomic impact of the war has gone far beyond its immediate effects on government budgets. Other effects include losses of merchandise exports, excess transport costs and lost transit income, loss of industrial and rural production and the overwhelming destruction of economic infrastructure. When the direct and indirect repercussions hereof on national income and economic growth are taken into account, the real damage to the Angolan economy is immense. An estimate by the UN Economic Commission for Africa (ECA) indicates that war losses from 1980-1988 amount to US\$ 30 billion. This is more than five times the entire national product in 1989, or almost four times Angola's total external debt in 1990.

Developments in the post-independence period have therefore been characterized by most distressing trends in macroeconomic indicators. One source has estimated that real GDP in 1987 was only 54% of the level in 1974. Taking account of the increase in population, this means that real GDP per capita may in 1987 have been less than 40% of the level reached

13 years earlier. However, all statistical data on Angola must be treated with considerable caution. This is so for a variety of reasons, including in particular the almost complete lack of information on the rural subsistence sector and the parallel market activities combined with a highly distorted price system and an overvalued domestic currency. Even casual observation has in many cases been impossible due to the inaccessibility of war-stricken zones.

### *Fiscal and Monetary Policy*

The public sector has, since independence, dominated the national accounts of Angola together with the oil sector. The development of oil exploration initially allowed large increases in government revenue and expenditure. Yet, instability in oil prices have, during the 1980s, caused considerable fluctuations in total revenue despite a steady increase in Angolan oil production. The overall budget has consistently been in deficit, and is now at a level of 25-30% of GDP, according to the IMF.

The heavy dependence on oil for revenue has created indisputable management problems, and the war effort has made accurate fiscal control impossible. This has been further accentuated by large subsidies to the parastatal sector, and some large unproductive investments, such as the mausoleum for Agostinho Neto. Consequently, the composition of government expenses shifted decisively towards defence and security and the parastatal sector from 1980. Real government spending for civilian and private sector purposes have, therefore, suffered a sharp decline.

The fiscal deficits have been covered by the Central Bank (*Banco Nacional de Angola*) (BNA) and to a much lesser extent through external borrowing. As a result, the money supply grew rapidly at a rate of almost 20% per year from 1984. This need not be a problem in a growing economy, where additional money is needed in line with the expansion in economic activity. In Angola, however, production has faltered due to a series of supply side constraints. The public has therefore had to keep undesired money balances (i.e., forced to save), and it has, so far, been impossible to curtail inflationary pressures.

### *Prices, Wages and Exchange Rate*

The above trends, combined with a system of centrally fixed prices and wages, gradually led to the steady expansion of a sizeable, and freely operating parallel market (*candonga*) with significantly higher prices. A particularly impressive example is the market in Luanda, named *Roque Santeiro* after a Brazilian television series. This market is of an enormous size, not easily encountered elsewhere in sub-Saharan Africa, and it is, by now, well stocked. It has been difficult to assess inflation in the *candonga*, where transaction needs are large; but inflationary pressures do seem to be characteristic in the parallel market as well, according to recent surveys carried out in Luanda.

The existence of an extensive *candonga* highlights the serious deficiencies in the operations of official markets in Angola, where trade has been extensively controlled by the state. Official prices have been kept at artificially low levels, and extreme distortions in relative prices developed, in particular after 1981. The rural sector was significantly affected in 1975 due to the exodus of the "bush traders", and insecurity and the destruction of roads and

railways have admittedly made agricultural production and marketing extremely difficult. Nevertheless, rigid controls, the lack of consumer goods and the distorted official price system have not made the recuperation of the inter-linkages between urban and rural areas any easier.

Another illustration of the government's rigid approach to price setting has been the exchange rate of the national currency, kwanza. It was kept unchanged at the level of some 30 Kz/US\$ from 1975 until mid-March 1991. This was done even if the dollar has been exchanged for as much as 100 times the official rate. Yet, the nature of the Angolan economy is extremely import dependent, and foreign currency has been of paramount importance in ensuring access to consumer goods, production inputs and spareparts. The exchange rate policy, pursued in combination with an administrative system of allocating import licenses, has therefore no doubt had detrimental and wide-ranging macroeconomic and social effects on incentives and decisions taken by producers, consumers and traders.

### *Balance of Payments and Debt*

The balance of payments of Angola has shown a consistent, but fluctuating trade surplus, since independence. However, the trade balance has not generally been sufficient to outweigh the chronic deficit on the services account. Payments to cover interests and dividends, charges incurred for transport and insurance services, technical assistance and administration and exploration charges of foreign oil companies have grown rapidly. Net unrequited transfers, including aid inflows, have, except for 1986, been relatively small. The current balance appears to have been positive in a couple of years during the 1980s, but this is, according to the World Bank, in all likelihood due to data problems.

Petroleum related exports are by far the most important component of the balance of payments, and in 1990 accounted for some 93% of total merchandise exports. This reflects both the substantial increase in oil production after independence, and spectacular declines in the three traditional export items, coffee, diamonds and iron ore. While oil exports have been essential to the survival of the economy, the excessive dependence on this commodity has also made Angola extremely vulnerable to external shocks. This became particularly evident in 1986, where oil prices fell. This had a significant negative impact on the balance of payments, and on the level of imports, which the government has generally adjusted in line with fluctuations in export earnings.

In fact, the unexpected oil price shock in 1986 changed the borrowing conditions of Angola in a fundamental manner. Immediately after independence, Angola pursued a prudent external borrowing policy, and as late as in 1980, external debt was negligible. Medium and long term capital flows, made available for investments in the oil sector, usually covered the current account deficits and net short term capital outflows (including errors and omissions). The Government therefore succeeded in maintaining an excellent credit rating. However, from 1986 the overall balance became negative, and as deficits were relatively large, Angola began accumulating arrears and had to reschedule debts. By the end of 1990, total debt outstanding (including arrears) had grown to slightly more than US\$ 8 billion. Of this total, 60.5% were owed to Eastern European creditors, 38.5% to Western creditors and 1% to multilateral institutions. Angola, therefore, became increasingly dependent on resource flows from the West, and in 1987 approached the IMF and the World Bank to obtain membership.

## *External Trade*

Despite the political links, which developed with Eastern Europe after independence, Angola's external trade relations have remained strongly oriented towards the West. Close to 90% of petroleum exports have normally gone to North-America (almost exclusively the USA) and the EEC. Minor quantities have gone to other developing countries, in particular in south and central America (notably Brazil and the Bahamas). In the EEC, France, the Netherlands and Italy stand out. Diamond exports have mainly gone to Belgium, and coffee has been exported to Spain, Portugal and the Netherlands.

Import statistics from the IMF show that in the period 1985-90, close to 60% of Angola's imports came from the EEC, with Portugal, France, the Netherlands, Italy, Spain, Germany and the UK being the most important sources. Among other countries of origin, Brazil and the USA are particularly important. Imports from the USSR in the form of military equipment have also been of a significant size, but no data are available to illustrate this more precisely.

### **3.3 Socio-Economic Considerations**

Almost no data exist on the magnitude of absolute poverty, the socio-economic characteristics of the poor, and income distribution in Angola. The exception is some pioneering work in Luanda, carried out with assistance from Unicef. Nevertheless, the human costs of the war and economic crisis in Angola are clearly reflected in the extremely low human development indicators, the excessive number of deaths and invalids, and the displacement of hundreds of thousands of people. They have had to seek refuge under appalling circumstances, internally as well as in neighbouring countries. The consequence has been rapidly increasing urban congestion, and the creation of a new and large category of urban and rural poor, who have lost all their means of livelihood, and who no longer contribute to production.

Moreover, rural poverty has been significantly intensified by the widespread destruction of hospitals and medical posts as well as schools and other essential infrastructure. The provision of social and economic services in the rural areas has, in reality, been almost nullified by the war, along with the near collapse of the state trading system referred to above. Peasant farmers have therefore been forced to revert to subsistence production. The incidence of poverty in rural areas has become of a momentous dimension, and emergency relief has had to be relied upon to provide food for the urban population, the displaced and the army.

The rural exodus has also meant that the urban state sector has been used to absorb large numbers of additional labour. Underemployment is therefore high, and has resulted in a grossly overstaffed and inefficient state sector, which runs large deficits. Formal sector employment has been estimated at about 839,000 in 1989, of which approximately 625,000 were civilians.

Nominal wages have since independence been determined centrally in an inflexible manner, and do not reflect the scarcity of different skills. Government has tried to cope with the generalized shortages of goods and services by introducing a complicated system of rationing plus payments in kind and consumption entitlements to different groups of employees. Money

wages have, in other words, played a minor role in ensuring access to needed food and consumer goods. In fact, many wage earning households have used parts of their entitlements to trade in the *candonga* in order to increase their real income. Corruption is also reported to be extensive and on the increase, given the uncertainties as regards the future political and economic environment.

Severe inequalities in the distribution of income have developed as a result of these trends, and poverty in urban centres is widespread among unemployed and informal sector workers. Preliminary calculations by IMF staff indicate that more than one-third of the urban population are chronically poor, as they do not benefit from formal sector employment with privileged access to consumer goods. It is, however, necessary to note that while informal sector workers are no doubt vulnerable, they may not all be poor.

In line with the above developments, important changes have taken place in the socio-economic class structure of the Angolan society. The category of rural and urban poor, who have lost all of their means of survival, was already referred to above. But in addition the number of formal sector employees in state companies and elsewhere has increased substantially. Moreover, Angolan nationals are now in charge of the government structures of the country instead of the Portuguese colonial administration. A national entrepreneurial and managerial class is also gradually emerging in the formal as well as in the informal sector, which has come to play an increasingly important role. Finally, there is a military force of a significant size.

### 3.4 Sectoral Characteristics

#### *Agriculture*

The extent of the collapse in agricultural production over the past 16 years is evident from estimates prepared by the Ministry of Agriculture. Total production in 1989 of maize, an important staple in the *planalto* region and an important export before independence, was estimated at less than 25% of the level reached in 1973. Production of beans and sorghum/millet, grown in respectively the *planalto* region and the drier south and south-western parts of the country, had dropped to about half. Cassava is the most important food crop, and production, concentrated in the northern part of the country, appears to have stagnated. Considering the increase in population, this reflects a drop in per capita production of about one-third. Production of other crops such as wheat and rice has largely been abandoned, and potato production has dropped by more than 40%.

Production of export crops, such as coffee and sisal centered in the north-western and central parts of the country, has almost vanished from a level of respectively 210,000 and 60,000 tons before independence. The production of cotton, which previously reached a level of more than 100,000 tons per year, has fallen to only 2,500 tons, and sugar cane dropped from almost a million tons in 1973 to just over 100,000 tons in 1989. Bananas, grown throughout Angola, and an important part of the diet and a traditional export, has dropped to less than 30% of previous production levels.

In the early 1980s, government had the resources to maintain commercial cereal imports at a level of more than 200,000 tons per year, but as foreign exchange became scarce from

1985-86, commercial imports were cut considerably. Food aid deliveries, which have increased from a level of 63,000 tons in 1983-84 to slightly more than 91,000 tons in 1988-89, have not made up the difference, so the overall cereal deficit grew to more than 173,000 tons in 1988-89. This deficit is expected to grow to almost 300,000 tons in 1991, despite increased food aid and commercial imports.

The exodus of Portuguese farmers and the lack of security in rural areas go a long way in explaining the above dismal performance of the agricultural sector. Contributing factors do, however, include the economic policies pursued by government, and the fact that no substitute has been found for an estimated 20-30,000 "bush traders", who provided the crucial market link to peasants before independence. Only a small proportion of total production is therefore marketed. In the case of maize, for example, it is less than 5%.

Also a range of other agricultural support services are either lacking or operating in an inadequate manner. Reference should, however, be made to the recent reorientation of the agricultural development stations (EDAs). It is now foreseen that they will become an important link in the increasing state support to peasant farmers. Distribution of inputs, provision of technical assistance and training and assistance in obtaining credit will be some of the tasks of the EDAs. As far as agricultural education and research is concerned, the situation is critical, although some work is being developed at the Faculty of Agronomy and the Agricultural Research Institute in Huambo.

Livestock production fell drastically from almost 25,000 tons of beef to less than 4,000 tons in 1990. Production is heavily concentrated in the south, and more than 90% of animals sold originated in the provinces of Huila, Namibe and Cunene. Private ranching no longer exists (with one possible exception), and traditional herds have suffered from the war, lack of veterinary support and a severe drought.

### *Fisheries*

In 1973, Angola was one of the largest fishing nations in Africa with landings of 467,000 tons of fish, concentrated along the coast of the provinces of Namibe and Benguela. The industry was also relatively well equipped with facilities for canning, freezing, drying, salting, and the production of fish meal and fish oil for export. However, at independence the Portuguese sailed away with most of the fleet and their expertise, and much of the industry declined. The remaining part of the fleet was already rather old, and the total catch declined considerably to around 75,000 tons annually. Nevertheless, fish has remained a basic component of the diet and the only source of animal protein for large numbers of people along the coast, particularly in urban areas.

Due to delays in re-equipping the fleet, the national catch has only recently increased again, but the overall catch was augmented significantly to a level comparable to pre-independence catches. This was realized through the opening up of Angolan waters to foreign fishing companies, operating under a licensing system. Under this system Angola received part of the catch (generally less than 40%). The total catch has decreased from more than 350,000 tons in 1988, to slightly more than 225,000 tons in 1990. Of the latter quantity, 150,000 tons were actually landed in Angola. The decreased catch over the past years is due to a significant reduction in the foreign catch. And while the foreign catch was more than 2½

times the national catch in 1988, they were of almost equal size in 1990. In that year the national fleet actually landed more than double the amount landed by the foreign fleet. Around 90% of the national catch comes from the state sector, but private fishing vessels have also contributed.

Recent investments in the industry are expected to revive activities, and the government is also in a process of decentralizing the industry, and evaluating the possibility for privatizing certain activities. Furthermore, greater support to artisanal fishing, which is catching high value species, is foreseen. The possibility of developing inland fisheries is another area that might gradually receive more attention.

### *Forestry*

Production of logs has dropped from 555,000 m<sup>3</sup> in 1973 to less than an estimated 20,000 m<sup>3</sup> in 1989, and the production of sawnwood is even more limited. Nevertheless, forestry resources are as already noted in chapter 1, significant. The sector may therefore become relatively more important in the future, provided a concerted development programme is implemented.

### *Manufacturing and Mining*

During the transition to independence, the manufacturing sector comprising almost 4,000 enterprises with 200,000 workers, was run down. Only some 280 enterprises remain today, the majority as state owned. The decline has also affected employment in the sector, which fell by about two-thirds. Angolan manufacturing is usually categorized into food, light and heavy industry and sometimes mining. In 1987 these four sub-sectors accounted for respectively 33%, 45%, 15% and 7% of total output. The production index fell from 100 in 1973 to respectively 37, 31, 24 and 10 in 1977 and recovered only partially to 42, 61, 36 and in 1987. A range of difficulties, *inter alia* the lack of foreign exchange, have plagued the industry since then.

Food industries manufacture cereal products, cooking oil, beer and similar products. They have been severely affected by the collapse of commercial agriculture and their dependence on imported inputs and spareparts. Most of the light manufacturing companies are engaged in the production of garments and textiles, footwear, paints, soaps and detergents etc. The sector did relatively well in the early 1980s, partly due to significant investments in rehabilitating the textile factories. The heavy industry includes some vehicle and electronics assembly operations, steel plates, and the manufacture of tires. Rehabilitation has proven elusive due to the greater complexity of the industrial units involved.

Angolan manufacturing enterprises have usually operated well below available capacity, and the manufacturing sector has, as a whole, been operating at a loss from at least 1978 onwards. The World Bank estimates that the combined loss of the sector was equivalent to some 17% of gross output in 1987, a figure which would rise to 31% if mining were included, in particular due to the difficulties of the diamond industry. The reasons for this unfortunate state of affairs are manifold, including both overall macroeconomic imbalances and the constraints under which enterprise managers, who often lack managerial skills, have had to operate.

Excluded from the index of manufacturing output above are branches of industry, that fall outside the competence of the Ministry of Industry, notably oil refining, which has expanded significantly since independence, and the production of cement. The cement industry has received a large share of investment, with the Cimangola Company being the major recipient of finance. Cimangola was restructured in 1987 with Danish assistance. It should also be noted that the contribution of the informal sector industries is important. There are, however, no statistics available for these industrial activities, which include many small food processing units, clothing and furniture producers and repair services.

Iron ore mining has been at a standstill since 1975, and also diamond mining fell drastically from 2.1 million carats in 1973 to 330,000 four years later. Production then recovered to almost 1.5 million carats in 1980, but security problems, theft and the fall in diamond prices led to a drop to only 267,000 carats in 1986. In recent years, production and export have recovered again, reaching 1.3 million in 1990. The only other mining is the quarrying of granite, marble and quartz. Production of marble blocs amounted to 271 m<sup>3</sup> in 1989, but to only 109 m<sup>3</sup> in 1990. The mining industry has been particularly affected by the war and the destruction of infrastructure. Prospects are good, but substantial investments are required.

### *Oil and Energy*

Angola's oil industry is the only sector that has met with a measure of success in post-independent Angola, and which has not been affected in any significant manner by the war. Output has expanded steadily since the late 1970s from a level of 59 million barrels in 1977 to 173 billion in 1990. This means that oil accounts for around 60% of real GDP, 90% of exports and 60% of government revenue. It is therefore no exaggeration to assert that the oil sector has been the backbone of the post-independent economy. Nevertheless, it must be kept in mind that the enclave nature of the oil industry implies that it has had little direct impact on the domestic economy in terms of employment creation etc.

The increase in oil production is the result of a sustained programme of investment. Some 75% of investment resources, expected to continue at around US\$ 500 million a year, have been provided by foreign oil companies, including a number of American companies. They have, in spite of the tense political and military situation, worked effectively with the Angolan government in a number of joint ventures and production sharing agreements. The state company Sonangol retains the direct responsibility for Angolan participation in oil exploration.

Annual electricity production peaked at more than 1,000 Gwh in 1974, and following a sharp decline in the immediate post-independence period, generation resumed. Another sharp decline was experienced from 1983 to 1985. Total generation was 778 Gwh in 1990, with 63% coming from hydroelectric plants. While this marks a sharp decline from 90% in 1989, hydroelectricity has always been the main supply source, with the remaining supply coming from thermal plants. The Capanda project on the middle course of the Kwanza river is aiming at doubling the hydro-generation capacity in the country. The investment is being financed by Brazil and the USSR, with total costs estimated at over US\$ 2 billion. The cost of the project has been the subject of some concern, as there appears to exist more cost effective power generation options.

## *Transport*

The transport network of Angola remains basically unchanged since independence, but it is as already noted in urgent need of rehabilitation. Furthermore, the disruption and near collapse of internal transport systems has had a critical impact on the domestic economy, severely limiting the movement of goods, services and people. For example, the volume of freight handled by Angolan railways was 9.3 million tons in 1973, but only half a million in 1987. Even more drastic is the decline in port operations. In 1973, 6.4 million tons were handled, but in 1986 the figure was less than one-fifth hereof. Furthermore, the flow of goods has been reversed, so that imports now dominate the freight business.

In 1988, an emergency programme was launched to rehabilitate the transport infrastructure, and in January 1989 international donors pledged substantial sums to finance a first phase of a 10-year programme initiated by SADCC for the development of the Lobito corridor, including the rehabilitation of the ports of Benguela and Lobito and the Benguela railway.

### **3.5 Regional Development**

Spatial development patterns since independence have been determined largely by the security situation, rather than on the basis of economic considerations. The eastern provinces of Lunda Norte, Lunda Sul, Moxico and Kuando Kubango, as well as some areas in Cunene and Huila, are among the most affected areas due to the large-scale military exchanges with South African troops. In some areas economic activity came to an almost complete halt. Outside the immediate war zones, UNITA guerilla attacks were concentrated in the important farming areas and heavily populated zones of the central plateau; but also the northern provinces of Zaïre, Uíge, Bengo, Kwanza Norte and Kwanza Sul have been significantly affected, in particular in the later years of the conflict.

Only three areas have therefore been relatively safe from war and guerilla actions: (i) the south, comprising the south-western province of Namibe, Huila and Cunene - excepting the areas bordering Namibia and the province of Kuando Kubango; (ii) smaller enclave regions concentrated around Luanda, Benguela-Lobito and the oil-producing Cabinda province; and (iii) strategic provincial capitals such as Huambo, Kuito, Malange and Uíge with their adjacent rural "hinterland". The only area for which a regional development plan has been elaborated is the south-western region. However, the Angolan government is in the process of laying out a plan for national reconstruction, which it hopes to present to the international donor community sometime before mid-1992.

### **3.6 Summing-up**

It follows from the above that the MPLA government took over, at independence, a structurally deformed and underdeveloped economic system, where production and marketing were collapsing. It appeared obvious that the state had to play an important role in the management of the economy. Nevertheless, neither collectivization nor wholesale nationalization of enterprises was attempted. Productive assets ended up in government hands mainly due to their abandonment by their former owners.

At the first Congress of MPLA-PT in December 1977, it was, in accordance with the

ideological preferences of the time, decided to speed up transformation towards a socialist system. To this end, it was decided to reinforce centralized supervision and planning of the economy, and the guidelines emanating from the Congress confirmed that the state should retain responsibility, not only for managing the economy, but also for a wide range of productive activities. The system never came to work as foreseen. Furthermore, the war undermined the feeble recovery in production, that took place in the 1970s, and brought havoc and human suffering. It drained the country's human and economic resources, placed it in debt and created a vast number of displaced persons, refugees, war disabled and other relief dependent people.

Estimates vary, but the various assessments of the trend in real GDP per capita confirm that the situation is indeed disturbing. Furthermore, the composition of GDP by sector underlines the structural weaknesses of the Angolan economy. The majority of Angola's 10 million people are rural. Nevertheless, the 1989 share of agriculture, livestock, forestry and fishing in GDP at factor cost in 1980 prices is estimated by the World Bank to be less than 11%, whereas more than half (55%) comes from the enclave-based production of oil, and almost one-fifth (18%) comes from services. Crop production accounts for about three-quarters of agricultural activities, followed by livestock (20%) fishing (4%) and forestry (2%). Yet, Angola has since independence become increasingly dependent on imports of substantial quantities of food for the survival of its people.

The extreme dependence on oil implies, first of all, that all other sectors have declined more drastically in importance than aggregate GDP measures seem to indicate. Secondly, Angola has become severely vulnerable to changes in oil prices. The economy would have collapsed even further without the oil, but the dependence on this natural resource has, given the difficulties of effective economic management, no doubt contributed to the mounting debt problems. These have, in recent years, made Angola subject to external pressures as far as economic policy formulation is concerned. This is so, in particular, since a critical feature of Angola's external debt is a debt service profile with a bunching of medium-term debt maturities in the next few years.

Nevertheless, Angola's debt problem is one of liquidity, not of medium- to long-term solvency. For example, total external debt, outstanding at the end of 1989 (including arrears), amounts to only 2-3 times the annual income from oil exports. Furthermore, some 63% of the debt is owed to Eastern creditors (in particular the USSR), which may not get repaid easily. It follows, that external agencies should be careful not to push for too restrictive and abrupt repayment policies, that may well strangle economic recovery and development.

These observations do not mean, however, that stabilization and adjustment is not required. Government has during the 1980s lost effective control of the economy. Only a minor share of economic transactions are carried out in the formal economy. The inter-linkages between the urban and rural sectors have broken down, and a major part of the peasants have either reverted back into a subsistence/barter system or have been displaced by the war. Production in Angola's traditional export industries has nosedived. The tax base does not cover informal sector activities, and has, as a consequence, become heavily dependent on oil, offering little flexibility in case of external shocks. Public expenditures are out of control, partly due to the over-staffing of the public sector and unprofitable parastatals. A distorted price system,

including an extremely overvalued exchange rate, is affecting incentives in perverse ways, making rational economic calculation not only difficult, but entirely incompatible with the needs of society.

In summary, the overall result of the above macro- and socio-economic trends is that the present situation of the Angolan economy, some 16 years after independence, can only be portrayed as devastating. The intensity and duration of the crisis are so severe that it is no exaggeration to consider Angola a special case. While potentially a very rich country, Angola is in dire need for a stable situation of peace to stabilize, rehabilitate, and adjust its economy in a socially acceptable manner. Angola has many of the necessary resources to do this. Yet, while oil is an important resource, it is not in a position to resolve basic structural imbalances, due to its enclave nature. Considering the magnitude of the tasks ahead and the constraints faced, assistance from the international community could, therefore, play an important role in helping Angola to establish a sound basis for future development.

## Chapter 4. DEVELOPMENT STRATEGY AND ECONOMIC POLICY

### 4.1 Introduction

As early as 1983, the Angolan government began, for a number of reasons, a series of reviews of the state of the economy. Firstly, it was realized, that an improvement in the living conditions of the people was becoming of critical importance. Secondly, the *candonga* had grown to such an extent, that it was fueling economic inequalities and giving rise to the establishment of a group of traders, over which the state had no control. Thirdly, MPLA was beginning to perceive, that its socialist project was in conflict with the interests of the merchant class and disgruntled sectors of the peasantry. In other words, the need for new political alliances was increasingly acknowledged by the MPLA. Finally, the collapse of world oil prices in the mid-1980s underlined, in a radical manner, the need for structural changes of the economy.

At the Second Congress of MPLA-PT, in 1985, the directions for the building of a socialist society were reaffirmed. But the preparation of an ambitious three-year Programme for Economic and Financial Restructuring (*Programa de Saneamento Económico e Financeiro*), known by its Portuguese acronym SEF, was also begun. The SEF was launched in August of 1987 for the years 1988-90, and Angola applied for membership of the World Bank and the IMF. Subsequently, the government established the legal framework and other preconditions for reform, and a Programme for Economic Recuperation (*Programa de Recuperação Económica*, or PRE) for the period 1989-90 was formulated to initiate the implementation of SEF. Decisions regarding the stabilization measures in PRE were not taken in time. However, by mid-1990 the government decided to reactivate the SEF. This was done through an Action Programme of the Government (*Programa de Acção do Governo*, or PAG), and at the political level marxist-leninist ideology was abandoned at the Third Congress of the MPLA-PT in December 1990.

In conclusion, there are strong indications, that Angola has embarked on the process of grappling with economic adjustment. This was confirmed in interviews with key government officials in October 1991, where it transpired, that there is willingness to change. The need for comprehensive economic reform is, *per se*, no longer seriously in question.

### 4.2 Economic and Financial Restructuring

#### *Objectives and Overall Strategy*

The basic premise, on which the SEF was formulated, is that the macroeconomic and structural disequilibria of the Angolan economy can mainly be traced to the conditions of war. Still, it is explicitly acknowledged in the SEF, that deficiencies in economic management and policies have contributed.

Three main objectives are identified in the SEF: (i) stabilization of the financial situation; (ii) recovery of production; and (iii) reform of the economic system to lay the foundations for long-term structural adjustment. The following more specific aims have also been included: (i) strengthening budgetary controls and reducing the deficit; (ii) controlling the growth of

the money supply; (iii) resolving the country's external debt problems; (iv) improving the balance of payments account; (v) reducing the degree of centralization of economic planning and management and allowing market signals to be the principal guide to economic activity; (vi) giving greater autonomy to state enterprises.

In sum, the main focus in the reform strategy would appear to be the need to stabilize the economy, with considerable emphasis on demand restraint and monetary control together with institutional changes such as privatization, liberalization and price reform.

### *Policy Instruments*

Five sub-groups of macroeconomic policies have been identified by the government:

- monetary policy, intended to restrict public sector borrowing, by establishing alternative methods of financing budget deficits, and to curb growth in the money supply, by rationalizing credit use and encouraging mobilization of domestic savings;

- fiscal policy, that will be applied through a more effective control of state expenditure, including reductions in the number of state employees and the subsidies to state enterprises, together with increased efficiency in revenue collection and a more rigorous assessment of the viability of investment projects;

- prices, wages and employment policy, involving a new pricing system under which most products will be exchanged in a regime of free prices, or of fixed profit margins, together with a set of minimum wages to replace the present fixed wage system;

- balance of payments and external debt policy, comprising devaluations of the kwanza and the introduction of a flexible exchange rate system, a rescheduling of medium and long-term external debt, abolition of state monopoly over foreign trade, the promotion of foreign investments, and the maximum use of concessional credits rather than commercial loans; and

- social welfare policy, containing a new system of support for those disabled and orphaned by the war, a revision of the pension system, and increased foreign financial assistance to help offset the social costs of adjustment.

Structural policies are focused on reorganizing the fiscal and banking systems as well as the state sector. This involves the privatization of small and medium-sized public sector companies, the opening up of the economy to Angolan and foreign investment, and a series of legislative measures to allow market prices to guide economic activity. A reduction in the dependence on imported goods is also intended, together with measures to modernize the productive sector and increase productivity.

SEF remains a plan, although a few specific measures were taken from September 1991 within the context of the government's action programme PAG. These included: (i) steps to reduce the budget deficit, (ii) a modification of the price system, (iii) an initial devaluation of the kwanza, (iv) a planned expansion of imports, and (v) a currency swap. Yet, the currency swap created serious problems for daily economic transactions, besides being

clearly inequitable. Poor and wealthy alike were left with only 5% of their cash holdings, since 95% of the newly issued currency was arbitrarily retained in bank deposits. Consequently, the operation affected public confidence in government's management ability, and the underlying reasons for the expansion of the money supply were not really attended to. Finally, the import expansion did not take place as planned.

### *General Assessment*

It is understandable that government statements on the reform programme, as set above, give primary attention to the need for stabilizing the economy. The need for growth as the only real long term solution to the alleviation of poverty on a larger scale is also recognized. Yet, it does appear that the interplay between current imbalances, on the one side, and structural and social development problems, on the other, deserves more prominent attention.

Angola is a run-down, war-torn country with a fragile and structurally deformed economy. A majority of its population is living in conditions of absolute poverty. Substantial production, maintenance and investment gaps can only be met through imports. The capacity of the rural sector to respond to price incentives has been severely affected. If government relies too heavily on liberalizing markets for economic recovery, higher prices may simply end up in the hands of intermediaries or the already better-off farmers, or for that matter, in the pockets of those, who have gained fortunes from corruption, and who are now in a position to take further advantage of a more open economy.

It follows that optimism as regards the effectiveness of standard macroeconomic policies should be avoided in the Angolan environment. The administrative allocation of resources cannot easily be done away with. Time will have to be allowed to strengthen the government's capacity to use indirect, rather than direct economic controls for economic management. Finally, privatization and liberalization may be pursued as objectives in their own right. However, substituting public monopolies with private ones may not be an effective measure for economic recovery and rehabilitation.

The government no doubt realizes, that significant investments in rehabilitation of infrastructures and social services is required to stimulate economic growth. Priority sectors have even been identified as follows: (i) agricultural production and food processing industries, (ii) mining and minerals, (iii) fishing and fish-processing industries, (iv) light industry, especially consumer goods and inputs for agriculture, and (v) building materials, and housing construction.

Nevertheless, statements remain at the level of generalities. Only limited detailed analytic work has so far been carried out on the actual configuration of policy measures together with their timing and sequencing. The PAG measures are best seen as an initial attempt to advance the adjustment process. It is unfortunate, however, that action was taken in a rather haphazard and piecemeal manner. Macro and sector policies interact with micro level interventions and households. How households are affected by, and respond to economic policy reforms will, in the final analysis, determine the degree of success of the overall programme. Credibility may quickly be lost if the initial results are disappointing, and that in itself can become a stumbling block for further progress. However, these reservations should not overshadow the fact, that the SEF from a political perspective has succeeded in

"breaking the ice".

### 4.3 Major Development Issues

Having reviewed and assessed the general thrust of the Angolan reform programme, it is pertinent to outline some of the more specific development questions. These issues are inter-linked in many and intricate ways, but different dimensions can, nevertheless, be identified.

#### *Recovery of Food and Agricultural Production*

The first and overriding challenge faced is, undoubtedly, an improvement in the food situation. The three main factors affecting the food situation in the immediate future, during the next year or so, are: (i) increased immigration and ruralization, (ii) improved transport possibilities, and (iii) a potentially substantial increase in crop production. Consequently, it is critical to intensify the de-mining of large areas of agricultural land, the reopening of key transport arteries, and the supply of basic farm inputs, such as hoes and good quality seeds. Together with a relatively stable transition and satisfactory rains, these actions could go a long way towards ensuring a quick and substantial increase in crop production.

In the medium- and longer-term, the potential for further recovery of food and agricultural production, including a marketable surplus for the urban population and for export, will depend on prices and the removal of gross distortions in the allocation of resources. Yet, much more is needed.

#### *Resettlement of Displaced People*

In addition to facilitating agricultural production by those still remaining in rural areas, there is an urgent need to resettle approximately one million people and re-integrate them into production. The people resettled will need considerable assistance to construct or rebuild their farmsteads and sustenance to carry through, until the first harvests can be collected. Stop-gap food aid, in the form of food-for-work projects, could be considered in this context.

The return of the displaced has already begun, partly in the form of spontaneous migration, and there are also reports about many refugees returning from Zaire. However, there is a need to further strengthen ongoing efforts by the government and the international community to help in the systematic return of people to their home areas. It is not known, how long it will take, for most of the relocation to take place. It is hoped that the majority of people will be settled by the time of the elections, but this may be optimistic.

One factor, influencing the ease with which relocation will take place, is the degree of confidence that peace and security have finally become permanent. After decades of unrest, such confidence may not come easily, but the desire to return is reportedly high. The greatest number of early returnees will likely be those, who concentrated recently in the municipalities close to their homesteads, as compared to those, who fled to provincial capitals. In some cases, the return may be partial, in the sense that some family members return, while the others remain in the urban areas, awaiting the reestablishment of the farmstead. People, who have been displaced for several years, will be more difficult to encourage to return.

## *Demobilization of Soldiers*

An important dimension in the resettlement of people is the demobilization of soldiers. Many soldiers possess scarce skills, which are of great potential benefit to society, but others have no civil training. Unless concerted efforts are made to reintegrate the ex-soldiers, social and political instability, including banditry and an increased crime rate, will result. There are already reports, that it has been much more difficult to make soldiers enter the designated assembly points than originally foreseen. Attention should in the immediate future be given to the potential of using soldiers in major reconstruction and maintenance works, such as the repair of vehicles and the rehabilitation and maintenance of road networks. The sooner they can be integrated into society, the better.

## *Rehabilitation of Physical Infrastructure*

Most of the main roads have by now been de-mined, and traffic does appear to be picking up. Nevertheless, there are several reasons, why travelling and the transport of cargo continue to remain limited.

Firstly, the infrastructure is in a state of bad repair. On some roads, such as south of Luanda, along the coast, vehicles can maintain more than 100 km/hour. Generally, potholes etc. slow down traffic considerably. Even where roads are in good condition, bridges may have been destroyed. During the upcoming rainy season, many roads will become impassable, and major improvements cannot take place this crop season. The rail system will also, in the foreseeable future, be operating only over limited distances, and the poor efficiency in the ports of Angola is a major bottleneck. Substantial new investments will be required over the medium to long term to put the rail corridors, including the ports, back into acceptable operating condition;

Secondly, the number of vehicles, particularly trucks is limited. Spare parts have been missing, and many cars are in bad shape. Improvements in the rolling stock have begun, but investment efforts must certainly be continued. Finally, there are reports that travel has, in some areas, been restricted by army troops for so-called reasons of "improper documentation". While this problem will, hopefully, be solved in the near future, it underlines the importance of a smooth process of demobilization.

It is not only the main road, rail and port systems, which need to be rehabilitated. The networks of secondary and tertiary feeder roads lack a thorough overhaul. Markets and price signals cannot work without infrastructure to permit rural-urban exchange. The establishment of storage facilities for agricultural products at local, provincial and national levels is another precondition in this regard. Similarly, the rehabilitation of urban services, including, in particular, the water supply systems is long overdue.

## *Economic and Social Services*

Stimulating rural-urban exchange will, as pointed out above, only be possible with better transportation and storage facilities for agricultural products. Greater availability of consumption goods and agricultural inputs in rural areas is another essential precondition. This points to the need for strengthening the marketing system in Angola, including a

network of competitive rural traders.

But there are many other social and economic support services to be established. These include the rehabilitation of health posts and schools, research and extension, rural credit schemes, water supply systems and so on. Similarly, developing small-scale rural industries, consisting of repair services, consumer goods and construction industries etc., will also be essential. Government has confirmed its awareness of the importance of all of the above, but time and resources will be needed to develop concrete activities and projects to meet the needs.

The concrete requirements in selected areas of operation, obviously, cannot be fully specified without further detailed study. A useful general guideline is, that needs are enormous and cover most aspects of the economic and social spheres of human activity, not to mention the need for support to democratization already referred to in chapter 2. It is, in other words, not a matter of identifying a few key constraints (or "missing links"). It is the design of complete packages of integrated rural development support, that should be on the agenda.

### *Recovery of Manufacturing*

The government's industrial efforts since independence have been marked by the absence of clearly defined objectives. Relatively large investments were made in a few selected projects, such as the textile industry. Most of the import intensive industry, left by the Portuguese, decayed and is no longer in a state, where rehabilitation is a realistic proposition. It would, in any case, be extremely difficult and costly to run such an industry, given Angola's scarce resources of skilled manpower. Consequently, across-the-board industrial rehabilitation is premature. Most of the industrial base of Angola should instead be restructured to better reflect existing resource scarcities.

Selected industries, such as those, that are of particular importance to the stimulation of rural-urban exchange or to the processing of agricultural products, are worthwhile maintaining. Another example is the local production of construction and building materials, required for recovery programmes. In this sub-sector, the potential for establishing commercially viable enterprises is considerable. The development of small-scale rural industries was also recommended above. However, more specific observations and suggestions on the larger and normally urban-based industry must await the formulation of an industrial policy. Such a policy is, for the time being, badly lacking.

### *Human Resource Development*

Many of the difficulties of the Angolan economy can be traced to the serious shortage of skilled manpower. Angola will therefore, in the short run, have to rely on foreign technical support, and try to attract Angolans abroad to return. Nevertheless, there is an important number of skilled people in the armed forces, who could prove a great benefit to the future rehabilitation and development of Angola. There are also possibilities for improving the present allocation of existing human resources, including those in the overstuffed state apparatus.

Nevertheless, a substantial effort will have to be made in the field of training and education

at all levels. Particular attention should be given to vocational training and the revision of teaching curricula from primary to higher education, to ensure they become much more relevant to Angolan realities. In addition, in-service, informal training and a wide range of courses should be promoted whenever possible. While the more precise training needs in a particular area can only be known after detailed local studies, they will generally include practical topics such as wood work, plumbing, bricklaying, machinery and vehicle repair, on the one hand, and subjects such as accounting, project identification and formulation etc., on the other.

### *Social Implications of Adjustment*

It is foreseen by many observers, that the implementation of the SEF will have a significant positive effect on the average living standards of the Angolan population. It is, moreover, expected that these benefits will to a large extent be reaped by some of the poorer strata of the population, particularly in the rural areas. Social costs of adjustment are regularly referred to as an afterthought, and viewed as a transitory evil, needed for the establishment of a healthier and more productive economy.

Following the observations already made in section 4.2, a more sensible starting point is, that adjustment is a complex process with wide ranging socio-economic and political consequences. In other words, the implementation of the SEF is bound to create winners as well as losers. Wide ranging democratic consultation and agreement on employment, wages and prices, working conditions, social protection etc. will therefore be required.

According to a recent Unicef report, the main groups living in absolute poverty in Angola include: (i) urban destitutes, (ii) urban unemployed, (iii) rural people affected by the war, and (iii) rural unemployed. How households will benefit from adjustment depends on: (i) the extent to which they have access to employment income, (ii) the transfers they can command, and (iii) their resource endowments. Access to employment and transfer income will become circumscribed in the coming years. Resource endowments can provide a livelihood either through the production of consumption goods or through trade, and the constraints in this regard have been alluded to above. Consequently, it is hard to avoid the conclusion, that the overall poverty problem could easily grow to considerable dimensions. If this is allowed to happen, it will threaten the whole social fabric even further.

Attention to poverty alleviation can be justified in its own right, but it can, under the existing circumstances, also be considered a measure to lay the proper foundation for sustained growth. The subtle issues related to social dimensions of adjustment are therefore: (i) how the analysis of SEF induced poverty can become integrated into the overall economic policy thinking, and (ii) how adequate measures to curtail SEF's impact on poverty can be identified and formulated within an overall framework of improved macroeconomic balance and growth.

### **4.4 Prospects for the Future**

Despite the above reservations, which illustrate that Angola's capacity to adjust is circumscribed, peace certainly makes growth in agricultural production possible. This is especially so in grain, cassava, beans and sweet potato growing areas. Some people are

bound to return out of straight forward need, and they will, provided basic tools and inputs are available, be capable of increasing the area planted. Increased production can, as a consequence, be expected in the short-term, and the natural resources of Angola are, truly, impressive. However, structural constraints will soon set in, and limit further progress, unless dealt with by effective policies.

Due to the many uncertainties characterizing the Angolan reform process, it would be foolhardy to try to predict, what the medium- and long-term future holds in terms of social, economic and political development in Angola. The best, that can be done here, is to outline two broad scenarios, which illustrate the range of possible outcomes. These scenarios are summarized below, based on two key assumptions: (i) peace holds, and (ii) economic reforms proceed.

The best-case scenario involves, first of all, a successful reactivation of production in the short-term, and continued expansion and restructuring in the medium- and long-term. Resettlement and demobilization proceed in line with increases in productive employment, combined with an effective switching of military expense to social and economic disbursements. Corruption vanishes as arbitrary controls over the distribution of import licenses etc. are subjected to market pressures, and existing inefficiencies in the allocation of resources are gradually removed, as institutional reforms progress.

Adjustments in the exchange rate may not pose overwhelming difficulties, despite some inflationary impact, as the majority of people already depend to a large extent on the parallel market. Nevertheless, even in this best-case scenario, there will be serious difficulties due to lack of trained people, and the loss of jobs in the state sector and privileged access to consumer goods will affect a large number of urban people.

A variant of this best-case scenario would be one, that is similar in the longer term, but which takes more time, and is less satisfactory in the short-term. Hesitant international backing, both in terms of aid and private investment, and delays in implementing a socially balanced set of economic policies may be causal factors. Other possible reasons include delays in solving the development problems and uncertainties referred to above. In this regard, it has to be recognized that government may not be in a position to get the "right" policies in place before the elections.

In the worst-case scenario, reform is also carried forward, possibly in an abrupt manner, that breaks down the social fabric of society. Some private enterprise and foreign investment may get underway, but as a mere replica of the colonial economy. A privileged and powerful elite takes over the control of the economy, and the peasant producers and the urban poor are pushed to the margins of society. Real democratization becomes an evasive goal. Supply does not respond in time. Structural constraints are not attended to, partly because the peace dividend is not properly used, and the economy slides downwards in a never ending spiral of social and political unrest. This deters foreign investment, domestic savings etc. and, in turn, the basis for sustainable growth. A collapse in international oil prices could be a contributing factor to this scenario.

Both the best- and the worst-case scenarios are possible, and there is also the possibility, that peace does not hold, and that planned reform becomes stunted. This would, indeed, be devastating for the Angolan people as well as to the whole region of southern Africa.

#### 4.5 Implications for External Agencies

The above possibilities carry with them a diverse number of policy implications for outside agencies, wishing to support the rehabilitation and development process of Angola. Ideological preferences will have an impact on how donors assess the balance in resource allocation among state, private and civic/NGO activities. Yet, it is claimed that top-priority should, generally speaking, be given to assisting the rural sector in Angola through viable development projects and other available means of support.

Rural people form, together with the soldiers to be demobilized, some urban dwellers and those mutilated in the war, the most needy strata of the Angolan population. To enable them to get a fair share of the country's economic and social resources is a most pertinent development objective. It should also be recalled that the majority of poor women are rural. Moreover, human rights include political as well economic and social rights. Democratization will, in reality, only begin to have genuine content, once the present state of extreme deprivation in terms of human development indicators has been altered in a positive direction.

It is, more concretely, observed that donors could help: (i) ensure that basic services and rehabilitation inputs are delivered to rural people; (ii) restore rural livelihood and effective provisioning of cities from domestic production; (iii) reopen key domestic and transit transport routes; (iv) complete or rehabilitate major economic units, whose completion or operation has been largely or wholly halted by the war; and (v) raise exports to increase earned, freely usable import capacity.

Furthermore, attention should be given to a series of sectoral and micro level activities aimed at: (i) employment creation, (ii) a restructuring of production, (iii) a reorientation of social expenditures to improve equity as well as efficiency in service provision, and (iv) compensatory programmes that provide temporary, but additional and targeted support for poor and unemployed people affected by adjustment, relocation and demobilization etc.

Angola is, in the short-term, facing a critical debt servicing problem, that could impede adjustment. But provided international oil and diamond prices do not develop adversely, and assuming the peace dividend is used wisely, a suitable rescheduling of external debt appears to be the immediate key to sort out the debt problem. This would in itself go a long ways towards making it possible for the government to undertake the supply- and poverty focused measures required. As such debt rescheduling should be actively promoted.

Many of the concerns touched upon in this chapter concern the need to tailor the rate of policy adjustment to the implementation and absorptive capacity of the economy. It is by no means easy to strike the right balance, and disorderly, chaotic adjustment caused by waiting too long is not a goal. But forced, rapid adjustment, trying to do too much in too short a time is not a goal either. Angola may feel under pressure to agree to drastic measures in order to obtain urgently needed finance, but time should be allowed to make the process more gradual and smooth out the political and social impact.

Policy dialogue with the Angolan government is also recommended with a view to ensuring, that real and meaningful domestic reforms are implemented. Nevertheless, the international community, including the IMF and the World Bank, should in formulating policy

conditionalities be flexible. "Getting prices right" is an ever evasive goal, and real output effects, rather than the on-schedule implementation of policy instruments, should be in focus. Finally, in formulating policy conditionalities, donors are well advised to take account of the fact, that in Angola there is much more scope for expansion than in many other cases in sub-Saharan Africa.

In conclusion, there is need for time and room for maneuver, and considerable technical, investment and financial assistance will be required. Consequently, whether Angola will manage to adjust will in large measure depend on the willingness and ability of the international community to respond. The circumstances of Angola are to some extent well known from the adjustment experiences of the 1980s in other parts of sub-Saharan Africa. In other respects, Angola is quite unique. The potential for recovery is substantial, provided appropriate actions are taken both nationally and internationally.

## **Chapter 5. INTERNATIONAL RELATIONS AND FOREIGN AID**

### **5.1 External Political Relations**

Angola is a member of the United Nations as well as the Organization of African Unity (OAU). OAU recognized the MPLA government after it had taken the UNITA capital of Huambo on 11 February 1976. The MPLA government has over the years maintained close contacts with other frontline states in southern Africa. However, Angola has, as noted in chapter 2, been in a state of war with South Africa over the past 10-15 years. Relations with Zaire have, except for the first half of the 1980s been strained, due to President Mobuto's support to UNITA and FLN. Angola joined the Preferential Trade Area for Eastern and Southern Africa (PTA) in 1989 and is a founding member of the Southern African Development Coordination Conference (SADCC). Angola retains responsibility for regional energy sector coordination.

Close contacts with Eastern bloc countries, especially Cuba, the USSR and to some extent the German Democratic Republic were, until recent political changes, a cornerstone in Angola's foreign policy. A treaty of friendship and cooperation was, for example, signed with the USSR already in 1976, and Cuban military involvement in Angola has played an important, if not crucial role. Yet, while maintaining good relations with the Eastern bloc, the MPLA government has actively diversified its international contacts, including the pursuance of diplomatic initiatives with the West and the People's Republic of China.

Western European countries recognized the MPLA as the legitimate government of Angola soon after independence. Diplomatic links were established with countries such as Portugal, the United Kingdom, France, the Federal Republic of Germany and Sweden between 1976 and 1979, and commercial agreements were reached with for example Italy and Brazil. The Danish government recognized the MPLA government in line with other European countries. However, the Embassy in Luanda, headed by a chargé d'affaires, was closed down in July of 1987. This was done for a variety of reasons, including budgetary constraints, the continuing unrest in the country and security problems in Luanda, which on one occasion affected embassy staff seriously.

The US government has, on the other hand, maintained a stern stand vis-à-vis Angola. Official recognition was widely expected after the peace settlement in May of this year, but has been deferred to after the elections in 1992. Angola became a member of the IMF and the World Bank in September 1989 despite US resistance. However, cooperation with the World Bank goes back as far as 1986-87, when an energy sector study as well as an introductory economic review were initiated.

## 5.2 Development Assistance

### *Volume and Categories*

Angola has, during the 1980s, received relatively little development assistance. According to the OECD, net official development assistance (ODA) from the DAC countries, multilateral organisations and Arab countries to Angola increased from US\$ 75 million in 1983 to a peak of US\$ 159 million in 1988, before falling somewhat in 1989 to US\$ 147 millions. This is equivalent to approximately US\$ 15 per capita and less than 2% of GNP. In 1989, more than 90% of ODA to Angola was on grant terms. According to the OECD, some 62% of the total amount of aid came from bilateral donors, and the remaining 38% from multilateral organizations.

A recent UNDP study also includes aid from Eastern Europe. It shows that the 1990 distribution of US\$ 196.1 millions of assistance was 48.6%, 44.9% and 6.5%, from respectively bilateral, multilateral and NGO sources. Furthermore, the total assistance in 1990 can be classified as follows: technical assistance (21%), investment projects (36%), balance of payments support (18%), food aid (10%) and emergency assistance (15%). The relatively high shares for the latter three types of assistance illustrate, that donors have concentrated on humanitarian aid and rehabilitation, rather than on long-term development cooperation.

Angola received in the period up to 1987, a substantial amount of technical and military assistance and credits from Eastern Europe. Detailed information is not available, but judging on the basis of the differences among the UNDP and OECD data, the amount may well have been in the order of US\$ 100 million annually from 1984 to 1986. From then onwards, assistance from Eastern Europe has dwindled.

### *Major Donors*

Sweden is by far the largest bilateral donor in Angola, with little more than 40% of total bilateral aid in 1989 (according to OECD figures) and 36% in 1990 (according to the UNDP). More than 100 Swedish experts (including consultants) work in Angola. Italy, together with France, Germany and the Netherlands, account for a similar share, while other donors such as Canada, Norway, Switzerland, the UK, Arab countries contribute the remaining 20%.

Swedish development cooperation was initiated already in the mid-1960s as humanitarian aid to the MPLA, replaced by emergency and commodity aid immediately after independence. From 1977, Angola became a programme country. Substantial assistance has since then gone to the fisheries and health sectors, but the import support programme was also continued. A restructuring of the programme is now underway. Greater emphasis will be put on the transfer of knowledge, and the gradual phasing out of import support is foreseen. However, continued assistance to the fisheries and health sectors can be contemplated, possibly together with a third focus on telecommunications. Considerable funds are, in addition, being kept in reserve for emergency assistance with a view to demobilization efforts etc.

Italian aid is concentrated on industry, telecommunications, and human resources and social development activities, Norway focuses on energy and humanitarian aid, and Portugal is exclusively involved in human resources development. France and Spain have spread their resources over a large number of sectors, including in the case of France, an area development project. The Netherlands, which was a major donor until 1988, is presently only contributing a relatively minor support to the health sector.

The EEC is by far the largest multilateral donor, with almost 37% of total multilateral aid in 1989 (according to OECD) and 67% in 1990 (according to the UNDP). The UN system accounted for another 53% in 1989 (according to the OECD) and 21% in 1990 (according to the UNDP). The amount of EEC aid in 1990 is extraordinarily high judging from the trend and the amount foreseen for 1991. This is, no doubt, related to late spending in 1990 of remaining funds under Lomé III. Other multilateral donors include the African Development Bank (ADB), the African Development Fund (ADF), the Arab Bank for Economic Development in Africa (ABEDA) and OPEC.

Angola did not participate in Lomé I and II, but it signed the Lomé Convention in 1986. Before that, Angola received an amount of 25 million ECU as a non-associated member, mainly devoted to the fisheries sector. Since 1986, EEC programmable resources for Angola were planned to: (i) boost agricultural, livestock and fisheries operations, and (ii) create infrastructure needed for food production. The main method of implementation was planned to be integrated programmes in focal geographical areas, in particular in the south-west. However, due to security problems, little could in fact be implemented. A *de facto* concentration in relation to programmable resources therefore emerged on hospital and sanitation projects in Luanda, which had originally been identified as only a third priority.

In addition to the programmable assistance, the EEC has provided substantial amounts of food aid, emergency and relief assistance as well as balance of payments support. Some assistance has also been provided through the regional cooperation funds for the rehabilitation of the Namibe port and the Lobito corridor. Credit resources, administered by the European Investment Bank (EIB), have gone to support the manufacture of low-cost footwear and for the match industry.

The four major UN agencies, the UNDP, UNICEF, WFP and UNHCR, contributed in 1989 almost equal shares of between 12 and 15% of the total multilateral assistance (according to the OECD). But in 1990, the UNDP reports that the distribution is UNDP (10%), UNICEF (5%), UNHCR (3%), and no information is provided on the WFP.

The UNDP second country programme, which ended in 1990-91, concentrated on agriculture and industry together with human resource development through education. A mid-term review revealed, however, that the overall political and economic system adopted by the MPLA-PT frustrated the realization of objectives in the industrial and agricultural sector projects. The command economy was, in the formulation of the UNDP Resident representative, neither command nor economy.

The UNDP, therefore, decided to shift its focus towards support of macroeconomic reform and the building of a foundation for future development. Thus, a series of UNDP financed economic advisers in the central planning and finance ministries of the government and the

implementation of various economic studies are to be found among the more recent of UNDP's projects. Other areas of concentration include support to the rehabilitation of basic infrastructure, training and research in addition to relief and emergency assistance. Support to economic activities in the agricultural, fisheries and industrial sectors does continue as well, but at a more limited scale.

The World Bank and the IMF have only recently become active in Angola. Technical experts from the two institutions have worked in the above mentioned UNDP projects geared at macroeconomic reform, but the first operation supported financially by the Bank group in Angola was approved in June of 1991. The objective of this project is to strengthen the government's capacity to formulate and implement sound economic policies and investment projects. No Fund credits or other kinds of financial assistance from this source have been provided so far.

Other World Bank projects in various stages of the pre-implementation stage include: (i) an "infrastructure rehabilitation engineering project", comprising a series of feasibility and engineering studies for the transportation and urban sectors, (ii) the "Lobito transport system project", which is an investment project aimed at the rehabilitation of the Lobito port and the Benguela railway, (iii) the "Lobito-Benguela urban environmental rehabilitation project", which is an investment project intended for complex number of activities in the Lobito-Benguela area, and (iv) a "social sector rehabilitation project", aiming at providing assistance to basic education and primary health.

Finally, an increasing number of international NGOs are operating in Angola. Among the more prominent can be found German Agro Action, Canadian Council for International Cooperation, Mission Aviation Fellowship, Care Canada, Lutheran World Federation, Medecins sans Frontiers, Oxfam - UK and Danish Red Cross, listed in decreasing order of financial importance. Together, the above NGOs account for 87% of all NGO assistance to Angola in 1990.

### *Sectoral Distribution*

Almost 90% of total external assistance to Angola in 1990 was concentrated in seven sectors distributed as follows: humanitarian and emergency assistance (23%), supply of trucks and other imported items (18%), human resource development (16%), health (12%), agriculture, forestry and fisheries (9%), social development (7%) and industry (5%). The remaining 10% went to a number of other activities, including economic management and administrative support.

### *Geographical Distribution*

The UNDP lists 429 projects in the above mentioned development cooperation report for 1990, and there is a clear geographical concentration around Luanda, Huíla-Namibe and Benguela. Around one-fourth of all projects were national projects, and the remaining were distributed as follows: Luanda (27%), Huíla and Namibe (18%), Benguela (8%) and rest of the country (22%). The rest of the country represents 85% of the national area and almost 70% of the population.

## *Donor Coordination*

The capacity of the Angolan government to coordinate external assistance is at present practically non-existent. Various ministries such as the Ministries of Planning, Foreign Affairs, Finance, Territorial Administration, Social Affairs and Fisheries all deal with a range of different donors. However, no effective overall coordination is carried out of the various donors, on the one hand, and between national, regional and local levels, on the other. This leads to confusion, sub-optimal allocation of resources and outright waste. Disbursement rates are extremely low, and have in fact discouraged several donors to the point of their canceling commitments. So-called "bypassing" of national authorities by donors is said to be common, and claims have even been made, that some donors bribe national officials to further their own interests.

Informal contacts exist among the various donors in Angola. The UNDP holds regular meetings on the subject, and a special round-table is being planned for mid-1992. Also the NGOs have exchanged information on their respective activities in an informal manner. These activities cannot, however, substitute for proper and continuous government management of development activities. There is, therefore, at present a serious risk that unsuitable donor driven coordination may take over, if the government does not succeed in improving its performance in this regard. It does appear, that government is aware of the problem, and a reorganization is underway. Nevertheless, it is still too early to assess how effective the new structure will become.

## **5.3 Overall Assessment**

### *Experiences Gained*

The experiences gained by external donor agencies in Angola have so far been largely negative. The excessively large, over-centralized government bureaucracy often hampers development efforts considerably. The banking system has been characterized, by one observer, as hopeless. Corruption is widespread and efficiency extremely low, if not totally absent. Donor coordination is, as just noted, insufficient, disbursement rates are low etc. The security constraint has up to now been significant due to the war, limiting not only the geographical area of work but also the size of cooperation programmes. Security problems in urban areas has also, at times, been a problem and may be on the increase.

Government has in general had great difficulty in complying with agreed commitments, and delays in project implementation is rife. The economic distortions have made it difficult to implement meaningful activities in the productive sphere. Angolans have, due to low real wages, had little incentive to work. Lack of housing, schooling, medical facilities etc. make it difficult to implement technical assistance activities. And the time and effort needed to comply with national regulations in ports and other entry points for goods and supplies is overwhelming.

Angola has had significant foreign exchange resources at its disposal. Nevertheless, a major share has gone to the military and to the servicing of external debt. Foreign assistance has therefore, despite the shortcomings enumerated above, played a meaningful role. Badly needed imports have been supplied, and while not always successful, technical assistance has

been offered in key areas of economic and social importance. Finally, it should not be ignored that the practical experiences gained over the past 10-15 years provide a useful background to the planning of future activities.

One crucial guideline, which emerges clearly, is that careful and realistic project preparation and analysis is indispensable. Thorough project monitoring and control is also a must. Furthermore, while the overall objective must obviously always be to capacitate Angolans, foreign assistance personnel on the spot is a prerequisite to successful project implementation. This is so in individual projects as well as at the more general support and planning level. Finally, staff selected to work in Angola must be flexible and capable of performing under difficult working and living conditions, and housing and other facilities must be built into project documents from the very beginning.

In sum, "everything is difficult in Angola" to quote several informed observers. An effective Embassy or similar office with a capacity to plan and supervise/back-stop technical assistance personnel is therefore, according to these same sources, absolutely compulsory for any new donor. Personal observation in October of 1991 confirmed this in a most vivid manner. It was also verified, however, that working in Angola can be a rewarding experience due to the tremendous challenges involved and a generally amicable and culturally open atmosphere.

### *Absorptive Capacity*

It follows from the above that the capacity of Angola to make appropriate use of foreign assistance has so far been seriously circumscribed. It may, therefore, be tempting to conclude that the absorptive capacity is low, or even non-existent. This would be an erroneous conclusion. The absorptive capacity is not a static, but a dynamic concept.

Needs are enormous, and Angola's ability to integrate and benefit from foreign assistance programmes can be developed in a decisive manner. Manpower can be "imported" to help implement viable projects, and there are, in this regard, many qualified Angolans abroad, who could be attracted to return. A series of economic management projects, to improve the performance of the state sector, have already been initiated. And if privatization proceeds as planned, this should certainly help in focusing the attention of the government on the task of macroeconomic rather than microeconomic management. The decisive appearance of a wide range of social movements, local NGOs and other civic groups can also be promoted and used as channels for assistance. The embryonic private sector is another possibility. But it must, of course, be ensured that assistance through these various channels is coordinated with government, so overall balance is guaranteed.

Furthermore, some of the more important reasons for the previous poor performance are now undergoing unprecedented change. "Frictional" problems will certainly have to be confronted in the transition period over the coming years due to the aftermath of the war and economic mismanagement. Nevertheless, adjustment has started, and distortions should eventually taper off. Large areas, which were previously inaccessible, have also being opened up.

This, in turn, has made emergency and rehabilitation needs more visible, and planning is bound to become less complex. The same accounts for the actual implementation, monitoring and control of project activities. Unsatisfactory performance can, for example, no longer be ascribed to impenetrable war-related causes. It will, finally, become easier to integrate projects into Angolan structures, increasing the possibility for their being sustainable on the basis of local resources and capacities.

## Chapter 6. DANISH AID AND TRADE

### 6.1 Background

#### *Development Assistance*

Danish development assistance to Angola since independence in 1975 amounts to a total of DKK 284.1 million. Some 44% were donated, while the remaining share was disbursed through two, tied government loans, amounting to a total of DKK 160 million. Assuming a discount rate of 10%, the grant element of the two loans was 76%. They do, therefore, form part of Danish ODA to Angola as defined by the Development Assistance Committee (DAC) of the OECD. Denmark has, in addition, contributed to the development of Angola through SADCC regional projects and contributions to the UNDP, EEC and other international organizations. The amounts involved have not been quantified for this report, and are not covered by the comments in what follows.

The major share (90%) of Danish assistance to Angola was provided through bilateral channels. This was done in the form of projects, government loans, bilateral experts and preliminary studies related to the government loans. The remaining 10% were supplied through multilateral channels, mainly as humanitarian aid and multilateral experts.

The bilateral project assistance included two major projects:

(i) From 1978 to 1990, more than DKK 65 million were disbursed for the rehabilitation of a number of facilities in the fisheries sector. The project was intended to improve existing cold/freezing stores and processing facilities, tuna canning for domestic consumption, and fish meal production for exports, and to establish training facilities for Angolan personnel, employed within the fisheries sector.

(ii) From 1981 to 1991, approximately DKK 170 million were spent on the Cimangola cement factory in Luanda. The project aimed at increasing the production of cement for domestic purposes as well as for exports, and included the restoration of production facilities, construction of new harbor facilities, management expertise and supply of spareparts and supplies. Also the provision of education and training to allow local personnel to operate and manage all facilities after project completion was inserted. The official assistance from Denmark formed part of a larger package, including as well a management contract with two Danish companies and export credits, guaranteed by the Danish state.

#### *Trade and Export Credits*

In the years prior to independence, Denmark had a trade deficit vis-à-vis Angola. This was, for example, the case in 1970, where Danish imports from Angola (predominantly petroleum and petroleum products) amounted to almost DKK 160 million, whereas exports remained at less than DKK 40 million. However, after 1975, imports from Angola dropped dramatically and were, in effect, almost non-existent. Meanwhile, Danish exports to Angola

expanded considerably in the late 1970s and early 1980s to an annual peak in 1981-84 of approximately DKK 125 million. Due to the economic problems of Angola, annual imports from Denmark fell to around DKK 50 million in 1986-89, but in 1990, Danish exports were strongly revived to a level of DKK 130 million.

The major items of Danish exports to Angola, totalling DKK 1.4 billion for the period 1970-90 in current prices, include edible products and live animals (44%), and machinery and transport equipment (34%). Other items are manufactures (in particular manufactured inputs), chemicals and chemical products, beverages and tobacco, manufactured goods n.e.s., and raw materials (excluding fuel) plus minor items such as miscellaneous goods and transactions n.e.s., animal and vegetable oils, fats and waxes, and finally petroleum and petroleum products.

Total export credit guarantees issued by the Danish Export Credit Council in relation to Angola amounted to little more than DKK 40.9 million at the end of 1990. That is, Angola accounts less than 1.5% of total guarantees issued. Compensations paid, recoveries and claims outstanding (excluding interest) at the end of December 1990 amounted to respectively DKK 35.5, nil, and 147.5 million.

### *Experiences Gained*

No internal evaluations of the fisheries and Cimangola projects have been carried out by Danida, and there are presently no plans to do so. However, a state auditing report, finalized in 1988, on Danish development assistance to Angola paid special attention to the two projects. According to the report, the objectives of the fisheries project were unfulfilled. Project implementation was, in general, unsatisfactory, and renovation work was deficient. Only a limited number of facilities were actually operating on a sustained basis after project completion. Also the educational effort had modest results, and the project can undoubtedly be classified as a partial failure.

The Cimangola project met with relatively more success, although not without important problems. The restoration and construction works, financed by Danida, were completed more or less as planned in 1984. But production had declined to half the level of 1981, and local personnel were not in a position to operate and manage Cimangola as originally foreseen. A management contract was, therefore, established in 1985 with two Danish companies to operate the production facilities until 1990 and implement a training programme. Subsequently, production increased considerably, but not to the levels expected, and problems with the training programme were not fully sorted out. The auditing report also questioned the socio-economic rentability of Cimangola's production of cement for export, but recognized that production for the domestic Angolan market is justified due to high transport costs of imported cement.

It would, therefore, appear that past Danish assistance to Angola has been rather disappointing. The developmental impact is limited, and while modest results were achieved, the costs involved were higher than necessary. The auditing report, which according to Danida is a valid assessment, lists several reasons for this rather skeptical conclusion: (i) expectations were unrealistic due to inadequate feasibility and other preparatory studies; (ii) limited administrative capacity on the part of Angolan counterparts, which meant, they could

not comply with prior obligations and commitments; (iii) delays in Danish supplies of equipment and spare parts; (iv) a lack of confidence among the cooperating partners; and finally (v) the particular circumstances of Angola, reviewed in chapters 2 and 3.

The above list suggests, that more careful project preparation is of key importance, and should be given high priority in any future activities in Angola. Well prepared feasibility studies and realistic expectations are an indispensable basis for the unfolding of mutual confidence and cooperation. Furthermore, the detailed involvement of Angolan government officials and other partners in preliminary work is a critical need. Extensive use of local consultants jointly with expatriate advisers is, in the case of Angola, one of the most effective ways of meeting this need, at an early stage.

In sum, the experiences of Danida with Angola are similar to those of other donors, reviewed in chapter 5. And the above observations emphasize even further the importance, already alluded to, for an Embassy or similar office in Luanda, as a precondition for embarking on any Danish future support to Angola. Yet another reason is the considerable potential for increased commercial collaboration, in investment projects as well as in trade. Past export figures and credits are relatively small, but they, nevertheless, display characteristic trends. There is a future potential market for Danish exports, and the expected revival of Angola's import capacity serves to highlight this.

## **6.2 Perspectives for Danish Aid**

It is evident from previous chapters of this study, that the political, social and economic situation of Angola is extraordinarily critical. Angola is, despite its impressive natural resource base, definitely not in a position to manage the challenges ahead on its own. Considerable external support over the coming 5-10 years is, therefore, truly justified on the basis of the general guidelines laid down by the Standing Committee on Foreign Affairs of the Danish Parliament in May of 1989.

Angola has also taken significant steps over the past few years towards establishing a new multi-party political and economic system. Development plans and policies are undergoing commendable changes, and social reconciliation is underway. Nonetheless, the process remains fragile and could easily "derail" unless adequately supported. There are, consequently, in dialogue with the Angolan authorities, excellent possibilities for furthering basic Danish social, humanitarian and democratic objectives and ideals. This is so in respect of poverty-focused and sustainable economic and social development, but also the prospects of promoting democratization and human rights are promising. The Angolan government has, moreover, confirmed its desire to improve gender relations and ensure the full integration of Angolan women in the development process.

Yet another important aspect is, that peace, stability and economic rehabilitation in Angola is a strategic precondition to the balanced regional development of the whole of sub-Saharan Africa, including several of the major recipients of Danish aid. A transition to a democratic South Africa now seems, at last, to be within reach in the not too distant future. Nevertheless, Angola is the only country in the region, that has the natural resource potential to counterbalance the economic hegemony of the regional superpower. In addition, while a future democratic government in South Africa may have the desire to pursue balanced

regional integration, all indications are, that this will be no easy task in view of tremendous domestic economic and social imbalances.

The experiences of Danida and other donors in Angola have, as noted, not been particularly encouraging so far. Nevertheless, the circumstances of Angola have been exceptional, and the detailed comments in chapter 5 on the issue of absorptive capacity demonstrate, that there are, indeed, good prospects for a radical change. Given peace and stability, carefully elaborated preparatory studies and well designed projects could go a long way towards ensuring the effective implementation of cooperation activities. It is recognized, however, that the institutional capacity of the government will remain limited even under peaceful conditions, and that donors will have to play an active role in the actual planning and implementation of projects.

The Danish resource base is not impressive, but a relevant capacity has been building up in recent years. Private engineering and consultancy companies have by now considerable experience from southern Africa in relevant fields, such as the rehabilitation and maintenance of physical infrastructure. A number of individuals in ministries and directorates of the government also have pertinent background. The same accounts for the universities and various other higher and medium-level schools and vocational training colleges. Danish NGOs have expressed the view, that Denmark has a political and moral obligation to assist Angola in the new situation, and they, as well as the centres for development and social analysis, have developed their capacity considerably through work in, for example, Mozambique. Some have even implemented relief operations in Angola, or have previous working experience with the MPLA, financed under the "apartheid" appropriation.

Finally, the Industrialization Fund for Developing Countries (IFU) has been active in Angola, *inter alia* through the proposed formation of a joint venture to take over the operations of Cimangola. This agreement involves as well the Norwegian Scancem, and the Swedish Swedfund, and exemplifies, that (i) an active business environment is under development in Angola, and (ii) no further Danish bilateral aid is called for to the cement industry. Danish backing will in the coming years be routed through IFU, and there are, in fact, promising possibilities for setting-up companies based on purely commercial principles in this sector.

### **6.3 Overall Framework and Priorities**

There are various intertwined considerations that need to be defined in outlining the possible framework for a future Danish programme of assistance to Angola: (i) objectives and time horizon, (ii) macroeconomic policy reform, (iii) democratization, (iv) sectoral focus, (v) geographical priorities, (vi) types of assistance, and (vii) channels of distribution and/or implementation. These dimensions are reviewed below, and general recommendations are made throughout.

#### ***Objectives and Time Horizon***

In principle, an economic programme of assistance to Angola could focus on (i) short-term stabilization and recovery, (ii) medium-term rehabilitation and adjustment, and (iii) long-term development, or any combination of the three together with an overall goal of supporting the political process towards democratization at all levels. It is suggested that Danida centers its

immediate attention on democratization, recovery and adjustment and adopts a time horizon of at least five years. The absorptive capacity of Angola needs to be strengthened, and considerable direct Danish involvement in the implementation of support activities is required. Anything less than five years would make it impossible to mount a satisfactory bilateral full-scale operation, for technical as well as administrative reasons.

While the focus recommended above is the short- to medium-term, this does not exclude that an eye is kept on the building-up of a pipeline of longer-term activities in dialogue with the Angolan authorities. This should take place, however, in the course of the next 3-5 years, as Danish experience in collaborating with Angola accumulates, and the political and economic situation becomes more transparent. A high degree of flexibility will have to be allowed for in the immediate future. The general economic framework is subject to change, and the same goes, of course, for the political situation, where the outcome of the 1992 elections remain uncertain.

### *Democratization*

There is a clear and urgent need for external support to the holding of the forthcoming elections in 1992. Significant resources are required to ensure, that these elections can go ahead as planned, and will in actual practice be free, fair and reflective of the views of the people. This is critical not only from a desire to further democratic ideals. Many years of tense and violent relations between the major contesting parties could easily erupt and cause a complete reversal of the reconciliation process, if justified doubt is allowed to exist as to the validity of the elections.

Denmark does possess some expertise and experience in this field, as demonstrated recently in, for example, Nepal. It is, therefore, recommended that the Ministry of Foreign Affairs immediately investigates the possibilities for initiating an electoral support project. This could include technical advice, participation in the creation of a voters' register, material support such as computers, electoral boxes etc., election supervisors and support to the various emerging "third force" parties.

In pursuing these activities, collaboration will have to be established with other countries such as the United Kingdom and Sweden, and above all the United Nations. It has so far been envisaged, that the UN should play a key coordinating role, but the progress needs to be speeded up. A senior coordinator of international reputation and a team of experienced advisers to assist the government is urgently required. A word of caution can be sounded in relation to suggestions as regards the so-called "Carter-model", that was used in the case of the recent elections in Zambia. The US government has, simply speaking, been much too involved with the UNITA for this to be an agreeable alternative in Angola. The "Namibia-model" would be much more desirable, but it must be mounted fast.

Experiences gained in the above short-term assistance could, finally, be a useful starting point for identifying the needs and formulating proposals for further legal assistance in drawing-up the whole range of new laws and regulations, which will gradually have to be put into place in a new democratic Angola.

## *Macroeconomic Policy Reform*

The overall principles for economic stabilization and restructuring have been defined within the context of the SEF, but more concrete sector level plans are yet to be formulated in detail. Furthermore, SEF will no doubt have to be reassessed on a continuing basis, as the adjustment process goes on. More attention to the social and political impact of SEF was already recommended in chapter 4. The immediate need for a rescheduling of external debt and the medium-term room for a relatively expansionary fiscal policy was also referred to.

Denmark could support Angola in putting judgements of the above kind across to other external agencies. Angola has the potential to pay back over a reasonable period of time, but it is important that this potential is not strangled. It follows, that what is recommended in case of Angola is effective debt rescheduling, not debt cancellation. Such an approach would both demonstrate the willingness of the international community to assist, and remind the government of the need to implement needed policy reforms.

## *Sectoral Focus*

In addition to managing the process of democratization and macroeconomic policy reform, the overriding challenge confronted by Angola is the need to recover food and agricultural production. It is, consequently, suggested, that the core of a Danish recovery and rehabilitation programme be the rural sector. The sector has also been assigned top-priority in policy statements issued by the government. There are several interpretations of the notion of a sector. What is referred to here is not a specific technical/professional discipline, which has, in fact, been the focus of several of the bilateral aid programmes in Angola over the past years. On the contrary, it is the reestablishment of the entire, integrated economic and social life in one, or a few, selected priority areas in the countryside, that should be supported. It is difficult, at this stage, to assess how large the priority areas should be. One area may be a municipality, with project headquarters established in a local town or provincial capital, but others may be a group of a few selected communes.

There are, if this approach is adopted, good possibilities for having a quick and direct impact on people's lives. Local people will have a direct interest in the effective implementation of "their" projects, and this is likely to make it much easier to overcome bureaucratic delays at central levels. Furthermore, the potential for identifying, in due course, suitable follow-up activities in the form of relevant, longer-term development projects is promising in the rural sector. Focusing on a few selected geographical regions would, finally, allow a more intense and coordinated involvement of the various Danish institutions, that would wish to participate. In other words, this approach would make it possible to reap synergic benefits.

Within the selected areas of concentration, it will, in line with the observations in chapter 4, be necessary to initiate a range of mutually supportive activities. Basic agricultural rehabilitation inputs will have to be distributed as soon as possible among rural people, and food supplies assured to carry them through to their first harvests. Reconstruction of local infrastructure must be initiated, including rural water supplies, basic sanitation, road networks, storage facilities, small scale industries etc., and social services such as schools

and health posts. Food-for-work projects based on locally procured supplies will, therefore, have an obvious role to play.

Other activities, such as credit schemes, extension advice and support to small local businesses, will also have to be organized, but this should in all likelihood be taken up at a later stage, as the process moves into "development gear". Nevertheless, it is for obvious reasons difficult to draw a clear line of demarcation between rehabilitation and development, and the specific design of field activities will depend in a crucial manner on the detailed study of priority areas selected.

What is in reference is, in other words, a major rehabilitation undertaking. This will require not only a capacity to organize and implement activities under difficult field conditions, but also the ability to involve local people at large and train selected individuals in key design and supervisory skills. The Danish resource base, including Danida itself, as well as the various NGOs and private companies, has valuable experience in these fields from several countries in east and southern Africa. There are also technical colleges in Denmark, which could be drawn upon to assess the rehabilitation needs in detail in selected areas, implement training courses etc.

A focus on the rural sector is justified, as well, on the basis of the overwhelming need to resettle displaced people and demobilize large numbers of soldiers. Making it feasible for them to reestablish in productive consumption and income generating activities is fundamental to social stability, and only the rural sector has the potential for absorbing the large numbers of Angolans involved. While it will be impossible to completely solve the problem of urban overcrowding, proof that it is worthwhile to return to rural areas is a first and basic condition for progress to be made.

The objective of increasing the participation of women can be furthered well within the above framework. The majority of poor women are rural, and they should be assisted, both in the sense that gender aspects are integrated in project activities, in general, and through activities targeted directly at selected groups of women. Another disadvantaged group, which should be supported in their local communities, is the large number of people mutilated by the war. They are presently being rejected by society in general, and will have to be helped in a variety of ways. Danish institutions with experience in this field could be asked to take responsibility for supplies, advice and education.

It is advisable to include planning and institution building assistance to a few key local institutions in the selected priority areas from the beginning. Institutions, such as the provincial delegations/directorates of the Ministry of Agriculture and the rural development stations (EDAs) could, if properly supported, play a crucial role in ensuring the overall success of rural rehabilitation activities. It could also support the decentralization process, which is underway, and would be an excellent way of helping to "tie together" a major Danish presence in a given area. The advisers assigned to work in the above institutions would, finally, be excellently placed to promote attention to environmental concerns, ensure that rehabilitation activities are sustainable and backstop pilot projects.

The focus suggested on the rural sector does not, of course, exclude that other important activities are supported. The most obvious among these include: (i) rehabilitation of major

national transport networks and ports, (ii) urban water supply and sanitation, (iii) social dimensions of adjustment in general, and (iv) strengthening of selected institutions at national level in fields, where Denmark has particular expertise. Based on the intentions of other external agencies, including in particular the World Bank and the EEC, it would seem, however, that Danida is better advised to support the first two of these areas through multilateral channels. The same accounts for attention to the social dimensions of adjustment, which is, in all likelihood, more effectively dealt with through Unicef and, possibly, the World Bank than on a bilateral basis.

As regards the fourth area, it would be worth investigating the needs of the various women's and environmental organizations. Some of these have only recently been established, but they have the potential of becoming important poles of influence on policies adopted in the coming years. Support to key ministries, such as agriculture and territorial administration, should also be considered. Assistance here would fit well with a general focus on rural rehabilitation work, much the same way as institutional support to provincial level authorities.

### *Geographical Priorities*

Angola is a huge country, and the identification of priority areas and more specific objectives must obviously be based on a more careful survey of suitable provinces/locations. Relevant Angolan authorities will have to be consulted in detail on this issue. Nevertheless, some general reflections, that might guide further work, are possible on the basis of observations made in Angola in October of 1991.

The provinces of Namibe, Huila and Cunene in the south-west (i.e. the fifth military region) have already over the past years received considerable attention by the international community. The region is strategically located, bordering Namibia, and has, at least as far as Namibe and Huila are concerned been much more peaceful and suffered less from the displacement of people than most other parts of the country. The region has excellent crop and cattle land, a significant fisheries potential and an important port in Namibe.

The south-west is also the only zone, for which a comprehensive regional development programme has been formulated, with assistance from UNDP. Some 90 externally funded projects, involving a large number of organizations, were operational there in 1990, and more is to come. The EEC is planning a major expansion of its assistance, and the World Bank, the ADB, Sweden, France etc. as well as a significant number of NGOs have expressed an interest in continuing to support the area. Consequently, there is no apparent reason, that yet another donor is needed, and it is recommended, that Danida does not consider this region as part of its list of possible priorities for bilateral assistance activities.

The same accounts for the province of Kuando Kubango, the stronghold of UNITA, and the coastal province of Benguela. Significant support from the USA can be expected in Kuando Kubango, which has, moreover, been inaccessible so far. The Benguela province was significantly affected by the war, and it has important fishing areas and agriculture inland. The presence in Benguela of the main agricultural tool factory in Angola is an important factor for the rehabilitation of the province. It also has the strategically placed port of Lobito, linked with the rail line to Zambia. It is, in other words, no coincidence, that more than 30 projects were under implementation there in 1990, and Benguela is bound to receive

considerable attention in the years to come from a number of important donors and commercial interests. Important World Bank assistance has just been approved for the Lobito-Benguela area, as noted in chapter 5.

It is evident, that Danish companies, specialized in the rehabilitation and maintenance of road and port infrastructure, have respectable expertise to offer within the above context. Yet, it would be more appropriate to channel Danish support through multilateral organizations as the World Bank or via the existing SADCC arrangements, rather than establishing new bilateral activities. Danish companies would, in any case, have a good chance of success in tendering on an international basis for the contracts involved.

The northern provinces of Cabinda, Lunda Norte and Lunda Sul should also be excluded from the Danish priority list. Cabinda, the Kuwait of Angola, is the main oil producing province, and there are significant mineral deposits and an important rain forest for timber extraction. The province will receive one percent of foreign resource earnings directly. As such, there will be extraordinarily large sums of funds available for the establishment of economic linkage from the oil industry to the remaining sectors of the regional economy. Finally, while affected by guerilla activity, Cabinda has fared relatively well in terms of avoiding the destructive effects of the war. The Lunda provinces have done less well in this respect, but they have a significant potential for diamond extraction. They are, therefore, also likely to receive a major share of foreign export earnings directly.

A focus on the rural sector would lead to the exclusion of the Luanda province, which has, in any case, already received major attention from the international community, and is likely to continue to do so. Of a total of 429 externally funded projects in Angola in 1990, no less than 114 of these were based in Luanda, in addition to a significant share of 111 nationwide projects. That is, close to half of all projects were centered around Luanda. Excluding Luanda from the bilateral list does not mean, that urban needs are insignificant from a humanistic point of view. But it is claimed, that it would be a strategic error to focus on urban rehabilitation before conditions in the rural sector have been improved.

The above observations leave two groups of provinces to be considered. Firstly, Moxico, Bie and Huambo, which lie in the center-east of the country, and secondly, Zaïre, Uíge, Kwanza Norte, Malange, Bengo and Kwanza Sul, which lie in a sort of half-circle around Luanda. All of these provinces have been badly affected by the war, and merit serious attention. Thus, it is no easy task to establish priorities. If particular emphasis is given to the effects of the war, it would nevertheless appear that the province of Moxico, which borders Zambia in the east, and Bie, forming part of the central *planalto*, merit particular attention.

Moxico has received some assistance from Unicef, but has so far been difficult to access due to its remoteness. It is relatively thinly populated, but large numbers of refugees are expected to return from Zambia, and the rehabilitation efforts required are enormous. Bie has much higher population density, and the agricultural potential is clearly better. Nevertheless, both of these provinces may easily become somewhat marginalized in relation to Huambo, which already in 1990 was much better off in terms of development projects with external finance than Bie and Moxico.

The densely populated Huambo province, which has a significant agricultural potential and

used to be the granary of Angola together with the province of Bie, lies in the centre of Ovimbundu territory, along the Lobito-corridor to Zambia. It will, therefore, continue to be a province of strategic economic as well as political importance. Government and donors alike are likely to concentrate on this province. Danida may, therefore wish to consider surveying Moxico and Bie instead, although longer term assistance to, for example, the agricultural university and research centre in Huambo could benefit the whole region.

In the provinces forming a half-circle around Luanda, it would appear that the Zaïre-Uíge zone merit particular attention. Uíge used to be agriculturally important due to its coffee production, and extraordinarily large movements of people are expected here. It has been estimated that about 50% of the refugee population will eventually reside in these two provinces. One cause is the number of Angolan refugees from neighbouring Zaire, who have already started to return, and who will constitute a vulnerable group.

The remaining provinces, i.e. Bengo, Kwanza Norte, Kwanza Sul and Malange, could all be considered. It would appear, however, that at least the coastal areas suffer less from lack of food than the interior. Should any single province of these four be singled out for attention, it was regularly suggested by government officials as well as expatriate observers, that it would be relevant to begin with Malange. This province is agriculturally important, it is the fourth most populous province after Luanda, Huambo and Bie, it can be accessed by road from Luanda.

#### *Types of Assistance*

It follows from the above observations, that a variety of types of assistance will be required in the case of Angola. Humanitarian aid will no doubt continue to be required in the short-term, as significant numbers of people are living under emergency conditions. As regards the rehabilitation activities, they will have to contain a significant component of technical assistance, combined with substantial amounts of capital support for infrastructure investments etc.

While it is recommended that an effective rescheduling of Angola's external debt is promoted, it would not in general be advisable to support balance-of-payments programmes. Angola's future growth potential is so large that this type of aid should not really be necessary provided realistic debt rescheduling has been implemented. Balance-of-payments support is, in addition, a fungible (i.e., interchangeable) kind of aid. A high degree of flexibility in project design and implementation is clearly needed, but it is also apparent, that control and accountability as regards the use of external resources and their impact is a particularly pressing requirement in Angola.

#### *Channels of Assistance*

It is suggested, that Danida makes use of all the existing channels of giving assistance. Thus Danida should establish a bilateral rehabilitation programme in addition to channelling resources through multilateral organizations, including the World Bank, UN organizations such as UNDP and UNICEF as well as the EEC and SADCC. Also the possibility of posting Associate Professional Officers with the UN organizations should be considered. UNICEF already expressed such a need. Moreover, it would be worthwhile to be flexible in the use

of trust-fund arrangements, both for initial studies as well as in relation to full-scale project implementation, to help furthering the possibilities for Danish involvement in multilateral projects.

It is furthermore recommended that Danida studies the possibilities for involving Danish, international and Angolan networks of NGOs. These will undoubtedly play a significant role in the future political and economic development of Angola, as the state apparatus will gradually be relinquishing itself from a number of responsibilities in directly productive and social sectors. Danish NGOs should be encouraged to take contact to emerging Angolan counterparts with a view to establishing cooperation arrangements in the implementation of preparatory studies as well as in follow-up projects. It is stressed, however, that efforts should be coordinated closely with the relevant ministries and other government offices, which have responsibilities for the areas in question.

Finally, IFU should be encouraged to intensify its attempts of establishing mutually beneficial contacts between Danish companies and the growing commercial and industrial sector in Angola. Private enterprises will have an important role to play in the reconstruction of Angola. In recognition of this need the Angolan government established a special investments office in 1988. The office has responsibility for promoting foreign investment in a variety of forms, including the formation of mixed companies and joint ventures.

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## Appendix 1: **MAPS OF ANGOLA**

**Map 1.1:** *Administrative Division*  
**Map 1.2:** *Geography*  
**Map 1.3:** *Population*  
**Map 1.4:** *Railways*



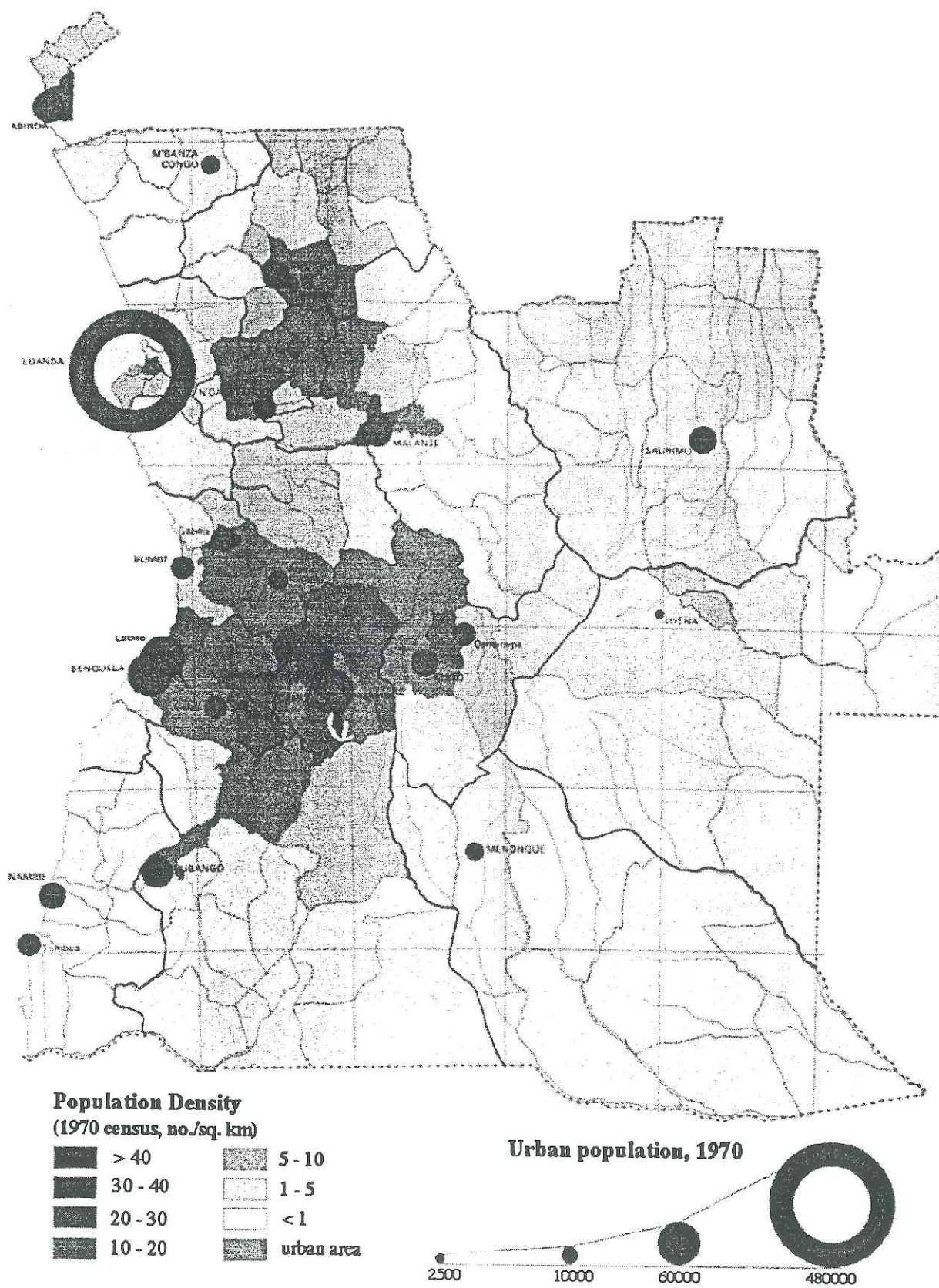
Map 1.1: Administrative Division



Map 1.2: Geography



Map 1.3: Population



Map 1.4: Railways



#### Distances

Benguela Railway (Lobito-Ndola)	1,960 km
Tazara Railway (Dar es Salaam-Ndola)	2,005 km
Nacala Railway (Nacala-Malawi border)	615 km
Limpopo Line (Maputo-Zimbabwe border)	533 km
Harare-Beira	605 km
Harare-Maputo (via Limpopo Line)	1,380 km
Harare-Durban	2,000 km
Harare-Dar es Salaam	3,465 km

## Appendix 2: STATISTICAL TABLES

Table 2.1:	Basic Country Data
Table 2.2:	Population and Area by Province
Table 2.3:	Climatic Data
Table 2.4:	Demographic Indicators
Table 2.5:	Social Indicators
Table 2.6:	GDP Development 1960-87
Table 2.7:	Structure of Production
Table 2.8:	Government Finances
Table 2.9:	Money Supply
Table 2.10:	Balance of Payments
Table 2.11:	External Debt
Table 2.12:	Composition of Exports
Table 2.13:	Exports by Destination
Table 2.14:	Imports by End-use
Table 2.15:	Production of Major Agricultural Crops
Table 2.16:	Cereal Deficit
Table 2.17:	Livestock Marketing by Province of Origin
Table 2.18:	Fish Catch and Landings by National and Foreign Fleet
Table 2.19:	Fish Catch by National Fleet and Type of Ownership
Table 2.20:	Fish Catch by National Fleet and Province of Origin
Table 2.21:	Production of Wood and Wood Products
Table 2.22:	Index of Industrial Production 1973-87
Table 2.23:	Production of Selected Manufacturing Products
Table 2.24:	Mining Production
Table 2.25:	Role of the Oil Sector
Table 2.26:	Production of Electrical Energy
Table 2.27:	Net Official Development Assistance 1983-89
Table 2.28:	Sources of External Financing 1990
Table 2.29:	Sectoral Distribution of Foreign Aid 1990
Table 2.30:	Distribution of Development Projects by Province 1990
Table 2.31:	Danish Development Assistance 1975-1991
Table 2.32:	Danish Trade with Angola 1970-1991
Table 2.33:	Danish Export Credits to Angola



**Table 2.1: Basic Country Data**

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**AREA, LOCATION, POPULATION AND GNP PER CAPITA**

Area:	1,246,700 sq. kilometers
Location:	Lat.: 04°22' and 18°02'
	Long.: 11°41' and 24°05'
Population - Total (1990):	10,020 thousand
- Growth rate (average annual 1985-90):	2.7 percent
Population density (1990):	8 (per sq. km)
GNP per capita (1989 US dollars):	610

**SOCIAL AND DEMOGRAPHIC INDICATORS**

Crude birth rate (1989):	47 (per 1,000)
Crude death rate (1989):	19 (per 1,000)
Life expectancy at birth (1989):	46 years
Infant mortality rate (1989):	132 (under 1 year)
Daily calorie supply per capita (1988):	1,725

Urban population in % of total (1990):	28.3 percent
Rural population in % of total (1990):	71.7 percent

Male population in % of total (1990):	49.3 percent
Female population in % of total (1990):	50.7 percent

Population with access to health services (1985-87):	30 percent
Population with access to safe water (1985-88):	35 percent
Population with access to sanitation (1985-88):	21 percent
Population per doctor (1984):	17,790
Population per nurse (1984):	1,020

Adults literacy rate (1985):	36 percent
Male	50 percent
Female	23 percent
Primary enrollment ratio (1985):	43.7 percent
Secondary enrollment ratio (1985):	13.0 percent
Tertiary level students abroad as % of those at home (1987):	29.5 percent

**PRODUCTION**

Gross Domestic Product (GDP) (1965):	989 US\$ millions
(1980):	5,069 US\$ millions
(1987):	7,740 US\$ millions

Growth of GDP (1965-73):	3.7 percent
(1973-80):	-9.7 percent
(1980-85):	3.6 percent
(1989):	11.2 percent (estimate)

Share of agriculture in GDP (1989):	10.7 percent
Share of industry in GDP (1989):	65.9 percent
Share of services in GDP (1989):	23.4 percent

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(continued)

**Table 2.1: Basic Country Data (continued)**

**GOVERNMENT FINANCES AND MONEY SUPPLY**

	1985	1988	1990
	(Kz billions)		
Current revenue	78.5	73.2	76.7
Total expenditure	90.5	95.6	132.5
Deficit	-12.0	-22.4	-55.8
Growth in money and quasi-money (1985-89):	15.7 percent		
- currency in circulation	16.7 percent		
- demand deposits	11.1 percent		
- time deposits	68.2 percent		

**BALANCE OF PAYMENTS AND EXTERNAL DEBT**

	1985	1988	1990
	(US\$ millions)		
Current account balance	193	-441	-236
- Trade balance	899	1,148	2,305
- Service balance	-727	-1,621	-2,464
- Unilateral transfers	21	32	-77
- Medium- and long-term capital	454	-199	-608
- Short-term capital, errors and omissions	626	-255	-406
Overall balance (= change in reserves)	21	-895	-1,250
Total external debt as at 31 December 1990:	8,046 US\$ millions		
of which principal	6,480 US\$ millions		
of which interest	1,566 US\$ millions		

Sources: Derived from table 2.2 - 2.11, Human Development Report 1991 and World Bank Data.

**Table 2.2: Population and Area by Province**

Province	Square Km	Population (1,000)		
		1970	1985	1990
Zaire	40,130	37	53	179
Uíge	58,698	381	426	812
Kwanza-Norte	24,190	244	382	370
Kwanza-Sul	55,660	460	657	642
Moxico	223,023	186	114	308
Kuando-Kubango	199,049	112	160	128
Malange	97,602	542	832	872
Lunda-Norte	102,783	202	296	287
Benguela	31,788	463	627	628
Huambo	34,274	817	1,418	1,484
Bíe	70,314	605	1,033	1,093
Huíla	75,002	536	798	860
Lunda-Sul	45,649	97	166	154
Bengo	31,371	122	171	162
Cunene	89,342	161	239	230
Luanda	24,180	440	1,155	1,545
Cabinda	72,700	79	134	156
Namibe	58,137	51	92	110
ANGOLA	1,246,700	5,588	8,754	10,020

Source: National Institute of Statistics.

Note: Totals may not add up because of roundings.

**Table 2.3: Climatic Data**

Geographical location	Latitude	Longitude	Altitude	Temperature (°C)		Precipitation (mm)
				Maximum	Minimum	
Cabinda	5 33'	12 11'	20m	24.4	23.0	584.8
Uíge	7 35'	15	828m	27.5	17.7	108.0
Dundo	7 24'	20 49'	725m	29.8	19.0	1,562.0
Luanda	8 49'	13 13'	44m	27.9	23.3	411.8
Malange	9 33'	16 22'	1,139m	28.0	15.9	1,148.0
Saurimo	9 04'	20 23'	1,096m	28.6	16.2	1,328.4
Cela	11 25'	15 17'	1,034m	27.5	20.8	449.1
Lobito	12 22'	13 32'	1m	27.7	21.5	446.5
Huambo	12 48'	15 45'	1,700m	25.7	13.2	1,401.7
Bíe	12 24'	16 57'	1,711m	27.9	13.8	1,302.0
Moxico	14 47'	19 55'	1,328m	27.4	14.2	1,159.3
Namibe	15 12'	12 09'	44m	22.5	15.0	49.3
Lubango	14 54'	13 31'	1,760m	26.5	13.5	648.2
Menongue	14 04'	17 42'	1,348m	28.5	11.5	1,021.1
Cuamato	16 45'	14 58'	1,109m	14.5	14.5	524.0

Source: National Meteorological Institute.

**Table 2.4: Demographic Indicators**

Indicator	75-80	80-85	85-90
Population growth	2.4	2.5	2.7
Distribution (%)			
	1970	1985	1990
Population	100.0	100.0	100.0
Urban	15.0	24.0	28.3
Rural	85.0	76.0	71.7
Male	49.1	49.2	49.3
Female	50.9	50.8	50.7
Age 0-14	44.7	44.7	45.0
15-19	9.8	9.8	9.8
20-29	15.8	15.8	15.8
30-44	15.1	15.1	15.1
45-59	9.0	9.0	8.8
60-	5.6	5.6	5.5

Source: National Institute of Statistics.

**Table 2.5: Social Indicators**

Indicator	1970	1985	1989	Sub-Saharan Africa 1989
Crude birth rate (per 1,000)	49	47	47	47
Crude death rate (per 1,000)	27	21	19	15
Life expectancy at birth (years)	37	43	46	51
Infant mortality rate (under 1 year)	180	158	132	107
Daily calorie supply per capita	..	1,956	1,725 <sup>1</sup>	2,011 <sup>1</sup>

Sources: UNICEF, Ministries of Health and Education and World Development Report 1991.

Note:

1) Figures refer to 1988.

**Table 2.6: GDP Development 1960-87**

Year	GDP index	Annual growth (%)
1960	81.0	n.a.
1961	84.7	4.5
1962	85.5	1.0
1963	87.0	1.7
1964	88.2	1.4
1965	92.8	5.2
1966	93.5	0.7
1967	96.8	3.5
1968	97.3	0.6
1969	103.2	6.1
1970	105.5	2.2
1971	104.8	-0.7
1972	102.2	-2.5
1973	109.0	6.7
1974	100.0	-8.3
1975	67.1	-32.9
1976	60.1	-10.4
1977	60.1	0.0
1978	62.8	4.4
1979	62.8	0.0
1980	63.9	1.8
1981	61.9	-3.2
1982	57.9	-6.4
1983	55.0	-5.1
1984	54.8	-0.3
1985	56.1	2.4
1986	51.0	-9.0
1987	54.1	6.0

Source: Aguilar (1990).

**Table 2.7: Structure of Production**

Sector	% -share of GDP			Sub-Saharan Africa 1989
	1980	1985	1989	
Agriculture, forestry and fisheries	22.9	16.2	10.7	32
Industry	45.2	50.9	65.9	27
- Oil	23.3	38.8	55.1	--
- Construction	6.6	4.6	2.2	--
- Transport and communication	3.4	3.8	2.6	--
Services	32.0	28.3	23.4	38
- Commerce	10.4	6.7	4.7	--
	100.0	100.0	100.0	100

Sources: Government of Angola, World Bank data and World Development Report 1991.

**Table 2.8: Government Finances**

	1985	1988	1990
	(Kz billions)		
Current revenue	78.5	73.2	76.7
Total expenditure	90.5	95.6	132.5
of which current	81.2	79.2	98.6
capital	9.3	16.4	28.9
Deficit	-12.0	-22.4	-55.8
	% -share		
Distribution of current revenue			
Tax revenue	71.8	61.9	82.0
of which oil sector	53.1	45.2	51.5
Non-oil sector	18.7	16.7	30.5
Non-tax revenue	28.2	38.1	18.0
	100.0	100.0	100.0
Distribution of total expenditure			
Social and economic development finance	25.9	17.5	12.4
Social and cultural measures	20.8	21.0	22.3
Defence	37.9	46.0	39.5
Administration	10.9	11.8	13.6
Miscellaneous	4.5	3.8	12.0
	100.0	100.0	100.0

Source: Ministry of Finance.

Note: Total may not add up because of roundings.

**Table 2.9: Money Supply**

	(Kz billions)			Avg. annual growth rate	% -share	
	1985	1987	1989	1985-89	1985	1989
Money and quasi-money	203.9	263.7	364.8	15.7%	100.0	100.0
- Currency in circulation	80.0	117.0	148.6	16.7%	39.2	40.7
- Demand deposits	119.7	133.0	182.6	11.1%	58.8	50.1
- Time deposits	4.2	13.7	33.6	68.2%	2.1	9.2

Source: Government of Angola.

Note: Totals may not add up because of roundings.

**Table 2.10: Balance of Payments**

	(US dollar millions)				
	1986	1987	1988	1989	1990
Trade balance	260	999	1,148	1,646	2,305
<i>exports, f.o.b.</i>	1,346	2,302	2,520	2,984	3,883
<i>imports, f.o.b.</i>	1,086	1,303	1,372	1,338	1,578
Service balance	-704	-624	-1,621	-1,804	-2,464
Unilateral transfers	141	52	32	-4	-77
Current account balance	-303	427	-441	-162	-236
Medium and long-term capital	248	55	-199	-120	-608
<i>Foreign direct investment (net)</i>	234	119	131	200	-335
<i>Other capital (net)</i>	14	-64	-330	-320	-273
Short-term capital, errors and omissions	14	-835	-255	-678	-406
Overall balance (= change in reserves)	-41	-353	-895	-960	-1,250

Source: Government of Angola.

**Table 2.11: External debt**

	(US dollar millions)		
	Total	Principal	Interest
Total external debt as at 31 December 1990			
Total debt	8,046	6,480	1,566
- <i>Socialist country creditors</i>	4,872	4,105	768
- <i>Industrial country creditors</i>	3,103	2,319	784
- <i>International organisations</i>	71	56	14

Source: Central Bank of Angola.

Note: Totals may not add up because of roundings.

**Table 2.12: Composition of Exports**

Value (US\$ million)	% -share	
	1985	1990
Crude oil	84.3	91.1
Refined petroleum	7.5	1.2
Natural gas	1.5	0.7
Diamonds	3.3	6.2
Coffee	2.4	0.1
Other	1.0	0.8
Total exports	100.0	100.0

Source: National Institute of Statistics.

Note: Totals may not add up because of roundings.

**Table 2.13: Exports by Destination**

Destination	% -share of export volume	
	1987	1990
Crude oil:	100.0	100.0
EEC countries	28.3	29.9
- France	6.9	8.7
- Netherlands	12.0	10.6
- Italy	6.0	3.1
- Other EEC countries	3.4	7.5
North America	64.3	62.3
- Canada	3.4	0.6
- U.S.A.	60.8	61.7
Latin America	6.0	5.6
Asia	0.6	1.9
Africa	0.9	0.3
Diamonds:	100.0	100.0
Belgium	100.0	95.7
Other countries	0.0	4.3
Coffee:	100.0	100.0
Spain	12.5	22.2
Netherlands	12.5	11.1
Portugal	25.0	66.7
Other countries	50.0	0.0

Source: National Institute of Statistics.

Note: Totals may not add up because of roundings.

**Table 2.14: Imports by End-use**

1990 import value <sup>1</sup>	US\$ millions	%-share
Current consumption goods	551	34.9
Intermediate consumption goods	357	22.6
Capital goods	233	14.8
Road transport	151	9.6
Other goods	286	18.1
Total imports	1,578	100.0

Source: Central Bank of Angola.

Note:

1) Estimates.

**Table 2.15: Production of Major Agricultural Crops**

Product	1,000 metric tons			Average annual growth rate (%)	
	1973	1985	1990	1973-85	1985-90
Wheat	32.8	2.4	3.0	-19.6	4.6
Rice	53.0	2.4	3.0	-22.7	4.6
Maize	853.8	288.0	180.0	-8.7	-9.0
Sorghum	116.4	54.0	63.0	-6.2	3.1
Beans	63.7	41.0	33.0	-3.6	-4.2
Potatoes	59.9	31.3	34.0	-5.3	1.7
Sweet potatoes	25.0	29.5	54.0	1.4	12.9
Cassava	1,408.6	1,300.0	1,600.0	-0.7	4.2
Cotton	114.3	0.3	0.0	-39.1	-24.2
Coffee	210.0	14.2	5.0	-20.1	-18.8
Sisal	60.2	0.7	1.0	-31.0	7.4
Bananas	399.3	110.0	113.0	-10.2	0.5
Sugar Cane	967.4	109.7	110.0	-16.6	0.1

Source: Ministries of Agriculture and Planning and IMF staff estimates.

**Table 2.16: Cereal Deficit**

April/ March	Programmed commercial imports	Requested food aid	Actual commercial imports	Delivered food aid	thousand tons		
					Deficit		
					Commercial imports	Food aid	Total Deficit
1983/84	254.0	68.0	238.0	63.1	16.0	4.9	20.9
1984/85	242.0	82.0	196.0	70.5	46.0	11.4	57.4
1985/86	210.0	120.0	192.6	44.3	17.4	75.7	93.1
1986/87	120.0	143.7	99.7	52.8	20.3	90.9	111.2
1987/88	100.0	199.2	122.3	79.4	22.3	124.3	102.0
1988/89	222.6	179.3	137.2	91.1	85.4	88.3	173.7

Source: World Food Program, Luanda.

**Table 2.17: Livestock Marketing by Province of Origin**

Province (1990)	Number of heads				% -share			
	Total	Cattle	Swine	Sheep	Total	Cattle	Swine	Sheep
Huíla	9,885	8,805	1,080	4,514	42.5	43.2	37.7	47.6
Namibe	7,632	7,281	351	2,466	32.8	35.7	12.3	26.0
Cunene	3,450	3,040	410	2,244	14.8	14.9	14.3	23.7
Other provinces	2,297	1,277	1,020	262	9.9	6.3	35.7	2.8
Total	23,264	20,403	2,861	9,486	100.0	100.0	100.0	100.0

Source: Ministry of Agriculture.

Note: Totals may not add up because of roundings.

**Table 2.18: Fish Catch and Landings by National and Foreign Fleet**

	1,000 tons			% -share			Average annual growth rate (%) 1988-90
	1988	1989	1990	1988	1989	1990	
Total catch	353	322	226	100.0	100.0	100.0	-20.0
by national fleet	93	104	100	26.3	32.4	44.3	3.8
by foreign fleet	260	218	126	73.7	67.6	56.7	-30.4
Total landing	201	188	149	100.0	100.0	100.0	-14.1
by national fleet	93	104	100	46.2	55.6	67.4	3.8
by foreign fleet	108	83	48	53.7	44.4	36.6	-33.1

Source: Ministry of Fisheries.

Note: Totals may not add up because of roundings.

**Table 2.19: Fish Catch by National Fleet and Type of Ownership**

Type of ownership	1,000 tons			% -share			Average annual growth rate (%) 1988-90
	1988	1989	1990	1988	1989	1990	
State	75	91	88	80.5	87.0	88.4	8.8
Private	17	12	11	18.4	11.9	10.8	-20.7
Cooperative	1	1	1	1.1	1.0	0.8	-9.7
Total	93	104	100	100.0	100.0	100.0	3.8

Source: Ministry of Fisheries.

Note: Totals may not add up because of roundings.

**Table 2.20: Fish Catch by National Fleet and Province of Origin**

Province	1,000 tons			% -share			Average annual growth rate (%) 1988-89
	1988	1989	1990	1988	1989	1990	
Namibe	54.4	56.9	54.4	58.6	54.5	54.4	0.0
Benguela	28.4	28.0	28.0	30.5	26.8	28.0	-0.6
Kwanza-Sul	5.0	6.7	5.3	5.4	6.4	5.3	3.5
Luanda	4.5	12.1	11.9	4.9	11.5	11.9	62.0
Cabinda	0.3	0.5	0.2	0.4	0.5	0.2	-27.8
Zaire	0.2	0.2	0.2	0.2	0.2	0.2	-4.9
Bengo	0.1	0.1	0.1	0.1	0.1	0.1	-7.8
Total	92.9	104.5	100.1	100.0	100.0	100.0	3.8

Source: Ministry of Fisheries.

Note: Totals may not add up because of roundings.

**Table 2.21: Production of Wood and Wood Products**

Product	1987	1990	Average annual growth rate (%) 1987-90
Wood (1,000 cubic meters)	27.8	27.1	-0.8
- Logs	19.7	20.8	1.8
- Sawnwood	8.1	6.3	-8.0
Charcoal (1,000 tons)	188.6	176.5	-2.2
Fuelwood (1,000 tons)	218.3	195.9	-3.5

Source: Ministry of Agriculture.

**Table 2.22: Index of Industrial Production 1973-87**

Sector (1973=100)	1973	1977	1983	1986	1987	%-share in 1987
Food processing	100	37	48	48	42	33
Light industry	100	31	87	88	61	45
Heavy industry	100	24	45	52	36	15
Mining	100	10	28	13	17	7
Total	100	28	57	56	43	100

Source: World Bank Data.

**Table 2.23: Production of Selected Manufacturing Products<sup>1</sup>**

Product <sup>2</sup>	1973	1985	1990	Average annual growth rate (%)	
				1973-85	1985-90
Beef	23,893	3,736	5,542 <sup>3</sup>	-14.3	10.4 <sup>5</sup>
Chicken	4,830	1,401	266 <sup>3</sup>	-9.8	-34.0 <sup>5</sup>
Refined soya oil (kiloliters)	13,307	4,851	2,425	-8.1	-12.9
Margarine	2,809	260	194 <sup>3</sup>	-18.0	-7.1 <sup>5</sup>
Wheat flour	82,925	47,167	22,000	-4.6	-14.1
Maize flour	59,050	49,471	35,000	-1.5	-6.7
Bread	88,429	67,180	45,000	-2.3	-7.7
Pasta	8,935	8,261	3,377 <sup>3</sup>	-0.7	-20.0 <sup>5</sup>
Coffee	3,506	386	105 <sup>3</sup>	-16.8	-27.8 <sup>5</sup>
Sugar	81,901	17,416	4,936 <sup>3</sup>	-12.1	-27.0 <sup>5</sup>
Frozen fish	41,334	9,304	12,994 <sup>3</sup>	-11.7	8.7 <sup>5</sup>
Dried fish	--	16,661 <sup>4</sup>	17,873	--	2.4 <sup>6</sup>
Beer (kiloliters)	119,603	65,293	41,000	-4.9	-8.9
Soda (kiloliters)	49,252	11,020	6,583 <sup>3</sup>	-11.7	-12.8 <sup>5</sup>
Tobacco	--	2,000 <sup>4</sup>	800	--	-26.3 <sup>6</sup>
Textile fabric (1,000 sq. meters)	17,975	11,814	2,280	-3.4	-28.0
Other textiles (1,000 units)	8,816	4,121	6,724	-6.1	10.3
Pressed wood (cubic meters)	13,517	6,368	5,067 <sup>3</sup>	-6.1	-5.6 <sup>5</sup>
Paper boxes	22,882	1,455	1,053 <sup>3</sup>	-20.5	-7.8 <sup>5</sup>
Plastic bags	3,609	929	2,174 <sup>3</sup>	-10.7	23.7 <sup>5</sup>
Paints	8,449	3,127	2,589	-9.7	-3.7
Soap	18,155	11,491	7,556	-3.7	-8.0
Tires	--	12,000 <sup>4</sup>	46,000	--	56.5 <sup>6</sup>
Steel plates (sq. meters)	2,896,000	12,571	25,631 <sup>3</sup>	-36.4	19.5 <sup>5</sup>
Cement	767,549	204,985	305,000	-10.4	8.3
Tiles (sq. meters)	113,304	33,830	21,147 <sup>3</sup>	-9.6	-11.1 <sup>5</sup>
Motorcycles (units)	6,128	1,391	5,973 <sup>3</sup>	-11.6	43.9 <sup>5</sup>
Bicycles (units)	36,518	1,824	34,082 <sup>3</sup>	-22.1	107.9 <sup>5</sup>
Batteries (1,000 units)	4,329	1,590	173 <sup>3</sup>	-8.0	-42.6 <sup>5</sup>
Radios (units)	--	19,000 <sup>4</sup>	78,000	--	60.1 <sup>6</sup>
Television (units)	--	5,000 <sup>4</sup>	11,000	--	30.1

Source: Government of Angola.

Notes:

1) Excluding petroleum derivatives. 2) In metric tons unless otherwise stated. 3) Figures are estimates and refer to 1989. 4) Figures refer to 1987. 5) 1985-89. 6) 1987-90.

**Table 2.24: Mining Production**

Product	1973	1985	1990	Average annual growth rate (%)	
				1973-85	1985-90
Crude oil (millions of barrels)	59.2	84.7	172.9	3.0	15.3
Natural gas (millions of barrels)	--	2,053	2,291	--	2.2
Diamonds (1,000 carats)	2,121	717	1,278	-8.6	12.3
Marble blocks (cubic meters)	--	120 <sup>1</sup>	109	--	-3.2 <sup>2</sup>

Sources: Ministry of Planning, Ministry of Energy and Oil, Ministry of Commerce and Industry and IMF staff estimates.

Notes:

1) The figure refer to 1987.

2) 1987-90.

**Table 2.25: Role of the Oil Sector<sup>1</sup>**

	Average 1982-84	1986	Estimate 1989
%-share of oil output in real GDP <sup>2</sup>	34.7	45.8	56.5
%-share of oil exports in total exports	87.4	93.3	90.9
%-share of oil revenue in public sector revenues <sup>3</sup>	48.7	29.6	62.0

Sources: Ministry of Energy and Oil and IMF staff estimates.

Notes:

1) Includes refining activities and natural gas.

2) At factor cost.

3) Includes taxes paid by oil companies and consumption taxes on oil products.

**Table 2.26: Production of Electrical Energy by Source**

Source	billions of watts/hour		Average annual growth rate (%) 1987-90
	1987	1990	
Hydroelectric	721	489	-12.1
Thermal	105	289	40.1
Total	826	778	-2.0

Source: Ministry of Energy and Oil.

**Table 2.27: Net Official Development Assistance 1983-89<sup>1</sup>**

Source	(US dollar millions)							% -share in 1989
	1983	1984	1985	1986	1987	1988	1989	
Total bilateral	46.4	59.6	59.6	94.6	99.3	108.7	90.4	100.0
of which:								
Canada	0.2	0.7	1.8	3.8	0.5	6.0	3.2	3.5
Denmark	2.2	1.3	0.9	4.5	6.0	4.3	0.1	0.1
France	1.1	1.1	1.4	6.3	3.7	5.8	7.4	8.2
Germany	1.5	2.5	2.5	4.1	6.0	7.2	5.3	5.9
Italy	17.5	11.2	16.3	31.6	28.4	24.3	18.5	20.5
Netherlands	8.9	16.7	8.1	16.8	15.6	12.4	4.9	5.4
Norway	0.5	0.2	0.3	0.3	0.9	4.5	4.2	4.6
Sweden	12.1	14.6	18.7	14.8	23.8	32.7	36.5	40.4
Switzerland	0.2	1.5	0.8	1.3	0.8	1.7	2.3	2.5
United Kingdom	0.1	0.2	0.2	0.5	0.4	0.9	2.2	2.4
Arab Countries	--	--	--	0.8	1.5	2.6	2.5	2.8
Total Multilateral	28.7	34.3	31.9	36.5	35.7	50.3	56.7	100.0
of which:								
ADF	--	--	--	--	0.9	5.1	4.4	7.8
EEC	2.5	8.7	7.2	9.8	8.3	21.4	21.0	37.0
UNDP	5.3	3.4	4.3	6.1	6.9	5.1	6.7	11.8
UNICEF	3.0	3.3	4.1	3.3	6.9	6.1	8.3	14.6
WFP	8.5	9.5	7.1	6.5	9.8	7.8	7.6	13.4
UNHCR	5.0	6.0	4.9	2.6	1.6	3.4	7.5	13.2
TOTAL ODA NET	75.3	95.0	91.5	131.1	135.0	158.9	147.1	
%-share of:								
Bilateral ODA	61.6	62.7	65.1	72.2	73.6	68.4	61.5	
Multilateral ODA	38.4	37.3	34.9	27.8	26.4	31.6	38.5	

Source: OECD, Geographical Distribution of Financial Flows to Developing Countries.  
Note:

1) ODA is defined as grants and loans with at least a 25 per cent grant element.

**Table 2.28: Sources of External Financing 1990**

Source	(US\$ millions)
<b>Multilateral:</b>	
- UNDP	9.117
- FAO	420
- UNCDF	120
- UNFPA	95
- UNHCR	2.524
- UNICEF	4.447
- WHO	1.568
- ABEDA	2.061
- ADB	2.782
- ADF	5.552
- EEC	58.589
- OPEC	830
<b>Sub-Total</b>	<b>88.105</b>
<b>Bilateral:</b>	
- Canada	2.183
- Denmark	880
- Egypt	304
- France	10.883
- Germany	1.611
- Italy	19.059
- Japan	165
- Kuwait	290
- Netherlands	300
- Nigeria	250
- Norway	4.348
- Portugal	11.162
- Spain	4.913
- Sweden	33.821
- Switzerland	4.010
- United Kingdom	191
- USA	500
- Yugoslavia	430
<b>Sub-Total</b>	<b>95.300</b>
<b>NGO's</b>	
- Care Britain	275
- Care Canada	859
- Canadian Council for International Cooperation	2.000
- Canadian Catholic Organization for Development and Peace	50
- Canadian Lutheran World Relief	28
- Canadian University Service Overseas	50
- Red Cross	21
- Danish Red Cross	400
- German Agro Action	3.990
- Inter Pares	50
- Lutheran World Federation	852
- Mission Aviation Fellowship	1.882
- Medecins Sans Frontieres	744
- OXFAM - United Kingdom	731
- Save the Children	422
- United Steelworkers Humanity Fund	120
- World Vision Canada	248
<b>Sub-Total</b>	<b>12.722</b>
<b>Grand Total:</b>	<b>196.127</b>

Source: UNDP.

**Table 2.29: Sectoral Distribution of Foreign Aid 1990**

Sector	(US\$ millions)	%-share
Economic management	928	0.5
Administration	3.080	1.6
Natural resources	552	0.3
Human resource development	30.631	15.6
Agriculture, forestry and fisheries	18.044	9.2
Territorial development	2.893	1.5
Industry	9.420	4.8
Energy	4.538	2.3
International commodity support	35.310	18.0
Transport	3.480	1.8
Communications	3.804	1.9
Social development	13.119	6.7
Health	22.730	11.6
Emergency prevention	2.088	1.1
Humanitarian and emergency aid	45.512	23.2
Total	196.129	100.0

Source: UNDP.

**Table 2.30: Distribution of Development Projects by Province 1990**

Province	Number of projects
Cabinda	6
Zaire	1
Uíge	4
Bengo	6
Luanda	114
Kwanza-Norte	6
Malange	9
Lunda-Norte	3
Kwanza-Sul	11
Benguela	33
Huambo	17
Bíe	6
Lunda-Sul	1
Moxico	6
Namibe	26
Huíla	53
Cunene	11
Kuando Kubango	5
Nationwide	111
Total	429

Source: UNDP.

**Table 2.31: Danish Development Assistance to Angola 1975-1991**

(million dkr.).																
	75/76-77/78	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1975-91
Projects	3.5	6.4	4.2	-	4.2	17.7	14.9	7.8	5.8	0.3	0.6	0.2	0.0	-	10.5	76.1
Bilateral Experts	0.3	0.5	1.3	1.4	1.5	1.7	2.6	4.1	3.7	1.9	1.6	1.4	0.6	0.3	-	21.6
Government Loans	-	-	-	-	31.7	28.3	-	-	-	34.0	39.0	27.0	-	-	-	160.0
Preliminary Studies for Government Loan	-	-	-	0.2	-	-	-	-	0.0	-	-	-	0.0	-	-	0.3
Scholarships	-	-	-	-	-	-	0.0	-	-	-	-	-	-	-	-	0.0
<b>BILATERAL AID</b>	<b>3.8</b>	<b>6.8</b>	<b>5.5</b>	<b>1.6</b>	<b>37.3</b>	<b>47.7</b>	<b>17.5</b>	<b>11.8</b>	<b>9.6</b>	<b>36.3</b>	<b>41.3</b>	<b>28.6</b>	<b>0.6</b>	<b>0.3</b>	<b>10.5</b>	<b>258.0</b>
Humanitarian Aid	10.7	0.3	0.5	0.3	-	2.0	0.5	-	-	3.3	-	2.0	1.0	2.5	-	22.7
Multilateral Experts	-	-	-	0.2	-	-	-	1.6	-	0.5	-	-	-	-	-	2.3
Multi-Bi Projects	-	-	1.0	-	-	-	-	-	-	-	-	-	-	-	-	1.0
<b>MULTILATERAL AID</b>	<b>10.7</b>	<b>0.3</b>	<b>1.5</b>	<b>0.5</b>	<b>-</b>	<b>2.0</b>	<b>0.5</b>	<b>1.6</b>	<b>-</b>	<b>3.8</b>	<b>-</b>	<b>2.0</b>	<b>1.0</b>	<b>2.5</b>	<b>-</b>	<b>26.1</b>
<b>TOTAL AID</b>	<b>14.5</b>	<b>7.1</b>	<b>7.1</b>	<b>2.1</b>	<b>37.3</b>	<b>49.7</b>	<b>18.0</b>	<b>13.4</b>	<b>9.6</b>	<b>40.0</b>	<b>41.3</b>	<b>30.6</b>	<b>1.6</b>	<b>2.8</b>	<b>10.5</b>	<b>284.1</b>

Source: Danish Ministry of Foreign Affairs (Danida).

Note: Totals may not add up because of roundings. 1991 covers the period January 1 to August 31.

**Table 2.32: Danish Trade With Angola 1970-91**

Year	Exports to Angola	Imports from Angola	Trade balance
(1,000 Dkr.)			
1970	34,748	155,254	-120,506
1971	30,498	121,450	-90,952
1972	40,841	20,976	19,865
1973	21,931	13,199	8,732
1974	32,951	21,335	11,616
1975	16,423	60,193	-43,770
1976	13,672	3,607	10,065
1977	89,634	670	88,964
1978	25,239	122	25,117
1979	58,161	364	57,797
1980	73,902	358	73,544
1981	138,423	1,028	137,395
1982	109,522	93	109,429
1983	134,466	10,747	123,719
1984	113,447	213	113,234
1985	83,247	4,182	79,065
1986	41,550	8,967	32,583
1987	63,470	1,311	62,159
1988	53,255	28	53,227
1989	61,056	1,022	60,034
1990	129,932	559	129,373
1991	22,580	76	22,504
Total	1,388,744	425,754	962,990

Source: Danish Department of Statistics.

Note: 1991 covers January 1 to June 30.

**Table 2.33: Danish Export Credit to Angola**

	(Dkr. million)
Export credits issued as at 31.12.1990:	
- Under section 1	3.1
- Under section 2	37.8
Total	40.9
Compensations paid in 1990	
Recoveries in 1990	35.5
	0.0
Claims outstanding as at 31.12.90 (excl. interest)	147.5

Source: Eksportkreditrådet.



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