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Country presentation

by

THE GOVERNMENT OF ANGOLA

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REPUBLIC OF ANGOLA
GOVERNMENT OF NATIONAL UNITY AND
RECONCILIATION

MONOGRAPH OF THE REPUBLIC OF ANGOLA

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The Monograph of the Republic of Angola written in the ambit of preparatory work for the Third UN Conference on LDC (LDC – III) which will take place in Brussels and will be hosted by the European Union from 14 to 20 May 2001, reveals constraints which condition the social and economic development of the country.

These constraints are: the war, whose repercussions have made themselves felt fundamentally on infrastructures at the national level and on the demographic structure of the population; and the incipient macroeconomic environment, namely the continued high levels of inflation and consequently high interest rates, fluctuations in exchange rates and the problematic of the internal and external debt.

In this context the Government has drawn up a transitional Economic and Social Programme for the year 2001 which has at its core a Global Strategy to tackle the Crisis. This was approved in the middle of 1999, and will continue what has already started, as a means to achieve four main groups of objectives.

- **Objectives of a political nature**, such as guaranteeing national security, preserving territorial integrity, preparation of conditions for general elections to take place and the extension of State Administration to the whole country.
- **Social Objectives**, centred round a reduction in the poverty rate, improvement in health and education services, assuring minimum social assistance to those population segments who are most disadvantaged.
- **Economic Objectives**, resumed, amongst other aspects, in macroeconomic stability, structural market reforms, establishing basic conditions for entrepreneurial activity (infrastructures, investment incentives, access to technology and production factors), etc.;
- **Institutional Objectives**, centred on an improvement in the provision of services by State Institutions and Public Administration, transparency in state activity and empowering the business sector.

The macroeconomic table of reference for 2001 establishes the following goals:

- Real growth rate in petroleum sector as part of GDP- 1.8%
- Real growth rate non petroleum sector as part of GDP – 11.7%
- Real growth rate of GDP 3.4 %

- Annual Petroleum Production 268.4 million barrels
- Average export price for crude oil \$US25
- Annual inflation rate of 75%
- State Accounts balance +2.2% of GDP

Although modest, they are still challenging goals, namely those which establish added value growth of the non-petroleum sector of the economy, those set for inflation and balancing state accounts. It is intended, above all, to consolidate reforms already made, gain credibility in the realm of political economy and create conditions to revert the situation of poverty, and reconstruct and develop the country.

The government presents in its Social and Economic Programme for 2001 a practical social agenda directed at reducing deprivation which affects an important section of our population.

The most striking initiative will be taken in the realm of the Government's Social Agenda, situated in the context of a strategy to reduce poverty in the country. This extremely important political and social instrument is being drawn up and it will propose to society and also to the international community a coherent and consistent programme of actions, measures and projects to achieve a substantial reduction in poverty.

All the initiatives in the realm of Health and Education and in other similar sectors, carried out in order to attenuate the precarious living conditions of a majority of the population, will be regrouped into a Strategy to Reduce Poverty, linked and integrated into a matrix of relevance in order to maximize the synergies between them. In addition new measures and projects, particularly at provincial level, will also be considered and integrated.

There are other aspects to consider in the realm of Social policies. Some of the measures proposed are: opening up a dialogue with social partners with a view to establishing a minimum national salary, carrying out periodic readjustments to the Public Service sector, subsidizing public transport for certain sectors of society (students and workers), support programmes for displaced people, abandoned children and old people, etc.

In addition, the implementation of important social programmes will continue, such as: National Programme for Emergency Relief and Humanitarian Assistance, Combat Programmes against the major endemic diseases, a Programme of Combat against HIV/AIDS, a Post-Emergency Health Programme, a Literacy Programme, a Programme to Improve the

Quality of Teaching, a Programme of Professional Orientation and Training, a policy to grant internal scholarships, amongst others.

The Government is, at the moment, drawing up an interim Strategy for the Reduction of Poverty in the ambit of agreements with the IMF and the World Bank. As well, it intends to draw up a medium term plan 2002-2006, in which it will consider the goals and objectives laid down at the International Conference on LDC.

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I. Introduction

The Republic of Angola is situated on the west coast of Africa, south of the equator. To the north it borders on the Democratic Republic of the Congo (ex-Zaire), to the east on Zambia, to the South with Namibia and to the west it has an extensive Atlantic coastline of 1,650 Km. The cold Benguela stream flows along the coast from north to south. Angola occupies a total area of 1,246,000 Km² and has an inland frontier which measures approximately 4,900 Km.

Its geography is characterized by inland plateaus, which descend gradually to the east and southeast and to the Atlantic coast in terraces. In general we can distinguish three large areas starting from the west:

- The relatively narrow coastal region, which goes from the beaches to the hills, of 400 m altitude, varying from between tens of meters to hundreds of kilometres in width (e.g.: the last part of the Kwanza basin stretches nearly 200 Km);
- The sub plateau, next to the former areas, with a much more varied landscape;
- On the eastern side the inland plains are hemmed in by higher land, which can be classified as minor mountain ranges.

Extending between 5° - 18° on latitude south, with plateaus 1,500 meters and higher, Angola has a mosaic of landscapes which includes very dense equatorial forest, (as in Maiombe, in Cabinda, and certain areas in the more humid northeast), an intermittent land cover of shrub land and grasses irregularly distributed, as far as the empty expanse of Namibe, where large strange shaped plant formations grow and other species able to gather humidity from the coastal mists.

The main rivers descend from the interior, in deep valleys, of irregular riverbeds, where there are many rapids and waterfalls, becoming much wider near the ocean. They very often end in wide estuaries and are banked by cordons of sand (sandbanks), present from the south to the north. Behind these there shelter open bays and the best of the country's ports (Luanda, Lobito; Namibe and others). Amongst the main rivers are the Zaire, the Kwanza and the Cunene.

The climate is tropical in the north and subtropical in the south, being temperate on the higher altitude plains. There are two distinct seasons: one hot and one humid, in which rainfall is greater, and the other colder and drier, known as "cacimbo" or the dry season.

The population of Angola is estimated at about 11,800,000. Its distribution is uneven, with population densities varying from between 0.6 inhabitants per Km² in the province of Kuando Kubango to almost 640 inhabitants per Km² in the province of Luanda. All the other provinces have population densities near to or less than 20 inhabitants per Km².

The annual population growth rate is around 2.9%, the urban rate is estimated at 6%, and the rural rate at 0.8%. It is also estimated that about 3.5 million people are concentrated in urban areas, drawn to the towns in their search for greater economic stability, of whom nearly 2.5 million live in the city of Luanda, (about 70% on the outskirts).

Angola has a young population, 45% are under the age of 15, 70% under 30, making the average age 19.

Recent economic and social progress is characterized by low GDP growth rates and by high unemployment and inflation rates.

In 1999 a growth in GDP is expected as a result of a production rate of 2.4%, and 4.6% for the petroleum sector. It should be noted that the mining sector makes up about 70% of the sum total of GDP.

The Angolan system of education has always had significant difficulties in functioning, and in particular from 1992 onwards with the renewed onset of the civil war. This explains the deterioration or the advanced state of disrepair in which existing school infrastructures can be found, the quantitative and qualitative scarcity of teachers, high failure rates and the illiteracy rate of 42%.

In terms of infrastructure the same applies to the Angolan Health System, but its problems are compounded by the lack of a clean water supply and the precarious availability of foodstuffs.

About 35% of children are malnourished (almost 17% are under 5 years of age of whom 3.5% are in a critical condition) the maternal mortality rate is around 2% (about 2 thousand babies die per 100,000 births). Angola has, according to estimates, from 90 thousand to 200 thousand physically disabled as a result of landmine accidents.

In addition water contagious epidemics are frequent (cholera, hepatitis and dysentery). Acute diarrhoea, respiratory diseases have reached danger levels and have become endemic in many regions of the country. The country has witnessed a generalized and fatal resurgence of tuberculosis, meningitis and, especially of malaria. Sleeping sickness or trypanosomiasis, whose transmission was controlled in 1997, has re-emerged and spread. Angola has one of the lowest indices of infection by HIV/AIDS in Southern Africa. As Aids is a cause for concern a National Programme of Combat is being executed, although data available is not totally reliable.

The economic and social situation prevalent in 2000 continues to be negatively influenced by military instability. The government and state institutions have endeavoured to reverse this situation which, on the whole, has made the concerted and sustained process of economic recovery very difficult.

The recent agreement reached with the Bretton Woods Institutions is proof that the Country, in a situation of less military pressure, is capable of re-treading a sure path, recapturing credibility, proceeding to the necessary institutional and structural reform and strengthening its prestige in international institutions.

For reasons essentially related to the performance of the petroleum industry in 2000, GNP cannot have increased in real terms by more than 2.1%. In reality the extractive sector has recorded an increase of only 0.6%, in contrast to rate variations for agriculture, forestry and fisheries (9.3%), manufacturing industry (8.9%) and construction (7.5%).

Although progress has been made in macroeconomic terms in 2000, and in certain specific aspects, in other dimensions the gains have been less striking. We managed to invert the nature of budget balances which are chronically in deficit, the deficits are less, and can become positive. The global tax deficit is estimated at only 1.9% of GDP and on the basis of deposits estimates point to a positive percentage of 9.6%.

On the monetary front important structural reforms were followed through with a tendency to improve the workings of respective markets, namely in the ambit of exchange policy.

Two less positive aspects recorded in 2000 are inflation and the size of the external debt. In terms of inflation, the price stability initially predicted was not achieved. In effect the goal laid down was an increase in the consumer price index of 169% and the effective rise recorded was 268%. The second negative aspect relates to the serious problem of the country's external debt. Debt servicing represented nearly 87% of tax revenue and almost 34% of GDP in 1999. For 2000, although high, these figures dropped to 60% and 24% respectively.

The country's social situation continues critical and the global poverty rate, estimated at between 64.5% and 67.5%, starkly translates the unfavourable situation experienced by a vast majority of the population. However, many projects and programmes were carried out in different social spheres.

II. Presentation of the Country

2.1 Geography

The Republic of Angola is situated on the west coast of the African continent, to the south of the equator, bordering on the Democratic Republic of the Congo in the north (ex-Zaire), to the east with Zambia, to the south with Namibia and to the west by the Atlantic Ocean. It also includes the enclave of Cabinda situated in the north between the Republic of the Congo and the Democratic Republic of the Congo. Angola has a total landmass of 1,246,700 Km², a stretch of Atlantic seacoast measuring 1,650 km and its land territory measuring around three times more. The cold Benguela stream runs along the coast moving from south to north.

Its geography is characterized by inland plateaus that descend gradually to the east and southeast and to the Atlantic coast in terraces. In general we can distinguish three large areas starting from the west: the relatively narrow coastal region, – which goes from the beaches to the hills, of 400 m altitude, varying from between tens of meters to hundreds of kilometres in width (e.g.: the last part of the Kwanza basin stretches nearly 200 Km); the sub plateau, next to the former areas, with a much more varied landscape. On the eastern side of the country the inland plains are hemmed in by higher land, classified as minor mountain ranges.

Extending between 5° - 18° on latitude south, with plateaus 1,500 meters and higher Angola has a mosaic of landscapes which includes very dense equatorial forest, (as in Maiombe, in Cabinda, and some areas in the more humid northeast), an intermittent land cover of shrub land and grasses irregularly distributed on the ground, as far as the empty expanse of Namibe, where large, strange-shaped plant formations grow and other species able to gather humidity from the coastal mists, and a rare species called "*Welwitschia Mirabilis*". On a relatively narrow strip, from the Canda mountain range to below N'dalatando, in small stretches of Malange and also in Kwanza Sul, there are forests of a type known as "silver leaf", on which coffee naturally grows. Between Malange and Lunda, interspersed with the forest we find savannahs which occupy vast areas. Apart from this, a large part of Angolan territory is pasture and various types of savannah; on the coast there are scattered trees, of which the baobab tree is the most striking, with its over large trunk and slender branches, palm trees with palm nuts and numerous cacti. In the interior of the plateau region dense woodland and savannah predominates with a large variety of species. Over vast areas of the east, there are open flood plains with trees and low-lying grass lands, (Lunda) and the

“*crytosepalum maraviense*” (Moxico and Bié) add to the rich variety of Angolan vegetation. On very high altitude land (Serra da Chela, Bailundo and others) terraces are predominant. The same type of vegetation can be found in more lowland areas as in the desert strip.

The fauna is very rich and varied with the presence of the giant Oryx gazelle (*Hippotragus Niger Varianni*) a species which is now quite rare. There are several national parks such as, amongst others, Quissama, Kangandala, Kameia and Iona to ensure the conservation of existing resources.

The main rivers descend from the interior, in deep valleys, of irregular riverbeds, where there is an abundance of rapids and waterfalls, becoming wider near the ocean. They very often end in wide estuaries, banked by cordons of sand (sandbanks), present from the south to the north. Behind these shelter open bays and the best ports (Luanda, Lobito; Namibe and others). Amongst the main rivers are the Zaire, the Kwanza and the Cunene.

Together the latitude and the type of relief, the effects of the cold ocean stream and the continental factor result in considerable climatic variation. The climate is tropical in the north and subtropical in the south, and temperate in the highland areas. There are two distinct seasons: one hot and humid, with high rainfall, and the other colder and drier known as “cacimbo” or the dry season.

Considered one of the most beautiful countries on the continent, Angola possesses enormous potential for tourism, although this activity is practically at a standstill.

2.2 Tourism

The coastal region is a haven of beaches, mainly in the bays of Luanda, Benguela and Namibe, ideal for competition fishing. Luanda also has the paradise island of Mussulo and exceptional conditions to become an international conference centre.

Also worthy of reference because of their historical and touristy value are the Black Rocks of Pungu wa Ndongu in Kwanza Norte, the rocky mountain range of Chela and the mountain precipices of Leba and Tundavala in Lubango.

Enormous waterfalls can be found in almost the whole country, the most impressive of which are the Kalandula Waterfalls on the river Lucala, in the province of Malange. On the southern frontier are the Ruacana waterfalls, and others exist, namely those of Dala, Luando, Onguéria and Luisavo.

2.3 Demographic Tendencies

The population of Angola, its geographical distribution and the annual variation rate are not known accurately given the fact that complete and trustworthy censuses have not been carried out. The last one dates from 1970. However, the population is estimated to be around 11, 800, 000. This number leads to a low population density, about 10 inhabitants per Km², considered even lower if compared to the average for the African continent (21 inhabitants per km²) and the Southern African average, of which Angola is part (17 inhabitants per Km²).

The vast territory of Angola has a significantly unequal population spread, with population densities varying from between 0.6 inhabitants per Km² in the province of Kuando Kubango to almost 640 inhabitants per Km² in the province of Luanda. All the other provinces have densities nearer to or below 20 inhabitants per Km².

It is believed that the annual growth rate increased from 1.6 % in the fifties to 2.8 – 2.9% in the nineties. This increase can be explained by a historical decline in the gross mortality rate from 34 per thousand in 1950 to an estimated 19 per thousand in 1996.

Longevity, measured on the basis of life expectancy at birth according to MICS – Multiple Indicator Cluster Survey, is at present estimated at 42.4 for the population in general, 40.7 for men and 44.5 for women. Both levels are well below the averages of 51 years for sub-Saharan Africa and 62 years for developing countries.

As is generally the case on the African Continent, the Angolan population is young, with 45% under 15, 70% under 30, and the average age being 19.

The war has directly affected the country's demographic structure. A large part of the population was forced to abandon its areas of origin provoking a huge exodus from rural areas to the cities. This population movement was in two stages: the first migration happened gradually with the movement of peasants to the city and the other was more accelerated, caused by the onset of war towards the end of 1992.

The urban population growth rate is estimated at around 6%, compared to a rural population rate of about 0.8%. It is estimated that about 3.8 million people live in urban areas forced to search for a more stable social situation or rather to look for work and physical security. Two point five million of these people live in the city of Luanda, (almost 70% on the outskirts).

In the population as a whole the ethnic groups of the Ovimbundu, the Mbundu and the Bakongo make up almost three quarters of the population, showing poor homogeneity, given that each ethnic group can be subdivided into smaller groups with various dialects. Apart from the main ethnic groups there are various small groups such as the Lundas-Chokwe, the Nganguela, the Kuanhama, the Nyanecas etc., and a small white and mixed race community.

2.4 Education

The Angolan system of education can be divided into three subsystems: basic, technical and vocational and higher education. There is also pre-school education.

Basic education lasts eight years and is subdivided into three levels: level I (4 years), level II (2 years) and level III (2 years). There also exists a shortened version of basic education (6 years) for adults, these being allowed to enrol in evening courses.

Technical and vocational training or education offers three options to students who finish their basic education successfully: pre-university (3 years); technical studies (4 years); and teacher training (4 years). Until 1992 there were approximately 10 Technical Institutes and 13 Teacher Training Institutes, spread throughout Angolan territory.

There are 3 universities and a Higher Institute of Education. The courses offered are four to six years long in the following subject areas: education, medicine, economics, engineering, law and agricultural sciences, etc.

The Angolan system of education has encountered severe difficulties in maintaining the system. The quantitative and qualitative scarcity of teachers, the lack of school premises and financial resources to ensure the adequate fulfilment of its role are elements which make the normal functioning of a substantial part of the Angolan education system problematic. With the onset of war in 1992 and the destruction of infrastructures at the national level the problems multiplied resulting in a severe blow to the system. Schools, which survived the war directly, did not escape the indirect repercussions of the conflict. After the massive exodus of people towards the urban centres many schools were looted and sabotaged. A large majority of existing schools have no equipment, have deteriorated and/or are in an advanced state of disrepair.

Access to social and educational centres and kindergartens is limited as only about 1% of children of pre-school age have a place in these centres. In the 1998 school year the Angolan population of school age, between 6 to 14 years

of age was estimated to be almost 2,811,000, of whom nearly 30% were enrolled in the first level, i.e. almost 70% of the school population in this age group runs the risk of being illiterate. At the II and III levels of basic education enrolment is only 6.5% and 3.5 % respectively, which means that the vast majority of children between the ages of 5 and 18 are in the first classes of regular basic education.

Lack of success at school as measured by the failure and dropout rates are very high. More than 50% at Level I, 50% and 42% at Levels II and III of Basic and Regular Education, and as such we conclude that only about 4.35% of the children of school age finish Level III of Basic Education (8th Grade). As regards the level of illiteracy within the population, in 1998 in the over 15 category their number was estimated at 4.9 million (42% of the population) of whom 2.8 million are women.

2.5 Health

The Angolan Health System can be sub-divided into various subsystems: public; non-profit making (Protestant and Catholic Churches and NGOs (1992- Basic Health Law); and traditional medicine (traditional healers and herbalists). The renewed onset of war in 1992 had devastating cumulative effects on the public health system. Using a perfectly representative sample of the general situation, in 1995 the breakdown of the health system was 50% in the province of Huíla, 77% in Moxico, and approximately 90% in Kwanza Norte and Malange.

The extreme disintegration of the public health system, allied to problems in the provision of a clean water supply and precarious availability of foodstuffs translated itself into a dramatic situation.

As an example, here are some indicators: the fertility rate is over 6 children per woman of childbearing age and the birth-rate is 49% with a gross mortality rate of around 19%, child mortality is over 17% and 29.2% for the under fives.

Poor diet affects about 35% of children (almost 17% are under 5 years of age and 3.5% are in a critical condition) and the maternal mortality rate is around 2% (nearly 2 thousand deaths for every 100 thousand births). According to estimates Angola has between 90 to 200 thousand physically disabled as a result of landmine incidents.

In addition water contagious epidemics are frequent (cholera, hepatitis and dysentery). Acute diarrhoea, respiratory diseases are at danger levels and have become endemic in many regions of the country. The country has witnessed a

generalized and fatal resurgence of tuberculosis, meningitis and, especially of malaria. Sleeping sickness, whose transmission was controlled in 1997, has re-emerged and spread. Angola has one of the lowest indices of infection by HIV/AIDS in the Southern African Region. It is a cause for alarm and given the unreliability of data, a national programme of combat against Aids is underway.

2.6 Political and Administrative Organization

Angola obtained independence in November 1975, having been a People's Republic and a single party state until 1991. In March of the same year, legislation was approved which permitted the creation of political parties. Between 1975 and 1992 the country was known as the People's Republic of Angola and at present it is the Republic of Angola.

It is to be noted that following independence a prolonged period of war broke out.

The President of the Republic is the head of Government and the Armed Forces. Election is by direct and universal suffrage for a period of five years.

Legislative power belongs to the National Assembly, with 223 democratically elected members with elections every four years.

The government is made up of the President of the Republic, the Prime Minister, other Ministers and other members, as established in law, have executive power.

Judicial power is the responsibility of the courts.

Administratively the country is divided into 18 provinces.

2.7 International Relations

The Republic of Angola is a member amongst others of the following organizations:

- United Nations (UN) and other specialized organizations, the main ones being:
- United Nations Industrial Development Organization (UNIDO);
- Agricultural and Food Organization (FAO);
- International Labour Organization (ILO);
- International Monetary Fund (IMF);

- World Bank (WB);
- World Health Organization (WHO);
- World Trade Organization (WTO);
- Organization of African Unity (OAU);

Angola also maintains relations with other organizations at the level of the European Union and at regional level.

In relation to the European Union (EU) Angola has been a signatory of the Lomé Convention since April 1985 (Lomé III), and a member of ACP (Africa, Caribbean and Pacific) group of countries.

In the region Angola is a signatory of the African Development Bank and participates in the Southern African Development Community (SADC), in the Preferential Trade Area for West and Southern Africa (PTA), in the Economic Community of Central African Countries (CEEAC), and it is part of the Community of Portuguese-speaking Countries (CPLP).

In the regional context and within the ambit of Angola's strategy of regional integration, its relationship with SADC has assumed importance. SADC was created in 1992 and one of its main objectives is to further true regional integration. It has a key role to play in reducing external dependence of its members, mobilizing bilateral and multilateral aid for projects to be implemented in the Region, namely in the mining, industrial, energy sectors (coordinated by Angola), agriculture and tourism, with the aim of increasing trade within the region.

Lastly, Angola is also signatory to various bilateral trade agreements with other countries.

III. Brief History of Angola's Economic Potential, Past Patterns and Tendencies

Angola is potentially one of the richest countries in Africa, because of its petroleum reserves, its hydroelectric capacity, its mineral reserves and the vast extensions of land available for cultivation, of which only a small portion is under production. There are also important resources in terms of livestock, large forests and rich fishing areas.

3.1 Energy

In the energy sector, apart from possessing significant hydroelectric potential, Angola is rich in petroleum and has reserves of natural gas.

Petroleum has been the main support of the Angolan economy. Since 1983 Angola has occupied second place in the production of petroleum in sub-Saharan Africa, after Nigeria. On the African continent, in 1994 Angola was in fifth position following Nigeria, Libya, Egypt and Algeria.

Petroleum production started “onshore”, in 1955, and “offshore” on the coast of Cabinda, in 1968.

After independence the government considered the formulation of a national petroleum policy a priority. This policy started in 1976, through the creation of the Ministry of Petroleum and the state petroleum company, the “National Society of Petroleum Products of Angola -Sonangol”. The latter was granted exclusive rights of exploration and production, at the same time as it was allowed to associate itself with foreign companies to obtain technical resources and necessary finance.

Crude oil today represents about 90% of exports. It is estimated that the recent discovery of oil fields guarantees its exploration for more than 20 years. The table below shows progress up-to-date of petroleum production and exports.

Petroleum Production and Exportation

Period	Production	Exports
	(Thousand barrels/day)	(millions USD)
1990	474	3,607
1991	497	3,238
1992	549	3,573
1993	504	2,826
1994	550	2,896
1995	617	3,400
1996	689	4,776
1997	713	4,437
1998	739	3,036
1999	764	3,335

SOURCES: MINPLAN – MODANG V2

In the electricity sector, Angola possesses considerable potential in hydroelectric resources. Its installed capacity in 1992 had reached 500 MW, of which 300 MW came from hydro sources. However, the available capacity was low due to damaged power stations and the poor state of repair of transmission and distribution lines.

The use of solar energy increased during the war because of damage done to hydroelectric power stations.

3.2 Minerals

Angola has numerous mineral deposits, of which we can mention the following: diamonds, iron, gold, phosphates, manganese, copper, lead, zinc, tin, wolframium, tungsten/vanadium, titanium, chrome, beryllium, kaolin, quartz, gypsum, marble, granite and uranium. Only a small part of these resources is fully evaluated. Since independence, mining activity has been limited to the extraction of diamonds, in the province of Lunda in the northeast and, on a smaller scale, to the extraction of marble and granite in the southeast.

Angola is one of the most important sources of gem diamonds in the world. After petroleum, diamonds are the most important export product. This is one of the oldest Angolan industries, dating back to 1912, a time at which the first diamonds were discovered in the northeast of the country.

In spite of many difficulties, diamond production has grown steadily, in 1971 it reached almost 2.4 million carats, making Angola the fourth largest producer in the world, in value. Like all other activities, this industry declined

during the crisis of 1975-76, decreasing in 1976-77 to 1/6 of its previous 1973 level, the year in which 2.1 million carats were produced. A partial recovery occurred from 1978-80, with the production of 1.5 million carats in 1980 but it suffered a further decline in following years.

An increase in illegal diamond prospecting and the illicit traffic in diamonds have become serious problems depriving the country of a large part of its production. In the mid eighties the industry was in crisis with production figures of 266 thousand carats, the lowest levels recorded in several decades, rising to 1.2 million carats in 1992. However, a steep decline was recorded in 1993, due to the war, although some mines were kept in operation. It is to be noted that official figures for production and sale abroad do not take into account illegal extraction by "illegal diamond miners".

An increase in production, in official terms, to the level of the nineties, will depend on the recovery of the main extraction areas in the valley of the river Cuango, and on new prospecting and investment levels.

3.3 Agriculture, Livestock and Forests

Before independence Angola was self-sufficient in basic foods, except for wheat and it exported coffee, maize, sisal, bananas, beans, sugar and palm oil.

Angola was the fourth largest producer of coffee in the world with record exports of 218,700 tons of coffee in 1973. Coffee was the main export product until that year, when it was overtaken by petroleum. Cultivation was concentrated in the provinces of Uige, Kwanza Norte and Kwanza Sul in the northeast. When the country went to war in 1975-76, the coffee-producing areas were abandoned, the commercialisation network disintegrated and production fell dramatically. Production in 1995 is estimated at 3,000 tons.

Agricultural production, as a whole, fell dramatically due to the war. In order to satisfy part of its food needs, from the middle of the eighties, the country was forced to import food and become dependent on food aid. In 1996 FAO and WFP estimated that cereal production had increased to about 500,000 tons, but the country had to import nearly 440,000 tons in 1996/97, of which 220,000 tons was made up of food aid to cover minimum food needs.

Agricultural production at present is based mainly on staple food crops and livestock (cattle) and small animals. Maize, cassava, massango, massambala, beans and sweet potato are the main subsistence crops.

Massango and massambala (both cereals) are more important in the southeast, whereas rice is more important in almost all the other regions of the country.

Other crops such as vegetables, mainly ordinary beans and “macunde” beans are the most important sources of protein in several regions. Groundnuts are quite popular as a source of cooking oil. Vegetables are grown on irrigated land over almost all the country and are also an important source of revenue.

Livestock is concentrated in those provinces south of parallel thirteen. This sector has also suffered decline since independence, however, today it is being reactivated. According to FAO estimates, in 1994 94 thousand tons of beef, mutton, goat's meat, pork and chicken were produced.

In terms of forestry and forestry resources the country possesses an enormous diversity of ecosystems with potential estimated at almost 5,000 to 8,000 plant species and nearly 275 animal species recorded. The ecosystem includes the tropical rainforests of Maiombe (Cabinda) and terraces of Dembos, which occupy a vast area of national territory in the provinces of Bengo and Kwanza Norte. We must also underline the fact that the provinces of Uige, Moxico and Kuando Kubango also have various, high quality species of wood such as ebony, sandalwood and rosewood etc, suitable for export and internal consumption.

Angola has an extension of forestry equivalent to 53 million hectares, in which dense rainforest, also considered productive or economic forest, occupies an area estimated at 2.4 million hectares corresponding to 2% of national territory.

The country is rich in plantations of exotic species mainly eucalyptus and pine developed from the 30s onwards until 1975. They occupy an area of 148,000 hectares. The main forestry plantations were developed in the regions of Alto Catumbela in Benguela, and all along the Benguela Railway.

In spite of losses suffered over the years due to burning and lack of tree management, there are 17,450,000 cubic meters of forest, with an average volume of 130 cubic meters per hectare.

In 1973 the production of timber logs was 555,149 thousand cubic meters (of which nearly 51% came from Cabinda). In the same year exports reached more than 180,000 cubic meters of timber logs and sawed wood and 33,000 of pulp. Production fell drastically from 1975 to only 68,221 cubic meters in 1998 or five times less than its expected capacity.

According to studies carried out by the World Bank in 1994, in times of peace, Angola could produce 360,000 cubic meters of timber logs from natural forest and 850,000 cubic meters from plantations, which corresponds to 150 million U.S. dollars in revenue for the national economy.

3.4 Fisheries

Angola also has one of the richest maritime coasts in Africa, namely in the south of the country, where the cold Benguela stream meets tropical waters, creating favourable conditions for plankton. Amongst the species, are mackerel, sardines, tuna and seafood. Before independence, in 1973, the fishing industry contributed almost 5.7% to the total exports of Angola, reaching on an annual basis more than 300,000 tons of fish. In 1985, foreign catches amounted to 403,500 tons, causing some alarm in relation to the exhaustion of fish stocks, which led to a reduction of about 35,300 tons in 1992. In 1993 catches totalled around 200,000 tons.

Concerned with the situation of the fishing industry, the government has made efforts to rebuild the Angolan fishing fleet and rehabilitate existing factory units without, however, having obtained the desired degree of success, either because of a dearth of fish or a lack of investment.

3.5 Infrastructures

Transport infrastructures were greatly damaged by the war. Insecurity made the roads impassable over a large part of the country. Railway services have become sporadic or have completely closed down, because of landmines, damaged track and the destruction of bridges. The country's main ports were not directly affected by the war, but by lack of maintenance and investment.

3.5.1 Roads

Angola possessed a relatively good road network in colonial times, reaching a maximum extension of 72,323 Km, in the seventies, including:

- Asphalt Roads.....7,777 Km
- Up-graded Dirt Roads.....28,018 Km
- Dirt Roads.....36,528 Km

The network referred to above, according to its functions, is divided into basic, secondary and tertiary road links.

The basic network, also known as national roads, ensures the long distance transport of passengers and goods, linking the main economic centres of the country.

However, since independence the road network has deteriorated due to the war, poor maintenance and insufficient investment. As a result in 1997 this network comprised 7,955 Km of asphalt roads and 15,571 Km of dirt tracks.

Only 3,578 Km of asphalt roads are now considered secure and are being used, it is not known what their state of repair is.

The secondary and tertiary networks equally play a key role, either because they link provinces in the interior of the country or connect these regions to basic road networks and allowing access to basic administrative infrastructures, such as schools, health centres, or agricultural centres, etc.

In particular, these stretches of asphalt roads represent a great achievement on the African continent, given that the network when constructed must have had its economic, social and political justification and as such they constitute an important investment to be safeguarded.

3.5.2 Rail Transport

The rail network is composed of three rail corridors going from east to west and stretching nearly 2,750km. The main network is that of Benguela (1,305km), which connects the port of Lobito to the frontier with the Democratic Republic of the Congo (ex-Zaire), where it connects to this country's network and this in turn connects to Zambia's network. The other lines are that of Moçâmedes (907km), between the port of Namibe and Menongue and the line between Luanda and Malange (538km).

The three rail corridors have links to the three main ports namely, Luanda, Lobito and Namibe. In terms of tonnage, there exists a fourth important port, the petroleum terminal of Malongo, in Cabinda. Soyo was another important petroleum port until it was destroyed by the war in 1993.

The permanent war situation that the country endures has meant, in some cases, the destruction of large parts of the rail network, and in others, the impossibility of trains circulating for lack of security.

Although the state of rail infrastructures and rolling stock is quite bad, apart from being insufficient, it is also in an appalling state of disrepair, however, the railways could have an important role to play in the whole process of economic recovery and social and economic development, which is presumed possible from the moment the country attains long-lasting peace.

There are also important railway infrastructures namely the repair workshops, the General Railway Workshops of Benguela (CFB) in Huambo.

3.5.3 Air Transport

The vastness of Angolan territory has always favoured the practice of aviation and the normal development of air transport. For this reason a network of aerodromes has been established (serving the main urban centres). The respective region of flight information has been delimited (FIR ocean of Luanda) for air space under Angolan territorial control.

Angola has its own civil aviation authority. There is a national airline company called TAAG - Angolan Airlines and the airport of Luanda constitutes the main entry point for international traffic.

In 1973 Luanda recorded 21,357 plane movements, 371,851 passengers travelled from or arrived in the country and 10,322 tons of cargo and mail were delivered. Twenty-five years later these figures have risen to 24,810, 895,625 and 379,372 respectively, without significant improvements having been made to airport structures.

At present air transport is the only means of transport effectively available. Military conflict and consequent insecurity of overland transport, has given air transport the task of guaranteeing the essential regularity of services between Luanda and other urban centres.

3.5.4 Maritime Transport

In the maritime sector, three main components have to be distinguished: ports, maritime companies and their legal and institutional status.

As regards ports, there is a pressing need to recover and modernize their infrastructures, as well as, a need for greater professionalism and dynamism in their management that could be achieved by privatising some of their activities.

Angolan maritime transport can be divided into two types: long distance navigation and coastal shipping. The first is restricted to state-owned companies, whilst the second is open to private investment, although under a regime called "relative reserve". In part, due to these restrictions, fewer than 4% of Angolan companies are involved in international maritime transport, and as such the country is a long way removed from the 40% stipulated in the UNCTAD code of conduct for line services.

3.5.5 Telecommunications

During the colonial period the Portuguese launched a vast programme of construction in the telecommunications domain. Over the years these have been greatly affected by the war and international financial constraints.

In 1975 Angola had 48,000 telephone lines, in 1981 - 78,000 and in 1998 nearly 53,000, of which 34,000 were in the capital - Luanda. In 1992 there was a deterioration in infrastructures with the renewed onset of armed conflict, leaving some provincial capitals without a telephone link to the capital.

The telecommunications sector is part of the National Post and Communications Authority and this body deals with regulatory and control aspects of the sector. The Angolan state decided to gradually open up the market to private companies (national and foreign).

To overcome the deficiencies of the traditional overland system other supplementary means have gradually been introduced:

- Cell phones are an important part of the telecommunications network. The existing network is completely overstretched. For this reason the Angolan authorities have decided to opt for GSM, with a view to harmonizing the Angolan network with that used in other SADC countries.
 - For some years now we have seen the development of a large number of private radio networks both UBF and VHF.
 - Three national private companies guarantee access to the internet
1. Ebonet (<http://www.ebonet.net>), which has more than 2,000 clients, of which 60% are companies and 40% are private individuals;
 2. Netangola (<http://www.netangola.com>), specializes in electronics and telecommunications, and it has a system of sending and receiving data by radiophone, a system called SISDATA 2009;
 3. Snet (<http://www.snet.co.ao>), a company that specializes in the sale of computer products.

3.5.6 Mass Media

The principle of the free press was decreed in 1991. There is an Angolan journalists' association and union.

Radio still constitutes the best means to transmit information, in particular through "National Angolan Radio" which transmits on short wave and other private radio stations in Luanda, especially "LAC – Luanda's Commercial

Antenna ” and “Ecclesiastic Radio “(a radio station set up by the Catholic Church). There are other local radio stations in Luanda and in the provinces.

There is only one daily newspaper, “Angola Daily”, and there is also an official daily called, “Republican Daily”.

A lack of technical and financial means has prevented the publication of weeklies and magazines, of which the following are the leading weekly newspapers, “Sheet 8”, “Now”, “Independent”, etc.; and in terms of specialized publications there are several magazines “Economy and Markets”, “Energy”, “Africa Today”, etc.

The national television station “TPA – Angolan Public Television”, is the only existing television transmission service in the country. It has had significant success, allied to the use of satellite dishes, that mean that people have access to other television channels from different parts of the world.

3.5.7 Financial System

During the nineties the Angolan financial system had great difficulties, especially in its capacity to respond to the needs of those seeking credit, resulting from the opening up of the market to private enterprise; the small network of commercial banks which has not expanded at nationally and which is ineffective in its activities, the administrative control of foreign exchange values on the part of the National Bank of Angola and the fact that this bank had commercial functions, poor profitability and solvency of the commercial banking system, as well as the existence of an excessive number of workers.

The situation of the banking system revealed the existence of a total of six commercial banks, three of which are publicly owned – Credit and Savings Bank (BPC), Agriculture, Livestock and Fisheries (CAP) and the Commercial and Industrial Bank (BCI)- which has branches in several provinces.

The private banks existing at present in Angola are all branches of Portuguese banks, namely Banco de Fomento Exterior (BFE), Banco Totta e Açores (BTA) and Banco Português do Atlântico (BPA). BFE has some branches in other provinces of the country, namely in Huíla, Benguela and Cabinda.

The presence of some Portuguese banks, not only responds to the need for growth in bank services, but also to the fact that Portuguese companies have considerable interest in the Angolan market, with the objective of eventually transforming these banks into banks with Angolan rights.

There are other banks with representations in Luanda such as Banco Espírito Santo which has Portuguese capital, Banco Paribas - French capital, Equator

Bank and Citibank - American capital and South Africa's Standard Bank - South African capital.

At the end of the decade, the African Investment Bank was established, with its headquarters in Luanda set up using private capital. In the ambit of the implementation of the Restructuring Programme of the Financial system, C.A.P. – Fund for Agriculture, Livestock and Fisheries was closed down.

Enormous constraints have been encountered between the banking sector and its role in the promotion of economic ventures, fundamentally due to the political and military situation, and distortions in the macro-economic situation such as, very high interest rates, a lack of a commercial banking network and other financial institutions, etc.

In the quest for solutions to the increased demand for finance from the business sector and in the absence of financial structures with the capacity to respond to its expectations the Government of Angola has created the Autonomous Support Fund and other funds which have the specific task of providing financial support, of which the following are the most important: FAEN – Support Fund to the National Business Community, a fund for loaning money to commercial enterprises; FADEPA – Support Fund for the Development of Fisheries, created with funds collected from fishing licenses issued to foreign fishing fleets and which is designed to finance artisan fishing; FADA – Agricultural Development Support Fund, whose objective is to finance activities in the country areas; FDCA – Coffee Support Fund, with a view to financing the production of coffee; FADI – Industrial Development Fund, to promote industrial activity and FDES – Social and Economic Fund.

As a general rule these autonomous funds have difficulty in attaining their objectives, as in the case of coffee-growing and agriculture, which take place in conflict zones and because most investments were directed at economic ventures situated in insecure zones, which makes it difficult to successfully use the means made available for such activities.

IV. The Main Causes of Economic Instability in the Republic of Angola

Angola has been independent since 11 November 1975, but it has not yet achieved real peace.

With the start of the democratic process in Angola general elections took place in 1992.

In order to hold elections the government tried to create the broadest possible consensus with existing political forces. It sounded out the parties and accepted a large number of their suggestions in the formulation of all the legislation prior to the election, including the Constitutional Law, either through meetings or bilateral meetings with the parties, or through individual contacts on the part of opposition political leaders with the President of the Republic.

The elections were held in the presence of a considerable number of international observers who were able to verify that all acts inherent to its preparation and realization, as well as the announcement of the electoral results, were correctly carried out.

In response to all this effort, UNITA, led by Jonas Savimbi, replied with a violent refusal to accept the results. Unita refused to accept its clear and unequivocal defeat at the hands of the MPLA – People's Movement for the Liberation of Angola. As such, in order to obtain power through the barrel of the gun, he started a general process of disobedience in relation to the new institutions and to the rules of the democratic game.

In reality, unable to allow power to be taken by the force of arms the Government and the Angolan people in general, were forced to duly defend democratic legality as constituted.

After more than two years of post electoral generalized conflict the government and UNITA signed the Lusaka Protocol on 20 November 1994.

The Lusaka Protocol is a judicial instrument of a supranational character where the obligations of the government and UNITA relative to the establishment of peace in Angola were clearly established, even defining responsibilities which fall to the International Community, represented by the United Nations and by a *troika* of observers made up of Portugal, the United States of America and Russia.

The tasks laid down in the Protocol, which fell to the government, were once again completed in their entirety.

Associated to the fulfilment of the agreement signed and in the spirit of generosity and full and open commitment to the search to establish long-lasting peace, the government decided to make a series of concessions apart from the agreement, arriving at deliberating, through the competent State bodies, the possibility of altering the constitution in order to establish a true Government of Unity and National Reconciliation.

To all these concessions and to the upright and honourable posture of the government there was no corresponding constructive gesture on the part of those who stubbornly stuck to the path of violence.

In this context it is difficult to normalize production, the free circulation of people and goods and ensure democratic liberties.

V. Public Administration – Good Governance

There are several institutions which share responsibility in ensuring government integrity: Parliament, the Attorney General of the Republic, the Supreme Court and State Inspectorate. Recently the Accounts and Administrative Courts were established and the High Authority against Corruption was constituted.

Parliament is *par excellence* the body which controls government activity. It is entrusted with the approval of laws relating to government programmes and plans and it approves the State Budget. It evaluates the actions of government and public administration using instruments specifically laid down in its internal statutes. It receives and analyses general state accounts and those of other public institutions. It debates annual reports on the execution of political and economic programmes or plans and studies the annual report on the General State Budget. In legal and institutional terms the National Assembly exercises tight and incisive control over government acts and the administration of the country.

The Attorney General of the Republic has a privileged role in the combat against possible perverse and harmful practices which go against State interests. This stems from the simple fact that the Attorney General's principal duty is to make sure that state bodies, economic and social entities and ordinary citizens comply strictly with the law.

The High Authority Against Corruption was recently created with the purpose of establishing itself as an independent public institution which will function in conjunction with the National Assembly in order to prevent and repress the manifestation of various forms of corruption in public institutions.

The General State Inspectorate was established in 1992 and is a high level regulatory body which carries out Government inspection. It controls all activity carried out by state organizations and services and monitors how they use their powers and responsibilities. It also inspects those companies in which the State has a majority share.

The Accounts Tribunal, also recently created, is a high level inspection body that judges the legality of public spending and the State's accounts. Its role is to analyse and give its opinion on the financial execution of government acts and bring justice to bear on any financial infractions committed by State bodies.

The weakness of government has been gradually and steadily overcome. Improvements have been introduced in the organization and inspection of the tax system and Customs authorities, with beneficial effects on the level of

revenue collected. A process has been put in motion to reorganize local finances with general regulations being applied to the levying of municipal taxes and licences and basic services. Equally the basic principles for the reform of the tax system have been approved. One tax on earnings, property and consumption is proposed, a measure which goes some way to satisfying the strong demands of the business sector.

To improve productivity in the State administration various measures to restructure institutions are taking place at present, namely an re-appraisal of careers in the state sector, an adjustment in the number of people working for the state, new rules and regulations for functioning, modernisation of different technical and administrative services, and the practice of material incentives intended to promote greater dedication to work.

For a better division of duties/responsibilities between Local and Central Administrative Bodies various pieces of legislation have been produced, management information systems have been established, administrative bodies have been restructured, inter-sector coordination has been strengthened and in the realm of human resources many training courses have been organized. The government has endeavoured to prepare legislation in the realms of economic planning, territorial organisation, land laws, social assistance, conduct of non-governmental organizations, integration of social integration of war veterans and the revision of the Commercial Code.

The national statistics system is now being modernized and its statutes have been approved. The Fundamental Law on the National Statistics System has been laid down.

A study on macro-structure of Public Administration is being carried out, which will facilitate an institutional assessment of Public Institutes, and will enable measures to be taken to trim the Institutes to their essential elements.

VI. Private Sector Development

The private sector offers great potential for development and is considered an active agent in the rehabilitation of the country. However, it is generally considered to be structurally weak, even where the effects of the war have not made themselves felt, and for this reason receptive to further private initiatives. Angolan company directors and businessmen are limited in number, poorly organized, they do not possess capital and they are often inexperienced. On the other hand, in many cases they occupy key positions and have for this reason a speculative attitude. Professional organizations lack strength and are generally dominated by some regionally organized businesses, nevertheless, they need institutional support.

In the nineties, continuous institutional changes, the creation of the market economy, the regulation of economic activity, a reduction in the importance of the state's role in the economy and a strengthening of macroeconomic management capacity, meant a positive alteration and greater support for the private sector.

Amongst these alterations the process of restructuring of the state business sector are worthy of note. Decree n. ° 32/89 of 15 July and n. ° 8F/91 of 16 March enabled the reorganization and structural readjustment of the state business sector, reducing the control of the state.

The need for greater openness to private investment led to the approval of law n. ° 15/94 of 23 September, which superseded law n. ° 13/88 of 16 July. There is thus free access to economic activity, with the exception of areas related to Defence and Security, the Central Bank and Currency Emission and the Administrative Authorities of Ports and Airports.

In pursuance of administrative, technical and operational support to promote private business initiatives, the Restructuring Enterprise Unit was established (GARE), as the state body in charge of ensuring a national policy of restructuring and privatisation. In addition the Institute of Foreign Investment (IFI) was created in order to promote, co-ordinate, orientate and supervise national political measures to be introduced in the sphere of foreign investment.

Operationally, in order to introduce foreign investment into Angola, a proposal is analysed within the parameters of existing legislation. In the last 10 years, as a result of alterations made to the law the means used to analyse investment proposals have undergone modifications, which has meant greater flexibility in the treatment given to foreign investment proposals, which thus results in an improvement in the process of analysis, which has been simplified and accelerated.

We present a comparative table of the main alterations introduced by law 15/94 of 23 September in relation to law 13/88 of 16 June:

Main alterations to Foreign Investment Law

Law and Process Regime for Foreign Investment	Minimum Term of Approval and minimum value	Regimes, Value of FI and Bodies responsible for the approval of Foreign Investment	Off-limits to Foreign Investment	Types of foreign investment transactions	Ways to realize Foreign Investment
1. Law 13/88 of 16 July – Old Foreign Investment Law	125 days 100 thousand U.S. Dollars	Single Regime From 100.000 to 500.000 US dollars FIU – Foreign Investment Unit > USD 100.000 Council of Ministers	- Defence and Security -Central Bank and Currency emission - Education-Health - Water - Telecommunications - Administration of ports and airports - Air Transport -Insurance	-Mixed Company -Joint Company -Share based association -Private Company -Financial Applications	- Capital/convertible currency and through means of credit - Equipment -Technology
2. Law 15/94 of 23 Sept. – Foreign Investment Law	45 days 250 thousand U.S. dollars	<u>I – Regime of Prior Declaration</u> From \$250.000 to \$ 5.000.000- FII – Foreign Investment Institute <u>II – Regime Prior Approval</u> ≥ \$5.000.000 to \$ 50.000.000 to 15,000,000 – 1 st Minister > \$ 15.000.000 Council of Ministers <u>III – Contractual Regime</u> > \$ 50.000.000/Foreign Investment by Concession Contract/FI structures in international economic development.	- Defence and Security- Central Bank and currency emission - Admin of ports and airports	-Branches -Private Companies -Partial Ownership /Acquisition of companies -Total Acquisition of companies -Consortium Contract -Association Contract -Concession or Exploration Contracts- Renting/letting Contract -Exploration of Housing or tourist complexes and others -Acquisition of buildings	- Transfer of funds from abroad -Application for available funds in foreign currency, constituted in Angola - Importation of equipment, accessories and materials -Incorporation of credits and other disposable funds of the foreign investor in Angola -Incorporation of technology

Apart from the law on foreign investment and its regulations, other diplomas are part of the main legislation. They are mentioned in the following table:

Main Legislation on Foreign Investment

Foreign Investment Legislation	Functions	Objective and Aims
Law 15/94, of 23 September – Foreign Investment Law	<ul style="list-style-type: none"> Establish the general and legal framework for foreign investment in Angola 	<ul style="list-style-type: none"> Promote and create incentives for foreign investment; Offer guarantees, regulation and procedures
Decree 12/95, of 5 May – Regulate Foreign Investment Law	<ul style="list-style-type: none"> Regulate procedures in the treatment of foreign investment proposals; 	<ul style="list-style-type: none"> Define, organize and discipline procedures relative to foreign investment
Decree 12 – C/96, of 3 June – Creation of Statutes for Foreign Investment Institute	<ul style="list-style-type: none"> Define FII – Foreign Investment Institute as the competent body to safeguard/ensure national policy as regards Foreign Investment 	<ul style="list-style-type: none"> Coordinate, promote orientate and supervise foreign investment
Resolution 6/89, of 24 June – Priority areas for Foreign Investment	<ul style="list-style-type: none"> Define priority areas to which foreign investments should be channelled 	<ul style="list-style-type: none"> Include foreign investment in the economic development strategy of the country
Resolution 2/90 of 6 January – Create a foreign investment evaluation commission	<ul style="list-style-type: none"> Consultative body of FII – Foreign Investment Institute 	<ul style="list-style-type: none"> Proceed to evaluation and use multidisciplinary approach to investment proposal of > \$ 5,000,000
Notice 6/99, of 21 May BNA – Foreign Investment under USD 250,000	<ul style="list-style-type: none"> Allow the realization of foreign investment < USD 250,000 	<ul style="list-style-type: none"> Regulate through banking licensing investments of < USD 250,000
Law 13/94 of 2 September	<ul style="list-style-type: none"> Restricts sectors of economic activity 	<ul style="list-style-type: none"> Facilitates comprehension of the principal of Sector co-existence

The present investment law (law 15/94 of 23 September), has emerged as an instrument to promote private foreign investment, offering guarantees, regulations and procedures, which, amongst others, we quote:

Until 1994, foreign investment established a 51% capital share for Angolan companies in joint ventures/ mixed companies. The present law by revoking

this precept allows foreign entities to freely negotiate their respective share, with no more legal restrictions in this respect.

The companies, which come under this Foreign Investment law, are subject to existing fiscal legislation, and they are entitled to the same fiscal benefits as established for national companies. Those investments subject to contractual regime will be entitled to special tax allowances, as well as companies that employ a large number of Angolan workers. There is equality of treatment between national and foreign companies in terms of benefits, giving incentives to those that bring greater benefits to the national economy.

The Angolan Government is endeavouring to give fair, non-discriminatory and equitable treatment to businesses established in the country. The companies set up according to the Foreign Investment Law have in all legal aspects, the statute of Angolan companies. Common Angolan law is applicable to them in respect of anything regulated differently by present or specific legislation.

The following guarantees are given by the state: rights of ownership over investment means; shared profits or dividends; product of the liquidation of investments made; fair compensation payments in accordance with the regulations, right of recourse to arbitration in the case of confiscation or nationalization; professional, banking and commercial secrecy of business activities; as well as protection and security for investments.

The Angolan state grants protection and security of means invested. Apart from the protection afforded by the state, this is also guaranteed by MIGA – Multilateral Investment Guarantee Agency, of which Angola is a member.

The possibility of credit is an important factor for businessmen who decide to invest capital. Angolan law allows foreign companies recourse to internal and external credit.

6.1.1 Investment Incentives

Throughout the nineties preoccupation with the recovery and re-activating of the productive sector led the state to adopt measures to support and create incentives for the rehabilitation, modernization and creation of new companies in the productive sector with emphasis on micro, small and medium sized enterprises.

Law 18/92 of 3rd June (Law of Alteration to the Industrial Tax Code), Decree 13/19, of 3rd September (Approved a new Customs Guidelines) and Decree 73/97 of 24 October (System of Fiscal and Financial Incentives for Productive Investment), are the main instruments being used to foster the development of the national private sector.

Law 18/92 of 3 June, allows exemption from industrial tax for a period of 3-5 years on income derived from the establishment of new industries in the country; on those earnings which come from commercial or industrial activity carried out in areas considered priorities for the economic development of the country; and the total or part exemption of profits, when dealing with activities carried out occasionally with the aim of raising funds to be applied in the realms of social assistance, charity or forms of social intervention.

Decree 73/97, of 24 October, establishes fiscal incentives for micro-small-medium-sized projects, with emphasis on the following:

- a) Exemption from property transfer tax for the acquisition of buildings integrated into the investment project which are for the exclusive use of the project;
- b) A fifty percent reduction in industrial tax, for up to 5 years, from the financial year following the start of the start-up phase of the investment;
- c) Exemption of import duties on raw materials and equipment exclusively used in the investment project;
- d) Double amortisation and reintegration for goods which are part of the investment project from the year following the exploratory phase.

Decree 13/99, of 3rd September allowed private and public companies to obtain exemption from customs duties and other customs tariffs on equipment, raw materials and other intermediate products used directly in the productive process. The financial incentives to be granted are the following:

- a) Special interest rates, in the ambit of credit lines which will be made available to promote productive activity, in terms of priority credits to the sector and project regions;
- b) Employment subsidy, granted for the creation of permanent work posts, during the first years following the start of its activities;
- c) Development subsidy for companies whose activities are exclusively destined to exploit or substitute imports in which the added value to the country is at least 30% of the total value of the final product;
- d) Subsidy for setting up or transferring companies, the total sum should not be higher than 30% of the total investment to be made.

VII. The Present Situation and Recent Economic and Social progress – Analysis by Sectors of Activity

7.1 Gross Domestic Product by Sectors of Activity

Statistical information contained in the following table shows that from 1993 - 1999 there was relative growth in economic activity, the country has steadily recovered, although only in 1996 was economic activity re-established at the 1992 level. The sectors that suffered most were those of agriculture and construction with a 50% drop. Recovery has been slower for these sectors than for the others.

Gross Domestic Product and its evolution (Base year 1992=100)

SECTORS OF ACTIVITY	FORECAST*								
	1992	1993	1994	1995	1996	1997	1998	1999	
AGRICULTURE, FORESTRY AND FISHING	100	53.4	58.7	74.2	85.6	89.2	93.8	94.8	
MINING INDUSTRY	100	86.8	96.0	107.5	121.5	127.8	132.2	136.5	
Crude Oil and Gas	100	91.6	100.0	112.0	125.4	129.4	133.9	138.5	
Others	100	19.0	40.3	44.9	66.8	106.0	108.4	108.5	
MANUFACTURING INDUSTRY	100	93.8	103.3	91.5	93.2	103.0	108.1	115.8	
ELECTRICITY	100	91.9	95.4	105.5	116.7	116.7	133.4	125.1	
CONSTRUCTION	100	55.0	67.0	73.7	79.8	89.1	98.1	107.9	
COMMERCIAL SERVICES	100	79.0	83.8	89.8	93.2	101.9	107.0	112.0	
NON-COMMERCIAL SERVICES	100	70.0	49.0	56.4	67.6	71.3	71.3	66.0	
Import Duties	100	57.5	42.3	38.1	51.4	53.9	37.8	34.0	
GDP at market prices	100	75.3	77.2	85.8	96.2	102.3	105.6	108.0	

Sources: PERE 1998-2000 (1992 - 1996)

DCN MINPLAN (1997 - 1999)

In 1996, only the mining industries and the electricity sector achieved higher indicators than those of 1992.

Only in 1997 did GDP overtake the level recorded in 1992, the mining industry having seen a substantial increase.

In 1999, growth rate in GDP is expected to be nearly 2.4%, with 4.6% for the oil sector. It is to be noted that the mining industry makes up nearly 70% of the total value of GDP.

In 1997 and 1998, weak growth of the GDP was basically due to a bad harvest and poor industrial performance.

The only sectors which have still not recovered their previous levels of activity (base=1992) were the commercial and non-commercial services and import duties.

The constraints imposed by an incipient macroeconomic environment, namely high levels of inflation and as a consequence high interest rates, the exchange rates fluctuations which were recorded throughout the period in analysis, as well as the problem of internal debt and to some extent the external debt condition the structural sectors of the economy such as agriculture, industry and other producers or suppliers of goods and services.

Agricultural activity can be seen, for the agricultural period 1992/94 – 1999/00, in the following table:

Main Crops/Productions

Cereals	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Maize	239,000	201,000	211,000	398,000	369,505	504,662	428,045	394,607
Rice	3,000	3000	3000				7,402	5,776
Cereals - Massango/Massambala	99,050	53,000	61,000	102,000	61,880	89,050	101,736	105,252
Cassava	576,000	985,000	1,156,000	1,197,000	2,326,294	3,210,569	3,129,734	4,433,026
Cotton husks	2,400	2,100						
Sweet Potato	45,000	39,000					182,303	224,043
Potatoes	53,000	46,000					19,109	26,550
Groundnuts	3,200	20,320	20,000	7,200	9,600		11,319	12,750
Beans	53,872	162,150	162,000	170,000	66,337	85,696	67,509	75,110
Sugar Cane	88	76						
Coffee	4,000	3,500						
Jute								
Sisal	600	700						

Unit: TON.

Source: MINADER/GEPE

Production of maize, massango and massambala (both cereals) reached higher levels in 1995/96 than those recorded in 1992/93. As regards the production of cassava, in the period from 1995/96 to 1999/00, an average annual growth rate of nearly 67.5% was recorded, as it constitutes a staple food in the population's diet.

Fluctuations in the production of maize and the insignificant production of other crops included in the table is fundamentally the result of the close link between agricultural activity and the political and military situation, i.e. the determining process in the countryside and the road network.

The statistical data available on livestock production in the period 1995 – 1999 are reflected in the following table.

Comparative Table (Livestock Production Recorded)

PERIOD	1995	1996	1997	1998	1999
PRODUCTION					
BEEF (Kgs)	1,309,270	1,863,683	2,194,378	538,867	4,155,564
PORK (Kgs)	404,039	57,289	127,239	208,261	394,568
MUTTON (Kgs)	1,416	5,200	861	59,177	92,771
GOATSMEAT (Kgs)	22,559	115,570	13,979	127,623	327,148
CHICKEN (Kgs)			31,818	9,609	338,000
MILK (Lts)	828,984	1,010,213	1,461,790	321,381	1,548,270

Source: MINADER/DNAP (Ministry of Agriculture)

In general, meat production fluctuated from 1995 – 1998, and in 1999, it achieved levels of production higher than the previous period referred to with the exception of pork which registered a higher production level in 1995 than in 1999.

The fisheries sector's main production can be resumed as follows:

Annual Catch, Delivery and Processing of Fish

DESIGNATION	1995	1996	1997	1998	1999
TOTAL CATCH	219,006	197,692	240,744	202,929	202,451
National Fleet	116,781	131,816	140,304	157,149	169,799
Foreign Fleet	102,225	65,876	100,440	45,780	32,652
TOTAL UNLOADED	137,040	170,374	198,923	184,060	191,023
National Fleet	116,781	131,816	140,304	157,149	169,799
Foreign Fleet	20,259	38,559	58,620	26,912	21,224
TOTAL PROCESSED	28,187	20,519	37,893	75,205	54,459
Dried	2,669	7,926	8,097	6,396	6,125
Frozen	22,841	12,211	27,222	56,199	41,534
Canned	2,644	363	1,166	936	
Flour and Oil	33	19	1,409	11,675	6,800

Source: GEPE – Ministry of Fisheries

The fisheries sector is considered as relatively stable in social and political terms, however, over the last five years its catches have not been sufficient, taking into account internal consumption needs.

In effect, the volume of catches has fluctuated with a decrease of 7.6% at the end of the decade compared to 1995, as a consequence of a reduction in the level of catches from foreign fishing vessels which were 33.5% on average over the last three years. An increase in the national fleet's production of around 11.3%, from 1995-2000 was not sufficient to compensate for the recorded fall.

The production of dried fish, one of the basic/staple products in the diet of the rural population, which had been in growing, recorded a 12.2% fall in its indicators every year from 1997 onwards.

The situation described above was essentially due to the withdrawal of some vessels, contractual reasons, shared mixed businesses, the poor technical state of the vessels, a significant increase in the price of petrol, direct and indirect costs and poor support from the financial system.

However, there is a stable market for products of more accessible commercial value as in the case of small deep sea fish, an abundant resource and at present not as heavily fished as recommended. Whether consumed fresh, frozen or dried, there are conditions for an increase in the production of such species, the only restrictions being distribution and conservation of the products within the country.

Light industry like the other areas of the economy, is heavily conditioned by the instability which the country is living through at present. Its production can be characterized as follows over the last decade:

Industrial Production

PRODUCTS	UM	1991	1992	1993	1994	1995	1996	1997	1998	1999
FOOD		82,121	53,373	12,564	25,794	70,663	248,654	219,555	254,348	272,586
Vegetable Oil	Ton	2,378	984	193	109	133	206		417	500
Wheat Flour	Ton	18,949	10,257	2,476	4,831	12,528	25,349	39,302	35,164	23,047
Maize Flour	Ton	21,157	14,833	543	8,392	1,070	1,133	3,334	164	1,133
Bread	Ton	39,637	27,299	9,352	12,462	56,932	221,966	176,919	218,603	247,906
DRINKS		484,363	345,224	251,012	283,442	164,833	731,850	1,148,551	1,189,469	1,094,876
Beer	Htl	484,363	345,224	251,012	283,442	164,833	731,850	1,148,551	1,189,469	1,094,876
TOBACCO		1,243	813	2,056	319	103	522	556	440	457
Processed Tobacco products	Ton	1,243	813	2,056	319	103	522	556	440	457
TEXTILES		5,626	6,096	4,463	3,169	781	3,200	1,790	946	848
Cloth	M ²	5,626	6,096	4,463	3,169	781	3,200	1,790	946	848
SHOES		99	54	9	46	3	11	5	8	5
Leather Shoes	Th. Pair per annum	99	54	9	46	3	11	5	8	5
CHEMICAL PRODUCTS		4,741	4,920	1,519	446	386	3,528	209,643	303,224	185,029
Soap	Ton	4,741	4,920	1,519	446	386	3,528	8,298	6,688	2,664
Cement	Ton							201,345	296,536	182,365
METAL AND ELECTRIC PRODUCTS.		58,498	33,916	12,946	6,189	1,395	2,503	2,614	2,491	50
Electrodes	Ton									
Electric Cables and Wires	Ton	112	223	70	62	41	5	42	64	50
Batteries	Unit	6,428	4,228	4,437	6,127	1,354	2,478	2,572	2,427	0
Radio Sets	Unit	51,958	29,465	8,439	0	0	0	0	0	0

Source: MIND (Ministry of Industry)

In the period in analysis, focus moves to the food and chemical products sector:

– The food sector has shown signs of recovery since 1993, having registered increases of almost 15.8% and 7.2%, in the periods 1997 - 1998, and 1998 – 1999 respectively.

Amongst others, the production of bread and vegetable oil constitute successful achievements over the last three years, even though 500 tons of vegetable oil produced in 1999 still only represents 21% of the production levels prevalent in 1992, whilst bread, not only recorded the largest production rate of the decade in 1999, but it also registered a growth of something like 525% in relation to 1992 levels.

– In the chemical sector only the production of soap and cement has been recorded, the latter has achieved greater success.

Soap, after having reached its lowest level of production in 1995 at 386 tons, or rather, only about 8% of 1991 production levels, started a “illusionary recuperation process” in 1996 and in the following year recorded its highest production rate for the decade of 8,298 tons, representing an increase of about 75% in relation to the decade in analysis, however, in 1998 and 1999 its production fell progressively and dramatically.

– In the sectors of tobacco, textiles, shoes, metal and electrical products, the picture presented clearly demonstrates the calamitous situation in which these industries find themselves. Steel production is non-existent.

With the exception of the petroleum sector the mining industry made an almost negative contribution to the national product, notwithstanding its famed potential. This fact is due fundamentally to the political and military situation prevalent in the areas where it is located.

The Angolan economy continues to depend heavily on the petroleum sector with the disadvantage that it does not even represent 1% of workforce. Faced with such economic vulnerability, it is essential for the other sectors to contribute more to the productive sector, as this alteration would mean more employment, and an increase and diversification in internal supply and exports. To this effect, it is essential to implement appropriate development policies in the areas of manufacturing, agriculture, construction and services which will create the necessary conditions in the medium term for the present structure of the GDP to become much more diversified and enrich the national productive network.

Percentage Structure of GDP
(Current Prices)

SECTORS OF ACTIVITY	1992	1993	1994	1995	1996	1997	1998	1999
AGRICULT. FORESTRY AND FISHERIES	14.3	11.6	6.6	7.7	7.4	9.5	13.9	6.9
MINING INDUSTRY	38.4	41.0	58.6	58.5	61	52.1	41.5	68.2
Crude Oil and Gas	35.8	40.2	56.7	55.8	57.7	48.3	38.4	65.2
Others	2.6	0.8	2.0	2.7	3.3	3.8	3.1	3
MANUFACTURING INDUST.	4.0	5.7	4.9	4	3.4	4.4	6.4	3.8
ELECTRICITY	0.1	0.1	0.0	0	0	0	0.1	0
CONSTRUCTION	5.4	4.5	3.4	3.4	3.1	4.1	6.3	3.8
COMMERCIAL SERVICES	16.8	20.3	18.1	17.6	15	16.2	19.7	9.4
NON-COMMERCIAL SERVICES	17.3	14.4	6.5	7.3	8.2	11.3	10.7	7.7
Import Duties	3.7	2.5	1.8	1.4	1.9	2.4	1.4	0.3
GDP at market prices	100	100	100	100	100	100	100	100

Sources: DCN (MINPLAN)

In the analysis of the previous table, the predominance of the petroleum industry stands out in terms of GDP. Its percentage share has leapt from 40.2% in 1993 to 57.7% in 1996, or rather, an increase of 17.5 percentage points in only 4 years. However, in that period, almost all the other sectors saw their share of GDP substantially decrease, in particular in the sectors of agriculture, forestry and fisheries and other non-commercial services.

On the other hand, in the period between 1997 – 1998 the mining sector had a low share in the make-up of the GDP due to an increase in the contribution of all the other sectors. In 1999 it recorded its highest share of GDP during the nineties, due to a reduction in all the other sectors, in particular of the agricultural sector. Petrol production also increased last year.

The table below reflects the composition and growth of different sectors in the gross domestic product from the point of view of spending between 1993 and 1999.

Evolution of GDP from the point of view of Expenditure

SECTORS OF ACTIVITY	1993	1994	1995	1996	1997	1998	1999
PRIVATE CONSUMPTION	100	109.0	83.6	97.7	107.4	108.8	105.0
PUBLIC CONSUMPTION	100	96.9	134.1	139.6	146.1	144.1	160.2
FBCF	100	108.6	119.2	131.2	147.0	153.3	158.7
Public	100	61.5	101.9	117.3	148.1	214.7	385.1
Private	100	120.1	123.4	134.6	146.7	149.6	145.9
EXISTENCE VARIATION	100	100.0	100.0	105.9	111.8	111.8	118.0
INTERNAL DEMAND	100	103.4	112.9	122.7	132.1	133.4	135.9
Exports	100	108.2	122.2	130.6	134.6	144.1	150.2
Imports	100	98.0	103.0	107.3	113.5	118.7	120.7
GROSS DOMESTIC PRODUCT	100	107.8	121.2	131.9	139.6	143.0	148.0

(Pm)

Sources: (1993 - 1997) - PERE 1998-2000

(1998 & 1999) – Based on statistics from MODANG V-2 Cenário A2: Pobreza-Partida/MINPLAN

When we analyse GDP from the point of view of expenditure, we see that final consumption presents a tendency to permanent growth in the period from 1993 to 1999. However, this tendency is due, above all, to a pattern of growth in public administration consumption, which showed an annual average variation of nearly 10%, whilst the consumption pattern for families fluctuated somewhat but had an annual average variation of only 0.83% in the period in question.

The analysis of final consumption between 1997 and 1999 (using constant prices of 1997) shows a tendency to fall of an estimated 3%. However, its components, i.e. family consumption and public administration consumption, followed a different pattern. The pattern for family consumption was influenced by the onset of war at the end of 1998 and most of 1999 provoking a massive rural exodus and the loss of harvests and as a result a considerable drop in family subsistence consumption. In contrast growth in public consumption is estimated at around 4.8% during the same period, above all most probably due to salary increases granted to civil servants.

Due to its importance in relation to growth in the Gross Domestic Product investment expenditure must be highlighted. Its tendency to growth was quite modest.

As regards variables in external trade, it must be noted that this sector performed better in 1998 and 1999, with growth rates, respectively of 7.05% and 4.2%, especially for overseas sales of mainly petroleum and diamonds.

In relation to imports, these are also dominated by overseas purchases by petroleum companies, which grew by about 4.6% in 1998 and nearly 1.7% in 1999.

External Trade

Angola has a surplus in commercial terms owing to its petroleum exports, given that it has been one of the few sectors that has continued to develop in spite of the economic crisis.

In 1993 crude oil represented 97.4% of Angolan exports, at present the figure is 90%.

During the nineties, the commercial balance fluctuated. From 1990 to 1993 a decrease of nearly 38% was recorded, having shown an inverse pattern in the period between 1994 - 1996 reaching a growth of around 96% due to an increase in the quantities and prices of the main export product, which fell again by almost 30% in the following years, as petrol recorded a fall in price.

The table shown below demonstrates the pattern for the commercial trade balance in the period in analysis.

Commercial Trade Balance of Angola

10⁶
USD

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 predict ed.	*Prog. (%)
EXPORTS f.o.b.	3884	3449	3833	2901	3017	3723	5095	5007	3542.9	5397.6	6.8
IMPORTS f.o.b.	1578	1347	1988	1463	1454	1468	2040	2597	2079.4	3267.3	12.3
BALANCE	2306	2102	1845	1438	1563	2255	3055	2410	1463.5	2130.3	3.4
Coverage Coefficient (%)	246	256	193	198	207	254	250	193	170	165	
Import as % of External Trade (%)	28.9	28.1	34.2	33.5	32.5	28.3	28.6	34.2	37.0	37.7	

Source: BNA (Angolan National Bank)

* average sum of growth rates between 1990 and 1999

On average exports grew annually by 6.8%, the coverage co-efficient having fluctuated in synchrony with the commercial trade balance.

7.2 Balance of Payments and External Debt.

In evaluating balance of payments statistics we must take into consideration that they suffer from weaknesses which result, particularly, from the following: i) fragility/unreliability of statistics on external trade ii) insufficient information on foreign investments, except for the petroleum sector; iii) special exchange regimes, it is known that exports are registered in the balance of payments without ensuring corresponding increases in external reserves; iv) absence of information and estimates concerning an important package of transactions between residents and non-residents.

Information on the balance of payments in 1998 point to a worsening in the current account with a deficit of US\$ 1,857.6 million, which it was not possible to cover with the liquid flow of capital. The total deficit rose to US\$ 1.186 million, and was financed by reserves amounting to US\$ 318.5 million, short, medium and long-term overdue payments on the external debt amounting to US\$ 800 million and rescheduling of US\$ 67.5 million.

The high number of overdue payments on the external debt shows clearly how untenable the external situation of the country is. It is imperative that measures are taken to renegotiate and restructure the external debt. To lend further support to what was said above the debt service ratio on the medium and long-term debt on exports rose to 57.6 per cent in 1998.

According to preliminary information available, on 31 December of 1998 external debt stock rose to US\$ 9.8 thousand million, of which US\$ 825 million was made up of overdue interest payments.

VIII. Human Development, Poverty and Human Deprivation

8.1 Unemployment

Urban unemployment, particularly amongst young people and women, rose to over 45%, dragging the sub-employed and unemployed into the informal sector in higher numbers.

Unemployment has worsened. The total urban rate of unemployment is estimated at 45% (population of 7 and over), and 33% (for a population of 10 and over in the capital). As a result the informal sector has become an important source of subsistence for most of the population.

The Human Development (HDI) pattern of indices since 1990 (the first year in which this new development indicator appeared) has been very irregular, with a clear tendency to worsen until 1993 (the year for reasons attributable to the war and a hard economic crisis HDI reached its lowest level). From this year onwards HDI presents a more dynamic pattern, even though its absolute values continue to be a practical translation of the enormous constraints and difficulties experienced on a daily basis by the majority of the Angolan population. The following figures express the position of Angola in terms of GDP and HDI, amongst other nations and also presents the pattern of HDI since 1990:

Position of Angola in terms of GDP and HDI

YEARS	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Position of Angola by GDP	110	94	110	126	120	161	133	133	128	-
Position of Angola by HDI	110	147	139	160	155	164	160	-	-	-
HDI	0.304	0.150	0.169	0.143	0.271	0.291	0.323	0.335	0.344	0.430

The position of Angolan in Southern Africa according to value of HDI is the following:

Position of Angolan in Southern Africa according to value of HDI

RSA	Botswana	Swaziland	Namibia	Zimbabwe	Lesotho	Zambia	Tanzania	Angola	Malawi	Mozambique
90	97	114	118	129	137	143	149	160	161	166

Studies recently carried out by the Ministry of Planning through the National Statistics Office point to a general national poverty rate of 67%, with 11% in the category of absolute poverty. The situation of prolonged and generalized war is considered as the main reason for the Angolan population's impoverished state. At present the Government is drawing up an interim strategy for poverty reduction.

8.2 Evolution in Buying Power of Salaries

In 1997 predictions made by the Ministry of Planning pointed to an annual accumulated rate of inflation of around 60% in December, forecasting a positive evolution in the buying power of salaries in the public sector.

However, in the period from January to October 1999 the rate of inflation measured by the Consumer Price Index in Luanda was 257.8%, against a variation in the same period in 1998 of 97.0%. An equivalent variation was recorded in October of 326.8%.

The situation has worsened in relation to the buying power of civil servants' salaries, in spite of increases in July and October 1999, registering an accumulated deficit of more than 55%.

Moreover, despite exchange policy as defined in 1999 advocating the convergence of exchange rates between the formal and informal markets, from December 1998 to September 1999 the accumulated depreciation in the exchange rate was respectively 778 per cent and 398 percent, and as such substantially higher than the accumulated inflation for the period, which measured by the Consumer Price Index of the city of Luanda reached 197.6 percent.

It must be said, however, that depreciation in the rate of exchange in the formal market was substantially higher than that of the informal market, which was a result of the fact that it had been kept administratively overvalued until liberalization policies were adopted.

Overview of Poverty in Angola by Regions

	Life Expectancy at Birth(years)	Index of human Deprivation
Angola	42	58.0
Urban	44	53.2
Rural	41	64.2
Luanda,Bengo,Cabinda	44	52.9
Zaire,Uíge,Malange,Kwanza-Norte	42	63.3
Lunda-Norte,Lunda-Sul,Moxico	42	68.2
Benguela,Kwanza-Sul	44	57.5
Huíla,Cunene,Namibe	42	62.6
Huambo,Bié,K.Kubango	42	62.8

Source: Report on Human Development in Angola, UNDP,1997

On analysing these figures it can be concluded that the human deprivation index is very high and that the provinces to the east of the country are the most affected.

IX. Annexes

Provisional Table of General Indicators

Population		Human Development	
Population estimated at – 11,800,000 in 1999		I.D.H. (1999)	0.430
Growth Rate	2.9	(Schooling)	
Female Population ¹	51 %	Schooling Basic Level ³	
Population 15 and over	55%	(1999)	46%
Rural population ² (1992)	73%	Student/Teacher Ratio ³	34
Population 0-4 anos ¹	18%	Access to Basic Primary Education ³ (1999)	26.2%
Population 5-14 anos ¹	27%	Repetition Rate ³	28.7%
Active Population ²	40%	Illiteracy for ≥ 15 (1998)	42%
Population Density	10 inhab/ km ²	Illiteracy. Women/female + 15 years of age	24%
Administration		(Health)	
Number of provinces	18	Life Expectancy at Birth	42.4
Number of municipalities	163	Fertility p/woman ¹	6.8
Number of “comunas” (smallest administrative division)	532	Birth	49%
Civil Servants ³ (1998)	220,460	Mortality	19%
Economy		Maternal Mortality	2%
Econ. Growth 1992-1999	8%	Child Mortality	17%
Other indicators		Under-5 mortality rate	29.2%
Displaced by war	± 3.500.000 inhabitants	Malnourished Children	35%
Public sector workers displaced	5,818	Rural Pop with access to clean drinking water ³	
General Poverty Index (pop.)	67%	(1996)	31.2%
Absolute Poverty/Destitution (pop.)	11%		
Children at risk	± 100.000		
Orphaned or abandoned children	± 50.000		
Physically disabled because of landmines	+ than 120.000		

Sources: ¹ MINPLAN – Population Nucleus² MAPESS³ Not fully up-dated figures

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