

BTI 2012 | Angola Country Report

Status Index	1-10	4.92	# 83 of 128	
Political Transformation	1-10	4.88	# 78 of 128	➔
Economic Transformation	1-10	4.96	# 82 of 128	↗
Management Index	1-10	4.18	# 91 of 128	

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

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	19.1	HDI	0.486	GDP p.c.	\$	6120
Pop. growth ¹	% p.a.	2.8	HDI rank of 187	148	Gini Index		58.6
Life expectancy	years	50	UN Education Index	0.422	Poverty ³	%	70.2
Urban population	%	58.5	Gender inequality ²	-	Aid per capita	\$	12.9

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Although transformation in Angola has progressed since the end of civil war in 2002, developments during the review period (2009 – 2010) cast doubt on the regime's commitment to democracy. The government does target market economic development, but there is ongoing internal resistance to this orientation, which frustrates the consistent implementation of policies that could further this. The regime's commitment to a market economy anchored in principles of social justice therefore remains questionable.

The country's second parliamentary elections (following the first ones of 1992) were held in September 2008, giving the ruling Popular Movement for the Liberation of Angola (Movimento Popular para a Libertação de Angola, MPLA) a massive majority (81.64%, or 191 seats out of 220) in the National Assembly. The second-place party is another former anti-colonial movement, the National Union for the Total Independence of Angola (UNITA), which received 10.39% of the votes (16 seats), followed by the Social Renewal Party (Partido Renovador Social, PRS) with 3.17% (8 seats). Only two other parties succeeded in winning seats in parliament: the National Front for the Liberation of Angola (FNLA), formerly an anti-colonial movement, which received 1.11% (3 seats), and the New Democracy Electoral Union (Nova Democracia União Eleitoral, ND), with 1.2% (2 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. A key reason for this outcome seems to have been the poor credibility of the MPLA's political rivals, but also the population's desire to avoid violence after the traumatic experience of a decades-long cruel civil war. Therefore, the elections can be considered to mirror the public will in general, although the opposition parties reported a series of irregularities and the electoral campaign did not represent a level playing field.

Immediately after the parliamentary elections, a presidential election was announced for mid-2009, but was not held. Instead, a new constitution was approved in January 2010, stipulating

that the president of the party obtaining the most votes in parliamentary elections be appointed president. Furthermore, the constitution is articulated in such a way that the president, who is also the head of government, controls in one way or another all political, administrative and judicial organs. As a result, the division of power, fundamental in a democratic system, is massively conditioned, in fact, all but abolished. The constitution thus formalizes a system in existence since Angola's independence in 1975.

While the oil boom of recent years has boosted several sectors of the economy and created considerable wealth for a minority of the population, social inequality remains a serious problem. According to an "Inquiry into the Well-Being of the Population" (Inquérito sobre o Bem-Estar da População, IBEP) carried out in 2007 – 2008 by the National Statistics Institute (Instituto Nacional de Estatística), 36.6% of Angolan families live below the national poverty line. However, most institutions in the country involved in social work believe the actual percentage to be much higher. The ruling class is in full control. Its comfortable access to oil revenues, coupled with the creation of an offshore economy and the entrepreneurial opportunities that have opened up in recent years, have permitted this class to expand its wealth considerably and sever most of their links to the broader population. Average Angolans have 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 for long rendered ineffective the international donor community's attempts to tie financial aid and development assistance to criteria of good governance. Nevertheless, out-of-proportion expenses, the international financial crisis and a temporary fall in oil prices have obliged the Angolan state, at the end of 2009, to ask the IMF for a loan of \$1,400 million, on the basis of a stand-by arrangement, enabling it to satisfy a number of contractual obligations. In 2010, another loan of \$1,000 million was obtained in order to (re-)establish macroeconomic equilibrium, reconstitute Angola's international monetary reserves, and implement structural reforms, all of which helped the government reduce budget deficits in the non-oil sector. As a consequence, Angola is now subject to strict IMF monitoring, not only with regard to the immediate application of these loans, but directly or indirectly with regard to public finances. Until 2010, public expenditure had been subject to weak or non-existent monitoring mechanisms. Transparent regulations and legal institutions enforcing property and contractual rights were lacking or underdeveloped. Since 2010, clientelistic networks have continued to gain access to state funding sources, although this not in ways similar to years past. At the same time, serious efforts had been made to enhance the state's technical capacities to plan and carry out policy measures. In all these respects, progress has been observed, but is far from advanced, in particular because corruption remains pervasive. Angola continues to number among the top ten most corrupt countries in the world (2010).

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. These measures have also facilitated the accumulation of local capital and the formation of an Angolan entrepreneurial class that is linked to, but increasingly independent of, the ruling cluster of those holding political power. In addition, Angola has begun

to take in a substantial influx of human resources from abroad: in 2010, an estimated 300,000 Chinese were working in Angola, as well as an estimated 200,000 Europeans and Latin Americans, including about 100,000 Portuguese.

In 2010, the value of the commercial exchanges between Angola and China amounted to almost \$25,000 million; China's imports from Angola totaled almost \$22,000 (about 55% more than in 2009), and Angola's imports from China reached \$2,000 million (16% less than in 2009). Over the years, short-term Chinese loans have been used in the domains of energy and water supply, education and health (buildings, equipment, personnel), construction and rehabilitation (roads, bridges, railways etc.), and agriculture. Most of the construction, rehabilitation and equipment projects were carried out by Chinese public enterprises and with a Chinese workforce. In principle, these firms are obliged to hire a percentage of Angolan citizens (i.e., 30% of their workforce), but this quota is rarely attained due to the lack of qualified Angolan personnel.

Since 2007, the government has ostensibly pursued policies targeting massive infrastructure reconstruction and rehabilitation projects, especially in the long-neglected provinces and in areas that had been under UNITA domination. However, the projects in formerly UNITA-dominated regions, especially Huambo and Bié, have suffered due to a halt in investments throughout 2009 and 2010. Overall, regional asymmetries continue to be blatant. Social problems have been addressed to some degree, especially in the areas of health and education. The public and private university systems underwent considerable growth in 2009 – 2010. In the political realm, a “deconcentration” policy was initiated, strengthening in principle not only the local and regional echelons of state administration and public services, CBOs (community based organizations) and NGOs, but also the “traditional authorities” in rural areas, who draw their legitimacy from defending the interests of their communities. However, to date, only very few of the local Consultation and Harmonization Councils (Conselhos de Auscultação e Concertação, CACs) operate in a satisfactory manner.

From 2002 to 2009, Angola managed to consolidate its macroeconomic situation successfully. It brought inflation down, GDP growth rates were among the highest in the world, and the country was a favorite destination for foreign direct investment on the continent. However, the economic situation has changed substantially since the beginning of 2009 as a result of the global financial crisis and the low crude oil prices in particular. Among the most serious consequences for Angola were adverse effects on export and tax revenues, the country's currency exchange policy, on the management of its external monetary reserves, and on its financial liquidity, all of which effectively raised external and internal debt alike. All this forced the government to adopt in 2010 a set of austerity measures meant to reduce public expenditure and the budget deficit and to accept the aforementioned IMF loans. For this and other reasons, Angola remains ranked at the near bottom of the Heritage Foundation's Index of Economic Freedom (2010: 161 out of 179).

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 under a socialist-type regime, and 27 years 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 enclave, the regionalist Front for the Liberation of the Enclave of Cabinda (Frente de Libertação do Enclave de Cabinda, FLEC) was also active. The FNLA, MPLA and UNITA fought each other as well as the colonial regime. By the early 1970s, these groups' military impact in Angola had been substantially reduced. Decolonization was brought about not through their activity, but mainly as a consequence of the 1974 pro-democracy military coup d'état in Portugal (which, of course, was in part influenced by the wars for liberation in Angola, Guinea-Bissau and Mozambique). Civil war among the three movements broke out while the Portuguese were in principle still in charge. In 1975, the MPLA, benefitting heavily from its control of the country's oil resources, declared independence and established a socialist regime supported by the Soviet Union and its allies, most prominently Cuba. 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, funding hostilities in part through a portion of Angola's diamond revenues.

By the time decolonization occurred in 1974 – 1975, Angola's economy was centered on the interests and skills of the Portuguese metropolis and the local Portuguese community, and largely built on the exploitation and underdevelopment of the Angolan population. In political terms, the country's recent experience had been only with a non-democratic regime, the colonial extension of the Salazar dictatorship. Following independence, the MPLA established 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. At its 1977 congress, it adopted Marxism-Leninism as its official doctrine, but the regime, while being authoritarian and centralist, in fact possessed only a relative few "socialist" trappings, and never came near a state of doctrinal "communism" (especially given that many of those who favored a genuinely communist orientation were massacred in 1977).

For decades, diamonds had been the single most important natural resource in colonial Angola. The exploitation of oil began near the end of colonial rule, and once fully developed after independence it rose to paramount importance in economic as well as 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 output were compensated for by increased oil outputs.

The Angolan Civil War of 1975 – 2002 was 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, endogenous factors such as ethnic and other social cleavages 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 from South Africa to the withdrawal of Cuban troops from Angola. Militarily weakened by the loss of 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/Portugal (1990 – 1991). 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.

However, the MPLA was forced in the course of the negotiations to agree to demands to 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 not only prescribed a cease-fire and the demobilization of both armies but also the new national army's composition, requiring recruits as well as officers to be drawn from both sides, as well as 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 leader 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 have been free and fair. Heavy fighting broke out immediately and lasted for yet another decade. For the next 10 years, Angola was divided into government/MPLA- and

UNITA-controlled zones, but with intermittently intense guerrilla activities by UNITA in the former and incursions by government forces into the latter. In government-controlled areas, a formally democratic state existed, but in fact political and economic power was in the hands of a ruling class embedded in the MPLA, combining an authoritarian, clientelistic and corrupt regime with predatory capitalism.

In institutional terms, the political system was dominated by the presidency, although technically José Eduardo dos Santos 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. Behind the institutional screen existed an authoritarian regime practicing what has been called “petro-diamond capitalism,” driven by a rent-seeking class (or 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 to figure consistently at the bottom of Transparency International’s lists. The exodus from rural areas that had begun with the outbreak of the civil war intensified again, leading to an urbanization of slightly more than 50% of the population.

A lasting peace agreement was finally signed in April 2002, shortly after Jonas Savimbi was killed in action, in February 2002. The overall political regime remained the same and was extended to the previously UNITA-dominated areas, incorporating some UNITA followers into the system, including the government and the armed forces. However, 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, hotels, etc.), an expansion and diversification of the service sector, increased state efficiency, a number of social measures, and an administrative “deconcentration.” One key outcome was a critical change in the social fabric, away from urban class formation (the constitution of an entrepreneurial class, accompanied by an expansion of the middle classes) to the return of a certain proportion of the rural refugees to their original areas of residence and agricultural activities (and the “adapted reconstitution” of rural communities).

Encouraged by what they perceived as a smooth process, and feeling external and internal pressure to obtain democratic legitimacy, the power-holders decided to hold parliamentary elections in 2008. Overall, however, the political playing field had not been leveled. Voting itself was accompanied by confusion and alleged irregularities. Several examples will suffice to illustrate this point. Observers and civil society organizations had doubts about the impartiality of the electoral management bodies. The polling was described as chaotic, particularly in Luanda, where 30% of voters were expected to cast their ballots. The National Electoral Commission (Comissão Nacional Eleitoral, CNE) failed to accredit the largest domestic observer group in Luanda. The MPLA obtained over 80% of the vote; UNITA’s share was limited to about 10%, and the FNLA and three additional new parties were reduced to marginal positions. Turnout was high, but international observers had some difficulties in declaring the election to be “overall free and fair” (as they had done for the 1992 election). However, in overall terms the

results can be considered as corresponding to the electorate's basic attitude. To a large degree, these results reflect less a preference for the MPLA and an acceptance of its regime than its rivals' lack of credibility – and also the fear that a weakening of the MPLA combined with a strong UNITA could open the door for a renewal of violent conflict. In any case, the outcome of the elections made it possible for the powerful figures around the presidency to constitute a one-party government, and to “rule supreme.”

The elections in themselves did not change the fundamental characteristics of the Angolan regime, but justified the expectation that it would encourage the reformist forces among and around the powerful elite to press for the continuation of the slow and carefully controlled transformation process already under way (which is illustrated by the fact that in the 2009 Economic Freedom Index, Angola ranked 162 out of 179 countries, improving its position slightly).

However, the approval of a new constitution in January 2010, strongly reinforcing the powers of the president, reflected the strength of the prevailing autocratic tendencies. On the one hand, the constitution contains a number of technical improvements over the constitution of 1992, but on the other explicitly or implicitly concentrates power in the presidency, abolishing in fact the division of power between governmental branches that is essential for democratic systems. The president's April 2011 discourse at the meeting of the Central Committee of the MPLA, reacting harshly to protest demonstrations held in March – April (see below), seems to point in the same direction. All this represents a major setback in the democratic transformation process.

While Angola was still in the process of drawing political conclusions from the 2008 elections, it received a major blow in the economic domain. Certain that oil and other revenues would continue to be high for the indefinite future, and even increase, the state had not paid adequate attention to creating sound economic policies, in terms of establishing a macroeconomic equilibrium, balancing budgets, or controlling expenditures and debt. As a consequence, the international crisis of 2008 – 2009 triggered a shock in Angola, obliging the power holders to adopt, under IMF control, a set of measures combining austerity with structural reforms and increased transparency. Also, they adopted a number of social policies in health and education in response to increasing public pressure.

However, these measures did not change the basic features of the regime, which continues to be authoritarian and corrupt, and whose practice continues to favor marked social inequalities.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

Question

Score

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 in establishing control over the whole country for the first time. The circulation of small arms remains a problem, because it facilitates urban criminality, but a nationwide campaign for the voluntary handover of firearms to the police, under way since 2007, has significantly contributed to rising security and safety levels.

Monopoly on the
use of force

8

However, the state's monopoly on the use of force remains challenged by forces seeking autonomy for the enclave of Cabinda. Although the Front for the Liberation of the Enclave of Cabinda (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 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. While authorities reacted on the one hand with increased repression (not only directed at FLEC, but also at the Cabindan civil society organization Mpalabanda and several representatives of the Catholic Church in Cabinda), they also took measures aimed at calming the situation, such the 2008 introduction of a special customs regime favoring Cabinda, the construction of a large stadium for national and international sports events, and the creation of a public university in Cabinda in 2010. While this policy proved overall successful, one of the FLEC factions staged a murderous attack on the Togolese delegation scheduled to take part in the African Football Championship organized in Angola in 2010. This triggered a strong reaction by the Angolan armed forces and security services, and early in 2011 the chief of staff of the faction

involved was arrested. It seems likely that for the time being this will put an end to Cabindan military resistance to the Angolan state, but the specific Cabindan social identity remains very strong, the separation from Angola is still an aspiration shared by many, and the prospect of future acts of armed resistance cannot be discounted. In addition, in early 2011, under heavy pressure from the Angolan regime, the Vatican appointed a priest from Luanda as bishop of Cabinda, cancelling the sacerdotal status of three Cabindan priests who had come out in favor of regional aspirations, a move aimed at weakening the spirit of resistance.

Until the 1960s, the Portuguese colonial regime practiced a system of segregation in which blacks (with the exception of a minority of so-called *civilizados*) were deemed “natives” and correspondingly subject to a discriminatory set of legal statutes, reinforcing a generalized social distinction between whites, blacks and people of mixed race. Ethnic cleavages stemming from pre-colonial times were generally not reinforced by the colonial system, but persisted nonetheless. Despite this heritage of division, an Angolan social identity developed during the anti-colonial war, with roots in the period before independence. Indeed, although the FNLA, UNITA and MPLA have drawn their main support from separate ethnic groups (respectively, the Bakongo in northwest Angola, the Ovimbundu in central Angola and the Ambundu in the Luanda-Malange region), this fact has not prevented the emergence of an Angolan identity that spans the country’s various other social identities. This process gained momentum after independence in spite of the ongoing civil war. The Angolan government makes systematic efforts to promote a sense of “Angolanity” and pride in being Angolan. Opposition parties have adopted similar rhetoric, and like the government are in general very careful about using ethnic or race-based issues as a political tool in rallying support. Although criticisms of the existing state are voiced even by those who voted for the MPLA in 2008, the existence of a nation-state is by now generally accepted as natural, and people (except for peripheral fringes of the rural population) see themselves as citizens of that state. However, the fact that a significant part of the population of Cabinda still insists on its right to independence from the Angolan state, evoking accords signed with the Portuguese in 1885, imposes a certain (but on the whole marginal) limitation to the regime’s attempts at nation-building.

Although religious organizations have played a critical role in Angolan politics since the colonial era in terms of political education, mobilization and propagation of information, the Angolan state is defined as a secular state, and religious beliefs and rules as such do not interfere with the secular order. This does not mean that the traditional Christian churches have no influence or that the numerous new religious groups are incapable of lobbying at some levels. The Muslim community, almost exclusively constituted of expatriates, is extremely small and to date has played no significant role in the country’s political affairs.

State identity

8

No interference of religious dogmas

10

Angola inherited an administrative structure from the colonial state that covered the whole territory, though unevenly and not always in a very sophisticated way. During the Civil War, the MPLA regime tried to maintain this coverage as much as possible, retaining its centralist orientation under the socialist system. By contrast, in the (generally rural) areas which for shorter or longer periods of time fell under UNITA control, most of these structures collapsed. After 2002, the regime succeeded without much delay in reestablishing complete administrative coverage, and has recently strengthened this by such means as the development of fiscal and other services. Overall, the administration's service delivery capacity is still relatively weak, but it is constantly growing, and in some instances (e.g., the Serviço de Atendimento ao Cidadão or Guichet Único das Empresas in Luanda, respectively help desks for citizens and enterprises) has already attained a high level. Most importantly, in mid-2000 Angola began an administrative decentralization project with the strong support of (and under considerable pressure from) international partners, and in January 2007 law (Decreto-Lei) 2/07 established a legal framework for future activity in this area. In August 2007, the Program for the Improvement of Municipal Management (Programa de Melhoria da Gestão Municipal, PMGM) was created, and 68 pilot municipalities selected. Consultative committees at the provincial, municipal and communal level (Conselhos de Auscultação e Concertação Social, CAC) were created, including representatives from the public administration and civil society, as well as several drawn from the ill-defined private sector and from "traditional authorities." These latter authorities are in fact often imposed by the state through overt or covert processes, instead of being chosen solely according to customary law; however, as their legitimacy depends upon recognition at the local level, they do as a rule in fact try to defend the interests of their communities. To date, the efficiency of the CAC system has varied greatly; most committees do not function very well, and overall the administrative-political logic of the regime is likely to become dominant even on the village level.

Basic
administration
6

2 | Political Participation

Angola held no elections between 1992 and 2008. Until 2002, the president, government and MPLA cited the civil war as the primary reason for the postponement of elections beyond their specified constitutional time frames. However, even after the death of Jonas Savimbi, the forces in power showed little willingness to be held accountable by the electorate, or to risk losing their acquired privileges. It is true that after so many years of civil war and partition, organizing elections posed difficult technical problems, demanding a large investment in electoral registration and logistics, as well as considerable time. Electoral registration thus took from November 2006 to September 2007 to be concluded. During the electoral campaign, the ruling party's privileged access to resources and

Free and fair
elections
6

ability to use the state apparatus for party propaganda gave it a clearly nondemocratic advantage. However, all registered parties benefited from \$1 million in electoral funding for campaigning. Overall, the political playing field was certainly not level. The voting process in several places, including Luanda, was marked by confusion and a number of alleged irregularities. Observers and civil society organizations had doubts about the impartiality of the electoral management bodies. The National Electoral Commission (Comissão Nacional Eleitoral, CNE) failed to accredit the largest domestic observer group in Luanda, and the observers were not allowed to properly observe the tabulation of the results. As a consequence, UNITA and other opposition parties voiced a series of reservations, but in the end accepted the outcome. Though declaring the 2008 elections to be overall free and fair (as they had in 1992), the official international observers raised serious objections related to the elections' conduct. Against this background, it is fair to conclude that the elections' quality left much to be desired. However, there is no doubt that the election results were on the whole only marginally influenced by the above circumstances, and in fact reflected two fundamental attitudes among voters: a sense that the opposition parties lack credibility, and a fear that anything but a clear MPLA victory might lead to a resurgence of armed violence.

Effective power to govern the entire territory was achieved by 2004 – 2005, even if this continues to be challenged to some degree in Cabinda. Overall, power has been systematically consolidated since that time. Assessing this would typically require examining the extent to which this power is exercised by elected political representatives, as well as whether nonelected individuals or groups hold any veto power. However, in Angola, both points are in certain respects “wrong questions,” and neither allows for a simple answer.

Effective power to govern
3

Putting aside the criticisms of the 2008 elections, the present members of the National Assembly can be considered to be regularly elected political representatives, but the case of the president is more complicated. In 1992, he was not regularly elected, and has since then exercised his functions without seeking electoral legitimacy as required by the constitution of 1991; however, as the constitution of 2010 stipulates that the president of the party with the strongest showing in the parliamentary elections automatically becomes head of state, it can be argued that, given the results of the election of 2008, José Eduardo dos Santos has been a legitimate president since January 2010.

Independently of this analysis of legitimacy, the president has been the central power holder since 1975. On paper, the elected National Assembly is the supreme (sovereign) organ, but in fact it can take decisions only within the limits established by the president. Directly or through his large staff, the president constantly

interferes in the sphere of the National Assembly. As he now has the constitutional right to resort to presidential decrees, he often simply circumvents the National Assembly as well.

The situation is thus distorted in the sense that the supposedly supreme elected constitutional organ is dominated by, and in actual fact subordinated to, another constitutional organ whose electoral status is less clear and, to say the least, the subject of contention.

The problem is thus not one of certain groups, inside or outside the political system, holding veto powers. Such groups do not exist in Angola. Contrary to other countries, the military does not constitute a corporate group in the political arena, mainly because most if not all higher-ranking officers have been individually co-opted into the existing networks of power holders, generally in return for material benefits. The functioning of these networks has largely prevented the emergence of (other) potential veto groups.

While Angola's legal framework largely conforms to international norms, the state's enforcement of important freedoms remains problematic. Like its predecessor from 1992, the 2010 Angolan constitution guarantees the freedoms of expression, assembly, demonstration and association. 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 are deemed incitements to violence, tribalism, racism, dictatorship, fascism or xenophobia, or are seen as tarnishing the honor of the Angolan government or top public officials, especially the president. Military, para-military or militarized organizations are forbidden. In recent years, extra-legal obstacles to the effective exercise of these freedoms have been raised by local, regional and national state authorities. These acts have constrained political parties' and civic organizations' abilities to exercise their rights to the full.

The way in which the Angolan government treats NGOs provides an illustration. While these groups were initially granted a relatively open space within the law, a presidential decree introduced in December 2002 appears to be an instrument meant 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 by NGOs 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. This became evident during attempted political protests in early 2011, although the repression exerted on this occasion was mild in comparison with that occurring at a similar time in Arab states. Separately, there exists no clear

Association /
assembly rights

6

directive concerning the role of the various state agencies in processes concerning NGOs; as a consequence, bureaucratic confusion, redundancy and inconsistency are frequent.

Since the end of the civil war, state agencies and agents of the ruling party have repeatedly deprived citizens of the right to exercise their freedom of expression. Although the situation has improved in recent years – primarily in the capital and other major cities – the ability to exercise free speech remains precarious beyond urban areas.

The constitution of 2010 stipulates the right of the political parties represented in the National Assembly to reply to, and contest, government statements. This right has been used with caution, avoiding so far major problems.

At the same time, the National Assembly has placed serious constraints on free expression, by the way it has linked this freedom to fundamental individual rights guaranteed by the Angolan constitution. For example, an individual's right to honor is guaranteed, and sanctions can be imposed in cases of defamation. In practice, these laws enable members of the elite power-holding networks to silence critics. In addition, statements of fact or opinion that might be disagreeable to the president constitute a criminal offense punishable by imprisonment. So-called disrespect 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. 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 as defense.

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, 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, including Semanário Angolense, Folha8, A Capital, and O Independente. LAC, another private radio station, also began broadcasting. Rádio Despertar – a successor to Rádio Vorgan, the clandestine UNITA station active during the Civil War – was launched in 2007. Most recently, a private media organizations belonging to the ESCOM holding group, which is

inturn owned by the Portuguese Banco de Espírito Santo (through its Angolan branch, Banco de Espírito Santo de Angola), together with the New Media group (of unknown background), has launched a new radio station and a daily newspaper, Novo Jornal. Another private media group, Média Nova, primarily constituted by Angolan capital held by persons close to President José Eduardo do Santos (but also drawing on Portuguese and Spanish capital), launched a television station, TV Zimbo, a weekly newspaper called O País, and two weekly economic publications, Exame Angola and Semanário Económico. Early in 2011, the important Portuguese media group Impresa launched the monthly economic review Rumo in Angola. The independent media continue 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 private groups do not seem to have the same problems, as they are in one way or another linked to the president’s entourage as well as to international capital. Overall, constraints on the printed media have loosened since the 2008 elections. Nevertheless, the general popular reach of the media will probably remain limited for quite some time. Given the absence of a proper infrastructure for newspaper distribution, the circulation of private newspapers has generally been limited to Luanda, and it is unclear whether the new publications will prove capable of overcoming this obstacle. Prices also limit print media sales, and the country’s illiteracy rate (officially 24.4% in 2009) further reduces popular exposure to printed information. The consumption of other media formats is limited by the fact that less than half the population owns a radio and only about a fifth owns a television set.

3 | Rule of Law

The Angolan constitution of 1992 provided for a separation of powers, but the practical application of this rule was seriously flawed. The parliament’s autonomy was limited, and its institutional capacity was weak. Most legislation – almost 90% of proposals – emanated from the government or the president rather than from parliament. A political culture of administrative secrecy, confidentiality, clientelism and favoritism (including the co-optation of political rivals), 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 ensured that the parliament served as only a marginal check on executive power, despite its constitutionally mandated role. Presidential intervention was common, in all important decisions as well as in the day-to-day management of state affairs. Presidential advisers often had greater influence than ministers, and “presidential commissions” frequently bypassed or overruled ministries. Even so, a substantial

Separation of
powers

3

number of human rights cases have been brought before the Human Rights Parliamentary Commission, which has served quite well in a role compensating for deficits in the judicial system.

The negative practices described above were maintained and even strengthened after the overwhelming victory of the MPLA in the 2008 elections. More importantly, the constitution of 2010, which explicitly and/or implicitly abolished the separation of powers, appears designed to enable the continuation of these practices.

Despite the end of the one-party regime, and a constitution (of 1992) theoretically establishing judicial independence, the judicial system has in practice remained highly dependent on the government and particularly on the president, and suffers from interference by the ruling class at large. The Supreme Court has little to no influence, and mainly serves the desire or need of the ruling class for a channel able to lend legitimacy to controversial measures. This is yet another tendency that will be strengthened by the constitution of 2010, in which a number of constraints on judicial independence are established, and the president is given the right to appoint Supreme Court judges. However, the lower and middle levels of the judiciary increasingly go about their business without political interference, even if interference related to personal connections or corruption remains frequent.

Independent
judiciary

4

The Angolan ruling class has long been able to loot state coffers with little fear of consequence. This has changed to some extent in recent years, but anti-corruption measures within the government and state apparatus often continue to be more rhetorical than effective. Abuse of office is generally not prosecuted unless it suits the interests of the networks in power, as long as it does not contravene these interests. One of President José Eduardo dos Santos' political strategies consists in using accusations of abuse of office as a tool against political adversaries in the political establishment 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 recent cases in this area involved the removal of General Fernando Miala from his functions as head of the Foreign Intelligence Service as a result of vague allegations that he had abused his position.

Prosecution of
office abuse

3

There are several obstacles to citizens' 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. Members of the population, even in Luanda, generally have some (often vague)

Civil rights

4

knowledge of their rights, but do not know what to do when these rights are violated; a significant minority of individuals has no knowledge of these 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.

Major or minor violations of civil and human rights are frequent all over Angola, especially outside the urban areas. They are particularly severe in the diamond-rich areas of the Lunda provinces. Socioeconomic rights did not significantly improve in the first years after the Civil War, but changes for the better have been noted in recent years.

In the last several years, police brutality has decreased considerably, and seems to have ceased entirely in most urban areas.

4 | Stability of Democratic Institutions

Before the 2008 elections, the parliament neither fulfilled its function as an organ of control and oversight with respect to the executive, nor showed an appropriate legislative initiative capacity. It was not proactive, and made no effort to demand greater transparency, particularly on budget issues. As UNITA was part of the Government of National Unity and Reconciliation (Governo de Unidade e Reconciliação Nacional, GURN) that lasted from April 1997 until September 2008, parliamentary opposition was weak. UNITA struggled to strike a balance between being the most significant opposition party (and waging a guerrilla war until 2002) and simultaneously holding ministerial positions. The institutional weakness of parliament and the ministries vis-à-vis the presidency persisted after the 2008 elections, and was formalized by the constitution of 2010. However, a number of measures were taken at the same time in order to increase these institutions' efficiency (e.g., in the case of the National Assembly, the creation of a research service). The impotence of the (sometimes co-opted) civil opposition has not changed significantly for the better, a fact which has only exacerbated the alienation between those in power and society at large. The public administrative services have improved to some degree, but still constrain the state's capacity to fulfill core functions. Furthermore, since the days of the one-party regime, the public administrative service has constituted a support network for MPLA cadres. On the other hand, meager salaries have forced many public servants into rent-seeking activities inside and outside their official jobs, the performance of which has accordingly suffered; however, this situation has to some degree been ameliorated in recent years, as most public service salaries have been increased and become

Performance of
democratic
institutions
3

accordingly more attractive. Whereas the efficiency of state institutions is today on the whole better than it was a few years ago, the question of their democratic character must still be posed.

Although little research has been performed in this domain, it can be said that popular commitment to democracy is substantial, insofar as basic political values and procedural principles are concerned. However, this commitment is not consolidated with regard to democratic institutions, at least as they function in Angola – a fact illustrated by the ongoing debate over political protest. Progress in the country’s democratic transformation depends to a large extent on the attitude and practice of the president; in this regard, expectations are low, but public pressures and pressures from within the MPLA may have some results. The commitment to democracy shown by various social and political forces, including political parties, varies in strength and in many cases cannot be assumed to match the tenor of their public discourse. Arguably, the Christian churches and other civil society institutions, along with a few minor political parties, at present hold the strongest democratic convictions.

Commitment to
democratic
institutions
3

The Angolan military does not at this stage 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 (while 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 nonpartisan army. In this sense, the late 2010 appointment of Geraldo Nunda, a former UNITA general, as chief of general staff of the FAA is an important indicator, especially given his intellectual qualities and (by now) strong democratic convictions. That said, the co-optation of a number of UNITA generals into the “schemes” described above 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

Party system
4

leadership as a consequence of divergent 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 concentration of power in Futungo (the location of the president's residence and office), 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 political reality, others have redirected their attention to private life and private businesses. Therefore, the party's capacity to function as a decisive political force and serve as a connective link to broader society has diminished. Nevertheless, party and state maintain a symbiotic relationship, from the highest to the lowest level of the state administration.

The diversification of the Angolan party system remains a work in progress. When the first elections were held in 1992, outsiders as well as many Angolans expected the MPLA, UNITA and 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 campaign funds from the state budget or the substantial salaries, official cars and other privileges that individuals would enjoy as members of parliament). Half a dozen of these small parties in fact entered parliament with one or more representatives, 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 2008 elections, each party which had succeeded in registering candidates was granted \$1 million, earmarked for campaigning purposes. The majority of these parties were unable to account for this money properly, and their campaigns were generally considered to be very weak. Following the elections, 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 of parties, as it turned out) were automatically considered to be defunct. Although this did not prevent some of them from reregistering in 2009 (e.g., the Frente para a Democracia which reemerged as Bloco Democrático), 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 turned the country's political environment essentially into a lopsided two-party system (MPLA/UNITA).

Between 1992 and 2008, the Angolan government was not held accountable to the public through elections. Consequently, Angolans had few 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, and are protected by the 2010 constitution, they are generally not independent actors, but rather are linked in some way to the political establishment; this implies dependency, but also the possibility that they may occasionally have an influence on issues linked to their interests. Despite their generally unsatisfactory performance, the newly created CACs (see “basic administration”) allow for a certain measure of participation at the local level. An entirely new situation has arisen since February 2011, when numerous Angolans began to actively participate in online political discussions, motivated by the state’s suppression of planned anti-regime demonstrations. However, it is too early to say whether this development will bear any future significance.

A survey by the U.S.-based National Democratic Institute 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 a government chosen by the people. In that survey, respondents were rather skeptical of Angola’s then-current state of democracy. The primary perceived deficiencies included the relatively minimal level of political participation allowed to the majority of the population and the lack of press freedom. A 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 survey taken in late 2006 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.

The number of non-governmental organizations has increased substantially over time, including during the period under review. According to the NGO Sustainability Index for Sub-Saharan Africa, a total of 107 international NGOs, an estimated 464 national NGOs, 25 church organizations and 19 foundations existed in Angola in 2010. No estimates as to the number of community based organizations (CBOs) exist, but it seems certain there are several thousand of them in the country. The index above rates civil society in Angola overall as “inherently weak,” and places the country in the “sustainability impeded” category. The primary reasons given are registration difficulties, donor dependence, weak organizational capacity and the lack of supportive infrastructures.

Non-governmental organizations are in the main perceived by the government as self-help and service delivery organizations. They are considered to be partners of the government as long as they remain within these parameters. This leaves only limited space for activities with a political goal outside government programs. Some ministries tend to exercise authoritarian control over NGOs. Organizations

Approval of
democracy
n/a

Social capital
6

providing social services as well as relief and emergency organizations generally keep their distance from politics in order to protect their specific 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 find it difficult to make effective contributions on political issues. However, their work at the socioeconomic level is solidly grounded all around the country. Communities’ social capital, including local economies and infrastructure undermined by war and its disruptive consequences, is increasingly being rebuilt by citizens, often through the efforts of civil society groups and other associations. As to social capital in a larger sense, mutual trust and solidarity may not be pervasive in Angola, but they decidedly exist within urban environments’ poorer strata, as well as within the rural population. In the rural areas, traditional forms of community organization are generally still in place or have been reemerging after the civil war; examples include task sharing in farming and cattle herding or collective initiatives (which often assume the form of associations) for the purpose of trade and transportation. In the area of trade, informal (and sometimes also formal) self-help cooperatives often spring up in neighborhoods, among people affiliated with a given religious community or among those who share a common workplace; microcredit cooperatives provide an outstanding example of this trend.

II. Economic Transformation

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 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 36.6% of the population lives below the national poverty line. Of this group, 68% is concentrated in rural areas and has often been affected by wartime destruction and dislocation. High urban unemployment rates, especially among women and youth, are of particular concern. Many of these individuals are unqualified for the formal economy due to insufficient education or marketable skills. These concerns apply particularly to women; indeed, an estimated 70% of the informal sector’s labor force 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 wealthy

Question
Score

Socioeconomic
barriers

3

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 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 poverty reduction strategy would have to go beyond the current approach in order to be effective. In the meantime, and despite the peace dividend and large increases in oil revenues, Angola's position on the Human Development Index (HDI) has remained extremely low. Ranked 146th out of 162 countries in 2001, it ranked 157th out of 179 countries in 2006 and 143rd out of 182 countries in 2007. Angola's HDI score was 0.564 in 2007, while sub-Saharan Africa countries averaged 0.493. According to the same source, 37.2% of the Angolan population suffered under conditions of poverty in 2007. The initial results of the 2008/2009 IBEP inquiry referred to above seem to indicate that there has been no significant improvement in this domain after 2007, the last year for which HDI was calculated for Angola.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	60451.6	84178.5	75492.9	84390.6
GDP growth	%	22.7	13.8	2.4	2.3
Inflation (CPI)	%	12.2	12.5	13.7	14.5
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	-1.5	2.0	2.9	-3.8
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	10581.3	7194.2	-7571.7	7421.1
Public debt	% of GDP	22.7	29.5	34.8	31.4
External debt	\$ mn.	11492.5	15100.5	16616.2	18562.0
Total debt service	\$ mn.	4461.7	1640.6	3553.7	2309.0

Economic indicators		2007	2008	2009	2010
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.5	3.3	4.6	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	3.4	2.9	4.2	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

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 164th of 181 countries surveyed by the World Bank in its 2010 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 163% 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 for this purpose by months. However, there is a basic problem that persists beyond such formalities: For all but petty enterprises, doing business successfully requires some form of association with one or more figures belonging to the networks of power holders.

The prevalence of an informal economy is a common phenomenon in wartime and post-conflict environments, as well as in socialist states. For all these reasons, this economic sector has been important in Angola ever since independence. In terms of the financial volume of transactions, its significance is clearly lower today than that of the official market, but it still involves a substantial proportion of the population. It is mainly concentrated in the areas of trade and (to a lesser extent) services, but

Market-based
competition
3

also includes the illegal search for diamonds. Overall, the functions of the informal economy are twofold: On the one hand, it guarantees the subsistence of a non-negligible segment of the population, while on the other it serves the purpose of capital accumulation for a diverse group of people, often linked to the clientelistic networks of the power holders.

An entirely different question is that of the nontransparent and illegal use of oil, diamond and other revenues for hidden payments to members of the ruling class or other undisclosed purposes. While this has long been a distinctive feature of the Angolan regime, recent years have seen some progress with respect to the transparency of revenue management, although much remains to be done. On the one hand, the government has published extensive 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. In this respect, too, improvements can be expected as a result of IMF intervention beginning in 2009.

Both production and distribution in the private sector are characterized by monopoly and oligopoly to a significant, although probably decreasing degree. A number of 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 mobile service. Angola Telecom remains a dominant provider in many areas, and new entrants face numerous obstacles such as nontransparent 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 useful mainly to business and governmental customers, and within major urban centers. However, in the area of cell phones, diversification has taken place with the creation of UNITEL, a company numbering a daughter of President dos Santos among its shareholders. 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 economic diversification 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.

Anti-monopoly
policy
3

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 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

5

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 significant flow of foreign direct investment (FDI) is mainly destined for the capital-intensive oil sector, with a particular 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 in principle welcome to invest 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, but small and medium-sized industrial enterprises are also tolerated. In any case, two important steps were taken in 2009 – 2010. On the one hand, special economic zones (Zonas Económicas Especiais) were created in the Luanda and Bengo provinces, aimed at stimulating economic diversification in the goods and services sectors through fiscal and other facilities. On the other hand, tourism development zones (Pólos de Desenvolvimento Turístico) were established in the Bengo province (Cabo Ledo), in the Malange

province (Calandula) and in the Okavango region. 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.

Angola's 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 state and state-affiliated companies' privileged access 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. Auditors Ernst & Young and Deloitte, acting on behalf of the IMF, have come forward with very serious criticisms in this respect, and the IMF is bringing strong pressure to bear on the Angolan government, seeking to resolve problems that have surfaced and to adopt consistent, regular procedures.

Currently, Angola's banking sector is showing rapid growth. Despite the increase in overall banking competition (with 19 institutions in 2010), 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, BIC and SOL are trying to catch up). In 2006, the number of branch offices operated by public and private banks increased substantially, and by 2011 there was at least one bank branch in most municipalities. 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, and ATM machines now exist in many urban areas. Overall, the banking system is not as strong as its peers in Western or European countries, but in recent years has been growing and consolidating at an impressive pace.

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 the end of 2006. The consumer price index increased by 12% in 2006 and 11.8% in 2007. However, recent economic developments show that inflation is again 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 12.5%, the highest rate since a peak of 12.68% in July 2006. In October

Banking system
6

Anti-inflation /
forex policy
7

2010, it was 16.08%, and in November 2010, 13.44%. This evolution reflects, on the one hand, the prices on the international market of the products which constitute the basket of Angola's imports, and on the other hand, the reduction of state fuel subventions.

Given the European origin of a large share of imports, the devaluation of the dollar has not helped to 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. 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 as well as IWF loans have supplied the BNA with foreign exchange used to stabilize the exchange rate. A slowly declining dollarization rate due to the stability of the kwanza, as well as an increase in deposits denominated 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 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 recent years, from 7.1% of GDP in 2005 to 9.9% in 2006, reaching 11.3% in 2007. 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, was implicit in the approved 2008 budget. High oil revenue levels have also resulted in substantial surpluses in external accounts. Oil export revenues rose in accordance with the rise of prices on the world market, and even with the recent decline in prices, revenues remain well above the level of 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 services 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 continued its decline through 2008 and 2009, as oil production approached a plateau, repatriation of profits increased and imports continued to grow in line with booming domestic absorption. Additionally, diamond exports in the near-term future 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 2006, and to an estimated 15.6% of GDP by the end of 2007, according to the OECD. The country improved its access to

Macrostability

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external credit by reaching an agreement with its Paris Club creditors on a repayment schedule for its remaining debt. It eliminated its outstanding contractual obligations to the members of the Paris Club (comprising \$2.3 billion in interest and principal), and began 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 also deepened its financial relations with China.

However, all this reflects the situation and developments prior to the impact of the international crisis. An update has to underline the following aspects:

- The currency and exchange policies adopted, in particular the use of foreign currency reserves meant to stabilize the kwanza in relation to the U.S. dollar, must be understood as an immediate reaction to the international crisis aimed at preventing prices in the internal market from increasing substantially. However, these policies led to an abrupt diminution of Angola's international liquid reserves – about \$2 billion in the first two months alone. According to the BNA, these losses were in part recovered in 2010, when the reserves in question increased 27% (in comparison to the end of 2009), to a total of \$15.8 billion in January 2011.
- In 2009, Angola's budget deficit totaled 7.7% of GDP, mainly due to an expansion of health and education services and an increase in social expenditure (by 28.8% in 2008 and 31.6% in 2009). In order to finance this deficit, Angola again used part of its international reserves, but in addition increased its external and internal debt. Government then adopted a restrictive budget policy, sustained by severe austerity measures including cuts of about \$3 billion in investments and public expenses in the budget for 2010. As a consequence, many important projects were dropped or suspended (e.g., the Angola International Airport) in the hope that the remaining ones could be executed as scheduled.
- At the end of 2009, Angola's external debt was \$10.8 billion, or 15.7% of GDP.
- According to its agreement with the IMF, Angola is required to take all necessary steps to ensure full budget transparency within all public enterprises, above all Sonangol. One of the measures adopted was the creation of a public fund (Fundo Petrolífero para o Sector da Energia e das Águas) under the responsibility of the Ministry of Economy at the end of 2009. A portion of the country's oil revenues are channeled into this fund and are used for public investments in infrastructure in the areas of energy development and water supply.

- The Angolan state's persistent delays in making payments due to private enterprises have created increasingly serious problems. In September 2009, overdue payments amounted to about \$4 billion; in the following months, a rise in oil prices enabled this amount to begin being reduced, though very slowly. In the meantime, the impact on Angola's economic growth was highly negative, especially as quite a number of major and minor projects had to be stopped. One of the consequences was a sharp increase in unemployment. In this context, the costs of preparing and organizing the 2010 African Football Championship turned out to be a heavy additional burden.

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, or the interference of private interests supported by political influence, remains common, so that no genuinely level playing field exists.

Land property is a particularly touchy issue. During a long period following independence, members of the elite power networks (often high ranking military officers or members of the government) used their influence to gain possession of large portions of land that either had previously belonged to European settlers, was open land used by herders, or had been left behind by small farmers who had fled to the cities during the Civil War. Moreover, when many internally displaced persons returned home after 2002, they found other individuals farming the land they had previously owned. Since that time, the legal situation has been clarified. Under the present constitution, land belongs to the state, but people have occupation rights which are spelled out by a land bill passed by the parliament in 2004. Until that time, people occupying land had protection under the civil code even if they lacked official title, but in subsequent years this become considerably more difficult. As a consequence, it has become easier for upper and middle class people to obtain the rights to use land for farming and cattle breeding. In principle, the law protects traditional farmer and herder communities by forbidding outsiders to use areas inhabited or used for cultivation, cattle breeding or the population's livelihood; however, given Angola's pervasive corruption, these provisions are often ignored. The situation has improved somewhat following the implementation of the CAC mechanisms, but abuses still occur with some frequency.

In urban areas such as Luanda, many Angolans who bought land on the informal market from people without title rights face eviction by the government and demolition squads. The forcible removal of hundreds of families in the capital's

Property rights

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suburbs of Benfica, Boavista, Cambamba and Kilamba Kiaxi drew criticism in recent years, as people were resettled in peripheral areas in order to make space for construction projects such as shopping malls, a new airport or luxury apartment compounds. Procedures of the same kind now threaten people who will have to make room for ambitious building projects on and near the Marginal, Luanda's coastal avenue.

Angola's private entrepreneurial sector has in recent years increased substantially in size, but the state still plays a very considerable role in the Angola economy. The development of private enterprises is hindered both by deficient infrastructure, an inadequate regulatory environment and a poor business climate.

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 that of a facilitator. From 1995 to 2000, 272 state-owned companies and small businesses were sold. But particularly with respect to 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, 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 have not yet reached 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 that constitute Angola's legal framework for private investment in infrastructure (in turn supplemented by various decrees), one was revised in 2002 and four are comparatively 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 stated 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. The elaboration of a new law for

Private enterprise

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public enterprises as well as the adoption of an official status for public-sector executives are some of the measures taken in 2010 in order to establish a legal framework in better keeping with the present structure and dynamics of the Angolan 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 in the middle of the 2000s, and had increased to 46.7 years in 2009. Infant mortality rates have been among the highest in the world (116 deaths out of 1000 births in the year 2009), while 35% of the population suffered from malnutrition. Only 53% of the population had access to an improved water source, and only 31% benefitted from basic sanitation. An important feature of the budget legislation for 2008 was a pilot project testing the decentralization of budget execution. Outbreaks of cholera continue to occur in Luanda and other places.

Improving this situation will only be possible if local administrative resources are increased. For this reason, 68 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. However, the share of the central government plus the city of Luanda in the budget for 2010 was in fact still overwhelming.

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%

Social safety nets
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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 amounts spent on health and education have been increasing substantially. According to the OECD's African Economic Outlook 2008, the country's growth in the previous years – which could be attributed to an expansion of private and public investment – had positive impacts on poverty and living conditions in Angola, especially in 2006 – 2008.

The principal effects were an increase in the availability of employment, the reintegration of displaced people into the workforce, a renascent agricultural sector and an increase in the purchasing power of those who were employed. The OECD reported 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,” according to OECD data.

Although reliable data on gender inequality are still not available (a study commissioned by the government was due in 2007 but has not yet 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 rural areas, 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 comparatively high, in some instances even reaching well above 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 (29% of the total) and vice-ministers (19% of the total), as well as secretaries of state (22% of the total). In the current parliament, 38.6% of legislators are women. Discrimination because of political affiliation is today observed only when key positions are at stake. Overall, there has thus been significant progress with respect to equal opportunities.

Equal opportunity
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11 | Economic Performance

Due to the booming oil sector, Angola's economy showed one of the highest growth rates in the world in the 2002 – 2008 period. According to an OECD-report from 2008, “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.” According to the World Bank, “the GDP real growth rate of

Output strength
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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). However, as a consequence of the international crisis, the growth rate fell considerably after 2007. According to the BNA, overall growth in 2010 was 4% – and was even somewhat higher (5.7%) in the non-oil sector than in the oil sector.

During most of the 2000s, oil revenues accounted for more than 40% of GNP, and constituted 80% of fiscal revenues for the state. Although the growth of the non-oil sector still lagged behind the oil economy, particularly outside Luanda, it nevertheless picked up substantially (13.8% in 2006). After the shock of 2008 – 2009, oil revenues constituted “only” 63.7% of state revenues in 2010, thus reflecting a certain diminution of Angola’s “petrodependency.”

In this context, agriculture is of central importance. Due to the end of the Civil War, to active demining operations and excellent weather conditions, this sector has increased its output slowly but steadily, 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 incomes are generated in the informal sector through the trade of a large diversity of goods, most of them imported. Growth of per-capita GDP moderated after 2008. 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 developments (unsatisfactory employment levels, difficulties in balancing the budget, a fluctuating trade balance).

Since 2002, the Angolan economy has been going through an intense process of recovery, with large-scale construction of productive and social infrastructure. This had important short-term repercussions on the development of economic activities, in particular by permitting a reduction in transaction costs. However, given the setbacks of the international crisis, this trend has slowed down significantly since the middle of 2009.

State investment in social domains has increased substantially, illustrated by the budgetary amounts allocated in 2007 and 2008 to health, education and community development. Here again, a significant change has taken place since 2009. One illustration of this reversal is the fact that in the budget for 2010, expenses for security (armed forces, police and intelligence services) amount to 19.6% of the whole, and are thus higher than those for education (8.5%), health (5%), social protection (9.7%) and housing (5%).

Additional aspects of the recent evolution of the Angolan economy include 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, the Angolan constitution (that of 2010 as well as that of 1992) makes the state responsible for environmental protection. In 1998, a basic law on the environment (Lei de Bases do Ambiente) was adopted, and in the same year, Angola adhered to the Vienna Convention and the Montreal Protocol. After the end of the Civil War, these legal steps were followed up by the passage of three complementary laws on evaluating the environmental impacts of public and private projects (2004), on the rules for approving activities following an environmental evaluation (2007), and on associations created to defend the environment (2007). Angola also signed the Kyoto Protocol in 2007. Oversight of environmental policy used to lie with the Ministry of Fisheries and Environment, which in 2006 drafted a plan for sustainable environmental development, which then passed into the hands of the Ministry of Environment, created in 2008. Major concerns in Angola include deforestation (illegal timber cutting, especially in the east and in Cabinda), soil impoverishment and erosion in the coastal regions of the southwest, desertification, pollution by the oil industry, and depletion of fish stocks, as well as the innumerable landmines that continue to exist in several parts of the country. During the Civil War, environmental issues were not an area of political interest, either domestically or internationally. According to a 2006 government report, environmental politics in Angola suffered from a general lack of data; as a consequence, a data bank (Banco de Dados e Indicadores Ambientais de Angola) on the issue was created in 2009. The government's capacity for environmental planning was initially rather low; indeed, in 2004 – 2005, a National Environmental Action Plan was developed by the UNDP in cooperation with the government. However, this situation has slowly but steadily changed for the better over the last several years. The concrete application of the above laws and programs has progressed step by step. The 13 natural reserves (parques nacionais) which are (re)emerging from a state of neglect represent a kind of environmental showcase. There is no doubt that overall much remains to be done, and that environmental problems still do not receive the degree of attention they are entitled to, but progress in this field has nevertheless been noteworthy.

Environmental
policy
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The quality of education in Angola has made substantial progress over the last half-century, due to a politically motivated boost during the last decade of colonial rule, considerable Cuban-backed efforts during the socialist period, and – after the destruction and degradation caused by the civil war – 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. Other programs include the development of professional/vocational training and literacy campaigns (e.g., the Literacy and School Acceleration Program (Programa de Alfabetização e Aceleração Escolar) which began in 2009). The recruitment of about 30,000 new teachers between 2008 and 2010 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 somewhat. Nevertheless, the general situation is still far from satisfactory. Angola's literacy rate for the population 15 years of age or older was 65.6% in 2010. Children over 12 years old, enrolled at the primary level, represented 58.5% of this group, a fact illustrating one of the long term consequences of the Civil War.

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

Education policy /
R&D
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namely former soldiers, especially disabled war veterans, war victims etc” (OECD African Economic Outlook 2008: 133-134). For the sake of illustration it can be added that these training activities included about 60,000 participants in 2009, about 33,000 of whom concluded their chosen program successfully.

The higher education environment began to improve substantially in 1995 when full autonomy was granted to what was then the only public university, Universidade Agostinho Neto, which since independence had expanded across the whole country. However, funding still posed a major problem, while other problems were structural in nature. Growing demand has led to the creation of an increasing number of private higher education institutions since 2000; more than a dozen were operating by early 2011, while several others were being readied. The quality of these establishments is quite unequal, and irregularities are frequent; some lack official authorization, while in other cases authorized universities minister unauthorized programs. In both cases, the diplomas delivered are not recognized. A profound change to the Universidade Agostinho Neto was also effected during the period under review: During 2009 and 2010, the institution’s 40 scattered faculties were regrouped into regional universities centered in Cabinda, Luanda, Benguela, Lubango, Huambo, Uíge and Dundo. By all indicators, the quality of Angola’s public and private universities remains relatively low. The dominant 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 an MA or Msc degree), and doutoramentos (leading to a doctoral degree). However, only a limited number of mestrado programs in fact exist, and so far no doutoramentos whatsoever. Postgraduate degrees thus as a rule have to be obtained abroad. Under these circumstances, very little research is carried out at Angolan universities (or for that matter 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 civil war, it still faces numerous challenges with respect to democratization.

Structural
constraints
7

Observers estimate that two-thirds of the more than 500,000 wartime refugees have returned from neighboring countries and have been resettled in a more or less organized way, partly in the rural areas from which they originally fled, and partly in the cities. In addition, a considerable share of the several million internally displaced persons have returned to their places of origin, although many remain to this day in the larger cities (mainly Luanda). As a consequence, slightly over half the population lives in urban areas, while many rural areas are characterized by a low population density.

Several years of high inflation rates have negatively affected the country's economic conditions. Real wages in the formal economy have been eroded, real money balances have declined and the dollarization of the economy reached very high levels by 2006 (although these levels have since declined). Damaged 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 infrastructural reconstruction. 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, a shortage of skilled labor, and deficient productive and social infrastructures constitute the state's primary structural constraints with respect to management performance. Moreover, the country provides a sobering illustration of how well dominant groups are able to defend their specific interests in societies with such severe social inequality, low average levels of schooling, weak traditions of political participation and low levels of political awareness among the population.

In addition, HIV/AIDS must be mentioned. Although only 16.6% of the population has been tested for HIV according to the IBEP survey mentioned above, at least by 2009 it appeared that the virus had not spread through Angola at the same rate observed in neighboring countries to the south. Official estimates put the proportion

of infected persons at near 2% of the population, with slightly higher rates in southern Angola.

Civil society traditions in Angola date back to colonial times, when two associations of black Angolans – the African League (Liga Africana) and the Association of Born Angolans (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; this group helped create and consolidate an Angolan social identity. The UEA over time became politically important through its support for writers critical of the regime, and for the socially adverse situations to which it has given rise. A few professional organizations have been established, including the Association of Angolan Lawyers (Ordem dos Advogados de Angola), which has advanced civil and political rights and sought redress or protection for individuals persecuted (e.g., journalists) by the government, and the Association of Angolan Sociologists (Sociedade Angolana de Sociologia), which has defended (with some success) its members' right to publish research results without government interference.

Angola's Christian churches – in particular the Catholic Church – have arguably become the most important political actors within 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. Several of them have remained one-man shows predominantly based in Luanda, although many have been founded in and around other towns, especially Lubango and, more recently, Huambo. Only a few appear to have the capacity to function independently, with most remaining largely 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. According to the Technical Unit for the Coordination of Humanitarian Aid (Unidade Técnica de Coordenação da Ajuda Humanitária, UTCAH), 127 international NGOs and up to 464 national NGOs as well as 25 church organizations and 19 foundations are currently registered with Forum of Non-Governmental Organizations in Angola (Forum das Organizações Não Governamentais de Angola, FONGA). However, while a number of them can be considered as adequately consolidated, a substantial share of this whole exists 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

Civil society
traditions

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– some of them well-established – contribute to the consolidation of a participative environment, despite the critical attitude of the regime due to past political action. In addition to the development-focused 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 serious open conflicts articulated in ethnic terms; however, latent and sometimes deep-rooted tensions continue to exist, and occasionally lead to minor incidents. To a considerably lesser degree, the same holds true for racial conflicts. Poverty and inescapable inequality harbor the potential to ignite social conflict, particularly in urban areas. There are practically no religious conflicts.

Ethnicity plays some role in party political cleavages, but to a decreasing degree. As a result of the 2008 elections, the ruling MPLA has definitely overcome its initial concentration on its Ambundu stronghold. Also, while the Bakongo provide the primary social support group for the FNLA, most Bakongo in fact voted MPLA in 2008. Similarly, while the majority of the Ovimbundu voted for UNITA in 1992, most of them voted for the MPLA in 2008. The MPLA's landslide victory, with large majorities throughout the country, certainly helped to tone down the ethnic issue in politics. There is just one minor party, the Party for Social Renewal (Partido da Renovação Social, PRS) which in 1992 as well as in 2008 proved to have an established constituency among one ethnic group, the Chokwe, who are concentrated in northeastern Angola.

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 a regionally oriented social identity that has come to be shared by many if not most Cabindans, at the cost of a social identity that refers to Angola as a whole. At the same time, disputes over the region's material resources (oil, timber) and the best means of distributing revenues from their exploitation also play a role.

Conflict intensity

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II. Management Performance

14 | Steering Capability

Until the beginning of 2010, the main institutions in charge of designing and implementing economic policies were the Ministry of Planning, the Ministry of Finance, and the Central Bank (Banco Nacional de Angola, BNA). Together, this group had the justified reputation of being institutionally weak. Despite donor

Question

Score

Prioritization

4

efforts aimed at capacity building, the organizations remained short of professional staff able to collect data and formulate economic policy. This is in part why the presidential staff has often intervened, bypassing the three institutions formally responsible for economic management and frequently reversing their decisions. As a result, Angola's ministries have historically had limited steering capacity, and have been very cautious about implementing policy. Strategic planning in Angola has in turn been poor, and policy recommendations often vague or inconsistent. Generally approved only after long delays, programs were often abandoned, which in turn paralyzed the policymaking process. Long lists of projects were presented with little regard for their feasibility, financial or social value. Ministries put forward projects that were only rarely (or insufficiently) screened by the Ministry of Planning, and social cost-benefit analyses were not performed. Political influence rather than economic rationality was often the driver of implementation. When planning did take place, there was often little correlation between the plan and what the government ended up doing. Efforts to overcome these weaknesses and shortcomings have been undertaken since 2007, but initially with limited palpable results. Whereas the political leadership claimed to pursue long-term aims, short-term goals reflecting rent-seeking interests (which are the object of bargaining within the ruling class) frequently prevailed. A slight change for the better was brought about in the context of the Sustained Development Plan for 2009 – 2013. This plan today serves as a framework for annual programs which are specified with improved precision and consistency. The program for 2009 – 2010 establishes economic growth and diversification and poverty reduction as overall strategic objectives. Partial goals include the fight against hunger and misery, the continuation of (post-civil-war) reconstruction, modernization of the public sector, modernization of the economy (public and private), industrial development, integrated rural development, the improvement of human resource skills at all levels, development of the entrepreneurial class, job creation, and development of the infrastructure essential to any overall improvement in the quality of life. Priority is given to the creation of incentives for (foreign and domestic) investments and exports, to a policy of job creation linked to professional training, and to a policy of development in the domains of science and technology. These objectives/priorities are then broken down and defined in operational terms, and with relation to the actual situation currently existing in various sectors such as agriculture (including cattle breeding and forestry), fisheries, mineral extraction and manufacturing. However, the experience of 2009 – 2010 suggest that planning of this kind has not to date produced a radical change in the steering practices described above, but has rather produced gradual improvement within a number of aspects.

Attempts to reform undertaken since the late 1980s have often appeared erratic, 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.

It now seems that this backing finally exists. Immediately after the new constitution was adopted, the government was completely reshuffled by the president, who since 2010 has been directly responsible for the executive. In this context, a special effort was made to enhance the executive's steering capacity. The structural solution initially adopted was changed after an experiment that lasted only half a year, and in October 2010 the decision was made to define with precision the steering competences of the ministries of Economy, Planning, and Finance in such a way as to avoid overlaps and areas without clearly established responsibilities. At the same time, efforts under way since 2008 to improve the technical capacities of the ministries in terms of planning and implementing policy measures were again intensified. The expectation was/is that the redesigned and more highly skilled state apparatuses will be able to overcome the "traditional" shortcomings and distortions, by working together in a mutually complementary way. Time will tell whether this expectation will prove to have been justified.

When discussing this issue, one has to keep in mind that the slow and gradual transition to what now approaches a fully market-driven economy has only been possible by circumventing the vested interests of the ruling class. The key question is whether the political will to implement a consistent reform policy exists; however, it appears that this will has indeed been building up, albeit slowly and with setbacks along the way. In 2005, for example, 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 would have bound the government to implement anti-corruption measures. However, at the last minute Angola received a separate, unconditional loan from the People's Republic of China, and consequently postponed ratification of the IMF agreement.

The Angolan government has in fact failed to tackle many of the issues on the IMF's to-do list provided in the oil diagnostic study published in May 2004. Indeed, as both a key regulator and commercial agent, Sonangol remains a hybrid entity. The diamond sector remains in addition highly nontransparent.

After a 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 was expected to reduce food prices, enlarge the market for locally produced food products and help to create 200,000 jobs by 2012.

However, given the dramatic economic problems which appeared in connection with the international crisis of 2008 – 2010, the implementation of these programs, especially PRESILD, has fallen seriously short of their original goals. Examples include the collapse of the state-owned chain of popular supermarkets, Nosso Super, while the state-owned logistical and distribution centers (Centros de Logística e Distribuição”) never got off the ground. A pair of new municipal markets in Luanda, Panguila and Cazenga, established in 2010 in an attempt to replace the informal markets Roque Santeiro and Asa Branca, have experienced difficulties in attracting vendors and clients. As a result, the government began preparing a complete revision of these programs in 2011.

Although the Angolan government’s shortcomings in terms of policy implementation and project realization have been documented by organizations such as the UNDP in its cooperation agreement with the Angolan government, and although the structural solutions adopted in 2010 seem convincing, Angola has yet to demonstrate the capacity and will to bring about major changes. The political leadership has made several attempts to introduce changes in response to mistakes and failed policies, but it has in fact often remained stuck in the same routines as before. Nevertheless, learning processes do occur, and slowly improve the knowledge base or cognitive framework on which policies are based. However, as action derived from such processes often runs against vested interests, real change is difficult.

Policy learning
4

15 | Resource Efficiency

Compared with other developing countries, particularly those of the surrounding region, Angola’s public sector is large. However, it has considerably less impact on the development of the country than its size would suggest – in part due to the civil war, and in part due to a simultaneously authoritarian and neo-patrimonial political regime which has fallen prey to pervasive corruption.

Efficient use of
assets
4

Angola’s overextended public payroll means that any increase in public salaries that is to be funded through an increase in public spending has to take into account the presence of “ghost workers” on the payrolls and other gray areas of public spending. Clearly, mechanisms to monitor public expenditure are urgently needed. To date, the reliability of fiscal data remains extremely weak. 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 enabling audits of the public finances, these systems are only partially operational and are insufficient to the task of imposing transparency in an environment awash

in corruption. Nevertheless, there has been some progress made in recent years. In 2006, the Ministry of Finance introduced 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 of Sonangol's financial statements performed by international accounting firms has served to enhance the increased transparency made possible by SIGFE and SIGIP. In 2007, the Ministry of Finance posted fiscal receipts from diamond exports on its Web site for the first time. In addition, there have been efforts made to make more efficient use of civil service personnel, chiefly by shielding recruiting procedures from political or other kinds of interference. In fact, political interference occurs today only when positions of responsibility are at stake, though personal connections still play an important role on other levels. Simultaneously, there is now a more efficient use of budget resources through better balanced state budgets, a manageable level of public debt, effective auditing (partly under IMF control), and transparent budget planning and implementation.

Although macroeconomic conditions 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 seeking to stimulate growth beyond the mineral sector. Failures in policy coordination also occur in areas other than the economic. They are sometimes rooted in conflicts between group or even individual interests within the sphere of power holders. Another source of problems lies in the overlapping competences of state organs; this sometimes involves multiple ministries, but more often brings ministries into conflict with ad hoc or permanent commissions appointed by the president.

In Angola, pervasive corruption (one of the largest single inhibiting factors to private-sector investment and growth) remains very high, so that the country figured again among the 10 most corrupt in the world in 2010. The anti-corruption commission demanded by parliament has not been implemented, and political actors brought on trial for the embezzlement of funds by the Financial Court (Tribunal de Contas) still hold their positions. The bilateral oil-backed credit agreements secured by the Angolan government with China between 2005 and 2008 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, there have been cases of personal appropriation of a portion of the sums disbursed, without any consequences for those involved.

Policy
coordination
5

Anti-corruption
policy
2

16 | Consensus-Building

While a majority of the population agrees on the goals of democracy and a market economy, the main political actors, among the ruling class as well as the opposition, have yet to demonstrate that they too have these goals in mind. In examining practical implementation mechanisms, there is ample reason to doubt that political actors in particular are genuinely interested in facilitating a healthy market economy or democracy. Skepticism abounds, as it appears that the opposition may simply be pressing for no more than the redistribution of power and benefits, while the ruling class instrumentalizes the discourse of democracy in order 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. The CACs (see “basic administration”), created in 2009 – 2010 at the local and municipal level for the purpose of consensus building, are in principle an instrument of fundamental importance; however, most are not yet fully operational.

Consensus on goals
5

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 remains an obstacle to true democratization. There are concerns that, if given the chance, UNITA and FNLA would adopt similar attitudes and practices, although such speculation is not based on any evidence. In the party system overall, forces striving for an effectively democratic regime in Angola have been weak, but became somewhat more voluble after the 2008 elections, and again after the political protest that erupted early in 2011. The same holds true for civil society institutions and for the society at large; most groups and individuals have been concerned with pressing immediate problems, but palpable signs are now emerging of individuals and informal groups pushing for long-term change.

Anti-democratic
actors
5

The Angolan ruling class has demonstrated some capacity to deal with conflicts and potential conflict. Regional and ethnic cleavages have been played down rather systematically. Years ago, the FNLA ceased to be an important political actor, in part because some of its key figures had been bought off; 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 at first allowing them to participate in core decision-making processes – a strategy that began to be revised in 2010. The handling of the Cabinda conflict has not had the expected success, which demonstrates the limited nature of a strategy entailing co-opting the main challengers without actually including them. The most important source of potential conflict, one that has been building up over the years, is the

Cleavage /
conflict
management
6

prevalence of poverty and inequality. Outbreaks of social conflict have to date been sporadic and local, and have been easily quelled through police repression, but it is foreseeable that this model of “conflict management” will not be viable in the long run.

The government has sought to consult with 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. For example, the request made by a large number of NGOs to amend the constitution first and deal with land rights later was ignored. Opposition forces were consulted and included in the working group on constitutional reform, but when they voiced objections to the MPLA draft and no consensus could be reached, the parliamentary reform commission was simply dissolved. The ruling party’s willingness to consult and to seek consensus thus appears based less on political will than on the desire to project the image of a liberal regime, while in fact continuing to follow its own logic and agenda. In the last three years, several new organizations have emerged that seem to have had 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, and the consequences of bilateral cooperation between China and Angola, among others. Another example is the Municipal Development Project, which is being implemented by three NGOs (Care, Development Workshop and Save the Children), each working within 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 the oversight of local public investments. The existence of certain links between this project and the governmental administrative decentralization or “deconcentration” efforts is noteworthy.

Civil society
participation
5

The Angolan regime has not launched a process of reconciliation dealing adequately – discursively as well as in practice – with the atrocities committed on both sides during the civil war, and with the material as well as psychic consequences of the associated violence and destruction. It is true that several measures were taken in order to support the reintegration of UNITA followers, refugees and internally displaced persons. 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 included under the Lwena Memorandum of Understanding. Another material as well as symbolic measure was the priority given to reconstruction in the Huambo and Bié provinces, the “homelands” of UNITA and the areas most deeply affected by the Civil War. Any further initiatives have been left in part to the Christian churches and a few NGOs, but primarily to the people

Reconciliation
3

themselves. In the meantime, the state has implemented several local initiatives, but initiatives designed to promote social healing processes, like those in South Africa, remain entirely lacking. However, 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 (or at least of passing over past experiences) seems generally to prevail. The salience of cleavages created or deepened by the civil war appears to be diminishing slowly, even if on occasion it is evident that latent resentments are still there. Moreover, in parts of the population, the regime-led massacres of up to 20,000 sympathizers (or alleged sympathizers) of a dissident tendency within the MPLA that attempted a coup d'état in 1977 appear all but forgotten. At the same time, cleavages arising from socioeconomic deprivation and inequality are visibly deepening.

17 | International Cooperation

The OECD's 2007 African Economic Outlook states that together with Nigeria, Angola was Africa's largest recipient of foreign direct investment (FDI) flows over the 2003 – 2005 period. Although FDI flows remain small outside the oil and mineral extraction sector, 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.

External donor support will continue to be important for the rehabilitation of Empresa Pública de Águas de Luanda (EPAL) in the crucial water resources sector. The primary 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 with EPAL's restructuring and modernization, providing technical assistance, and engaging in capacity building. The World Bank's Urban Rehabilitation and Environment Project for Benguela and Lobito province (PRUALB) led to the establishment of similar water-management 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.

Though the Angolan government has called for an international donor conference, the international community has rejected requests for significant additional loans or other disbursements in the absence of good-government reforms. Lacking access to traditional Western donor funds, the Angolan government has established close links with the People's Republic of China, which has become the single main buyer of the country's oil. In 2004, the Chinese government granted Angola an oil-backed credit of \$2 billion, and increased its loans further in 2005. Angola's relations with

Effective use of support

5

Credibility

5

multilateral institutions remain tense, but it seems that even as the IMF continues to insist on greater budget transparency before negotiations can begin, the World Bank is preparing to hand out a large credit, drawing criticism from NGOs fighting corruption such as Global Witness. Yet despite the lack of transparency, the persistence of rampant corruption and other such concerns, 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 improved its access to external credit by reaching an agreement with its Paris Club creditors on a repayment schedule for its remaining debt.

The country's recent electoral process, its cooperation with several neighboring states, and its compliance with the rules set by regional and international organizations have also contributed to the Angolan government's credibility.

Angola participates in the main regional organizations including 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 even though the domestic voter registration process had not yet been accomplished. One strategic interest of both sides in this relationship is to prevent anti-Kabila forces 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 international organizations such as the Community of Portuguese Speaking Countries (Comunidade dos Países de Língua Oficial Portuguesa, CPLP), the Organization of the Petroleum Exporting Countries (OPEC) and the World Trade Organization (WTO). A new phenomenon in this domain is the fact that Angolan entrepreneurs are increasingly coming out in favor of regional cooperation, especially within the framework of the SADC.

Regional
cooperation

7

Strategic Outlook

The autocratic and corrupt character of Angola's regime led it to be the first sub-Saharan African country where the transformation occurring in several Arab countries sparked in 2011 an increase in political protest against the regime, and in particular against President José Eduardo dos Santos. Political dissent began to be articulated, mostly via the Internet, going beyond more contained forms that have existed for some time (e.g., through "kuduru" rap).

However, appeals to organize demonstrations on the Arab model found little resonance within Angolan society at large, which was fearful of a new outbreak of violence, especially as the MPLA promised harsh reprisals against protestors. In the end, a massive "Peace Demonstration" organized by the MPLA took place in Luanda, while the scheduled protest demonstrations were cancelled after a few arrests by the police. Although the population has shrunk back from Tunisian-style demonstrations – partly out of a justified fear of violent repression, but mainly due to a fatigue with violence after decades of civil war – a controversial discussion has remained ongoing, in part online but also in many spheres of Angolan society, including churches, civil society institutions, and even within the ruling MPLA. This was implicitly evident at the commemoration marches organized separately by the FNLA and UNITA in Luanda, in mid-March.

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 and pervasive corruption to a "normal" market economy. Although the process has been initiated, there has been no decisive breakthrough and there remains 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 on these issues within the nucleus of the political and economic regime have been on record since 2006, and the electorally comfortable constellation achieved by the MPLA in 2008 – linked to the new constitution of 2010 – can be expected to support an intensification of critical debate on the feasibility of inflecting the so-called systems logic. In addition, the achievement of regular business operations within the economy is now pointed to as an indicator of the feasibility of systemic change.

Closely linked to this debate are the issues of poverty and social inequality. Until recently, these were subjects of open discussion only among the political opposition, civil society and a few academics. 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 ultimately produce social unrest and jeopardize the political system. In this process, some (difficult to be evaluated) weight has to be attributed to those within the MPLA rank and file who still adhere to the social ideals defended by their party before it “lost its soul.” The fact that the results of the 2008 election and the adoption of the 2010 constitution have left the MPLA in an extremely comfortable situation, without any serious adversaries, is likely to create a “relaxed” atmosphere favorable to internal debate. Some of the voices that emerged in the Internet discussion associated with the political protests of early 2011 seem to point in this direction, as did cautious speeches given during the May 2011 MPLA congress. However, given the resistance sure to be posed by today’s vested interests, it remains uncertain whether and to what extent the present constellation of forces can result in major reorientation.

The next step will need to involve granting the population effective political participation and civil rights. The practice of the regime as maintained since the 2008 elections does not yet point in this direction, nor does the constitution approved in 2010. It remains to be seen whether the political protest that surfaced in early 2011 will make a difference in this respect, or simply die down. In the meantime, the process of improving the state’s capacity to carry out its operations will no doubt go on.

In this context, the elections scheduled for 2012, which are already under preparation, will possibly be of paramount importance. It has to be remembered that according to the new constitution, they will be parliamentary as well as, by implication, presidential. As of the time of writing, a growing number of signs were indicating that José Eduardo dos Santos – in office for almost 32 years – would not again seek the presidency, and consultations as to his successor have already visibly started within the MPLA.