

# BTI 2010 | Angola Country Report

<b>Status Index</b>	1-10	<b>4.56</b>	# 92 of 128	
Democracy	1-10	4.87	# 78 of 128	↗
Market Economy	1-10	4.25	# 100 of 128	↗
<b>Management Index</b>	1-10	<b>4.03</b>	# 97 of 128	

scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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**Key Indicators**

Population	mn.	17.6	HDI	0.56	GDP p.c.	\$	5163
Pop. growth	% p.a.	2.7	HDI rank of 182	143	Gini Index		58.6
Life expectancy	years	47	UN Education Index	0.67	Poverty <sup>2</sup>	%	70.2
Urban population	%	55.8	Gender equality <sup>1</sup>	-	Aid per capita	\$	14.2

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

## Executive Summary

During the period under review Angola's process of transformation undeniably progressed. However, the government's commitment to truly democratic reforms and to the implementation of a social market economy remains questionable.

The country's second legislative elections were held on 5 – 6 September 2008, giving the Popular Movement for the Liberation of Angola (Movimento Popular pela Libertação de Angola, MPLA) a massive majority (81.64%), which corresponds to 191 seats in the National Assembly. The second-place party was National Union for the Total Independence of Angola (UNITA), with 10.39% and 16 seats, followed by the Social Renewal Part (Partido Renovador Social, PRS) with 3.17% and eight legislative seats. Only two other parties succeeded in electing representatives to the Assembly: the National Front for the Liberation of Angola (FNLA), with 1.11% of the vote and three seats, and Nova Democracia União Eleitoral, with 1.2% of the vote and two seats. A total of 7,213,281 individuals voted, or 87.36 % of the electorate registered in 2006 – 2007. An all-MPLA government was formed, and presidential elections announced for mid-2009. A key reason for this outcome seems to have been the poor credibility of MPLA's political rivals, but also the population's desire to avoid any risk of a resurgence of violence. Therefore, the elections mirror the will of the majority of the people, although many irregularities were reported and the electoral campaign did not see a level playing field.

The elections did not change the fundamental characteristics of the Angolan regime, but will most likely encourage decision-makers to continue the carefully controlled transformation process already under way. The fact that Angola ranks 162nd out of 179 countries on the Heritage Foundation's 2009 Index of Economic Freedom may be seen as one among several indicators of this process.

While the oil boom of recent years has boosted several sectors of the economy and created considerable wealth for a minority of the population, in 2008 at least 68% of the country's population lives in poverty, and 26% in extreme poverty. Social inequality is at levels comparable to those of India and Brazil. The ruling class is in full control, and its comfortable access to oil revenues, coupled with the creation of an offshore economy, has all but severed its link with the population at large. This broader non-elite population has little or no say on political, socioeconomic or other important matters. So-called oil windfalls, as well as (more recently) unconditional oil-backed loans by the Chinese government, have rendered ineffective the international donor community's attempts to tie financial aid and development assistance to criteria of good governance.

In recent years, Angola has managed to consolidate its macroeconomic situation successfully. It has brought inflation down, GDP growth rates are among the highest in the world and despite widespread corruption, the country remains a favorite destination for foreign direct investment on the continent. Under pressure by multilateral institutions, the Angolan state has begun to treat oil revenues, external debt and the transactions of Sonangol and Endiama, respectively the state enterprises for oil and diamonds, in a more transparent manner. However, monitoring and control of public expenditure remains weak, and permitting barely any evaluation of fiscal information. Transparent regulations and legal institutions enforcing property and contractual rights are still lacking or underdeveloped. Clientelistic networks still find means to access state funding sources, although no longer in the unrestricted way of years past.

At the same time, serious efforts have been made to enhance the state's technical capacities to plan and carry out policy measures. In this respect, much remains to be achieved, but progress has been observed in many instances.

Innovative measures have created new and clearly more favorable conditions for the private sector. This has contributed to a marked increase in the number of foreign enterprises operating and investing in Angola as well as to the accumulation of local capital and the formation of an Angolan entrepreneurial class – this latter linked to, but increasingly independent of, the ruling cluster of power-holders. A substantial influx of human resources from abroad has become essential: in 2009, as the period under review came to a close, an estimated 500,000 Chinese were working in Angola, as well as an estimated 150,000 Europeans, including about 100,000 Portuguese.

The years 2007 and, more intensely, 2008 were characterized by a policy of massive reconstruction and rehabilitation of infrastructure of all kinds, especially in the long-neglected provinces and in areas that had been under UNITA domination. Not only were large amounts of public money channeled into these initiatives, but there was at the same time a noteworthy mobilization of the population for a common effort in this field.

Simultaneously, social problems began to be addressed to some degree. In the political realm, a “deconcentration” policy was initiated, strengthening not only the local and regional echelons of state administration and public services, but also the “traditional authorities” in rural areas, who draw their legitimacy from defending the interests of their communities.

Reconstruction, social policies, “deconcentration” and improved state efficiency, as well as carefully calculated timing, have to a considerable extent (although not exclusively) to be seen as measures intended to support an MPLA majority in the country’s second legislative elections, reluctantly scheduled for September 2008 after years of procrastination. Their efficiency was demonstrated when these elections gave the MPLA an overwhelming majority of more than 80% of votes. It remains to be seen whether this outcome, extremely reassuring for the ruling class, will open the door for more positive developments, such as guaranteeing Angolan citizens full civil and political rights, and transforming an authoritarian regime into a system which is effectively, not just on paper, a multiparty democracy.

## History and Characteristics of Transformation

Angola’s current transition process is conditioned by four basic intertwined factors: its colonial heritage, its rich endowment in natural resources such as oil and diamonds, its post-colonial experience of a socialist-type regime, and 27 years first of anti-colonial and then civil war.

The anti-colonial war, which began in 1961, was waged by three competing nationalist movements: the National Front for the Liberation of Angola (Frente de Libertação Nacional de Angola, FNLA), the Popular Movement for the Liberation of Angola (Movimento Popular pela Libertação de Angola, MPLA) and the National Union for the Total Independence of Angola (União pela Independência Total de Angola, UNITA). In the Cabinda exclave, the regionalist Front for the Liberation of the Enclave of Cabinda (Frente de Libertação do Enclave de Cabinda, FLEC) was additionally active. FNLA, MPLA and UNITA fought each other as well as the colonial regime. By the early 1970s their military impact in Angola had been substantially reduced. Decolonization was brought about not through their action, but mainly as a consequence of the 1974 pro-democracy military coup d’état in Portugal. Civil war among the three movements broke out while the Portuguese were in principle still in charge. In 1975 the MPLA declared independence and established a socialist regime, supported by the Soviet Union and its allies, most prominently Cuba, benefiting heavily from its control of the country’s oil resources. UNITA, and initially the FNLA as well, fought a long and bitter war against the MPLA, with the help of the Mobutu regime in what was then Zaire, China, apartheid South Africa, the United States and other countries, putting to use a portion of its diamond revenues.

At the point of decolonization in 1974 – 1975, Angola was left with an economy centered on the interests and skills of the Portuguese metropolis and its local representatives community (few of whom were left by the time of independence), and which was built on the exploitation and underdevelopment of the Angolan population. The country had experience only with a non-democratic political regime. Having won the first round of the battles, the MPLA established at independence a political regime inspired by the former Soviet model, sometimes dubbed “Afro-Stalinism,” which of course implied one-party rule and a centrally planned and coordinated economy.

For decades, diamonds had been the most important natural resource in colonial Angola. The exploitation of oil began near the end of colonial rule, and was fully developed after independence when it became of paramount importance in economic as well as in political terms. Shortly after independence, the MPLA regime formed strategic alliances with multinational oil corporations. It financed its military and economic projects almost entirely through oil revenues, which rendered the productive capacities of most of the population irrelevant to the state. Failing agricultural policies based on collectivized state-owned farms and declining industrial outputs were compensated for by increased oil outputs.

The Angolan conflict had been deeply embedded in the Cold War, with socialist countries, especially Cuba and the Soviet Union, taking the side of the MPLA, and UNITA counting on the support of China, apartheid South Africa, the United States and others. However, exogenous factors also played a crucial role. Changes in the international environment coupled with a military stalemate enabled the 1988 New York Accords to take place, which linked Namibia's independence to the withdrawal of Cuban troops from Angola. Militarily weakened by the loss of the Cuban forces and the end of Soviet military aid, the MPLA regime at the same time faced an economic crisis brought about by decreasing oil prices; meanwhile, the United States vetoed IMF and World Bank assistance for Angola. All this put pressure on the MPLA to negotiate, and peace negotiations began in Bicesse (1990 – 1991) within a framework shaped primarily by external interests. Both the United States and the Soviet Union participated in these negotiations, in which Portugal served as moderator. The MPLA and UNITA continued to jockey for power by carrying out military actions against each other during negotiations. The MPLA proved resistant to reform, and attempts to liberalize the political system were conducted as hesitatingly as were the peace negotiations. Behind this attitude was a nomenklatura clustering around (state and party) President José Eduardo dos Santos. This group held the reins in the political, administrative, military and economic domains, and derived substantial benefits from this position in a neo-patrimonial manner. Its members were convinced that only the exclusive vesture of power in the MPLA could guarantee their position and privileges.

Starting in the late 80s, economic difficulties and external pressure caused the MPLA to start a reluctant transition to multiparty democracy and market economy, and to try and come to terms with UNITA.

However, in the course of the negotiations the MPLA was forced to agree to UNITA's demands and introduce a multiparty system. At the third MPLA party congress, in 1990, the Angolan constitution was amended accordingly and the official Marxist-Leninist party doctrine was replaced by democratic socialism. The Bicesse Accords had prescribed not only a cease-fire and the demobilization of both armies but also the new national army's composition, requiring recruits as well as officers from both sides, and the reestablishment of state structures in formerly UNITA-controlled areas. Elections were scheduled for November 1992, and a United Nations mission (UNAVEM) was tasked with monitoring the peace process. However, the peace and democratization processes were undermined by several factors: UNAVEM's inappropriate mandate and weak financial support; an overambitious timetable; the "winner takes all" option for the formation of a new government after elections; and the fact that demobilization was not

completed before elections. When the MPLA (54%) won the parliamentary elections against UNITA (34%) and UNITA's Jonas Savimbi managed to get only 40.1% in the presidential elections, he decided to pull out of the process and alleged electoral fraud, although the United Nations and other international observers declared the elections to be free and fair. Heavy fighting broke out immediately and lasted for yet another decade. For roughly the next 10 years, Angola was divided into government/MPLA- and UNITA-controlled zones. In government-controlled areas, a formally democratic state existed, but in fact political and economic power was in the hands of a ruling class clustering around the president, combining an authoritarian, clientelistic and corrupt regime with predatory capitalism.

In institutional terms, the political system was dominated by the presidency, although technically the president had not been elected: as he had missed gaining an absolute majority (by less than 1%), a second round of elections would legally have been necessary to establish binding results. However, for 16 years there were no additional elections, and the president and parliament remained in office regardless of the fact that the constitution limited their mandates to five years. In fact, the MPLA remained clearly dominant. Behind the institutional screen was an authoritarian regime practicing what has been called "petro-diamond capitalism," driven by a rent-seeking class (more precisely: a cluster of networks) that had developed out of the nomenklatura, and for which the president played a pivotal role. Corruption became pervasive in Angola, leading it consistently to figure at the bottom of Transparency International's lists. The exodus from rural areas that had begun since the outbreak of the civil war intensified again and led to an urbanization of well over 50% of the population.

A lasting peace agreement was finally signed in April 2002, shortly after UNITA leader Savimbi's death in February 2002. The overall political regime remained the same and was extended to the previously UNITA-dominated areas, but as early as 2003 a transformation process that has since been defined as "authoritarian reconversion" began. Its main thrust was a consolidation of the macroeconomic situation, accompanied by a construction boom (infrastructure, housing, office buildings and hotels, sometimes in Dubai style), an expansion and diversification of the service sector, increased state efficiency, a number of social measures, and an administrative "deconcentration." One key result was incisive changes in the social fabric, from urban class formation (the constitution of an entrepreneurial class, accompanied by an expansion of the middle classes) to the return of rural refugees to their original habitat (and the "adapted reconstitution" of rural communities).

## Transformation Status

### I. Democracy

#### 1 | Stateness

Although the MPLA government lacked a monopoly on the use of force over much of Angola's territory during the years of civil war, it demonstrated an impressive ability to survive. After the 2002 peace agreements, it succeeded in a relatively short period of time to establish its control over the whole country for the first time. The circulation of small arms remains a problem, but a nationwide campaign for the voluntary hand-over of firearms to the police, under way since 2007, has significantly contributed to rising security and safety levels.

Monopoly on the use of force

However, the state's monopoly on the use of force is still challenged by forces seeking autonomy for the enclave of Cabinda. Although FLEC has suffered from internal divisions and unstable strategy, aspiration for autonomy remains strong in Cabindan society. The Angolan government signed a memorandum of understanding (MoU) with the leader of one FLEC faction in August 2006 regarding the demilitarization and integration of FLEC cadres into the Angolan state apparatus. However, the agreement was rejected by the FLEC leadership in exile, and in the following months, resistance and acts of sabotage against Angolan authorities again mounted. The Cabindan civil society organization Mpalabanda and several representatives of the Catholic Church in Cabinda became victims of oppression by the Angolan state. The introduction, in 2008, of a special customs regime favoring Cabinda may contribute to calming the situation.

Until the 1960s, the Portuguese colonial regime practiced a system of segregation in which blacks (with the exception of a small number of so-called assimilados) were considered as "natives" and subject to a discriminatory legal statute, reinforcing a generalized social discrimination between whites, blacks and people of mixed race. Despite this heritage of division, an Angolan identity has developed since independence. The MPLA's discourse has concentrated primarily on the differences between social classes, not ethnicity, which was identified instead as an enemy of national unity. Although UNITA and the MPLA have drawn their main support from separate ethnic groups (respectively, the Ovimbundu in central Angola and the

State identity

Ambundu in the Luanda-Malange region), this fact has not prevented the emergence of an overarching Angolan identity spanning the country's various other social identities. The Angolan government seeks to promote a sense of "Angolanity" and pride in being Angolan. Opposition parties are in general very careful about using tribal, ethnic or race issues as a political tool in rallying support. The population of Cabinda, which refers to accords signed in 1835 with the Portuguese in Simulambuco in insisting on its right to independence from the Angolan state, poses a limitation to the current government's attempts at nation-building.

Although religious organizations have, since the colonial era, played a critical role in Angolan politics in terms of political education, mobilization and propagation of information, the Angolan state is defined as a secular state and religious dogmas as such do not interfere with the secular order.

No interference of religious dogmas

Angola inherited from the colonial state an administrative structure that covered the whole territory, though unevenly and not always in a very sophisticated way. Despite the difficulties of civil war, the MPLA regime tried to maintain this coverage as best it could, holding on to its centralist orientation during the socialist system. In the (generally rural) areas which for shorter or longer periods of time fell under UNITA control, most of these structures of course collapsed. After 2002, the regime succeeded without much delay in reestablishing the complete administrative coverage and has recently been strengthening it by such means as the development of fiscal services. Most importantly, it began a decentralization project with the strong support of (and under considerable pressure from) international partners, and in January 2007 the Decreto-Lei No. 2/07 established a framework for administrative decentralization. In August 2007 the Program for Improvement of Municipal Management (Programa de Melhoria da Gestão Municipal, PMGM) was created, and 68 pilot municipalities selected. Committees at the provincial, municipal and communal level (Conselhos de Auscultação e Concertação Social, CAC) were created, representing civil society, the private sector and traditional authorities. These latter are frequently imposed by the state, through overt or covert processes, instead of being chosen solely according to customary law; however, as their legitimacy hinges upon their recognition at the local level, they as a rule do in fact defend the interests of their community, and their voice on local matters is of increasing importance.

Basic administration

## 2 | Political Participation

Angola held no elections between 1992 and 2008. Until 2002, the president, government, and MPLA cited the civil war as the main reason to postpone elections beyond their specified constitutional time frames. However, even after the death of Jonas Savimbi the forces in power were anything but keen on being held accountable by the electorate, or on facing the risk of losing their acquired

Free and fair elections



privileges. It is true that after so many years of civil war and partition, organizing elections posed heavy technical problems, demanding a large investment in electoral registration and logistics. Electoral registration took from November 2006 to September 2007 to be concluded, a period that included a one-month interruption (15 December 2006 to 15 January 2007) and the extension of the registration deadline from June to September. In the electoral campaign, the ruling party's privileged access to resources and ability to use the state apparatus for party propaganda gave it a clearly non-democratic advantage. However, all registered parties benefited from electoral funding of \$1 million for campaigning. Voting itself occurred without more than a modicum of irregularities. Despite a number of serious reservations, the 2008 elections – like those of 1992 – were declared overall free and fair by international observers (who in part were no doubt moved by “diplomatic” considerations). UNITA and the other opposition parties accepted the election results, even if they denounced the occurrence of a number of irregularities.

As a consequence of the 2002 peace agreement, state sovereignty was reestablished step by step in all areas previously controlled by UNITA. Effective power to govern the entire territory was achieved by 2004 – 2005, even if it continues to be challenged to some degree in Cabinda.

Effective power to govern

According to the Angolan constitution (Lei No. 23/92, 16 September 1992) the rights to freedom of expression, assembly, demonstration and association are guaranteed (Artigo 32 (1)). However, the country's legal framework also establishes a number of restrictions on association and assembly rights. These include provisions allowing police to intervene and terminate a previously authorized protest if acts or statements tarnish the honor of the Angolan government or top public officials, especially the president. Moreover, extra-legal obstacles to the effective exercise of these freedoms have variously been raised by local, regional and national state authorities. These acts have constrained political parties' and civic organizations' ability to fully exercise their rights. Apparently the frequency and intensity of such constraints has overall been decreasing.

Association / assembly rights

As one example, the Angolan government introduced new regulations via presidential decree governing NGOs in December 2002 (No. 84/02). As the decree limits the relatively open space created by the law (14/91) it appears to be an instrument to discipline NGOs. The decree obliges NGOs to abstain from “political and partisan actions” and highlights their role as partners of the government under the “guardianship” of the Ministry of Social Affairs. According to the law, demonstrations must be announced at least three days in advance. The regulation as such does not contravene international law or customs. However, Angolan authorities have tended to abuse the clause so as to reduce opportunities for legal protest.

Since the end of the civil war, the government and agents of the ruling party have repeatedly deprived citizens of the right to exercise their freedom of expression. Although things have improved in recent years – primarily in the capital and other major cities – the state of free speech remains precarious beyond urban areas. The National Assembly is the first government body to place serious constraints on the fundamental rights of an individual that are guaranteed by the Angolan constitution. For example, an individual's right to honor is guaranteed by sanctions that can be invoked for defamation. These laws easily enable influential members of the elite to silence criticism. In addition, statements of facts or opinion that might be disagreeable to the president constitute a criminal offense punishable by imprisonment. So-called “desacato” laws further undermine public oversight of governmental authority by permitting the state to impose sanctions on those who disobey the state's authority. Press freedoms are therefore heavily restricted. The state also constrains press freedoms by citing a criminal law that allows journalists to be detained and suspended when accused of defamation. As a consequence, journalists act with caution. However, under the new media law, any journalist accused of having written a defamatory article is now allowed to present the facts of his article before the court. Nevertheless, it remains up to the judge to decide whether the evidence presented by the journalist can be accepted in his defense.

Freedom of  
expression

In the media sector – both print and broadcast media – a substantial transformation has been underway since the late 1990s. Until the 1990s, Angola had two television channels for the Televisão Popular de Angola (TPA), one nationwide operating radio station, Rádio Nacional de Angola (RNA), and one daily newspaper, Jornal de Angola, all of which were state-owned. The Catholic Church was the first to introduce an independent radio station with its Rádio Ecclesia, which often voices criticism of the government, but is broadcast in the Luanda area only. During the same time period, Angola's first private weekly, O Angolense, began circulation. After 2000, a number of other private weeklies were launched, such as O Angolense-Semanário, A Folha, O País, A Capital, and O Independente. LAC, another private radio station, also began broadcasting. Most recently, a private media group belonging to the ESCOM holding owned by the Portuguese Banco de Espírito Santo (through its Angolan branch, Banco de Espírito Santo de Angola) has launched a new radio station and a daily newspaper, Novo Jornal. A second private media group, primarily constituted by Angolan capital held by persons close to President José Eduardo do Santos (but also counting on Portuguese and Spanish capital), launched a television station, TV Zimbo, a daily newspaper called O País, and a weekly called Nova Angola. The independent media continues to face state interference and often harassment, a problem that has made broadcasters hesitant to voice critical opinions or publish “unwelcome” news. In addition, independent media outlets have faced limitations due to technical and financial problems. The aforementioned new media group does not seem to have the same problems and is clearly linked to the president's entourage. It is too early to assess what

consequences the present constellation will have after the election for freedom of expression, but it is likely that the current constraints will loosen. Nevertheless, the media's general outreach will probably remain limited for quite some time. Given the absence of a requisite infrastructure for newspaper distribution, the circulation of private newspapers has generally been limited to Luanda, and it is unclear whether Novo Jornal will prove capable of overcoming this obstacle. Prices also limit print media sales, but it is primarily the country's high illiteracy rate (59.9%) that limits popular exposure to printed information. The consumption of other media formats is limited by the fact that only an estimated 38% of the population owns a radio and only about 14% own a television set.

### 3 | Rule of Law

The Angolan constitution provides for the separation of powers, but the practical application of this rule is seriously flawed. The parliament's autonomy is limited, and its institutional capacity is weak. Most legislation – almost 90% of proposals – has emanated from the government or the president, rather than from parliament. A political culture of administrative secrecy and confidentiality, and of clientelism and favoritism (including the co-optation of political rivals), has further weakened the political basis for a democratic parliament. The MPLA's history of one-party rule and the established informal tactics of presidential domination have ensured the parliament serves as only a marginal check on executive power, despite its constitutionally mandated role. Presidential intervention is common, in all important decisions as well as in the day-to-day management of state affairs. Presidential advisers often have greater influence than ministers, and “presidential commissions” frequently bypass or overrule ministries, on a variety of issues. A substantial number of human rights cases have been brought before the Human Rights Commission, which has served quite well in compensating for deficits in the judicial system. However, it is nonetheless worrisome that a commission established by the executive and located within the National Assembly fulfills a judicial mandate. After the overwhelming victory of the MPLA in the 2008 elections, the prospects for fundamental change in this domain unfortunately seem uncertain.

Separation of powers

Despite the end of the one-party regime, and the presence of a constitution theoretically establishing judicial independence, the judicial system has in practice remained highly dependent on the government and president, and suffers from interference by the ruling class at large. Considering that the entire judicial structure is under the formal tutelage of the Ministry of Justice, such actions are in flagrant disregard of the constitution. The Supreme Court has little to no influence, and mainly serves the desire or need of the ruling class for legitimation.

Independent judiciary

In the past, the Angolan ruling class has been able to loot the coffers of the state without any fear of consequence. There is a fear among them that, in the event of effective democratic regime change, justice eventually might be served with respect to crimes of the past. This is thus one more important reason prompting them to cling to power by any means possible. President dos Santos' uses accusations of abuse of office as a political tool against political adversaries who threaten to become too strong, or who know too much about subjects not meant to reach the public ear. One of the most prominent cases involved the 2006 removal of General Fernando Miala from his position as head of the Foreign Intelligence Service, following vague allegations that he had abused his position. Anti-corruption measures within the government and state apparatus remain often more rhetorical than effective.

Prosecution of  
office abuse

There are several obstacles in access to justice through the court system, particularly for the poor. First, people in Angola generally lack knowledge of their legal rights and are thus unable to resort to a formal legal strategy seeking redress. Second, the courts lack the requisite resources to respond to claims properly, which hinders justice from being served. Third, political interference adds additional difficulties in accessing the courts and achieving proper judicial redress. Levels of trust in the formal legal system are generally low. Especially outside Luanda, people often seek solutions through informal means or traditional procedures. According to a recent survey, 85% of the population, even in Luanda, had some vague knowledge of their rights, but did not know what to do in case these rights were violated. Fifteen percent had no knowledge of their rights whatsoever. The lack of practicing lawyers, particularly in the provinces, impedes access to justice for many Angolans. A scarcity of criminal defense lawyers and prosecutors contributes to delays in detainees being brought to trial, a situation exacerbated by the relatively small number of judges.

Civil rights

Violations of civil and human rights are particularly severe in the diamond-rich areas of the Lunda provinces. Private security companies which effectively control the territory on behalf of the diamond industry have established practices that include humiliation, whipping, torture, sexual abuse and in some cases assassination. Socioeconomic rights have appeared to have deteriorated since the end of the war. Despite the peace dividend and large increases in oil revenues, Angola's Human Development Index (HDI) ranking has stagnated since 2001. Ranked 146th out of 162 countries in 2001, it ranked only 157th out of 179 countries in 2006 and 162nd out of 177 countries in 2007 (Angola's HDI score was 0.446 that year, while sub-Saharan Africa countries averaged 0.493).

#### 4 | Stability of Democratic Institutions

Before the 2008 elections, it could not be said that the parliament fulfilled its function as an organ of control and oversight with respect to the executive. It was neither proactive nor did it demand greater transparency, particularly on budget issues. As UNITA was part of the Governo de Unidade e Reconciliação Nacional (GURN), lasting from April 1997 until September 2008, parliamentary opposition was weak. UNITA struggled to strike a balance between being the major opposition party and simultaneously holding ministerial positions. The institutional weakness of political bodies such as parliament and the ministries vis-à-vis the presidency is likely to persist after the 2008 elections. So too is the impotence of the (often co-opted) civil opposition, which done little to check the increasing level of alienation between those in power in Luanda and Angolan society. The inefficiency of the public administrative service seriously constrains the state's capacity to fulfill core functions. Since the days of the one-party regime, the public administrative service has constituted a support network for MPLA cadres, who were provided with cheap access to transportation, housing, electricity, water, telephone service and other goods, often without a real interest in or competence for their ostensible administrative functions. On the other hand, meager salaries have forced many if not most public servants into rent-seeking activities inside and outside their official job. However, this situation been ameliorated in recent years, as most public service salaries have been updated and become accordingly more attractive.

Performance of  
democratic  
institutions

Although research in this domain remains scarce, it can be said that popular commitment to democracy is substantial, as far as political values are concerned. However, it is not to date consolidated with regard to democratic institutions (at least as they function in Angola). Progress in the country's democratic transformation depends to a large extent on the president's political behavior. The commitment of social and political forces, including political parties, varies in strength and in many cases cannot be measured by their public discourse. Arguably, at this stage the Christian churches and other civil society institutions hold the strongest democratic convictions.

Commitment to  
democratic  
institutions

The Angolan military at this stage does not seem to constitute a corporate political actor. Leading armed forces generals were among the main beneficiaries of the civil war (with respect to arms deals, civil engineering and construction projects, and the diamond trade) and continue to pursue their economic interests. Many enterprises, including the joint ventures of foreign business concerns, have a military general on their board of directors (as others have a member of the family or entourage of the president). In other cases, military figures have become private entrepreneurs and/or landowners. For the regime, this is a convenient way of ensuring the military leadership's access to resources and satisfying their appetite for economic power. With the integration of UNITA military personnel into the Angolan Armed Forces'

(Forças Armadas Angolanas, FAA) rank and file, the military seems to have initiated a process of transformation toward becoming a professional non-partisan army. That said, the cooptation of a number of UNITA generals into the above-described “schemes” argues for a slightly more complicated conclusion.

## 5 | Political and Social Integration

Deputies represent the interests of their local constituencies in parliament only to a very limited degree. Legislators depend on their political party and are not allowed to vote against the party’s stance on individual issues. Party discipline is quite strong, and even prominent opposition party members such as Jorge Valentim or Eugénio Manuvakola of UNITA have been removed from parliament by their party leadership as a consequence of diverging opinions on political issues. The MPLA has reacted to internal divisions in a similar way, as in the case of its former Secretary General Lopo do Nascimento. With the power shift toward the “Futungo” (the president’s residence) and the presidential circle, the MPLA as a party has lost much of its influence and capacity to determine political outcomes. In addition, the rule by presidential decree has undermined and weakened party structures. While most MPLA cadres have accommodated themselves to this new political reality, others – especially the intellectual backbone of the party – have redirected their attention to private life and private businesses. Therefore, the party’s capacity to remain a decisive political force and serve as a connective link to broader society has been diminishing further. Nevertheless, party and state maintain a symbiotic relationship, particularly at the lowest level of state administration, and official doctrine proclaims a continued link between the party and the people.

### Party system

The diversification of the Angolan party system remains a work in progress. When the first elections were held in 2002, outsiders expected the MPLA, UNITA, and the FNLA to emerge as the system’s pillars. However, about 100 parties presented themselves in the end; some sought to mobilize ethnic bases, only a few presented genuine political options, and many lacked any credible profile at all, justifying the suspicion that they were largely interested in the material benefits to be gained (whether in the form of state campaign funds or the substantial salaries, official cars, and other legislative perquisites). Half a dozen of these “small parties” in fact entered parliament with one or more deputies, but have played no more than a marginal role. In 2006, the Angolan government spent \$16.2 million in support for 135 parties that were not represented in parliament. For the elections, each party was granted \$1 million, earmarked for campaigning purposes. The majority of these parties were not able to account properly for this money, as their campaigns were generally considered to be very weak. After the elections themselves, the number of small parties in parliament even decreased, as did the total number of small-party legislators. Parties that attracted less than 0.5% of the public vote (the vast majority) were automatically considered to be defunct. Although this did not prevent some of

them from re-registering afterwards, under the same name and same leaders, for the time being the diversification of the Angolan party system has to be considered to be unsuccessful. In fact, the FNLA's extremely poor showing in the last elections has left the political scene in a lopsidedly two-party state.

Between 2002 and 2008, the Angolan government was not being held accountable to the public through elections. Consequently, Angolans had few other means during that period to express their policy preferences other than through civil society organizations, the media and direct action. However, opposition parties and Angolan NGOs were able to fill this gap or serve as a bridge between society and state only to a very limited degree. The relationship between state and civil society has been shaped by policies of prohibition and control, limiting interaction between the two. Although trade unions and business associations exist, they generally are not independent actors, but rather are linked in some way to the political establishment. It is too early to say whether or in what ways things might change in the wake of the 2008 elections.

A survey by the U.S.-based National Democratic Institute (NDI) in 2003 found that the majority of Angolans want to live in a democratic environment, which they associate primarily with the freedom of expression and government chosen by the people. In that survey, respondents remained rather skeptical of Angola's then-current state of democracy. Main perceived deficiencies included the relatively minimal political participation of the majority of the population and the absence of freedom of the press. Lack of political tolerance was cited as the chief reason preventing individuals from participating in political activities, particularly on the side of the opposition. The level of trust in political parties was low. Criticisms focused on aspects ranging from incompetence to the large number of parties and their reluctance to form coalitions. A more recent survey taken among university students in Luanda confirmed the gap between a generalized, even emphatic acceptance of democratic political values and a negative evaluation of the way democracy has been implemented in Angola.

Nongovernmental organizations are mainly perceived by government as self-help and service delivery organizations. They are considered to be partners of the government as long as they remain within the above-mentioned parameters. This means that there is only limited space for activities with political overtones outside government programs. Some ministries tend to exercise authoritarian control over NGOs. Organizations providing social services as well as relief and emergency organizations generally keep their distance from politics in order to protect their sectoral interests. They are rarely willing to engage in "hard" political issues such as transparency, budgeting or revenue monitoring; the political regime's hostile attitude toward NGO work has created a persistent fear of backlash. As a result, civil society organizations in the country are generally politically weak, and find it difficult to make effective contributions on political issues. However, their work at

Interest groups

Consent to  
democratic norms

Associational  
activities

the socioeconomic level is solidly grounded all around the country. Communities' social capital, highly affected by war and its disruptive consequences, is increasingly being rebuilt by citizens, often through the efforts of civil society groups and other associations.

## II. Market Economy

### 6 | Level of Socioeconomic Development

At least four factors have shaped the recent development of Angola's private sector: a protracted war, the political environment that succeeded a failed socialist experiment, a weak and dilapidated state, and an exceedingly large endowment of natural resources. Commercial activity outside oil, construction and diamonds remains rather limited. Angolans continue to suffer under a government that has failed for decades to care for the people. Poverty in Angola contrasts starkly with the country's resource potential and its proven mineral wealth. An estimated 68% of the population lives below the national poverty line, with 26% classified as living in extreme poverty. Some of the worst poverty derives from wartime dislocations, and is concentrated in rural areas, particularly among the rural non-farming population. High urban unemployment rates, particularly among women and youth, are additionally of particular concern. Many of these individuals are unqualified for the formal economy due to insufficient education or marketable skills. Thus, 70% of the labor force in the informal sector is made up of women. In urban areas, poverty is associated with widening social inequality. On the other end of the social scale is an increasingly opulent upper class, which is often classified as a predatory bourgeoisie. Between 1995 and 2000, the richest 10% of the population increased their share of total urban household income from 31.5% to 42.2%. In the same period, the Gini coefficient rose from 0.45 to 0.51. Statistical data on the years since 2000 is scarce and often untrustworthy; a more recent Gini coefficient is thus difficult to calculate. However, all analysts agree that the gap between the richest and the poorest strata has been growing, while intermediate strata have been appearing and/or increasing in size. Overall levels of inequality are no doubt more significant today than was the case a decade (or even half a decade) ago. In any case, any effective poverty reduction strategy would have to go beyond the current approach. Under pressure from the Bretton Woods institutions, the government approved in 2004 a PRSP (Estratégia de Combate à Pobreza, ECP), which envisioned social reintegration of the population, massive investment in social and technical infrastructure, and structural reforms including decentralization. After a

Socioeconomic  
barriers



recent reform process, a new regulatory and legal infrastructure and a new commercial regime were created. In 2007, the government started the so-called Program of Restructuring the Logistics and Distribution of Essential Products to the Population (PRESILD). This initiative is expected to reduce food prices, enlarge the market for locally produced food products and help to create 200,000 jobs by 2012.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	19775.2	30632.4	45163.2	<b>59263.4</b>
Growth of GDP	%	11.2	20.6	18.6	<b>20.3</b>
Inflation (CPI)	%	43.5	24.8	11.7	<b>12.2</b>
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	7.3	-4.3	-0.1	<b>-1.5</b>
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	686.2	5137.9	10689.8	<b>9402.1</b>
Public debt	\$ mn.	8146.6	10332.2	8247.2	<b>10474.1</b>
External debt	\$ mn.	9340.7	12646.0	10383.6	<b>12738.3</b>
Total debt service	% of GNI	10.8	10.4	11.5	<b>9.1</b>
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	2.6	2.6	-
Public expnd. on health	% of GDP	1.6	1.5	2.3	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	4.1	4.5	4.4	<b>3.8</b>

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

## 7 | Organization of the Market and Competition

Angola's private sector remains small, but has in recent years increased substantially in size. However, it is hindered both by deficient infrastructure, an inadequate regulatory environment and a poor business climate. Restrictive laws and business practices have hampered the development of an appropriate investment climate. Angola's business environment is more difficult than that of many other sub-Saharan countries, and the country was ranked 168th of 181 countries surveyed by the World Bank in its 2009 Doing Business report. Cumbersome property registration procedures, high costs and a lack of security are serious problems. Other key constraints include labor market rigidities, the time and costs associated with starting a business, access to and the cost of finance, and contract enforcement uncertainties. These constraints hamper entry into and competition in the formal economy, encourage informality, and sustain rent-seeking practices. However, the World Bank has identified some progress: For instance, by the time of its latest Doing Business report, starting a business in Angola required eight different procedures, took 68 days (as compared to 119 days in 2007), and cost 196.79% of the per-capita GNI. The Guichet Único da Empresa (a recently created state agency whose function is to grant all licenses and legal documentation needed by private enterprises) reduced the time required by two months.

Market-based  
competition

Informal trade is a common phenomenon in wartime economies and post-conflict environments; however, the unofficial economy in Angola dwarfs the official market. With international scrutiny focused on the oil sector, the diamond sector is becoming increasingly important as a mechanism for hidden payments to members of the elite. The most distinctive feature of Angola's unofficial economy remains its incorporation into the clientelistic network of the ruling elite, with little transparency as to revenue flows or budgets. Recent years have seen some progress with respect to the transparency of oil revenue management, although much remains to be done. On the one hand, the government has published extensive oil sector data on the Ministry of Finance's Web site, and has improved oil bidding practices. On the other, Angola still has not joined the Extractive Industries Transparency Initiative, and Sonangol and Endiama (respectively the state enterprises for oil and diamonds) continue to carry out quasi-fiscal operations for the treasury and the central bank.

Both production and distribution in the private sector are characterized by monopoly and oligopoly to a significant, although probably decreasing degree. A number of positive initiatives have aimed at reducing barriers to competition, but these barriers remain substantial. The telecommunications sector is the only sector for which a regulatory body has been established, and significant challenges remain to be addressed even on that front. Entry barriers for new telecommunications companies remain high, particularly for new providers seeking licenses to offer

Anti-monopoly  
policy

mobile service. Angola Telecom remains a dominant monopoly provider in many areas, and new entrants face numerous obstacles such as non-transparent tariffs or difficulty (sometimes insurmountable) in obtaining timely and cost-effective interconnections. These obstacles hamper competition, preserve high prices and ensure that the communications infrastructure remains of service mainly to businesses and government, and to major urban centers. In the oil industry, Sonangol has the sole concession for oil exploration and production, and thus continues to dominate the sector, operating by means of joint ventures and production-sharing agreements with foreign partners. The same applies to Endiama in the diamond field. Despite these issues, a trend toward diversification and deconcentration of the economy can be noted; however, the World Bank considers the country's progress to be insufficient, and its strongly worded advice to Angola in 2009 included a recommendation to pay considerably closer attention to the development of all forms of agricultural production.

In March 2003, Angola agreed to adhere to the Southern African Development Community (SADC) Free Trade Area protocol, which seeks to facilitate trade by harmonizing and reducing tariffs and by establishing regional policies on trade, customs and methodology. A new customs law outlining revised duty rates came into effect in January 2005, reducing tariff barriers by eliminating duties on basic products such as rice, wheat flour and beans, and lowering other duties. Some imported goods require a license issued by the Ministry of Trade. The import license is renewable annually and covers any good imported by the licensed importer. The importation of certain goods also requires specific authorization from various government ministries, which can delay the customs clearance process.

Liberalization of  
foreign trade

Angola is officially open to foreign investment, but its regulatory and legal infrastructure is not developed enough to facilitate or provide sufficient protection for investments. A National Private Investment Agency (ANIP) was created in July 2003 to assist investors and facilitate new investment, and in 2003, the Angolan government replaced the 1994 Foreign Investment Law with the Law on Private Investment (Law 11/03). This lays out the general parameters, benefits and obligations for foreign investors in Angola, and acknowledges that investment plays a vital role in the country's economic development.

Priority is given to export-promoting or import-reducing investments. Angola's massive FDI investments are mainly destined for the capital-intensive oil sector, with a particularly focus on deep water extraction. However, investment in the telecommunications sector and in hydroelectric projects (for instance, the Capanda Dam construction on the Kwanza River) has gained momentum. To attract FDI flows, the government has established guarantees and special privileges for foreign investors, such as the right to repatriate dividends and profits. In addition, tax advantages (e.g., relating to the acquisition of real estate through the investment project) and financial incentives (e.g., annual grants to create permanent

employment in the initial phase of the project) are designed to make Angola more attractive to private investors. However, with the new law on commercial activities passed by parliament in 2006, which allows only those who are Angolan citizens to engage in small-scale commercial activities, the government has clearly shown that its investment interests are limited to big capital. Foreigners are limited to investments in relatively large projects such as supermarkets with a commercial extension of over 200 square meters, or shopping malls with more than 12 individual boutiques. Considering the FDI flow in recent years, the government's strategy appears at first glance to be successful, but the statistics camouflage considerable distortion, as much of this FDI flow goes into the oil sector.

If the private sector is to be further developed, a financial system that is at least minimally functional must be in place. In Angola, the financial sector has been developed through the establishment of Portuguese banks rather than through the privatization of existing financial institutions. The state-owned banks are weak, with large portfolios of bad loans due to privileged access by state and state-affiliated companies to loans and concessionary rates. Difficulties and delays in closing its commercial bank activities have hampered the Banco Nacional de Angola's (BNA) focus on its new central bank functions. The BNA makes many of its decisions directly at the behest of the president and his council of advisors, bypassing the Ministry of Finance, to which it is formally subordinate. The complicated and nontransparent relationship between the BNA, the Ministry of Finance and Sonangol has been a persistently contentious issue in discussions with international finance institutions. Currently, rapid growth in Angola's banking sector is in evidence. Despite the increase in overall banking competition (with 16 institutions in 2007), three banks – Banco de Fomento de Angola (BFA), Banco de Poupança e Crédito (BPC) and Banco Africano de Investimento (BAI) – dominate the system (although others such as BESA and BIC are trying to catch up). In 2006, the number of branch offices operated by public and private banks increased respectively by 20% and 55%. According to the OECD's African Economic Outlook 2008, other services to customers are also expanding: in 2007, for example, the Visa credit card system became fully operational. However, in 2006, although total deposits grew by 76% to \$8.7 billion, only 5.8% of the population had access to banking services.

Banking system

## 8 | Currency and Price Stability

Since September 2003, Angola has adopted an anti-inflation policy that has led to a sharp decline in inflation. Inflation dropped from an annual rate of about 100% in mid-2003 to about 12% at year-end 2006. The consumer price index increased by 12% in 2006 and 11.8% in 2007. However, recent economic developments show that inflation is growing at a faster pace, after declining to 11.7% in the 12 months ending in March 2008. Inflation for the 12 months ending in July 2008 reached

Anti-inflation /  
forex policy

12.5%, the highest rate since a peak of 12.68% in July 2006. Given the European origin of a large share of imports, the devaluation of the dollar does not help keep prices down, and recent increases in international food prices have had a significant impact on domestic prices, as the country imports large quantities of food items. In the last three and a half years (since mid-2005) the dollar has lost close to half of its value in kwanzas in real terms. Central bank interventions – the “hard-kwanza policy” – and a shift in preferences for the local currency have kept the nominal exchange rate stable. Oil-backed loans supplied the Banco Nacional de Angola (BNA) with foreign exchange to stabilize the exchange rate. A slowly declining dollarization rate due to the stability of the kwanza, as well as the recent increase of deposits in local currency, have led to expectations that interest rate intervention as a policy instrument will be increasingly effective.

High oil revenues and prudent macroeconomic policies in last three years (2006 to 2008) have accounted for some stability in Angola’s macroeconomic environment. In the short term, a restrictive monetary policy has produced a significant improvement in internal accounts. In the fiscal policy domain, fiscal surpluses have increased in the last years, from 7.1% of GDP in 2005 to 9.9% in 2006, reaching 11.3% in 2007. The World Bank has estimated that the country’s 2008 fiscal surplus is likely to be very close to 2007 levels, around 11% of GDP. The executed budget for 2007 exhibited an overall surplus estimated at 10% of GDP, as compared to a surplus of 10.9% of GDP in 2006. The increase in total revenue was bolstered by a marked increase in customs revenue, reflecting both the dynamism of economic activity and an improvement in customs collection, while total expenditures were revised downward to reflect the lower-than-expected budget execution rate. A deficit of 8.6% of GDP, based on a conservative oil price forecast of \$55 per barrel, is implicit in the approved 2008 budget. The new budget law restricts the volume of current expenditure to the same level as the previous year, reflecting the government’s recognition of its poor administrative capacity in executing an expenditure plan. High levels of oil revenue also have resulted in substantial surpluses in external accounts. Oil export revenues have been strong as prices rose in the last years and, even with the recent decline in prices, they remain well above previous years. The country’s trade surplus reached 46% of GDP in 2007; the current account surplus represented 11% of GDP, with a substantial deficit registered in the service account (21% of GDP). In 2007 the current account surplus declined, mostly due to an increase in the volume of profits repatriated by foreign oil companies; it is expected to continue its decline through 2008 and 2009, as oil production approaches a plateau, repatriation of profits increases and imports continue to grow in line with booming domestic absorption. Additionally, diamond exports are expected to grow even faster than in previous years. Net international reserves reached \$16.5 billion in July 2008, an increase of 47% compared to December 2007, according to the World Bank. Angola has gradually reduced its external debt from 39.5% of GDP at the end of 2005 to 20.7% of GDP by the end of

Macrostability

2006, and to an estimated 15.6% of GDP by the end of 2007, according to the OECD. The country has improved its access to external credit by reaching an agreement with its Paris Club creditors on a repayment schedule for its remaining debt. It has eliminated its outstanding contractual obligations to the members of the Paris Club (comprising \$2.3 billion in interest and principal), and has begun meeting current debt service payments on time; in addition, it reached an agreement on terms and conditions for the payment of \$1.8 billion in accumulated interest on late payments. The country has also deepened its financial relations with China.

## 9 | Private Property

One of the greatest risks to businesses is that the rule of law cannot be fully guaranteed through the local justice system. Political interference remains common, so that no genuinely level playing field exists. With millions of internally displaced persons returning home, land has also become a controversial issue, as returnees have found other individuals farming the land they previously owned. Under the present constitution, land belongs to the state, but people have occupation rights. Until recently, people occupying land had protection under the civil code even if they lacked official title; by contrast, a new land bill passed by the parliament in August 2004 rendered illegal the land tenure of most urban dwellers. In urban areas such as Luanda, many Angolans who bought land on the informal market from people without title rights thus face eviction by the government and demolition squads. The forcible removal of hundreds of families in the capital's suburbs of Benfica, Boavista, Cambambas, and Kilamba Kiayi drew criticism in recent years, as people were made homeless in order to make space for construction projects such as shopping malls, a new airport or luxury apartment compounds. Angola continues to suffer from land grabs by the ruling class, although a land law protecting pastoral communities forbids third parties to use areas inhabited or used for cultivation, cattle breeding or the population's livelihood. Senior government members, military generals and even the president have taken ownership of former coffee or sisal plantations, and have engaged in large-scale cattle farming, particularly in southern Angola. In the latter domain, the situation seems to be improving following the implementation of "deconcentration" mechanisms, which give traditional authorities some power to defend their communities' land use rights. However, abuses still occur.

Property rights

Since the beginning of economic liberalization, the Angolan government has been withdrawing from direct participation in private sector companies, and now describes its role mainly as a facilitator. From 1995 to 2000, 272 state-owned companies and small businesses were sold. But particularly in the privatization of public banks and financial enterprises, little progress was made. During the privatization process, insiders with links to government, the army or the ruling party acquired enterprises on favorable terms. Exacerbating the subsequent problems,

Private enterprise

many of these companies were transferred to people without appreciable entrepreneurial skills. The development of Angola's private sector is today constrained by a number of factors: skilled labor is scarce, infrastructure and services are deficient and formal financial services are improving, but not yet at a point of efficiency. However, encouraging initial steps have been taken in recent years to streamline and reform the regulatory framework. Of the nine main laws, supplemented by various decrees, which constitute Angola's legal framework for private investment in infrastructure, one was revised in 2002 and four are new legislative instruments, passed in 2003. These include the Law on the Delimitation of the Sectors of Economic Activity (revised in May 2002), the Private Investment Law, the National Private Investment Agency Law, the Law on Tax and Customs Incentives for Private Investment, and the Voluntary Arbitration Law (all passed in April 2003). In 2007, a state secretariat for state-owned enterprises (SOEs) was created with the aim of centralizing responsibility for the public enterprise sector. The final objective is substantial disengagement of the state from the economy through the resumption of the privatization process interrupted at the beginning of 2001, although the state will retain 57 enterprises of strategic or public interest. Simultaneously, Angolan entrepreneurs are showing a rising degree of autonomy from the political power-holders, particularly with regard to business policy decisions. In this context, it is noteworthy that a number of informal businessmen have started to develop activities in certain sectors of the formal economy.

## 10 | Welfare Regime

There is no overall social safety net or welfare regime in Angola. A state-funded social security system is limited to civil servants, while certain large enterprises (e.g., Sonangol) maintain similar systems for their employees. In addition, private insurance is now accessible to elements of the middle classes. Those who are rich and/or have access to power and state resources can enjoy a rather sophisticated safety net, including medical evacuation to Western hospitals. However, the majority of Angolans rely on informal and sometimes even illegal survival schemes. A frequent survival strategy for lower (or lower-middle-class) urban households involves a husband or wife taking a job in the public sector or with a large enterprise; this generally comes with only a modest wage, but also offers valuable contacts that open opportunities for the informal sector activities of his or her relatives. For health care, the population at large relies on public hospitals and medical or paramedical posts which have degraded substantially since colonial times, but have improved somewhat in very recent years. The average life expectancy in Angola was 42 years in the middle of the 2000s, which in part reflects the government's failure to provide basic healthcare facilities. Infant mortality rates have been among the highest in the world (154 deaths out of 1000 births in the year 2007), and only 51% of the population had access to an improved

## Social safety nets

water source. An important feature of the budget legislation for 2008 is a pilot project testing decentralization of budget execution. Sixty-eight of Angola's 167 municipalities have been designated as "fiscal units" (unidades orçamentais); each will be allocated \$300,000, which will subsequently be scaled up to \$1 million. This reform, which reduces local administrations' dependence on provincial governments, aims to raise the execution rate on capital projects and to accelerate and improve delivery of basic services. Overall, Angola's social spending used to be far below that of its regional neighbors, and even after the end of the civil war remained at just 3.45% of the country's annual budget. Since that time, the picture has changed significantly, however. It is true that the shares of the 2006 budget allocated to health and education were respectively reduced to 4.4% and 3.8 %, down from 4.9% and 7.1% in 2005, and that the 2007 budget allocated only 3.7% of spending to health and 5.6% to education; however, as overall spending during these years was considerably higher due to climbing oil prices, the absolute values spent on health and education have been increasing substantially. According to the OECD's African Economic Outlook 2008, the country's recent growth – which can be attributed to an expansion of private and public investment – has had positive effects on poverty and living conditions in Angola. The principal effects might have been an increase in available employment, the reintegration of displaced people into the workforce, a renascent agricultural sector and an increase in the purchasing power of those who are employed. The OECD reports that the unemployment rate "is estimated to have fallen from 39.8% in 2002 to 25.2% in 2006, and has certainly fallen even further by 2009. The public sector remains the largest source of jobs, particularly in the education and health sectors, and an estimated 3 million new jobs were created in 2007 and 2008 (OECD 2008: 135)."

Although reliable data on gender inequalities are still not available (a study commissioned by the government was due in 2007 but has so far not been published) the scarce information at hand indicates that only 47% of eligible girls, as compared to 53% of boys, are enrolled in primary school. Dropout rates among girls are particularly high in the provinces, generally around 30%. School enrollment rates have a substantial impact on the adult literacy rate, which differs significantly between men (82.1%) and women (53.8%). With regard to employment opportunities, considerable variation can be observed: While in the civil service and in certain enterprises (e.g., banks) the share of women employees is high, in some instances even reaching well beyond 50%, women are practically absent in other domains of the economy. The regime's desire to support equal opportunity for women is illustrated by the fact that the present government for the first time includes female ministers (7% of the total) and vice-ministers (22% of the total). Twelve percent of legislators are women.

Equal opportunity



## 11 | Economic Performance

Due to the booming oil sector, Angola's economy has in recent years showed one of the highest growth rates in the world. According to the OECD, "the Angolan economy grew by an estimated 19.8% in 2007, up from 18.6% in 2006, boosted by increases in oil production and prices. The non-oil sector, most notably construction, agriculture, manufacturing and financial services, also performed well" (OECD, 2008: 123). According to the World Bank, "the GDP real growth rate of 22.3% in 2007 reflected the real growth of 20.4% in the oil sector and 25.7% in the non-oil sectors, including growth of 37% in construction, 32.6% in manufacturing and 27.4% in agriculture" (World Bank 2009, Recent Economic Developments)."

Output strength

Currently, oil revenues account for more than 40% of GNP, and constitute 80% of fiscal revenues for the state. Although the growth of the non-oil sector still lags behind the oil-economy, particularly outside of Luanda, it nevertheless has picked up substantially (13.8% in 2006). Due to large de-mining operations and excellent weather conditions, the agricultural sector has increased its output as well, and its main difficulty is now in bringing its products to local markets. Angola's unemployment rate should at this stage be down to about 20%. Most subsistence income is generated in the informal sector through the trade of a large diversity of goods, most of them imported. Growth of per-capita GDP has moderated in recent years. This has been associated with several positive macroeconomic trends (currency stability, relative price stability, a reduction in the level of foreign debt), but also with some problematic data (unsatisfactory employment levels, difficulties in balancing the budget, a fluctuating trade balance). At present, the Angolan economy is going through an intense process of recovery, with large-scale construction of productive and social infrastructure. This will have important short-term repercussions on the development of economic activities, in particular by permitting a reduction in transaction costs. Additionally, state investment in social domains has increased substantially, illustrated by the budgetary amounts allocated in 2007 and 2008 to health, education, and community development. Additional aspects of the recent evolution of the Angolan economy are the growth of formal employment associated with the rehabilitation and construction of infrastructure (such as roads and bridges, railways, schools and health facilities), and a growth in Angolan entrepreneurial activities, in volume as well as diversity.

## 12 | Sustainability

To guarantee the sustainability of development in environmental terms, Article 24 of the Angolan Constitution makes the state responsible for environmental protection. Oversight of environmental policy used to lie with the Ministry of Fisheries and Environment, which in 2006 drafted a plan for sustainable development that is now in the hands of the Ministry of Environment, created in 2008. Major concerns in Angola include deforestation (illegal timber cutting, especially in the east), soil impoverishment and erosion in the coastal regions of the southwest, desertification, pollution by the oil industry, and depletion of fish stocks. During the decades-long civil war, environmental issues were not an area of political interest, either domestically or internationally. According to UNDP reports, environmental politics in Angola suffer from a general lack of data and specific legislation; making matters worse, millions of land mines hamper not only agriculture but also concrete measures for environmental protection. Furthermore, government's capacity for planning and environmental management is low. In 2004 – 2005, a National Environmental Action Plan (NEAP) was developed by the UNDP in cooperation with the government. Although Angola has signed many international conventions to protect biodiversity and its natural resources, in most cases no concrete steps toward implementation have been made.

Environmental  
policy

Over the last half-century, education has come a long way in Angola, due to a politically motivated boost during the last colonial decade, to considerable Cuban-backed efforts during the socialist period, and – after the destruction and degradation caused by the civil war – to recent measures aimed at recovery, improvement and expansion. In 2007, a program of public investment in education was adopted that won substantial support from churches, NGOs and other civil society organizations, resulting in the construction and rehabilitation of a significant number of school facilities (112 primary schools and seven secondary schools). Other programs include the development of professional/vocational training and literacy campaigns (e.g., the Programa de Alfabetização e Aceleração Escolar, beginning in 2009). The recruitment of about 30,000 new teachers has contributed to a remarkable expansion of educational services. The gross schooling rate in primary education was 91.1% in 2003, but the dropout rate was very high. More recent statistics are not yet available, but while gross schooling has maintained the same level or even gone up, the quality of schooling has overall improved, and the dropout rate has diminished to a degree. Nevertheless, the general situation is still far from satisfactory

Education policy /  
R&D

Technical and vocational education training (TVET) is especially important in post-conflict Angola, where as a result of the civil war a high proportion of an entire generation has been excluded from any form of education or training. Thus, economic (re)integration of a significant part of the population depends on their

acquiring some form of professional qualification – especially in the cases of the nearly 4 million internally displaced persons, the almost 500,000 refugees returning from other countries, and the well over 200,000 former soldiers. Both technical education and TVET have fallen under the responsibility of the Ministry of Public Administration, Labor and Social Security (MAPESS) since 2000, which organizes these activities through the National Institute for Vocational Training (INAFOP). According to the OECD, “initiatives for the reintegration of former soldiers are carried out by the Institute for Social and Occupational Reintegration of Former Combatants (IRSEM), which depends on the Ministry for Social Assistance and Reintegration. In order to build technical/vocational capacities in local communities, the government will rely on training centers attached to various ministries (Fisheries, Transport, Health, and Industry) as well as on training programs provided by the Social Action Fund (Fundo de Apoio Social), a public institution funded mainly by the World Bank. TVET initiatives are financed by the state, by the private sector (e.g., when involving extractive industries) and by donors. The latter – in particular the World Bank and the European Union, together with national cooperation agencies operating through NGOs – are involved in many activities conducted by both MAPESS and IRSEM that target vulnerable groups, namely former soldiers, especially disabled war veterans, war victims etc. (OECD African Economic Outlook 2008: 133-134).”

The situation of higher education improved with legislation in 1995 granting full autonomy to the state university, which has a presence across the whole country. However, funding still poses a major problem, while others are structural in nature. Growing demand has led to the creation of an increasing number of private higher education institutions since 2000; about a dozen were operating by early 2009, but more than 40 others were being readied. At the same time, a profound change to the public university, Universidade Agostinho Neto, has been decided upon; more than 40 faculties currently spread across the country will be regrouped in regional universities centered in Cabinda, Luanda, Benguela, Lubango and possibly Huambo. By all indicators, the quality of public and private universities is low. The system is that which prevailed in Portugal until the European Union’s Bologna reforms: licenciaturas of four to five years (without the issuance of a bachelor’s degree), mestrados of 2 years (in principle equivalent to a master’s degree), and doutoramentos. However, only a limited number of mestrados programs in fact exist, and so far no doutoramento. Under these circumstances, virtually research is carried out at Angolan universities, nor evidently at other institutions.

## Transformation Management

### I. Level of Difficulty

Although Angola has made some progress in improving its sociopolitical and socioeconomic situation since the end of the war, it still faces numerous challenges in democratization. It is believed that 68.7% of the more than 452,000 refugees have returned from neighboring countries and have been resettled in a more or less organized way. Additionally, a large number of internally displaced persons – 98% of the total number of displaced persons (approximately 4.4 million) – were resettled by May 2005, although many remain to this day in the larger cities (mainly Luanda). Several years of high inflation rates have negatively affected the economic conditions of the country. Real wages have been eroded, real money balances have declined and the dollarization of the economy reached very high levels by 2006, but these levels have since declined. Rampaged by 27 years of civil war and the plundering of state resources by the political power holders, Angola faces severe structural constraints in terms of socioeconomic development and the infrastructural rebuild of the country. In a society with such a severe gap in social inequality, weak traditions of political participation and low levels of political awareness among the population, dominant groups are well-positioned to defend their specific interests. High rates of illiteracy, the day-to-day fight for survival and a lack of access to information exclude and further marginalize the poor. Extreme poverty, the scarcity of a skilled labor force, deficient productive and social infrastructures constitute the main structural constraints on the Angolan state's management performance. In addition, HIV/AIDS must be mentioned; although no data exist (or are available), it appears that the virus has not spread through Angola at the same rate observed in neighboring countries to the south, although the incidence rate of HIV/AIDS cases is somewhat higher in southern Angola.

Structural  
constraints

Civil society traditions in Angola date back to colonial times, when two associations of black Angolans – the Liga Africana and the Associação dos Naturais de Angola – were allowed to function. Both of these associations remain in existence today, primarily as markers of social and cultural resistance to colonial domination. The first post-colonial civil society organization was the União dos Escritores Angolanos (UEA), an association of Angolan writers held in high esteem for their generally nationalist stance and literature, which has helped create and

Civil society  
traditions

consolidate an Angolan identity. The UEA became politically important through its support for writers critical of the regime and the socially adverse situations and attitudes to which it has given rise. A few professional organizations have been established, including the *Ordem dos Advogados de Angola* (association of Angolan lawyers), which has advanced civil and political rights and sought the protection of those persecuted (e.g., journalists) by the government, and the *Sociedade Angolana de Sociologia* (association of Angolan sociologists), which defends (with some success) its members' right to publish research results without government interference.

In terms of their political weight, Angola's Christian churches – in particular the Catholic Church – have become the most important actors in civil society. However, it is the NGO sector which has generally attracted special attention. Despite bureaucratic and political constraints, this sector saw a mushrooming of civil society organizations in the beginning of the 1990s. Most of them have remained one-man shows predominantly based in Luanda, although many were founded in and around other towns, especially Lubango and, more recently, Huambo. Only a few appear to have the capacity to function, but they remain highly dependent on donor funding. As most NGOs operated in the field of humanitarian assistance during the war, they have since had to undergo thorough and often cumbersome restructuring processes, developing new strategies and identifying new short- and medium- term objectives. There are currently more than 400 NGOs registered with FONGA (*Forum das Organizações Não Governamentais de Angola*), however, most of them exist in name only. An inventory and assessment of genuinely active and operational NGOs is needed. The development of a vibrant civil society has also been hampered by the legacy of the one-party state whereby the state tries to control this domain and engenders polarization. Foreign NGOs operating in Angola – some of them well-established – contribute to the consolidation of a participative environment. In addition to the “development NGOs,” there are a limited number of associations with cultural, social, or political aims, such as defending civil and human rights or protecting regional interests. However, given the hostile political environment, these endeavors have had limited reach.

Since the end of the civil war, there have been no openly virulent conflicts articulated in ethnic terms, although latent and sometimes patent tensions exist, occasionally leading to minor incidents. To a considerably lesser degree, the same holds true for racial conflicts. At the same time, poverty and blatant inequality harbor the potential for social conflict, particularly in urban areas. There are practically no religious conflicts.

Conflict intensity

Ethnicity is only marginally present in party political cleavages. The Social Renewal Party (PSR), one of the “small parties” that succeeded in having MPs elected both in 1992 and in 2008, has a clearly Cokwe (plus, in part, Luanda)

constituency. Also, the electorate of the National Front for the Liberation of Angola (FNLA) is overwhelmingly Kongo – but most Bakongo voted Popular Movement for the Liberation of Angola (MPLA) in 2008. Similarly, while the majority of the Ovimbundu voted for Total Independence of Angola (UNITA) in 1992, most of them voted for the MPLA in 2008. The landslide victory of the MPLA, with large majorities throughout the country, certainly helped to tune down the ethnic issue in politics.

In this context, the conflict in Cabinda must be seen as a special case. The conflict's roots lie not in ethnic tensions, but in disputes over the region's material resources (oil) and the best means of distributing their dividends.

## II. Management Performance

### 14 | Steering Capability

The main institutions in charge of designing and implementing economic policies, the Ministry of Planning, the Ministry of Finance, and the Central Bank (Banco Nacional de Angola/BNA) have the reputation of being institutionally weak. Despite donor efforts in capacity building, they remain short of professional staff able to collect data and to formulate economic policy. This is why advisors to the president have often intervened, bypassing the three institutions formally responsible for economic management, and often reversing their decisions. As a result, Angola's ministries have had a limited capacity to steer, and they have been very cautious about implementing policy. Strategic planning in Angola is poor, and policy recommendations are often vague or inconsistent. Often approved only after long delays, programs are usually abandoned, which in turn paralyzes the policy-making process. Long lists of projects are presented with little regard for their feasibility, financial or social value. Ministries put forward projects that are rarely (or hardly) screened by the Ministry of Planning, and social cost-benefit analyses are not used. Political influence rather than economic rationality is often the driver of implementation. As a result, there is no correlation between a given plan and what the government ends up doing – even when planning does take place. However, intense efforts to overcome these weaknesses and shortcomings have been undertaken since 2007, and while an overhaul of the system will take time, there have been some palpable results. Whereas the political leadership claims to pursue long-term aims, short-term goals reflecting rent-seeking interests (which are the object of bargaining within the ruling class) generally prevail.

Prioritization

Attempts to reform undertaken since the late 1980s have often appeared erratic, mainly motivated by particular political interests and characterized by sluggish implementation due to a lack of capacities and political will. As any attempt to increase transparency and efficiency has to deal with powerful vested interests and confront extended rent-seeking activities, advocates of reform in Angola have faced strong political resistance from influential circles within the Angolan ruling class. If reforms are to succeed, they must receive strong political backing from the highest governmental levels, and generally from the president himself. The slow and gradual transition to a more full market economy has only been made possible by circumventing vested interests of the ruling class. The key question is whether the political will to implement reform policy exists – and it seems that this will has been building, albeit slowly. In 2005, the Angolan government was about to sign a financing agreement with the IMF that would have guaranteed that oil sector revenues be channeled toward social programs and bound the government to implement measures against corruption. However, in the last minute Angola received a new, unconditional loan from the People’s Republic of China and postponed ratifying the IMF agreement. In the wake of these events, the United Nations stated that Angolan “government stewardship is often marked by low delivery and slow processes. Over the years, it has become very clear for most international partners and agencies that the Angolan government emphasizes its prerogative to be the decision-maker and the actor who is defining the institutional environment, the processes and timetables.” The Angolan government has failed to tackle many of the issues on the IMF’s to-do list provided in its oil diagnostic study published in May 2004. Indeed, as a regulator and commercial agent, Sonangol remains a hybrid entity. Also, the diamond sector remains highly nontransparent. Additionally, Angola’s commitment to the Extractive Industries Transparency Initiative (EITI) needs to be enforced. This being said, it must be noted that there have been earnest efforts made in the last two years to enhance the technical capacities of the state apparatus in planning and carrying out policy measures.

Implementation

Although the Angolan government’s shortcomings in policy implementation or project realization have been documented by organizations such as the UNDP in its cooperation agreement with the Angolan government, Angola has yet to demonstrate the capacity and will to bring about major changes. Although the political leadership has made several attempts to introduce changes in response to mistakes and failed policies, it often remains stuck in the same routines as before. Learning processes do occur, but rarely improve the knowledge base or cognitive framework on which policies are based. All of this serves vested interests, which makes changes increasingly difficult.

Policy learning

## 15 | Resource Efficiency

Compared with other developing countries, Angola's public sector is large but has very little impact on the development of the country, in part due to the civil war. Compared with other states in the region, Angola has an overextended public payroll. This means that any increase in public salaries that is to be funded through an increase in public spending has to take into account "ghost-workers" on the payrolls and other gray areas of public spending. Clearly, mechanisms to monitor public expenditure are urgently needed. So far, fiscal data remain extremely weak. The identified deficiencies in Angola's public financial management impair sound macroeconomic management. Of particular concern is the fact that there are two parallel spending processes within Angola's public management system, with the National Treasury coordinating the conventional system, and another, unconventional process that involves Sonangol, the national oil company. Although legal provisions are in place for auditing the public financial management, these systems are only partially operational and find it difficult to impose transparency in an environment awash in corruption. Nevertheless, there has been some progress made in recent years. The Ministry of Finance introduced in 2006 an integrated system for current expenditure management (Sistema Integrado de Gestão Financeira do Estado – SIGFE), expanding it in 2007. Although SIGFE has been extended to all provinces, it does not include the quasi-fiscal activities of Sonangol and Endiama, nor does it track expenditures financed by foreign credit lines. A parallel effort to improve public sector management was made by the Ministry of Planning, which has set up an integrated system for public investment management (Sistema Integrado de Gestão do Investimento Público – SIGIP). An annual audit by international accounting firms of Sonangol's financial statements has served to complement the increased transparency made possible by SIGFE and SIGIP. The Ministry of Finance posted on its Web site fiscal receipts from diamond exports for the first time in 2007. In addition, there have been efforts made to make more efficient use of civil service personnel (chiefly by protecting recruiting procedures against political or other interference) and budget resources (through balanced state budgets, a manageable level of public debt, effective auditing, transparent budget planning and implementation).

Although macroeconomic figures have stabilized, more must be done to improve policy design and implementation. Fiscal policies in particular need to be better coordinated with monetary and exchange rate policies. These policies need to consider the expected oil windfalls, while at the same time they should stimulate growth beyond the mineral sector. Since the end of the civil war, efforts to reduce inflation and improve public finances have been generally successful. The advances made were further consolidated in 2006, when the inflation rate approached the 10% target and the fiscal balance remained soundly positive. Furthermore, some

Efficient use of assets

Policy coordination



improvements have been made by establishing budgetary control of most off-budget expenditures, such as the quasi-fiscal operations carried out by Sonangol on behalf of the government, or as the central bank's operating deficit. The country's relative success in inflation stabilization had been obtained through an expensive exchange-rate operation which sterilized the huge amounts of foreign currency injected into the Angolan economy. Sterilization has mainly occurred through foreign exchange sales. BNA's objectives had been to maintain price stability and a strong currency ("hard kwanza policy"). However, fiscal policy remains extremely expansionary, generating strong inflationary pressures. Sustainability of this policy has been brought into question by different analysts, namely in a context where oil prices (and revenues) will not remain high.

In Angola, corruption, which is one of the largest single inhibiting factors to private sector investment and growth, remains very high. The Anti-Corruption Commission demanded by parliament has not been implemented, and political actors brought on trial for the embezzlement of funds by the Tribunal de Contas (Financial Court) still hold their positions. The bilateral oil-backed credit agreements that the Angolan government secured between 2005 and 2008 with China have weakened multinational agencies' leverage in the fight against corruption. On the one hand, the actual implications and extent of these agreements are not known; on the other hand, there have been cases of personal appropriation of parts of the amounts at stake, without any consequences for those involved.

Anti-corruption  
policy

## 16 | Consensus-Building

While a majority of the population agree on the goals of democracy and a market economy, the main political actors, amongst the ruling class as well as the opposition, have yet to demonstrate that they have these goals in mind as well. In terms of pursued implementation mechanisms, there is ample reason to doubt that political actors in particular are genuinely interested in facilitating a healthy market economy and democracy. Skepticism abounds as it appears that the opposition may simply be pressing for the retribution of power and benefits, while the ruling class instrumentalizes the discourse of democracy to acquire some degree of legitimacy and credibility. Finally, in terms of garnering public consent for policy goals, agreement on concrete objectives often proves difficult.

Consensus on goals

At this point in time, there are neither individual nor collective actors who declaredly oppose democracy. However, there are many among the ruling class who pay lip service to democratic ideals, but do not want an intrinsically democratic system and do their best to prevent, or at least delay, developments in this direction. For many Angolan as well as non-Angolan analysts, President dos Santos himself has been, and still is, the main obstacle to true democratization. On the other hand, there are concerns that UNITA and other opposition parties, if given

Anti-democratic  
veto actors

the chance, would adopt similar attitudes and practices. In the party system, forces striving for an effectively democratic regime in Angola are marginal and weak. The same holds true for civil society institutions and for society at large, although there are palpable signs of individuals pushing for long-term change.

The Angolan ruling class has demonstrated some capacity to deal with conflicts and potential conflict. Regional/ethnic cleavages have been played down rather systematically. Years ago, the FNLA was simply bought off and ceased to be an important political actor; the same applies to a number of smaller parties. More recently, several steps were taken to co-opt UNITA and its followers into the system, granting them benefits without allowing them to participate in core decision-making processes. The handling of the Cabinda conflict has not had the expected success, which demonstrates the limited nature of a strategy of co-opting the main challengers without including them. The most important source of potential conflict that has been building up over the years is that of poverty and inequality. So far, outbreaks of social conflict have been sporadic and local, and could be easily quelled through police repression, but it is foreseeable that this kind of “conflict management” will not be viable in the long run.

Cleavage /  
conflict  
management

The government has sought the consultation of social groups as well as civil society-type institutions since the end of the civil war and in particular during the run-up to elections. While formulating a new land law, the government initiated such consultative processes, but according to those involved, their inputs were not considered in any significant way: The request made by a large number of NGOs to amend the constitution first and to deal with land rights later was ignored. Forces of opposition were consulted and included in the working group on constitutional reform, but when they voiced objections to the MPLA’s draft and no consensus could be reached, the parliamentary reform commission was dissolved. The ruling party’s willingness to consult and to seek consensus appears based less on political will than on the desire to project the image of a liberal regime, while in fact following its own logic and agenda. In the last three years, several new organizations have emerged that seem to have a greater impact, including Observatório Político e Social de Angola (OPSA), an organization committed to promoting the discussion of subjects such as poverty, state budget implications, the consequences of bilateral cooperation between China and Angola, etc.. Another example is the Municipal Development Project, which is being implemented by three NGOs (Care, Development Workshop and Save the Children), each working in their own municipalities. Its purpose is to increase the accountability of municipal governments to the communities they serve and to achieve broad community participation in decision-making and oversight of local public investments. The existence of certain links between this project and the governmental deconcentration project is noteworthy.

Civil society  
participation

The Angolan government has yet to embark on a process of reconciliation dealing adequately – discursively as well as in practice – with the atrocities committed on both sides during the civil war. The Angola Demobilization and Reintegration Program, partially financed by the World Bank and the European Union, supports the socioeconomic reintegration of soldiers and their families, particularly those considered by the Lwena Memorandum of Understanding, but this is of course just one aspect. Further initiatives have so far been left primarily to the Christian churches. Although the war atrocities were grave and have left deep scars, Angolan society is not focused on seeking revenge or justice, and a spirit of forgiveness seems generally to prevail. The salience of cleavages created or deepened by the civil war appears to be diminishing, while that of cleavages arising out of socioeconomic deprivation and inequality is visibly increasing.

Reconciliation

## 17 | International Cooperation

In order to comply with the prerequisites for engagement with multilateral donors such as the IMF and World Bank, the Angolan government initiated in 2003 an interim poverty reduction strategy paper (I-PRSP) that demonstrated the problems of policy formulation in Angola. Despite a long list of spending initiatives, structural reforms aimed at tackling poverty sustainability (e.g., curbing oil dependence, creating an environment for labor intensive growth, increasing social service delivery) are lacking. Instead of acknowledging the importance of the informal sector for the survival of the poor, it lists this as a main obstacle. Together with Nigeria, Angola was Africa's largest recipient of foreign direct investment (FDI) flows over the 2003 – 2005 period, due primarily to its mineral wealth, high oil prices and promising reserve prospects. According to the OECD's 2007 African Economic Outlook, "Together with Nigeria, Angola was Africa's largest recipient of foreign direct investment (FDI) flows over the 2003 – 2005 period, due primarily to its mineral wealth, high oil prices and promising reserve prospects...Although FDI flows remain small in the rest of the economy, new opportunities continue to emerge. In agriculture and food processing, for instance, Israeli and other investors are exploiting pent-up demand for fresh fruit and vegetables in peri-urban areas, at prices considerably lower than those of imported food (OECD 2007: 114).

Effective use of support

External donor support will continue to be important for the rehabilitation of Empresa Pública de Aguas de Luanda (EPAL) in the crucial sector of access to water. The main external partners are China (construction and rehabilitation of infrastructure), Brazil (construction of water treatment facilities and technical assistance) and the European Commission (technical assistance). Since 2003, the Portuguese cooperation agency has been assisting in the restructuring and modernization of EPAL, providing technical assistance and capacity building. The World Bank's Urban Rehabilitation and Environment Project for Benguela and Lobito Province (PRUALB) led to the establishment of such companies for the

cities of Lobito and Benguela, and in Soyo and Caxito private companies owned by Angolans were given licenses to operate the water system, with the assets remaining the property of the state.

Much to the lament of the Angolan government, the international community has shown tenacious resilience to the calls for an international donor conference and has insisted on the preconditions of good governance that they would like to see in place before opening their purse. While missing out on donor money, the Angolan government in the meanwhile has established close links with the People's Republic of China that has become the country's main single buyer of Angolan oil. In 2004 the Chinese government granted Angola a credit of \$2 billion backed-up by oil supply and increased its loans further in 2005. Relations with multilateral institutions remain tense, but it seems that while the IMF continues to insist on greater budget transparency before negotiations can begin, the World Bank is preparing to hand out a large credit, much to the criticism of NGOs fighting corruption such as Global Witness. Nevertheless and despite the lack of transparency, rampant corruption, etc, the Angolan government has been forthcoming in debt repayment and has been successful in its bilateral debt negotiations. According to the OECD's 2008 African Economic Outlook, the country has improved its access to external credit by reaching an agreement with its Paris Club creditors on a repayment schedule for its remaining debt: "Angola eliminated its outstanding contractual obligations to the members of the Paris Club (\$2.3 billion in interest and principal) and began to meet its current debt service payments on time; at the same time it reached an agreement with the Paris Club on terms and conditions of payment of \$1.8 billion in accumulated interest on late payments (OECD 2008: 130)." The recent electoral process, the cooperation with several neighboring states, and the compliance with the rules set by regional and international organizations have also contributed to the Angolan government's credibility.

Credibility

Angola cooperates in the main regional organizations such as the African Union (AU), the Southern African Development Community (SADC), the Economic Community of Central African States (ECCAS), the Common Market for Eastern and Southern Africa (COMESA) and the Gulf of Guinea Commission (GGC). However, Angola's leaders maintain a low profile, and the president rarely attends summits. Angola nurtures a very close relationship with its neighbor, the Democratic Republic of Congo. Angolan police officers have been involved in the integration and transformation process of the Police Nationale Congolaise (PNC). Much to the dismay of Angolans, the Angolan government provided logistical support to the Congolese Electoral Commission when the voter registration process at home had not been accomplished yet. One strategic interest of both sides in this relationship is to prevent anti-Kabila forces (most likely MLC veterans) from joining with the FLEC fighters in Cabinda, which would increase the likelihood of destabilization on both sides of the border. Angola is also engaged in other

Regional  
cooperation

international organizations such as the Comunidade dos Países de Língua Oficial Portuguesa (CPLP, the community of Portuguese speaking countries), the Organization of the Petroleum Exporting Countries (OPEC) and the World Trade Organization (WTO).

## Strategic Outlook

Angola's ruling class faces four distinct though interrelated problems: establishing the fundamentals of a functioning market economy, mitigating poverty and social inequality, building effective political participation and developing the state's capacity to operate smoothly.

The key challenge lies in transforming Angola's economy from one based on predatory capitalism to a "normal" market economy. Although the process has been initiated, there has been no decisive breakthrough and there is none in sight. The basic question is whether or not the ruling class, after having achieved primitive capital accumulation, can be convinced that more orthodox economic activity is safer and more rewarding in the long run. Signs of a discussion within the nucleus of the political and economic regime on these issues have been on record since 2006, and the electorally comfortable constellation reached in 2008 can be expected to favor an intensification of critical debates on the convenience of inflecting the so-called systems logic. Also, the share of regular business operations that have been realized are now pointed to as indicators of the feasibility of systemic change.

Closely linked to this debate is the one on poverty and social inequality. Until recently, this was a subject of open debate among the political opposition, civil society, and a few academics only. However, as members of the ruling class grow increasingly aware of the fact that a rent-seeking economy bent on profit maximization for a minority is not viable in the long run, it has become a concern for the ruling class as well. The arguments are that widespread poverty is detrimental to economic development and that social inequality will produce social unrest and jeopardize the political system. In this process, some (difficult to be evaluated) weight has to be attributed to those of the MPLA rank and file who still adhere to the social ideals their party defended before it lost its soul. Again, the electoral constellation should favor a reorientation in the sense of the arguments above. However, given the resistance of the beneficiaries of vested interests, it remains uncertain to what extent the electoral constellation will advocate such a reorientation.

The next step will need to involve granting the population effective political participation and civil rights. Prior to this, however, the political system must function in line with the Angolan constitution and internationally accepted rules. It can be expected that things will move in this direction, albeit at a slow pace, and the ruling class will certainly prove tenacious in resisting a loss of control. In the meantime, the process of improving the state's capacity to carry out its operations will no doubt go on and will likely have a positive impact on the other strategic issues.