

# ANGOLA

## Drivers of change: an overview

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## ABBREVIATIONS

ADRA	Angolan Association for Rural Development
AEA	Aliança Evangélica de Angola
AEDSA	Agencia Ecuménica para Desenvolvimento Social em Angola
AIDS	Acquired Immuno Deficiency Syndrome
AIPA	Association of Private Newspapers
ANDA	Associação Nacional de Deficientes em Angola
ASODE	Associação Social para o Desenvolvimento
CBA	Convenção Baptista de Angola
CBO	Community Based Organisations
CCG	Centre for Common Ground
CEAST	Bishops' Conference of Angola and São Tomé
CICA	Conselho de Igrejas Cristas em Angola
CIR	Centre for International Relations
COIEPA	Comité Intereclesiástico para a Paz em Angola
CONGA	Comité das Organizações Não-Governamentais em Angola
EITI	Extractive Industries Transparency Initiative
FAA	Forças Armadas de Angola
FLEC	Frente para a Libertação do Enclave de Cabinda
FNLA	Frente Nacional de Libertação de Angola
FONGA	Fórum das Organizações Não Governamentais
HIV	Human Immuno-deficiency Virus
HRD UNOA	Human Rights Division from the UN office for Angola
IDP	Internally Displaced Person
IECA	Igreja Evangélica Congregacional de Angola
IOC	International Oil Company
IRIN	Integrated Regional Information Networks
IRSEM	Instituto de Reassentamento Social dos ex-Militares
JRS	Jesuit Refugee Service
LAC	Luanda Antenna Commercial
MAI	Media Action International
MISA	Media Institute for Southern Africa
MOJUP	Movimento Juvenil Unido para Paz
MOSAICO	Catholic Cultural & Documentation Centre
MPLA	Movimento Popular de Libertação de Angola
NGO	Non-governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
NSJ	Nordic-SADC Journalism Training
PCIA	Peace and Conflict Impact Assessment
PCP	Programa de Construção de Paz
PRSP	Poverty Reduction Strategy Paper
PWYP	Publish What You Pay
RNA	Rádio Nacional de Angola
SMP	Staff Monitoring Programme (IMF)
TPA	Televisão Popular de Angola
UNDP	United Nations Development Programme
UNITA	União Nacional para a Independência Total de Angola
WDR	World Development Report

## SUMMARY

Angola has undergone dramatic economic and political changes since independence from Portugal in 1975, and continues to face severe challenges three decades later. An open democratic process has not yet been established, the economy faces deep-rooted structural imbalances, and the country's international relations have undergone many shifts and changes, so that it is currently again in a major transitional era.

From the outset, the ruling Movimento Popular de Libertação de Angola (MPLA) faced major difficulties in asserting its authority. First, the Portuguese left with such rapidity that power and systems of government were never systematically transferred and the new Angolan leadership was not well prepared for the task of governing. Second, in this context, the new government immediately had to deal with armed challenges to its authority, for many years backed by powerful foreign support. On the policy front, it set out initially to assert a Marxist-Leninist state that would overturn many critical aspects of the colonial legacy, but in the absence of political stability, and driven by a host of other factors, the MPLA has spent much of its time over the past 30 years strengthening centralised control over the state. Since he came to power in 1979 President José Eduardo dos Santos has amassed and retained vast power in the presidency, at the expense of other arms of government. Nonetheless, one of the most notable shifts occurred in 1990 with the abolition of official Marxism-Leninism and a move away from single-party rule. A second major shift – still in the process of being consolidated at present – came with the end of the war in 2002. Not only has this brought new prospects of elections, but it has created new opportunities for economic reform and for civil society organisations to grow into new roles as part of a new more open political order. Openness is by no means a certainty, however, and a long list of fundamental changes and process need to occur before Angola will be fully stable, transparent and democratic, or able to properly fulfil its obvious economic potential.

War reinforced the government's centralising and repressive tendencies. Now that the immediate destabilising factor of the war has been removed, President dos Santos has started to loosen political control a little. However, the openings are small and changes are guided by a policy of *gradualismo* (gradualism). This is designed to ensure enough flexibility and sophistication to adapt and move forwards in a constantly changing world, but also to control carefully the pace and direction of political and economic change so as to avoid destabilising upsets that could threaten the MPLA's grip on power or fundamentally disrupt the patronage system that forms the basis of political power in Angola. Economic reform and high oil prices are generating rapid economic growth, but this is largely restricted to parts of Luanda and has not had a major impact on reducing poverty for millions of Angolans. Indeed, high oil prices are generating powerful but largely hidden negative effects too, similar to those that afflicted Nigeria during the 1970s oil boom and created problems that have not fully been resolved. The end of the Angolan war, however, has generally had a dramatic positive impact.

This *Drivers of Change* report on Angola aimed to build up an understanding of change in Angola, using the approach of testing a number of common assumptions about the process. In general the conclusions about these assumptions cannot be categorical, but the research has highlighted a number of interesting nuances.

The research assumptions are as follows:

- **Peace brings change.** There is clear evidence that with the end of the war there is growing political space for reform and that this process has begun to shape new institutions, although the government is attempting to determine the pace and openings. Economic reform started earlier, however. The main visible peace dividend is freedom of movement across the country.
- **Civil society is a major driver of change.** Given the state's many shortcomings and the severe challenges it has had to face, as well as the actual role that churches and other non-state agents have played in lobbying for peace and change or providing services during the war, there has been a view that civil society may be a primary driver of change. More recently, pressure groups around land issues seemed to exert some influence, which gave rise to new assertions about their potential role in forging change. The private media and the churches are seen as particularly important. However, there are several reasons for qualifying these assumptions. Civil society in its current form is young (it only really emerged in the 1990s) and is neither strong nor monolithic. It continues to grow and has been able to create political space, and start new processes, for example around land issues. But donor dependence has at times weakened its effectiveness and the state has constrained the political space available to the media and other civil society agents in various ways.
- **Democracy and elections will bring change.** Many Angolans hope that with elections expected in late 2006, this process will create space for political and constitutional reform and broader pro-poor change. There are significant challenges ahead; the party and state are mostly equated, opposition parties lack funding and often face coercion, infiltration, co-option or harassment, and media access is limited in the provinces. However, the MPLA clearly yearns for international legitimacy and this provides an important incentive for some reform.
- **Natural resources distort the political economy.** There is clear evidence that oil and other natural resources have distorted Angola's economic and political structure and that this has reduced the scope for pro-poor economic growth. This is also affected by an outdated national vision of grand infrastructural projects and a closed market dependent upon patronage which has also stunted growth in other sectors of the economy.
- **International leverage is limited.** In contrast to many aid-dependent African countries, oil and diamonds give Angola's rulers the ability to resist pressure from Western donors whose vision is not shared by many of Angola's decision-makers. However, the international community does provide legitimacy, especially in the run-up to an electoral process, and for enhancing Angola's access to investment and capital. This provides opportunities for engagement around reforms in governance, economic management and service delivery.

There are no obvious domestic or external challenges to MPLA hegemony in the short or medium term. Its overriding aim is to remain in power for many years to come. The most important changes in Angola are therefore likely to emanate from within, rather than outside, the MPLA. They are also likely to happen only slowly. Although donors have only limited influence over the quality and pace of change, a number of entry points do exist, mainly around the build-up to elections, consolidating the peace process and the post-war evolution of perceptions about the meaning of economic development.

However, it would be wise to base any strategy on the following considerations:

- **Change is a long-term process.** Short-term interventions have a place in any change strategy and may add considerable value in capacity-building, policy reform and service delivery. However, because of the deep-rooted nature of Angola's planned political economy, fundamental change requires a long-term focus and projects aiming to influence the government to promote better policies are likely to have effects that are slower, more indirect and more diffuse than originally intended.<sup>1</sup> Short-term interventions seen as adversarial (such as direct pressure or conditionality) are less likely to yield direct and quick results than more collaborative long-term interventions such as helping train key Angolans or trying to promote initiatives that will seep into MPLA consciousness over time. Real benefits may be too long-term or diffuse to be easily and quickly discernible, and this can be frustrating for donors. This can create vicious circles: donor frustration, in turn, contributes to donor pull-outs and this volatility in funding then militates against long-term strategies. Angola's leaders have considerable resolve to resist direct pressure and its effects must therefore not be taken for granted. However, direct pressure (e.g. confrontational transparency campaigns) can also work – though the effect tends to be indirect (for example, by altering investor and donor perceptions) rather than direct. The land issue shows that a combination of confrontational and more collaborative approaches can, in the end, produce results.
- **Spill-over effects are vital.** Although political space in Angola is rarely opened up voluntarily, pressure can be effective in some cases, and political space, once opened up, tends not to close down fully. The legacy left by the land process, for example, holds real potential to reshape the way civil society engages with public policy issues and with government. It demonstrates the limitations of external pressure for change, but also gives a sense of new growth points for changes in the style of Angolan politics and policy processes.
- **Taking the cues from Angola.** It can be useful to support civil society initiatives that punch out political space, without being too prescriptive. It can be hard for donors to create strategies to promote change, given that anything seen as external interference suffers from a lack of credibility inside Angola, but giving Angolan actors greater influence over the design and direction of projects can help. In this respect long-term thinking, not only on donors' strategic objectives but also on the incentives of Angolan actors, will help too. These actors will be more effective if they can be confident of longer-term donor commitment. It may become increasingly possible to influence change by supporting processes the government has already bought into, such as its apparently growing recognition of the need for some form of decentralisation. Collaborative educational projects with MPLA parliamentarians on, say, the land law, might also bear fruit in the long term, although there is good reason to approach this with caution as the substance of land reform will remain a complex issue for some time to come.
- **Inflection points.** A longer-term focus provides the clearest perspective on change and helps place initiatives in context; in this context it is also important to

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<sup>1</sup> This is in line with the thrust of some recommendations included in *Partnerships for Poverty Reduction: Rethinking conditionality*, DFID, March 2005.

think about inflection points: moments (or short periods) which precipitate rapid change – for example, the death of Savimbi, the end of communism, government reshuffles, a crash in oil prices, or elections. Before such inflection points, prospects for change are often contained or less obvious, and this can be frustrating for donors and reform-minded Angolans. Afterwards, however, change can be large and rapid, and its direction influenced by the advance preparation.

- **Structures, institutions and agents.** The Angolan national vision of development is still in its infancy as a concept, and is generally not aligned with the interests of many Angolans, especially the poor. Non-prescriptive ways of working with the government and national NGOs to widen these debates could have a big impact in the longer term.
- **Working with civil society should not preclude working with government.** The paper shows that civil society is still in an emerging phase, yet could be a source of pressure or service delivery with some consequences for pro-poor change. However, this does not imply the government should be ignored. Government weakness is a problem too. Many of the worst historical economic outcomes for Angola's poor (especially the war, and disastrous macroeconomic policy and hyper-inflation) result from government weakness: loss of control over the parts of the country and the political economy. This sits uncomfortably in an analytical framework where donors also often see government strength as negative, because it can have such damaging effects on political and economic pluralism and freedom. Care needs to be taken to acknowledge this tension when designing strategies; in some cases strategies that allay fears of a loss of government control can be beneficial.
- **Long-term dialogue.** Long-term dialogue between Angolans, traditional donors and other partners, such as Brazil or China, might also provide fruitful avenues for fresh thinking. Angola's relative isolation has tended to subdue the local interest in international thinking but there are new signs of a growing interest in international experience and lessons. This is likely to increase as the change process unfolds.
- **Churches have some credibility.** The churches, and especially the Catholic Church, which has a more unified leadership, are the only non-state actors that combine a fairly high degree of moral and financial independence with local Angolan credibility not tainted by being perceived as donor-driven. This gives them unusual influence, although the selection of a new Pope in April 2005 is unlikely to lead to a radicalisation of church activities in Angola.
- **The pre-electoral period provides openings.** Initiatives attempting to level the electoral playing field, such as media monitoring, rights awareness and electoral education, could have an impact. The government is especially sensitive at this time to donor perceptions, given that elections are seen as a route to regaining some lost legitimacy at home and abroad.
- **The economy provides powerful points of entry.** The Angolan government has become acutely aware of the significance of its economy, but finds itself captured by a legacy of reliance on natural resources and a planning logic that

emphasizes large-scale infrastructure rather than multi-faceted economic development that also addresses widespread poverty. It has become increasingly open to some new ideas, however, and this creates several economic policy points of entry to promote change. For example, future periods of lower oil prices may provide short-term entry points by bringing home the message that a diversified economic structure is a precondition for sustainable growth and development.

## **1. INTRODUCTION**

1. Angola is currently passing through a post-conflict transition phase. Analysing the drivers for 'pro-poor' change in Angola is therefore timely and important. However, the context for change stretches beyond this transition. Despite constraints, the past few years have seen a widening political space for political and civil society activities. This has gradually expanded since the early 1990s, though there remain constraints on the ability to use this space to influence government remains. However, such space provides an important opening for processes of change in Angola.

### **1.1 Purpose and scope**

2. The overall aim of this report is to chart the determinants of change in Angola during the post-Savimbi peace consolidation process within their longer-term context, and to use this as a basis for understanding how the international community can support real longer-term change that will lead to poverty reduction. More immediately, one purpose of the paper was to assist the Department for International Development in its evaluation of its Angola Country Engagement Plan. The paper was written on the understanding that it would be made available for public debate.
3. Drawing out key trends in politics, the economy and the role of civil society organisations, the team explored five key research questions.
4. What assumptions is the international community making about the nature, pace, sequence and objectives of progress towards post-transition institutions, and how well does this reflect actual experience in Angola?
5. What are the most important determinants of change since the death of Savimbi in terms of the incentives and capability of key groups and individuals, the structural factors that influence their actions and the institutions or rules by which their actions are regulated?
6. How can the international community understand its own actual and potential role as an influence on different processes and groups in Angola?
7. To what extent are the incentives and determinants of change during the peace process also likely to be drivers for longer-term change which favours poverty reduction?
8. What further research and learning are required in order to understand the determinants of change for the elimination of poverty in Angola?
9. The research team visited Angola twice, from August through to October 2004, in addition to drawing upon a detailed literature and document review conducted by Chatham House. The report also draws from visits to Cabinda and Lunda Sul in July. The team carried out over 280 interviews in August and September, in Luanda, Malange, Huambo and Huíla provinces. In the provinces the team left the capitals to visit municipal and commune centres. It tried to consult as widely as possible with people from the media, think-tanks, the academic world, churches, public and private business, diplomats, international and national NGOs, political parties, the civil service, government and the presidency. In Luanda in August and October the team

held two rounds of stakeholder meetings with three groups (national NGOs, international NGOs, and independent experts and the donor community). Two meetings in London, one in early September and another in early October, with NGOs, government officials and academics and independent experts from across Europe mirrored the stakeholder consultations in Luanda. On the basis of this input, the report was updated in April 2005.

10. This report was commissioned by DFID. However, the views expressed are those of the authors and should not be attributed to DFID, nor to any of its staff members, nor to any of the people interviewed. The report contains a comprehensive annex of people interviewed. There are a few exceptions where individuals requested complete anonymity but the vast majority, and especially Angolans, were happy to provide their opinions openly.
11. Comments on this paper may be sent to: [avines@chathamhouse.org.uk](mailto:avines@chathamhouse.org.uk)

## **1.2 Acknowledgements**

12. The research team is grateful for the logistical assistance and support of the British Embassy in Angola, and especially Martin Johnston and his DFID team. OCHA also provided invaluable logistical support in the provinces.
13. Research for the November 2004 draft report was undertaken by a four-person team: Alex Vines (Head of Chatham House's Africa Programme, a rights specialist and team leader); Nicholas Shaxson (Associate Fellow at Chatham House and an economist); Lisa Rimli (Angola and Mozambique Desk Officer at Swiss Peace and a historian); and Nuno Vidal (Lecturer, University of Coimbra, a political historian). The final editing in April 2005 was by Shaxson and Vines in consultation with Chris Heymans.
14. Chris Heymans, Research Manager & Governance Advisor at GHK and an analyst of Drivers of Change processes, assisted the team with editorial and methodological advice. Manuel Paulo, a junior research fellow at Chatham House, also provided advice, and Tom Cargill and Eva Kaplan from Chatham House's Africa team, assisted with logistics and production.

## 2. THE DRIVERS OF CHANGE APPROACH

15. The core point of the Drivers of Change (DoC) approach is that local situations and local history should be the point of departure for development and policy change in any given society. DoC work in contexts as diverse as Nigeria, Mozambique, Zambia and Pakistan has distinguished between structures, institutions and agents<sup>2</sup> as drivers of continuity and change:
- **Structures** refer to the underlying economic, social and political fabric of the country and its resource endowments as reflected in the distribution of assets, economic processes, social relations and ingrained political legacy and form of government.
  - **Institutions** are frameworks of rules governing the behaviour of agents (i.e. markets, cultural patterns, legal and administrative frameworks, and norms).<sup>3</sup>
  - **Agents** are individuals and organisations that pursue particular sets of interests.
16. By looking at how agents, institutions and structures shape and are shaped by each other, it becomes possible to engage with political interests and power relations and to come to terms with how political choices and demands influence policy outcomes and institutional incentives, rules and patterns. The aim is not merely to do routine stakeholder analysis, but to come to an understanding of the processes through which interests are mediated, decisions made and resources allocated.
17. This also offers and requires a longer-term perspective rather than solely a focus on short-term poverty reduction. It facilitates a more fundamental impact on patterns and directions of change. It also holds the potential to sensitise donors to local language used, work with local preoccupations, systematise the timing for initiatives, build synergy between pro-poor policies and a broader growth/development/modernisation agenda, and engage with wider groups of opinion formers, not just with people being funded.<sup>4</sup>
18. Angola – like other locations – poses the challenge to the international community of striking a balance between specific politics and circumstances, on the one hand, and learning through global experience on the other. The DoC study hopes to fill in the nuances of this balance by considering a number of common assumptions about change in the country. These assumptions are:
- **Peace brings change.** It is commonly believed that with the end of the war there is growing political space for reform and for the formation of new institutions. The analysis attempted to shed light on this assumption, especially in the context of

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<sup>2</sup> Oxford Policy Management, 2003, 'Drivers for Pro-Poor Change in Nigeria?' Unpublished set of reports prepared for DFID-Nigeria, Oxford.

<sup>3</sup> It is important to emphasise that the term "institutions" does not refer here to organisations – for the purpose of this analysis the latter would be regarded as "agents". This is also consistent with DFID's 2003 *Guidelines for Promoting Institutional & Organisational Change* (page ii), which define "institutions" as "rules of the game" that "...govern individual and collective behaviour", such as "formal rules, informal constraints – norms of behaviour, conventions and self-enforced codes of conduct" and how they are enforced.

<sup>4</sup> Unsworth, S., 2002a, 'Understanding Pro-Poor Change', DFID internal discussion paper; 2002b, "Understanding Incentives and Capacity for Poverty Reduction: What Should Donors Do Differently?", DFID internal discussion paper.

state efforts to dictate the reform agenda, and the possible implications of economic reform.

- **Civil society is a major driver of change.** Given the state's many shortcomings and the role that churches and other non-state agents have played to lobby for peace and provide services during the war, there has been a view that civil society may be the primary driver of change. The analysis considers this legacy and the implications of recent civil society mobilisation around issues such as land and services, and the emerging role of the media in post-war Angola.
  - **Democracy and elections will bring change.** Many Angolans hope that with elections expected in late 2006, this process will create space for political and constitutional reform and broader pro-poor change. The analysis reflects on this proposition, amid the many challenges around policy and process in post-war Angola.
  - **Natural resources distort the political economy.** Angola is not unique in that its oil and other natural resources have distorted the economic and political structure. The extent of these distortions is being looked at, in the context of the national vision for development, the planning emphasis of the current government and the embedded patronage in economy and social structure.
  - **International leverage is limited.** The role of donors and investors in Angola is the subject of much discussion, as oil and diamonds would seem to give it the ability to resist pressure. This perspective is tested, considering also the Angolan quest for greater international legitimacy and access to investment and capital.
19. By considering these assumptions in historical context, the study hopes to provide a perspective on the implications of existing and evolving agent behaviour and institutional patterns, as well as structural realities likely to define the scope for development interventions in Angola.

### 3. ECONOMIC CHANGE and REFORM

20. In contrast to many aid-dependent African countries, oil and diamonds have enabled Angola's rulers to resist pressure from Western donors and pressure groups. Donors are often viewed with suspicion by many of Angola's decision-makers, including President dos Santos. These resources have also enabled the creation of a powerful security apparatus, giving the leadership great power to weaken and co-opt domestic adversaries. This section focuses on the economic dimensions of this power and of the challenges that face Angola.

#### 3.1 Three structural economic conditions

21. Three structural conditions set the backdrop for the contemporary Angolan economy and the prospects for economic change.

22. First, it is a resource-dominated economy. Angola produces around a million barrels of oil per day and the sector accounts for roughly 90% of exports, half of GDP and 75% of government revenues. Angola also exports around \$1bn of diamond exports annually, which accounts for nearly all the rest of exports: only 0.4% of its \$9.5bn exports in 2003 were outside the petroleum and diamond sectors. Despite these resources it is misleading to claim that Angola is rich: the state's oil revenues (excluding borrowing) work out at under \$450 per person per year, at 2004 oil prices. However, it is fair to say that rising oil and diamond revenues have not translated into better living conditions for most Angolans, and there is ample evidence that the "Resource Curse", whereby oil and other extractive industries have actively harmed many developing countries, afflicts Angola severely. Between 1995 and 2000/01 the proportion of urban people living below the extreme poverty line doubled to 25%, and between 1990 and 2003 the share of agriculture in GDP fell from 20% to 8%.<sup>5</sup>

23. Second, Angola is still defining itself in a new mode since shifting from Marxism-Leninism in the mid-1970s to late 1980s. After independence from Portugal in 1975 Angola was in the Soviet orbit, and Marxism-Leninism was official policy until 1990; unlike in other former countries in the Soviet orbit, where reforms swept away old leaders, many in the Angolan top leadership from those days remain in power today. The economic and political system – including the opposition parties and civil society – are highly dependent on the state owing to a lack of opportunities outside the state's orbit and the fact that oil and diamond resources strengthen the state and distort non-oil private-sector growth.

24. Third, most Angolans grew up in war and this has conditioned the economic structure. In some instances, the growth of economic interests produced incentives to prolong the fighting, but this was by no means the fundamental reason for war. The war destroyed physical infrastructure and human capital, and distorted national institutions. Despite rising oil production, and the end of the war, poverty remains desperate.<sup>6</sup>

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<sup>5</sup> Economist Intelligence Unit, *Angola*, 2004 quarterly report.

<sup>6</sup> According to government data in 2000, based on mostly urban household surveys, households in the richest decile of the population earned 27 times more than the lowest decile. The richest decile accounted for 42.5% of household expenditure in 2000, from 31.5% in 1995,<sup>6</sup> while the poorest decile's share fell from 7.0% to 4.4%. The rural/urban income gap is also huge.

### 3.2 National development visions

25. To understand economic change as it affects the poor, it is first helpful to examine national visions of development. The dominant economic vision could be described as one that advocates top-down, accelerated high-technology economic development, with heavy emphasis on investment, big projects and borrowing to build infrastructure. It is a vision of master planning resting on a premise that the state can solve the nation's ills. Higher education and technology transfer, along with strengthening the state's efficiency and boosting the role of the formal sector, are central. In this vision, development is equated, to a very large degree, with modernity. For example, in the health sector, priority is given to building the health infrastructure, while operating this infrastructure has lower priority. In Luanda, shanty town dwellers have been forcibly moved, allegedly to make way for high-rent condominiums. In this vision state planning solves most problems and there is little room for the poor, who are often seen as an obstacle to, rather than the primary focus of, development. Their route out of poverty, in this vision, is through entry into the formal sector. Consistent with this top-down approach are government spending levels significantly higher than in nearby countries.<sup>7</sup> Combined with a policy to keep the local currency (Kwanza) strong through intervention, this makes non-resource productive activities such as agriculture less competitive relative to imports, crowds out the productive private sector and hurts the poor.
26. Elements of this vision clash with an alternative scenario put forward by the international donor community, for which this is reminiscent of policies last advocated in the 1970s. In the donors' vision the poor, who (in Angola's case) form the large majority of the population, are essential contributors to, indeed a primary focus of, national development, and development is best achieved less through big government projects than through policies (such as recognition of occupants' rights, greater independence for the judiciary, stronger media etc.) that make the state more responsive to citizens' needs and unlock the potential of the citizenry.
27. There are several reasons why these divergent visions have evolved.
- The war destroyed so much in Angola that it is easy to sell a vision in which physical rebuilding is the primary focus of development.
  - Angola is living, in a sense, in a time warp. Given that it has just emerged from a very long war, this is arguably the first time Angolan policy-makers have had to think seriously about long-term development since Portuguese colonial times, when infrastructure-led development models which ignored ordinary citizens were in vogue worldwide.
  - Important vested interests in Angola can profit from the infrastructural opportunities offered by such a vision. High oil prices reinforce these drivers.
  - External actors to whose ideas the Angolan leadership are most receptive – such as Brazil and, increasingly, China – are driven by their own economic interests, which strongly favour big Angolan government spending projects. A history of

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<sup>7</sup> Public expenditure in Angola averages 59% of GDP from 1992 to 2002 (compared with 24.5% in the Southern African region).

difficult relations with the West since independence means these alternative partners are especially influential.

- The state systems of service delivery function poorly. Angola's home-grown procurement and financing mechanisms, often using oil-backed borrowing, can be quite effective. In a sense it is *easier* to build bridges, for example, than to create an effective national health system.
- The vision helps justify a patronage-based political system which operates to a large degree through government spending projects.

### 3.3 The patrimonial system

28. Angola's economy is strongly controlled by a presidency that wields power through personalised networks which, as in many African and other countries, can be more important than the ministries and other formal institutions. In these networks, money and favours are allocated by patrons to clients, in exchange for political support. So the most important tool of political power in Angola is the oil and diamond rent. Competition for money, permission to operate and other favours mean that the main economic operators – including foreign companies which compete for state favours – can be considered a part of the patronage network. Subsidies are also important in this system, and the civil service could be described as the patronage group with the largest number of members, but many other mechanisms and inter-connected patronage groups exist. In these networks, leaders are considered accountable not only to the concept of the nation but to their *clients* in a more traditional sense, who may be drawn from their own social, ethnic or family (or other) groups. Broadly, systems that mix money with politics like this are typically called “corrupt” in the West, and wide research confirms that such systems are harmful to the poor in particular. However, activities that may be seen in the West as corrupt (diverting resources from the nation to narrower, personalised networks) are sometimes viewed as at least partly legitimate in Angola because they form part of this system of patronage. Western notions of transparency do not always resonate well in Angola, and this complicates discussions or the impacts of often well-intentioned international efforts to fight corruption in this society.

29. In such a system, few incentives exist to defer allocation to personalised networks for the longer-term goal of “national” economic growth, and this increases spending pressures, as each constituency knows that if it does not appropriate available rents immediately, a competing constituency will. This can be self-reinforcing, as widespread perceptions that the system is corrupt increase agents' fears that competitors will appropriate “their” rents. As has been experienced in other countries, spending therefore tends to rise to meet revenues, leading to potentially severe economic and political consequences when revenues fall back. This is an especially severe risk in Angola's case because of the volatility of oil prices. Hence, even improvements in macroeconomic stability (such as are now occurring) tend only to be temporary, with a high risk of crisis when prices fall. The networks are expensive; the internal logic just described also favours unproductive consumption (e.g. buying champagne) over long-term investment (e.g. training teachers); they also damage long-term planning and boost harmfully large fiscal deficits.

**Box 1: Economic agents**

The main economic agents in Angola are:

- The presidency: powerful, mostly unelected officials who generally do not take orders from formal state structures.
- Sonangol and Endiama, the national oil and diamond companies
- The MPLA, with its own economic stakes
- The formal economic team, led by the finance ministry
- Other ministries – but only a few, such as infrastructure and petroleum, are powerful.
- International oil companies.
- “The Generals”, who made big profits during the war and remain powerful
- “Empresários de Confiança”: powerful private business people, often from old MPLA families, who set up profitable monopolies or oligopolies.

**3.4 The non-oil, non-diamond economy**

30. Fertile soils and a benign climate, along with harsh labour practices that kept wages low, allowed Portuguese colonialists to build up a very powerful agricultural export sector, complemented by light industries, highlighting the enormous latent potential that exists. However, this state of affairs ended abruptly at independence in 1975, with a huge settler exodus, wholesale nationalisations and the emergence of civil war. The war restricted most non-resource economic activity to a coastal enclave, mainly Luanda, with other urban centres sustained by oil money and donor assistance, surrounded by UNITA areas relying on subsistence agriculture. In some less war-affected areas, such as Huíla province, some agricultural activities and small businesses emerged in the 1990s.

31. The formal and informal private sectors grew after liberalising reforms in the late 1980s, but the war, macroeconomic instability, an overvalued exchange rate, poor infrastructure and education, a weak legal and regulatory framework for enforcing contracts, corruption, the flight of skilled cadres to the oil sector, and a heavy bureaucracy have all severely damaged the non-resource economy. Most of these factors remain in place even after the war and, along with high-profile transparency campaigns that highlight Angolan corruption, help explain why Angola was ranked 103rd out of 104 countries in the World Economic Forum's business competitiveness rankings in 2004.<sup>8</sup> Non-resource activities are geared heavily towards servicing the state and the import and retail trades, with relatively few productive industries outside agriculture. Some productive businesses such as beer or cement, for which import-transport costs relative to value are high, can be competitive and have thrived in relative terms. Agriculture is growing fast from an unnaturally low base, but severe competition from imports paid for with resource rents is sharply curtailing its expansion. Foreign firms in Angola usually enter into partnership with well-connected Angolans. These partners typically do not supply their share of capital or expertise, yet enjoy a share of the proceeds. This adds to costs, making it hard for the company to compete on price with other companies that have more traditional Western shareholding structures. This creates a potentially vicious circle of incentives in that sector: it is in these companies' interests either to ensure that other firms are similarly structured, or to get them to co-operate in monopolistic or oligopolistic ways, or to acquire state subsidies. This model reduces the likelihood of foreign-led investment being a vehicle for the emergence of a politically independent business class.
32. The financial sector is expanding fast but credit to the economy is skewed towards short-term speculative import operations, rather than productive investment. This reflects Angola's resource dependence and an overvalued exchange rate and an investment climate which, while improving somewhat, remains poor. Foreign business interests, including Lebanese (and increasingly Chinese) investors, have prospered because of their ability to source low-cost goods internationally and their own group solidarity which makes up for shortcomings in the Angolan judicial system.
33. Smaller economic agents in formal and informal sectors are hampered by competition from *Empresários de Confiança*, which have better political connections, expertise and access to capital, foreign markets and subsidies. Informal traders are also vulnerable in a state that often sees them as a social menace. Economic distortions and instability hurt small operators but can instead provide profitable opportunities for the bigger *empresários* to exploit. The economic system is hierarchical, and horizontal linkages (such as consumer associations which can challenge monopolistic and other anti-poor practices) are often seen as a threat, or at least unwelcome, by the MPLA and the élites. This is softening somewhat now that the MPLA is growing more confident after the war, but it remains a potent factor. Small-scale traders tend not to compete with the *empresários* but instead depend on them for supplies via the import trade. This allows the *empresários* to use their monopolies to extract the main profits. Massive price competition in the small-scale retail sectors then sharply curbs the profits of poor traders. Boosting local agriculture in particular would curb this dependence.

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<sup>8</sup> see <http://www.weforum.org/site/homepublic.nsf/Content/Global+Competitiveness+Programme%5CGlobal+Competitiveness+Report>

### 3.5 The oil sector

34. Angola is Africa's second largest oil producer after Nigeria. Output, currently at around a million barrels per day, should double by 2007 or 2008. The IMF forecasts government revenues (after deducting oil company revenues) rising from \$5.5bn in 2004 to \$10.3bn in 2008 (assuming \$33/b then).
35. Almost 97% of Angola's oil production is offshore, which has minimised the types of community conflict found in places such as the Niger Delta. Nearly all major discoveries have been made by just four operators: ExxonMobil, Total, ChevronTexaco and BP. The sector is capital-intensive with relatively few linkages to other sectors of the economy.
36. Several important aspects of the oil industry have implications for the fight against poverty. The structure of oil contracts, which are a mix of older tax and royalty systems (notably the Cabinda Joint Venture and some production near Soyo) and more modern Production Sharing Agreements (or Contracts, known as PSAs or PSCs) have several effects, from a poverty perspective.
  - They tend to increase Angolan revenue volatility, in the sense that a rise (or fall) in oil prices tends to translate into a disproportionately large rise (or fall) in revenues. This has serious economic and political effects; it is an issue that has not been significantly debated outside the oil industry.
  - Some contract terms, and large signature bonuses which have been important in Angola's recent history, give operators incentives to develop fields as quickly as possible. Given Angola's lack of absorption capacity, and the fact that many large oilfields are coming on-stream at once, this is likely to be harmful.
  - The contracts help make it possible for Angola to conduct oil-backed borrowing. Although this has been beneficial in some cases, in general these practices are not considered to be pro-poor in a context of post-war development.
  - Sonangol is so powerful that it has enabled the president and the élites to use it as a tool for profitably boosting their control over the economy, either through direct control of assets in the non-oil sectors, or by squeezing out competitors which cannot match it in terms of access to capital, skilled personnel or political connections. Sonangol's roles as concessionaire, equity partner, and operator also inevitably see it caught up in conflicts of interest.
  - Oil companies are answerable to shareholders mostly in the West; their interests are consequently not generally aligned with those of donors, the poor or even, in many cases, the Angolan government.
  - Nearly all activities carried out by foreign oil firms, including corporate social welfare programmes, need Sonangol approval. So these firms are unlikely to be useful partners for civil society activities with "controversial" components such as advocacy.

- Calculating Angola's revenues from the oil sector is highly complex and undoubtedly beyond the capabilities of civil society alone. Transparency initiatives such as the Extractive Industries Transparency Initiative (EITI) or Publish What You Pay (PWYP) would produce major improvements but would still leave big gaps. Oil-backed borrowing adds further complexity, making it even harder to understand revenue flows. However, improvements in transparency are being made.<sup>9</sup>

### 3.6 The diamond sector

37. Current production, including that from official and unofficial mines, is worth around \$1bn per year, and growing fast. In the war, profits occasionally blinded army forces in the diamond zones to local military objectives, and this possibly played a role in prolonging the wars of 1992–4 and 1999–2002. Access to diamond licences has traditionally been controlled by a small number of gatekeepers, some of whom are influential in other sectors including oil and construction. Bidding for licences, like diamond data more generally, is opaque.
38. The northeastern and northern provinces of Lunda Norte and Lunda Sul, where the biggest Angolan diamond operations are historically found, have been characterised by severe ongoing human rights abuses. These were committed both in UNITA and government areas during the war. Human rights abuses have continued since the war, especially involving the expulsion of foreign miners as authorities in Luanda have sought to assert better central control over the diamond zones.
39. In the war of 1999–2002 Western NGOs pioneered a “blood diamonds” campaign, heavily influenced by events in Angola. This led to the “Kimberley process”, which sought to make it harder for rebel organisations such as UNITA to sell diamonds. The campaign was widely supported by Western governments, not only for humanitarian motives, but because UNITA was then seen as a threat to the stability of the MPLA government and to the stability of the sub-region, especially the DRC. The diamond campaigns, along with United Nations sanctions against UNITA, made it more expensive for UNITA to operate, and so may have helped hasten the end of the war.
40. However, as has happened in other economic sectors, the government and the élites harnessed this outside pressure to their advantage, using the Kimberley process as their public justification for a profitable new diamond industry shake-up that occurred after the return to war in 1999. This involved Angola unilaterally cancelling several marketing licences and introducing a marketing monopoly, as well as reducing the size of some mining licences. These moves stemmed partly from a military imperative, to allow the entry of more private operators under government control to be bulwarks against UNITA in some concessions. But it also had commercial objectives: to use the monopoly to pay below-market prices to diamond producers, and so massively increase profits<sup>10</sup> for Ascorp, a state company company that paid

<sup>9</sup> A large amount of oil data is now available on the government's website. See <http://www.minfin.gv.ao/economia/exppetromenu.htm>

<sup>10</sup> A multiplier effect exists. If a dealer buys a diamond from a producer at \$100 and sells it at \$110, his profit is \$10. If, however, he can use his monopoly to pay only \$90, yet still sell overseas at \$110, his profit is \$20. So a 10% reduction in prices paid to producers, in this case, yields a 100% rise in profits.

substantial dividends to the presidential circle. Ascorp's monopoly was rescinded in July 2003.

41. Diamond data remain very opaque, and suspicion exists that amid a partial clean-up of the oil sector, the diamond industry is growing in importance as a way of hiding private revenue flows. Although contract security is likely to improve somewhat after the war to attract foreign investment, a measure of uncertainty makes operators all the more sure to be obedient to the wishes of Angola's rulers. Human indicators in the diamond zones are no better than elsewhere, despite the riches; this is because of greater repression, strong monopolistic practices, and local "Dutch disease"<sup>11</sup> effects from diamond activities that locally raise demand and thus prices.

### 3.7 Economic reform and transparency

42. Angola embarked on the first of several economic reform programmes even before it formally abandoned Marxism-Leninism in December 1990.<sup>12</sup> The changes were gradual and were driven by three main factors: economic crisis that required change, tectonic shifts in the international context, and the realisation by élites that market reforms would give them opportunities to prosper economically.
43. In the 1990s, budgetary management was characterised by huge deficits, which reached 21% of GDP in 1993 and were financed by printing money and borrowing against future oil production. Repayment against past oil-backed loans reduced current revenues, creating a constant need for new loans in a growing quasi-addiction. The deficits stoked runaway inflation and rapid currency depreciation because the government did not properly monitor and control expenditure, under severe pressure from war, the patronage system and poorly controlled extra-budgetary spending. Piecemeal reforms, hostage to whimsical demands from the presidency and vested interests which the treasury was too politically weak to resist, reflected fragmented budgetary management and failed to reduce the deficits. Printing money enabled the government to cover its commitments, at the expense of other Kwanza-holders, notably the poor, whose Kwanza holdings were constantly eroded by inflation. Vested interests profited from preferential access to official exchange rates, subsidies, bank loans, and cheap privatised state assets.
44. As spending spiralled out of control, inflation touched 12,034% in July 1996. Amid rising urban social tensions, new measures were introduced to curb the deficits, and inflation fell somewhat. The return to war in December 1998, however, amid low oil prices, plunged Angola into extreme crisis. President dos Santos then appointed a new reformist team led by Joaquim David as finance minister and Aguinaldo Jaime as Central Bank governor, marking the start of efforts to reassert control. An IMF Staff Monitored Programme (SMP) was signed in April 2000. The signing in January 2001 of a "diagnostic study" of the oil sector also marked the beginning of gradual but sustained improvements in transparency. The reformists faced huge difficulties in the war and relations soured with the IMF during that time, with the president unwilling to take on powerful vested interests in a context of war. Reform has been consolidated

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<sup>11</sup> The Dutch Disease refers to a phenomenon whereby a large inflow of foreign exchange (from natural resource extraction) causes the real exchange rate to appreciate. This makes local productive industries such as manufacturing and agriculture less competitive relative to imports and harms these sectors.

<sup>12</sup> The first reformist programme was the *Saneamento Económico e Financeiro* programme of August 1987, which aimed to start the transition to a market economy, although little was done in practice.

since 2002, however, and under a new finance minister annual inflation is down to under 30%, and falling, and the Kwanza has been broadly stable against the dollar for over a year. Now, without the emergency and uncertainty, the authorities can better understand the factors behind monetary instability. Budgetary discipline, helped by bodies such as the *Tribunal de Contas*, (*Court of Accounts*), which is mandated to crack down on mis-spending, is much better, budgetary management is steadily growing more sophisticated and a more unified budgetary system is far more resistant than before to predation from random interests. The increasing use of monetary instruments such as treasury and central bank bills curbs the need to print money to cover deficits, and the authorities' greater understanding of the system enables better transparency. Although still weak, this is indeed improving, notably in the oil sector.<sup>13</sup> Angola is now seeking a new IMF SMP, and although relations have recently been through another brief period of difficulty, this fits a longer reform pattern of two steps forward, one step back.

45. It is easy to form the impression that the end of the war has been the primary driver of reform. But it was in 1999, not 2002, when reform started in earnest. Following the economic disasters of the 1990s the political leadership had finally understood the importance of a holistic approach to economic management. So reforms are not, primarily, about opening up to new ideas; they are about power: better and more sophisticated control. The *Tribunal de Contas*, for example, or new audits and budgetary monitoring systems, are not best seen as reformists' implements but as tools for the president to get better control. A secondary early driver of reforms, which influenced their particular direction, was that the president saw it as important to remain on good terms with the West at a time of military uncertainty, economic and political weakness, and low oil prices.
46. Exploring the limits of reform gives further insights into the drivers behind it. Reformers have improved budgetary management and provided short-term stabilisation, plus notable, if insufficient, progress on transparency. While these measures might upset rent-seeking arrangements, they also deliver new opportunities for private accumulation in more sophisticated ways that are still partly controllable. There has also been something a shift of rent-seeking away from the more visible revenue side towards expenditure-side activities, which need greater forensic effort to monitor and control and are harder to discern. This provides another explanation for gradualism: it takes time to negotiate and work out new rent-seeking arrangements. A move away from obviously unproductive rent-seeking (such as through multiple exchange rate round-tripping) towards more sophisticated rent-seeking such as giving state reconstruction contracts (which are more 'productive') to favoured clients is easier to justify publicly or even to forward-thinking members of the élites.
47. While short-term stabilisation has been achieved to a large degree, however, long-term stabilisation is far less certain. The IMF, among others, has warned that the fiscal trajectory, in particular a failure to rein in massive non-oil fiscal deficits (regarded as a key to good stewardship in resource-dependent economies),<sup>14</sup> may not be sustainable. In the past, Angola printed money (and borrowed) to cover

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<sup>13</sup> One of the most dramatic examples of transparency is to be found on the Finance Ministry website [www.minfin.gv.ao/economia/exppetromenu.htm](http://www.minfin.gv.ao/economia/exppetromenu.htm), which outlines in great detail financial flows between the Angolan state and each foreign oil company operating in Angola.

<sup>14</sup> See, for example, "Angola's Fragile Stabilisation", IMF, May 2004, p. 7.

deficits; now it is borrowing to do so, more than ever before (the \$2.25bn oil-backed loan and the \$2bn Chinese lending arrangement of 2004 were both records of their kind for Angola). But the deficits have not been seriously tackled. This fiscal stance has two main negative effects. First, despite fast-rising oil production and high oil prices, this is almost certainly not sustainable. This is partly because in resource-rich economies, as several studies have shown,<sup>15</sup> subsidies in rent-seeking economies always tend to rise to meet spending; and partly because swings in international oil prices (which have risen more than fivefold since 1999) can be much greater (and their effects magnified by oil contracts –see Section 3.5) than the mere doubling in production which Angola is expecting in the next few years. A second reason why the fiscal stance is problematic is that extremely high government spending,<sup>16</sup> combined with a policy to keep the Kwanza stable (taming inflation, but without seriously boosting non-oil productivity), has led to powerful appreciation of the real exchange rate, exacerbating “Dutch disease” effects provoked by natural resource dependence. This damages non-resource productive activity, especially agriculture, and thus hurts the rural poor in particular.

48. Huge non-oil deficits reflect, in part, the logic of the patronage system (see Section 3.3) which promotes current over future expenditures. However, it also reflects quasi-ideological differences between the IMF and Angolan leaders, who assert that strong fiscal austerity is not appropriate for a country with urgent post-war reconstruction needs. Such a view not only fits the national development vision described above, but also reflects an international debate over whether the IMF is right to demand such a high degree of fiscal austerity. (However, it is worth noting that this international debate is not focused specifically on resource-dependent countries such as Angola, for whom overspending is more problematic.)
49. Change is clearly also influenced indirectly by international factors, as shown, for example, by the abandonment of official Marxism-Leninism after the demise of international communism. Some partners have been especially influential: China is a new one: some in the MPLA especially admire economic success from an authoritarian country, which provides a powerful counter-example to Western economic dogma; and China’s massive project-by-project credit line also gives it direct influence through its resulting direct stake in local patronage networks. Brazil is another influential partner, not just because of historical and linguistic links, but also because it has been able to advise on dealing with the IMF, on the basis of its own high-inflation experiences during the 1980s.
50. However, a long history of Western interference in Angola, and not entirely unjustified Angolan perception that IMF programmes primarily serve the interests of rich nations, angers Angolan policy-makers and makes them resistant to IMF conditions. Even on purely commercial terms, they assert Paris Club terms are uncompetitive with what they have achieved bilaterally. Donors stress Angolan “ownership” of the Poverty Reduction Strategy Paper (PRSP), but heavily criticised early versions; this creates cynicism in Angola about what “ownership” means. The IMF could also not directly offer much in financing terms – concessional financing would be small compared with oil revenues. In this context, it is not surprising that direct pressure on Angola by the IMF (and some donors backing the IMF stance in Angola) has a record of mixed

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<sup>15</sup> See, for example, discussion of the “staple trap” in [www.worldbank.org/research/abcde/eu\\_2000/pdffiles/auty.pdf](http://www.worldbank.org/research/abcde/eu_2000/pdffiles/auty.pdf).

<sup>16</sup> Public expenditure in Angola averaged 59% of GDP from 1992 to 2002 (compared with 24.5% in the Southern African region).

results at best. One of Angola's most significant and successful reforms – the signing of an agreement with Crown Agents in 2001 to overhaul customs – was not requested by the IMF at all.

51. Angola remains engaged with the IMF, however. There are further drivers behind this, suggesting that the IMF has a more powerful *indirect* effect. A key driver is a desire by Angola's leaders to attract foreign investment and to gain better access to international capital markets, especially bond markets, theoretically opening the possibility of much bigger and cheaper borrowing than oil-backed borrowing. This would not only help advance big-project national development plans, but would also provide opportunities for decision-makers and their allies and clients to profit personally. Though many in the Angolan leadership hope this could enable them to secure their objectives while bypassing the IMF entirely, it is not as simple as that. The IMF could provide a very powerful signal of credibility to advance Angola's primary goals of more foreign investment and new sources of financing. It might also trigger new donor financing; this, while small relative to oil revenues, is important – especially ahead of elections – because donors provide far more effective delivery mechanisms than what is possible through the broken-down state system.
52. While the IMF and actors in international capital markets all require far better transparency and economic management, Angolan leaders prefer dealing with international markets because they do not represent direct interference but offer a more impersonal set of opportunities from which Angola's leaders can pick and choose. The preferred way forward is thus to push rent-seeking activities “downstream” and to more invisible forms (such as in the diamond industry). This might mean that it is still possible to operate the networks while making it harder for the IMF to be able to publicly identify the specific rent-seeking mechanisms and thus withhold their support. Hence another reason for gradualism: Angola's leaders do not yet know what is or is not possible with bond financing, or the limits of what would be required of them in return. So they are pushing ahead, cautiously.<sup>17</sup> Getting new sources of finance, combined with increasing Chinese engagement and higher oil prices, would also shield Angola further from IMF demands. By reducing the leverage of outsiders, this would again serve the primary driver of reform: to keep control over the economy and the patronage system.
53. High-profile transparency campaigns on Angola by international NGOs since the late 1990s have also had only very limited *direct* influence on economic policy-making inside Angola. Instead, their effect has been more *indirect*, raising the profile of transparency with donors, the IMF, foreign investors and international capital markets. They also have some resonance with a domestic audience and have played a role in opening up political space. In the context of the Extractive Industries Transparency Initiative, however, Angola has special features. First, even if it were to sign up to EITI, discussion to date has focused on oil but appears to have bypassed diamonds. Second, EITI does not properly encompass the issue of oil-backed borrowing, or arcane but crucial matters such as the composition of “cost oil”, and thus is likely to miss out a central part of the overall revenue picture.
54. The drivers behind reform are important for Angola's poor because while both donors and capital markets and foreign investors require big improvements in transparency

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<sup>17</sup> Africa Energy Intelligence reported on 19 January 2005 that Sonangol has asked JP Morgan to advise it on bond issues.

and economic management, the IMF and donors, unlike capital markets, also insist that Angola should aim policy and spending at the poor. Unlike better transparency (which does not need to disrupt the patronage system too severely if handled carefully, as described in the Summary above), pro-poor spending inevitably requires a transfer of resources away from élites. President dos Santos and many MPLA members also resist the idea that their economic policies should be hostage to a PRSP and thus IMF board veto.

### 3.8 Public finance management and the budget process

55. Despite high public expenditure, service delivery in the social sectors remains very poor, mainly owing to extra-budgetary spending, policies of under-allocation to social sectors, and corruption or mismanagement in the budgetary process. Moreover, at times of economic weakness, not only the *value*, but also the *share* of social spending has fallen (and élite privileges such as foreign scholarships have risen). This suggests that vested interests are especially effective at capturing state spending when the state is weak.

**Table 1: Social sector and scholarship expenditure**

Year	1997	1998	1999	2000	2001
<b>Social sector expenditure*</b>	% 11.5	11.5	6.0	11.1	18.5
<b>% spent on scholarships</b>	18.7	10.7	35.7	14.5	9.3

Source: Public Financing of the Social Sectors in Angola, UNDP/WHO/UNICEF/OIM Ministries, August 2002.

\*as a % of total public expenditure

56. In the run-up to the elections, to be held probably in 2006 and/or 2007, there is some incentive for President dos Santos to improve the mechanisms of service delivery to the social sectors. Although this would involve transferring some resources away from existing patronage networks, the economy will be growing fast enough to accommodate this. However, despite some improvement in political will, weak technical capacity makes it hard to deliver.
57. Some administrative and budgetary deconcentration since 2001 has improved the supply of funding to certain social sector units, such as municipal hospitals, whose funding source has shifted away from the health ministry's provincial structures towards direct financing by the finance ministry. Although this creates other problems, it does represent the successful use of a mechanism for bypassing at least part of the patronage system, which had previously reduced the effectiveness of social spending.

### 3.9 Oil-backed borrowing: an unusual tool

58. Oil-backed borrowing started in the 1980s as a way to find money for Sonangol's cash calls but was then deployed increasingly for general government use, notably to secure arms quickly after the return to war in 1992. Angola has built up a good record of repayment, and this enables new loans to be constantly organised. The secret of

their success is that the payments are routed through secure offshore structures. This has allowed the president to bypass the inefficiencies of Angola's traditional budgetary system and turn these loans into unusually effective tools (not just for arms purchases); they also enabled him to hide arms procurement from UNITA. However, the offshore nature of these flows also meant the finance ministry lost control over them, harming transparency and the formal structures of state while reinforcing presidential power and providing opportunities for corruption.

59. Oil-backed borrowing has thus been a big part of the reason for Angola's famous "missing billions"<sup>18</sup> and this, combined with the fact that it is extremely expensive, has made donors extremely suspicious of it. A perception in the Western media that the "missing billions" were all stolen is wide of the mark, however. While there is undoubtedly some truth in these accusations, much was also used for legitimate or quasi-legitimate state projects under direct presidential control, such as arms deals during the war, activities of the foreign intelligence services, and even some construction projects. Oil-backed borrowing is now central to the exercise of power in Angola. In effect, Angola has exchanged a smoother cargo-by-cargo revenue stream for a more lumpy loan-by-loan one, with periods of scarcity followed by huge windfalls. This complicates budgetary management further and exacerbates the volatility problem, and vested interests can profit from this.
60. As well as loans for Sonangol or general government use, oil-backed credit lines used by countries such as Portugal, Brazil and Spain, and more recently China, have provided guarantees for foreign companies doing business in Angola. The result has been fairly effective (if expensive) delivery of large projects, such as the Capanda hydroelectric dam built partly by Brazil's Odebrecht. In this case, Angola allocates oil cargoes to the Brazilian government, which pays Odebrecht directly for its work in Angola. If this money had instead been routed through the Angolan financial system, it might not have arrived. The \$2bn Chinese concessional oil-backed loan deal agreed in 2004 will be especially important for the MPLA as Angola prepares for elections in 2006. This is the biggest loan of its kind, and more Chinese loans are being discussed. Such credit arrangements tie procurement to a single country; China is extremely competitive in this respect because it produces a very wide range of cheap goods. China's incentive is long-term energy security, and it wishes to bind its companies more closely into a fast-growing African oil producer.
61. Angola would like eventually to replace oil-backed borrowing (especially commercial borrowing) with cheaper alternative forms of finance, as described in Section 3.7, above. However, the demands of the patronage system prioritise current revenues over future revenues, and high oil prices make Western banks extremely keen to keep lending through these highly profitable operations. Therefore, strong incentives exist to retain these practices, especially if alternative financing cannot be found.

### **3.10 Summary**

62. Angola finds itself captured by a historical reliance on natural resources and a legacy of centralized planning geared towards large-scale infrastructure rather than economic development that combines productive growth with addressing poverty. But

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<sup>18</sup> In a confidential staff report on 18 March 2003, the IMF recorded discrepancies (reflecting an excess of inflows over recorded expenditure) of \$2.46bn from 1999 to 2001, equivalent to an average 11.3% of GDP.

it has become more open to some new ideas, and this creates the potential for points of entry to promote change. Strategies that allay fears of a total loss of government control can be beneficial, posing complex strategic trade-offs between the quest for economic progress and other considerations such as improved governance. Strategies that involve improving the effectiveness of government delivery, or the provision of new finance, will also be welcomed.

## **4. POLITICS**

63. The current political situation shows a society coming to terms with the aftermath of war, trying to consolidate peace and building new institutions for governance. It is also marked by strong vested interests with the power to enforce their will. This chapter places these realities in a broader context and looks at a few possible emerging levers for change.

### **4.1 Historical context**

64. Post-independence instability has its roots deep in history, including Portugal's failure to prepare its colonies for independence, and ethno-regional divisions among nationalist movements that fought the Portuguese and turned on each other. This led to a violent struggle for supremacy at independence in 1975. The MPLA got Soviet and Cuban support, and apartheid-era South Africa and the West supported UNITA. These were key external factors behind Angola's decision to adopt and maintain Marxism-Leninism as official policy under President Agostinho Neto and then, after his death in 1979, under José Eduardo dos Santos, although the revolutionary aspects of Marxism-Leninism had resonated especially strongly in the anti-colonial struggle. A system based on central planning was also a natural response to the loss of skills to run the large business interests left behind by departing Portuguese colonists. A long history of Western interference after independence, and the fact that dos Santos and other early post-independence leaders still hold power today, partly explains Angola's current resistance to Western political and economic models. This stance softened from the 1990s, as illustrated by the visits to the US by President dos Santos.

### **4.2 The post-colonial political and administrative system**

65. Agostinho Neto sought to create a disciplined party along Soviet lines. A failed coup attempt in 1977 provoked a violent purge of the party and a more hard-line stance, with long-lasting effects. The MPLA ruling party became the main provider of benefits and goods driven by its ideological belief as a liberation movement that it was a people's vanguard party. However, faced with conflict rebellion and a struggle to retain power, the party neglected the provision of services – a situation aggravated by the decline of agriculture owing to the war and inefficient centralised Socialist management. Peasants and the urban poor became further marginalised. The MPLA was drawn more heavily from urban, partly Creole élites, while UNITA, whose core lay in the Ovimbundu-dominated central highlands, and the FNLA, drawn heavily from northern Bakongo groups, had more rural backgrounds. As UNITA grew to become the main guerrilla force, military realities – with the MPLA supplying and protecting the urban centres and UNITA in the countryside – sharpened the urban/rural divide. The legacy of these divisions helps, in part, to explain the MPLA's massive neglect of rural areas and the interior more generally.

### **4.3 The dos Santos era**

66. When President dos Santos became president in 1979 the MPLA was already practising centralised authoritarianism, with restricted party membership and political

control of the judicial system. Dos Santos continued to concentrate power, gaining the authority to control and revoke all executive and legislative acts, and drawing into the presidency responsibilities previously under party control, such as foreign economic affairs. He also gained autonomous control over external sources of income, especially oil.

67. However, an increasingly dysfunctional state bureaucracy, compounded by a severe shortage of middle-level professionals, made it hard to ensure delivery. Concentration of powers in the presidency and party created a top-heavy, highly bureaucratic system, with even minor decisions needing top-level approval. With no civil society, or freedom of expression or opposition allowed, inefficiency and corruption thrived.
68. The Soviet-inspired political and economic model began to crumble in the late 1980s, partly as a result of far-reaching changes in the international context including the collapse of communism and moves towards a regional deal involving withdrawal of Cuban troops, independence for Namibia, and then the 1991 Bicesse agreement.<sup>19</sup> This arguably marked the period of greatest Western leverage over post-independence Angola, coming from a growing sense that military victory over UNITA was probably impossible. Influential Luanda families felt constrained by the state's dominance and wanted more latitude to develop their own patronage and private interests. This gave an added internal impetus to the transition.
69. Several aspects of political and economic reform were akin to what happened in the transformation of the former Soviet Union and Eastern Europe, including the sale of large state assets below fair value to well-connected locals. However, there were huge differences too: in particular, the old leadership stayed in power in Angola. As one analyst wrote:
70. *"When more far-reaching economic reforms began in 1990-91 they were accompanied by a formal and explicit rejection of Marxism-Leninism, without any change within the top political leadership. The implication is that the leadership itself resolved to embark on a new 'project' for the organisation of society and the economy."*<sup>20</sup>
71. This is a fundamental point, and political and economic reforms since then were aimed above all at adapting to change while remaining in control. This has had negative implications for political openness until today. Though Marxism-Leninism has long been abolished, the notion that the state should provide for all remains potent.
72. From 1990 the MPLA, helped by Brazilian public relations experts, recast itself as the architect of peace, democracy and reconciliation. This, in contrast to UNITA's bellicose and intimidating behaviour, helped deliver victory in the elections in 1992. Savimbi rejected defeat and returned to war, and in response to the new crisis President dos Santos re-centralised political control and closed down space for independent civil society and the opposition. The MPLA interpreted this experience as a lesson about the dangers of allowing too much change, too fast.

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<sup>19</sup> The Bicesse peace agreement was signed between UNITA and MPLA in May 1991.

<sup>20</sup> Tony Hodges, 2004, *Angola: Anatomy of an Oil State*.

73. From 1992 the transition to a multiparty system was more or less suspended and became hostage to the fortunes of war. Some political space, partly as a result of US pressure to accommodate UNITA, reopened after the Lusaka peace agreement of 1994, but events such as the killing of campaigning journalist Ricardo de Mello in 1995 highlighted the fragility of the opening. During 1994–98, for the first time in Angola's history, multiparty parliamentary politics started to emerge, largely as a result of UNITA's bargaining power at the time and international pressure. However, UNITA's deputies only took their seats in 1997.
74. The war restarted in 1999 and lasted until 2002, during which time dissent was compressed again. UNITA representatives who stayed in Luanda were compromised and weakened. However, some smaller parties were involved in an anti-war movement, which had important effects, though with the killing of Savimbi it failed in its objective to seek a negotiated, rather than a military, solution. This failure reinforced the MPLA's sense of self-belief and its disdain for non-state actors.
75. With the end of the war it was hoped that the space that had been gained after the Bicesse agreements would be reopened. However, three years on, except for freedom of movement across most of Angola, the political opening has only been a gradual process, and remains limited; the MPLA appears determined not to surrender space voluntarily. UNITA is a shadow of its former self and heavily dependent on funding through the national budget, which can be withdrawn. While over 100 political parties are registered in Angola, fewer than a quarter are operational; many of them are little more than symbolic and lack any ideological ambition.
76. Power is managed through distribution of money and political and other posts, taking into account political, ethnic, sub-ethnic, regional and racial balances. This happens in other countries, although oil and diamond money lends the patrimonial system special force in Angola. The overriding imperative is to maintain political and economic hegemony and stability, and to satisfy urban elites. During the war, personal loyalty to the president was a fundamental criterion for appointment; though this remains important, it is becoming somewhat less so and competence is attaining greater importance in the selection process.

#### **4.4 Elections and constraints on multiparty politics**

77. The MPLA has indicated that elections are due in 2006, although President dos Santos has floated the suggestion that legislative elections in 2006 might be followed by presidential elections in 2007, allowing the possibility of a legislature with a new mandate passing a new constitution before presidential elections (and recently suggestions have begun to emerge that further delays may creep in). It is a common assumption that elections will bring change. It is possible to test this assumption by looking at the emerging patterns of party politics, the process of constitutional reform and intended decentralisation reforms.

#### **4.5 Party politics**

78. Unlike opposition parties, the MPLA is advanced in its preparations for elections. Given its visceral belief in its legitimacy to lead, it has drawn up plans until 2025 and is trying to revive its grass-roots support base, partly through internal restructuring.

Unlike some ministries, the party headquarters is well resourced, and there is a clear vision. But the context of party politics is more complex.

79. First, under MPLA control, party and state are often equated (even the flags look similar). This is, in part, an issue of mindset, where a former revolutionary movement has seen itself as guardian of the people, the public good and societal values. It has difficulty in comprehending a state where it is not in this role and where it may have to share or lose power. Deeply embedded in its Marxist-Leninist roots, its self-definition is fundamentally opposed to those of liberal democracies where parties are seen as vehicles for contest between opposing ideologies and policies.
80. Second, the MPLA has many resource and capacity advantages. It has governing experience, skilled staff, dominance of state media and control of key aspects of the economy and the treasury, and has even been able to co-opt several opposition parties. It has the power to intimidate its opposition, and it uses that power. Its agents and the domestic intelligence services are reported to routinely infiltrate opposition groups, to sow discord, to influence them and to collect information.
81. Opposition parties, by contrast, face big challenges. They are highly dependent on state funding, and lack managerial skills and an international profile. Where they have attempted to withhold participation in the legislature or the constitutional process the MPLA has proceeded without them, perhaps with reduced legitimacy, but nonetheless with the ability to govern in some way or another.
82. Nevertheless, opposition parties hope that the MPLA needs re-legitimation through an electoral process judged to be free and fair by credible international observers, and this will open some space for political bargaining. This is likely to be a less than clear-cut process, but recent MPLA concessions to hold elections without insisting that constitutional reform has to take place first may just suggest that there is some room for astute opposition politicians to manoeuvre. The government values opposition participation in its legislative and other initiatives, and this has at times provided a little leverage.

#### **4.6 The constitutional process**

83. The constitutional process provided some insights into the nature of change in the current political context. Because the MPLA lacks the two-thirds parliamentary majority required to approve a new constitution (the existing one was approved in 1991 and revised in 1992), it has been forced to negotiate. However, following Savimbi's death, the new constitutional project became a bilateral affair between the MPLA and UNITA. A new proposal was agreed in January 2003, largely endorsing the MPLA position, though it was not ratified. UNITA leader Isaiás Samakuva has sought to postpone approval of this law in collaboration with a coalition of smaller opposition parties, and has used its leverage in this matter to demand a date from the president for legislative and presidential elections. This, combined with US pressure, arguably speeded up the MPLA's announcement of an electoral calendar. It is a specific instance of the opposition's use of the legislature to obtain a compromise from the MPLA. However, it is important not to extrapolate from this beyond the constitutional process as the MPLA's hold on power generally remains extensive. The impasse on the constitution has not been broken and approval of a new one may now be postponed until after elections for a new legislature in 2006.

84. One notable feature of the constitutional process in Angola at this stage is the lack of a 'national project' – a dedicated and systematic effort to build a common vision and national unity in the manner South Africa, for example, has done. While these processes are often in their own right viewed with considerable suspicion – or sometimes manipulated by political interests, they do represent an explicit acknowledgment of division, and could be tools for moving constitutional and other reform forward. Such sentiments may be implied in post-war Angola, but there is no powerful momentum and the MPLA's dominance remains pronounced.

#### **4.7 Decentralisation**

85. Several observers, including from donor agencies, assume that decentralisation will bring development, political inclusion and participation through local direct elections and consultative local forums. Indeed, change is happening, and the MPLA has started a process of pilot projects. But it is still essentially a plan of intentions, and the party and presidency are carefully monitoring and controlling the process.

86. Several drivers are pushing this forwards. First, there is a perception that decentralised management is potentially a more effective and sophisticated way to increase the responsiveness and effectiveness of state institutions. Rather than threatening the MPLA's powerbase, this may actually enable it to extend its control through better local information and an institutional reach into local contexts.

87. The establishment of decentralised autarchies could also absorb part of the political struggle at the centre over management of resources – while provincial governors, who are expected to remain under heavy central control, will still retain most of their powers. In addition, technical support provided by UNDP and the World Bank, and government research on an older decentralisation process in Mozambique, have helped advance the process and make the government more comfortable with it. Like most other policy matters, decentralisation is guided by gradualism, and is therefore unlikely to accelerate very rapidly. The government has indeed agreed on a decentralisation process, but there are many political and technical complexities and the litmus test will be how the MPLA responds if its authority is really challenged, and also how it sees the resourcing of the new local and provincial structures. For now, nonetheless, it does see some advantages for itself, and the president has identified himself with the drive for decentralisation, generally and because he is believed to see stronger local government as a means to bypass service delivery blockages at caused by corruption and efficiency at provincial level.

#### **4.8 Summary**

88. Angola is grappling with the aftermath of war, trying to consolidate peace and building new institutions. Strong vested interests constrain the scope for change though. The MPLA is giving up political space only in selective, piecemeal ways, and is much less susceptible than during the 1990s to pressure, either from the opposition or from external actors. Political analysts are unanimous that the MPLA will, without a doubt, win the forthcoming elections comfortably. This sharply constrains the possibilities for change, especially under the current leadership.

## 5. CIVIL SOCIETY

89. Civil society has become decidedly more prominent, but in its current form is young. Its incremental emergence since the early 1990s has entailed surges of activity and apparent influence, interspersed with times of marked marginalisation, often in step with the ebb and flow of war. Its presence on the Angolan institutional landscape now appears irreversible, however the government would find it difficult to close down the political space for civil society gained over the past decade, even though it might attempt to contain specific types of activities at certain times or ignore civil society at others.

### 5.1 The lack of a social contract

90. Angola still lacks a social contract that would enable civil society organisations to hold government or service providers accountable in the manner suggested by the 2004 *World Development Report* (WDR) model for accountability. The WDR depicts a social contract where the state responds to public demand as expressed through the ballot box in return for the right to tax, and then uses tax revenue to meet legitimate demands. Members of society are assumed to come together through civil society pressure groups, political parties, the media and others to put pressure on government and providers for certain policies and service standards and to channel information to the government about where the needs are. Depending upon their relative power through the ballot box or through extra-democratic means such as the use of conflict, political patronage or corruption, citizens and interest groups attempt to influence the policy decisions of the state in their favor. The state has a responsibility to create the conditions for the private- and public-sector provision of goods and services that meet the demands of society. The public can purchase or gain access to the goods and services they need, and if they feel this does not happen they can either choose alternative service providers or substitutes, or organise to pressurise government or providers.<sup>21</sup>

91. In Angola, the capacity of Angolan civil society organisations to play such a role fully is limited, and such basic “contractual” institutional rules are still lacking. However, civil society has been emerging and is not a monolith, which means that one cannot categorically generalise about its role. It is made up of a range of interests and formations, from “formal” agents (churches, NGOs, entrepreneurial and professional associations and labour unions, privately owned media, cultural groups, peasant associations and grass-roots organisations) to “non-formal” agents (opinion leaders, individual or group initiatives and solidarity groups, mainly belonging to the informal sector). Moreover, labour unions, associations and foundations operate as conduits for the MPLA via the old mass and social organisations, at times like civil society pressure groups. The regional MPLA certainly acted as a pressure group for the removal of the Malange provincial governor (appointed by the president) in July 2002. This growing diversity and complexity suggests that there is some scope to work with civil society organisations to affect change, but that to do this effectively requires sound knowledge and monitoring of the institutional landscape, and carefully chosen tactical opportunities for engagement.

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<sup>21</sup> *World Development Report 2003; Nigeria Drivers of Change Overview 2003.*

## **5.2 The emergence of civil society**

92. The roots of current civil society in Angola can be traced to the early 1990s, when a range of organisations emerged under difficult circumstances. Angola's colonial rulers limited independent political activity that might possibly challenge their control. As resistance intensified, controls tightened, so non-state organisational life was docile when the country became independent in 1975. The revolutionary nature of Marxism-Leninism, which also favoured authoritarian control, plus the superpower alliances that it implied, made it attractive to those seeking to overthrow the Portuguese. The new MPLA government soon tightened its control using Marxist-Leninist discourse to justify restrictions. Its rivalry with the FNLA and UNITA was of a winner-takes-all nature in a situation of war and ethnic/racial competition, and so there was little opportunity for a multiparty culture and social contract with non-state agents to take root. Angola soon became in essence a one-party state, and this state was fully prepared to violently repress opposition and dissent, especially in the aftermath of the attempted coup of May 1977.
93. The 1990s opened new opportunities, and civil society has since been growing in fits and starts. Limited openings during the "mini-peace" of Bicesse (1991–2) and especially during the Lusaka peace process (1994–8) were quickly occupied by civil society (private media, church organisations, independent labour and professional unions, human rights organisations, NGOs and at a local level by community-based organisations). The ruling MPLA party sought to retain control throughout this period, however, adapting its strategy to the changing context. By the end of the 1990s, civil society had grown sufficiently robust for an emerging peace movement to challenge the government's determination to achieve a military solution to the war with UNITA (1999–2002). However, following the military victory over UNITA in 2002, the MPLA has grown more assertive again, feeling vindicated by the outcome of peace, and less needful of donors. Many hurdles remain for non-state organisations.
94. Nonetheless, the end of war removed a key obstacle and has opened up some new opportunities and challenges for processes of change. In fact, the MPLA has even retained influence through its alignment with key agents in the civil society environment, such as the AAD (Acção Angolana para o Desenvolvimento), which was the first non-church NGO to emerge in 1989, and the rural umbrella body ADRA, also in 1989. ADRA, however, has since become more independent. But ACA (Angolan Civic Association), which was set up in 1989 with close links to the Catholic Church and was the first civil society organisation created outside the MPLA sphere of influence, was never allowed much space to operate and found itself under consistent government pressure. Four commercial private radios which started broadcasting in 1992 also had strong links to MPLA figures. They were created shortly before the elections to assist the MPLA election campaign and to secure alternative media channels in case of election defeat.

## **5.3 A new wave of civil society**

95. The Lusaka peace process (1994–8) marked the beginning of a second generation of civil society organisations, made possible by the logic of the political accommodation with UNITA and the involvement of the international community in this political

process. Hence, the labour union federation CGSILA (1996) allowed representation of other independent labour and professional unions, such as SJA (Sindicato dos Jornalistas Angolanos) and SINPROF (Sindicato dos Professores). There was also a private media mini-boom in Luanda, and in 1997 Rádio Ecclésia resumed broadcasting in Luanda, providing a platform for greater freedom of expression. By 2001, 95 international NGOs and 365 national NGOs were registered, although the return to war in 1998/9 had marked another sub-cycle of compression of civil society's room to manoeuvre.<sup>22</sup>

96. But the government also tried to introduce tighter legal constraints. In 1996, it began drafting legislation to define an NGO more narrowly and thereby confine the scope for the activities of such organisations. This process was frozen in 2000, but it led to closer collaboration between CONGA and FONGA and the establishment of joint working groups with the government and the UN in 1997. Yet, capacity in many organizations remained weak and financial resources limited. Civil society agents also still trod cautiously, for example using "civic education" as a politically less controversial term than "human rights".<sup>23</sup>
97. Still, in the last phase of the civil war (1998–2002) Angolan civil society became more active. The peace movement coalesced around a broad and simple concept: to seek a negotiated, rather than a military, solution to the war. This simple message united churches, which opened space for a series of other longer-term initiatives and processes for change. The private media reported about human rights, corruption and other social issues, challenging the government. The latter responded in 1999 with a crackdown, but could not fully close down the space that had already been opened. Journalists, civil society and international organisations successfully delayed a new media draft law in 2000, which would have drastically limited media activities. Domestic pressure grew amid the broader upsurge in civil society activity and the fact that the government became more susceptible to external pressure as it had to contend with low oil prices, debt and the resumption of war, and sought international support for sanctions against UNITA. Although the government tried to control the political debate, it became possible for pressure groups to drive a human rights agenda highlighting the atrocities of war and the visible plight of children, women and other war victims. Human rights campaigners believe that this could have a lasting impact on the evolution of the Angolan political system, embedding a new set of values and creating new institutional dynamics that may enhance independent scrutiny of these issues in the longer term. However, change, especially at the level of the top leadership, remains very gradual.

#### **5.4 Churches and the peace movement of the 1990s**

98. In the 1990s Christian churches have increasingly spoken out against the war. A survey in 2001 found that Angolans regard the churches as by far the most credible institution in the peace process, relative to state institutions and international NGOs.<sup>24</sup> There are at least 87 churches with state recognition, and over 800 other known churches, in Angola today. Their influence, especially around the peace process, has

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<sup>22</sup> Tvedten, 2001.

<sup>23</sup> Vines, 1999: 187.

<sup>24</sup> Instituto Nacional de Estatística (INE) Household Income and Expenditure Survey 2001, in UN System in Angola: Common Country Assessment 2002.

varied considerably and has been driven mainly through a few visible umbrella structures: the Council of Christian Churches of Angola (CICA) and the Angolan Evangelical Alliance (AEA) which represent the major protestant churches; and the Angolan Catholic Church, known as the Bishops' Conference of Angola and São Tomé (CEAST).

99. The churches, for all their strengths, have occasionally been criticized for lacking a shared ecumenical approach to peace. Christine Messiant (2003) goes so far as to say that the failure to secure peace in Angola was due to a failure of the churches to unite – and this seems at least partly accurate, although such an assessment somewhat exaggerates the power of the church to drive fundamental political change. Nonetheless, the fact is that during the 1990s each church organisation had preferred to work for peace individually. Historical tensions and rivalries and personality clashes partly explain why this happened. The three main protestant churches – Methodist, Baptist and Congregationalist – nurtured the early protagonists of the three main independence movements, MPLA, FNLA and UNITA. The Catholic Church was handicapped by having collaborated with the Portuguese colonial administration. However, the earliest ecumenical document was produced in June 1975 when seven bishops – six Catholic and one Methodist – issued a joint statement calling for “sincere dialogue and truly democratic processes” in the new Angolan state. This ecumenical effort was not repeated formally until the creation of COIEPA (Comité Inter-Ecclesial para a Paz em Angola) in 2000.
100. But by 1998 the churches were working more closely together, organizing public prayers and issuing a joint public appeal to avoid a new war in June. After the country returned to war at the end of 1998 the churches became more outspoken in their calls for peace. Throughout 1999 the voice of Catholic bishops grew stronger. But according to Messiant, the first pastoral letter issued after an extraordinary meeting in January that year still reflected a compromise by a divided Catholic Church in authorising the military enrolment of seminar students.<sup>25</sup> In a pastoral letter in July 1999, however, the bishops' message became more determined: they called the war a “twice-deadly organisation – it kills with weapons and kills with hunger”, and for the first time they clearly rejected any justification for another war. In December 1999 the Catholic Church launched the Movimento Pro Pace, appealing for civil society and other churches to mobilise for peace. This was a milestone for the emerging Angolan peace movement as it brought together the Angolan government, twenty-two churches, diplomatic missions, political parties and Angolan NGOs, and its final communiqué was supported by a message from Pope John Paul II. Its four-day conference in 2000 was the first in Angola to deal critically with both sides and advocated mediation.
101. Alongside the church efforts, other civil society peace initiatives emerged and in July 1999 a “Manifesto for Peace” was launched, with support from a series of organisations. These initiatives pushed forward the process of public debate and created new space for a wider range of civil society agents to become involved in peace work and other public issues. A multi-organisation provisional working group for peace was formed in October 1999, followed by the formation of COIEPA in April 2000, to co-ordinate churches' contribution to the search for peace. It ultimately failed to gain significant international support and had limited success as an ecumenical

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<sup>25</sup> Messiant, 2003.

peace forum. By then, diverse actors in the international community had finally taken the fairly unified position that Savimbi was the main obstacle to ending the war, and most Western countries, along with Angola's other partners such as Brazil, Russia and the SADC, supported the government's "peace through war" strategy.

102. The killing of Jonas Savimbi in February 2002 changed the dynamics in Angola, and none of the churches or civil society groups had worked out an effective strategy in response. By early 2002, the Catholic bishops of Southern Africa had concluded that a solution could only be achieved by President dos Santos and Jonas Savimbi meeting together; Savimbi's death, however, led to the collapse of this stance. Church and civil society groups were disorganised and unable to respond effectively to events leading up to the Luena Memorandum of Understanding; this made it easier for the government to exclude them. The government's desire to maintain an iron grip on the peace process continued after the 2002 Luena Memorandum and is illustrated by the way in which it handled the demobilisation and reintegration of UNITA ex-combatants and family members. It stressed its determination to carry out the process alone and took full responsibility for administering and funding the demobilisation. There was no provision for third party monitoring and verification, as had occurred under previous demobilisation efforts. This partly resulted from the government's perception that Western influence in previous peace agreements had been disastrous, and was also helped by the perceived failure of the peace movement.

103. However, despite this setback, the churches remain influential. In Cabinda, for example, in partnership with the Mpalabanda Civic Association of Cabinda, they have been drawing attention to the unsolved conflict and to human rights abuses; the Church has undoubtedly been influential in persuading the government to allow unprecedented peace marches there.

## **5.5 The post-war period – blockages and opportunities**

104. While at one level the end of the war created new opportunities for civil society organisations, the transition also placed them under new pressures. On the positive side, their presence on the political landscape now seems secure, and there has been growth in the Angolan NGO sector and in community organisations. Civil society's influence varies and both challenges and opportunities remain:

- First, their relationship with government remains turbulent. The military way in which peace was achieved hardened the determination of the government to set the pace of the peace process, and seemed to destroy the *raison d'être* of the peace movement. However, the language of the peace movement has been adopted – and co-opted – by the government, such as in the keynote speech of President dos Santos immediately after the war, in which he highlighted the need for tolerance, freedom and equality. The presence of the international community has contributed to this, as the Angolan government is keen to become more fully integrated into it. Although determined not to accede to international pressure at random, the government is also aware that the peace process and the sentiments that surround it have been valued by key global players. As elections approach and international support becomes an important part of government objectives, it purports to support a system where there is sufficient openness for independent voices and agencies. In cases like that of Malange, top government decisions

appeared to respond to civil society pressures, although, as explained in Section 5.1, above, this seemed to have become possible mainly because the local MPLA also started calling for action to have the governor removed. The government has sought to introduce new controls over civil society activities, for example through a new NGO law in 2002 and strong anti-NGO rhetoric in 2003. The government remains suspicious of donor support for civil society agents, especially when this includes NGOs or private media that it perceives as “political” and anti-government, and projects which contain strong advocacy elements. The government has also viewed civil society consultation in the PRSP process as a donor-imposed conditionality, and has been selective in its response to this pressure, which it sees as disrespectful of its national sovereignty and conflicting with its autonomy as the government of Angola.<sup>26</sup> However, it is far more receptive to interventions that involve civil society simply as service providers. This receptivity could provide new openings involving new, long-term engagements with government.

- Second, donors have in many cases already begun to work more closely with the government, with implications for NGOs. They continue to work with NGOs in some of these projects, for example the EU-funded Community Rehabilitation Programme agreed on after the Luena peace accords, Luanda’s urban upgrading (World Bank and EC), programmes to promote decentralisation (UNDP) and participatory community development (FAS), and the Luanda Urban Poverty Programme (LUPP, with support from DFID). However, the UN’s Transitional Co-ordinating Unit (TCU) took over responsibilities from the UN-led Organisation for the Co-ordination of Humanitarian Affairs (OCHA) in 2004, to oversee a gradual transfer of responsibility for humanitarian co-ordination to the Angolan government’s Unidade Técnica de Coordenação da Ajuda Humanitária (UTCAH) and to the UN Resident Representative’s office. The transition was followed by a further shrinking of donor funds for emergency relief, while the resettlement of Internally Displaced Persons (IDPs) and refugees, and the reintegration of demobilised soldiers, created considerable distress in rural communes and municipalities. As this has happened, the often abrupt departure of international NGOs and humanitarian agencies and the termination of donor funding are threatening the existence of many local NGO projects. Local NGOs often complain that donors do not take sufficient account of their experience and specific capacity-building needs, owing to a lack of knowledge of the reality on the ground. There are also concerns that donor activities are concentrated too strongly in Luanda, at the expense of activities in the provinces.
- Third, many civil society organisations lack capacity and finance. Perhaps out of fear of feeding “corruption” and further distorting incentives within civil society, donors have sometimes been accused of not providing enough funding to cover overhead costs, for example. All this has hampered civil society’s effectiveness and led to poor co-ordination and weak strategic thinking about how to confront or work with government. The Luanda slant of much civil society activity is also a factor, affected in part by the capacity problems and in part by the immediate funding interest of donors.
- Fourth, the media is slowly becoming more diversified, albeit under considerable duress. A small number of independent papers have come to the fore, but given high illiteracy rates and the high cost of newspapers, radio is considered an

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<sup>26</sup> For a critical evaluation of the first phase of the PRSP process see Adauta de Sousa 2002.

especially effective medium; by far the most powerful way of spreading wider debate would be the expansion of the Rádio Ecclésia signal across the country (see Box 2). But the government has been delaying a decision on the station's right to broadcast outside Luanda. A new media law is also being planned to replace the restrictive media legislation from 1991 but remains unpublished. This is a reminder that, on the whole, the government continues to dominate print and broadcast media. Apart from its legislative hold on the media, it fully owns or has a powerful stake in the major national print and broadcasting media. For example, the directors of the RNA and the daily *Jornal de Angola* were elected into the MPLA Central Committee in December 2003. Apart from the constraints of direct state control, private weekly newspapers continue to be an urban elite phenomenon, suffering from financial constraints, high production costs and the lack of distribution networks outside Luanda. There have also been accusations that the government has infiltrated media offices and co-opted and bought off journalists.<sup>27</sup> The quality of journalism is rather weak, investigative reporting is rare and generally the newspapers lack the credibility to be able to take up issues of public concern seriously and effectively. What is more, economic interests – many with links to the ruling structures – pay journalists to insert partisan information into their reports, and this further damages credibility. However, in the face of these problems, the quality and sophistication of Angolan journalism is – albeit from a low base – steadily improving.

- Fifth, there is often a mismatch between what donors perceive as important, and what Angolan groups feel is important. For example, in a survey in a USAID study in May 2005<sup>28</sup> involving focus groups of international donor and NGO participants, and focus groups of their Angolan counterparts, “Combating corruption; increasing transparency” was ranked number one by the Internationals and number eight by the Angolans; “Income redistribution and poverty alleviation” was ranked number 1 by Angolans and number 6 by Internationals. In general the Angolans were more focused on end results and delivery of services, while foreign participants focused more on strategic objectives and the means to achieve them.
- Sixth, advocacy efforts on “controversial” issues, such as reports on corruption by Global Witness since 1999, have historically been provided mostly by foreign actors without vested interests in humanitarian or development projects inside Angola. Actors such as SOS-Habitat, which seek to help communities confront land rights abuses by Angola's rulers, complain that donors shy away from supporting controversial schemes. This may be because donors fear that other social projects they are supporting (not to mention commercial interests) could be harmed by involvement in controversial initiatives. However, the willingness of local actors to pursue such interventions is growing, and new local examples do exist, such as the “Free Angola of Corruption” campaign launched in March 2005 by the Coalition of Reconciliation, Transparency and Citizenship (RTC).<sup>29</sup>

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<sup>27</sup> Human Rights Watch, *Unfinished Democracy: Media and political freedoms in Angola*, July 2004

<sup>28</sup> Stakeholder Focus Group Report, USAID (with BP, ChevronTexaco and Esso), May 4, 2005

<sup>29</sup> See, for example, <http://www.irinnews.org/report.asp?ReportID=46378>

### Box 2: Radio Ecclésia

The Catholic Church radio, owned by the Bishops' Conference, was initially created in 1955, then expropriated by the government in 1977. Negotiations over the return of church property began in 1992 and the radio resumed broadcasting in 1997, but only in Luanda. Media legislation from 1992 restricts nationwide broadcasting to the state-owned radio RNA alone. Rádio Ecclésia enjoys wide credibility and has been an important catalyst in opening up public debate beyond the narrow intellectual circles of Luanda; competitive effects are perceived to have spilled over into more balanced and open reporting by the state radio RNA. Rádio Ecclésia's role in the provinces, especially in the rural areas, could be quite significant.

Following a presidential statement in May 2004 about Ecclésia, Church representatives were optimistic about progress. By September 2004, however, they were complaining that the government was dragging out the process, seemingly with the forthcoming elections in mind and especially a desire to keep a tight grip on the electorate in the provinces. The issue is a highly political one: events such as a call by a UNITA parliamentary group in 2003 for a parliamentary debate to be broadcast on Rádio Ecclésia reinforced a government perception that it is an opposition station. MPLA and government officials persistently give legalistic reasons for the delays, which have persisted in the face of sustained diplomatic pressure.

## 5.6 Leverage points

105. As Angola's institutional framework begins to take shape after the peace of 2002, a number of issues have created some space for non-state agents to engage in public debate or to try to influence policy and processes of change. The range of such issues is growing, and this analysis highlights the run-up to elections, the land process and a rising level of discourse about the tactics civil society groups and donors should adopt:

- **The run-up to elections.** The general expectation is that a dualism will prevail on the part of government in the build-up to the elections. On the one hand, the well-established MPLA machinery will opportunistically work with civil society groups, and at times – as it did in Malange – even pursue ventures that may pressurise other parts of the MPLA, in line with agendas pursued by civil society groups. The run-up to the elections appears to have created more space for civil society activity, such as the manner in which government allowed some civil society mobilisation and even engagement in the drafting process of the new land law. Civil society groups have already mooted the prospect of national election observers for the next elections, and hope they can convince government of its benefits. On the other hand, the MPLA has been in power for almost three decades, and it will not readily let go of the means of power at its disposal. It may periodically appreciate the advantages of working more closely with others, but it will attempt to do so firmly within the realm of its own interests.
- **The new land law process.** The process of drafting a new land law since 2002 has been a telling experience, not only because of the significance of land issues, but also in terms of understanding state–civil society interaction in post-war Angola. It has been a uniquely participatory process by Angolan standards and is seen by many as a pointer to the possibilities for mobilising pressure for change on issues of national importance. But it also showed the limits of such pressure in the current political economy. In December 2002, seizing an opportunity created by tensions about increasing commercial interests in land, Rede Terra, a network of national and international NGOs, started a process of public debates in Luanda and in provincial capitals, calling for the legislation to be delayed until a new constitution

was accepted. They built upon a considerable body of experience and credibility gained during and even before the last phase of war by land activists, especially in the relatively peaceful southern province of Huíla; this allowed civil society organisations to step smartly into the new opening. This is a good example of the importance of considering how working towards future inflection points, described in the main Summary above, may provide only frustrating results in the short term but can produce larger results later on. Some MPLA parliamentarians encouraged part of this civil society interest, at least to make use of technical expertise on land issues. Despite the campaigns, however, the revised draft law was approved by the MPLA majority parliamentary group in August 2004 at an extraordinary parliamentary session over the summer recess, seemingly wanting to do so before the elections and also attempting to break the momentum of NGO and opposition challenges. The law contains some provisions that civil society members had fought for, though many of their recommendations for amending earlier drafts were not accepted. Work is continuing on the specific regulations that will support the law, and this process is expected to continue, probably beyond the end of 2005, providing further opportunities for civil society to engage. While most Rede Terra members expected this decision, the fact is that land has become a publicly debated national issue. Perhaps even more significantly, the debates around the land law set a high level of public process well beyond anything experienced in Angola for the last four decades, and consultation was extended quite widely to the provinces for the first time. The momentum has not been lost and benefits may spill over into other sectors. The fact that civil society research (such as a study by Development Workshop) seems to have influenced the pace and content of the Parliamentary Commission on land suggests too that there is scope to influence the government provided one is backed by sufficient experience and technical knowledge.

- **Diversity of tactics and substance.** In some cases, confrontational tactics have punched open a space for further civil society activity; in others, a more gradualist style and the use of technical expertise as an entry point have made it possible to engage with government. Two apparently disparate civil society initiatives make the first point: Padre Pio in Huíla province in the late 1990s and Luanda-based activist Rafael Marques (supported by the Open Society) both operated as mavericks with independent means and local credibility, and were largely free of donor constraints in designing their strategies; they took a highly combative approach towards the authorities, involving recourse to the domestic and international media. Although their efforts were explicitly resisted by the government, they succeeded in punching out a political space into which others have since moved. On the other hand, parliamentarians' use of Development Workshop's technical research also indicates a certain openness on the part of the ruling party if civil society contributions are non-threatening and well prepared.
- **Longer term strategies.** If civil society is to be effectively supported, it would require donors and the affected organizations themselves to focus clearly on longer-term institutional strengthening and capacity-building in civil society, fostering networking capabilities, and boosting links between civil society, community organisations, and government. Lack of capacity, and perceived lack of autonomy resulting from donor dependence, is regularly cited by government actors as reasons to disregard NGOs and other civil society actors. However, capacity building alone will not resolve the fundamental issues. One cannot assume political

will for change is strong, and that has profound implications for the potential of capacity building. In an environment where structural and institutional constraints block pro-poor reform and where formal institutions, driven by powerful pro-status quo interests, inadequately regulate the political economy, capacity building is less effective than in a pro-poor environment. This is why development engagement in Angola cannot be apolitical. It has to engage more dynamically with the processes of policy making and politics in society to help change the rules. Civil society and government reformers will all remain constrained unless the rules change, no matter how much their capacity gets enhanced.

- **Appreciating indirect linkages:** Working effectively with civil society demands an appreciation of the reality that these organisations may often have indirect impacts on reducing poverty, rather than comprising poor membership or working with immediate poverty relief. First, although as a result of the war and Angola's difficult economic and political history, there is only a small Angolan "Middle Class", it plays a leading role (alongside elite groups such as old MPLA families) in many organisations. Donors may be inclined to view this as an inappropriate channel for support. Yet, strengthening institutions such as the rule of law could have longer-term impacts that pave the way for pro-poor advocacy or project work. It looks appropriate therefore to focus on outcomes, rather than merely the membership profiles or immediate target groups of civil society activities.

## 5.7 Summary

106. Though it is a real and growing presence now on the Angolan institutional landscape, organised civil society remains fragile and it still faces numerous constraints and challenges. The absence of a social contract makes it difficult to hold government accountable quite as robustly as the WDR accountability model would assume, but the mere presence of civil society organisations is in itself of considerable relevance in a society with such a distinct and historical lack of public discourse.. The emergence of a civil society presence at all is perhaps more significant for now because of the institutional process it represents and the slight political space it has been able to create, rather than the actual delivery or policy outcomes it has been able to achieve.

## 6. THE INTERNATIONAL COMMUNITY AND CHANGE

107. Foreign interests have played a crucial role in Angola ever since the war for independence. In a dramatically changing international environment, Angola is currently trying to reposition itself *vis-à-vis* Western powers, China and Brazil, and in Africa. Table 2 gives some insight into Angola's economic relations, which have a powerful influence on political relations.

**Table 2: Angola's regional trade (2003)**

	Angolan exports to (%)	Angola's imports from (%)
South Africa	0.6	12.3
Other Africa	0.3	1.8
European Union	14.8	52.2
Of which: Portugal	0.0	18.1
USA	47.1	12.1
Other	23.8	21.6
Total	100.0	100.0
<b>Total (\$m)</b>	<b>8,693</b>	<b>4,470</b>

Source: IMF. NB Trade with China, in particular, will have grown sharply in 2004. According to the Chinese customs authorities, Chinese imports from Angola, which are almost entirely oil, were 113% higher in 2004, at US\$4.72bn, while Chinese exports to Angola rose by 109%, to US\$193m. See Economist Intelligence Unit, first quarter report, Angola, 2005.

### 6.1 From Cold War to the modern era

108. Foreign interests were not responsible for the divisions in the nationalist movements but they certainly exacerbated them. Clearly, during the war that brought the MPLA to power, regional and international interests played a crucial role. Angola's subsequent civil war became a prominent playground for Cold War superpower rivalry, which helps explain its ferocity at the time.

109. The Cold War logic of conflict continued into the late 1980s, and incentives for a negotiated end eventually came from outside: the decline of the USSR, low world oil prices, and military pressure by UNITA, supported by the US and apartheid South Africa. The New York accords<sup>30</sup> in 1988 did not directly tackle internal politics but aimed at the withdrawal of Cuban troops in Angola in exchange for independence of Namibia. A cease-fire in June 1989 between President Dos Santos and Jonas Savimbi in Gbadolite, Zaire, collapsed amid differing interpretations of what was agreed.

110. Finally negotiations opened in Portugal in 1990, under a "Troika" of Portugal, the USSR and the United States – countries with key interests in Angola. This process contributed to pressure on the MPLA to reform, adopt a multiparty system and reach accommodation with UNITA. In this climate numerous smaller political parties and NGOs emerged, and state radio and television became more pluralist, especially in Luanda.

<sup>30</sup> New York accord was a trilateral agreement signed between Angola, Cuba and South Africa in December 1988, which provided *inter alia* for the withdrawal of Cuban troops from Angola and South African troops from Namibia.

111. The Bicesse peace agreement with UNITA in 1991 agreed on a transition period overseen by the UN, prior to multiparty elections. A very small UN mission was incapable of meaningful verification, however, and this led to increasing violations of the accords by both sides in the run-up to September 1992 elections.
112. The MPLA won the elections but Savimbi rejected the result and returned to war. Mediation failed, with each side only giving ground during battlefield setbacks. The military tide began to turn against UNITA in late 1993, and in November 1994 it was forced to sign the Lusaka Protocol.
113. However, Western and especially US pressure at this time resulted in the early cessation of military operations against UNITA, against the advice of government military commanders who sought a knock-out blow. This pressure and its consequences remain a source of anger today. Then from 1994 to 1997 the United States, in particular, encouraged reconciliation and tolerance. This resulted in the creation of some space for civil society and parliamentary activity. However, by late 1997, as UNITA continued to refuse to bow to state administration across the country, US influence declined as both sides finalized preparations for a new war. Relations with the United States cooled in this period, though – as in the Cold War – US oil interests did not suffer.
114. After the failed Bicesse and Lusaka experiences, and under pressure from the army, President dos Santos resisted domestic pressure for another negotiated solution. The UN by this stage was almost completely discredited and unable to push any peace-making forward, except for supporting sanctions, but the growing pressure from within the country for a negotiated settlement caused concern in the presidency. In response, the government intensified military operations, which led to the death of Jonas Savimbi.
115. This history helps explain a deep suspicion of the West and its motives. There is also a strong domestic sense that Angola is unique, and the leadership feels aggrieved that this is not duly accepted by some international powers. Angola's mineral wealth allows it to resist certain pressures, but this ability has varied and the leadership has been most vulnerable to Western influence during the military crises and during cycles of low oil prices.

## **6.2 Mixed diplomatic messages**

116. The West's thirst for oil and other resources has contributed to diplomatic signals being mixed, and at times commercial interests have trumped governance issues. The Angolan government has used its oil to play Western donors off against one other. In the late 1990s, for example, the European Union found it hard to adopt a robust position on human rights abuses because a number of member states feared their companies might lose out on commercial deals, especially regarding ultra-deep oil licences, known as blocks 31 to 34. Portugal was especially apologetic about the government's human rights record in the late 1990s.
117. The United States is an exception. President Dos Santos has described it as the "only superpower" and this has given the US Embassy in Luanda some punch. The United States has been involved in robust programmes on governance and forthright public statements. There is no sign that US companies have been directly affected by

this policy to date, although US pressure on such companies was noticeably weaker in 1999 during the “ultra-deep” negotiations. There is also a perception that the greater instability in the Middle East, including the post-Iraq war situation, might make the United States more flexible on governance issues, as it would be even more keen not to compromise its access to Angolan oil.

### **6.3 Angola aspires to be a regional superpower**

118. Oil has enhanced Angola’s aspirations to being a regional superpower. It was directly engaged in supporting military regime change in Brazzaville and has militarily supported the government in Kinshasa. Angola’s philosophy of overt and covert military action in all of its neighbours in the 1990s, which has enhanced its sense of regional power, is a major factor in cool and competitive political relations with South Africa’s President Mbeki, although relations between the MPLA and the ANC at party level are warmer.
119. Angola is engaged in the region and will increasingly be so. Its sense of itself as an oil-rich regional superpower means that it sees regional affairs to a large degree as a one-way street. Regional forums are seen as useful places where it can exert its influence, and where profitable business and other links can be forged, but far less as places where it can learn and be influenced. This puts constraints on the potential for donors to use regional initiatives or experienced bodies such as South African think-tanks as conduits for influencing Angola’s government. Other African officials sometimes describe Angolans as arrogant and aloof. However, regional help, if perceived to be in the Angolan government’s interest, will still be welcomed.
120. In contrast, commercial interests have thrived, and this will drive a steady improvement in relations with South Africa in particular. Regional commercial initiatives, such as one led by Eskom of South Africa to build an integrated sub-regional power grid, are warmly received, and a series of trade and co-operation agreements signed in February 2005, underpinned by a reciprocal investment protection deal, shows how fast this is evolving. Angola even sees itself as a facilitator for access into the Congo for its energy and water resources. Relations with other Francophone nations in the past, especially Gabon and Congo-Brazzaville, have been damaged by the fact that Angola perceived these two countries as conduits for French influence on the continent and as having supported Angolan rebel groups in the past.
121. Relations with Nigeria – sub-Saharan Africa’s other major oil producer – are historically cordial, although there is competition for regional influence, notably over São Tomé, which may become an oil producer. Since the presidents of Nigeria and South Africa are key drivers behind the New Partnership for Africa’s Development (NEPAD), this has made Angola only a lukewarm participant. Although Angola signed up in July 2004 to the African Union’s African Peer Review Mechanism (APRM), it is unclear where the incentives lie for Angola’s leaders to enact far-reaching reforms as a result. Strong and cordial historical links within the continent, in contrast to the links Angola entertains with many Western countries, may yield some positive influence. It is likely, however, that Angola’s view of itself as a major regional power has also created a sense that it will be easy to resist intrusive inspection by the APRM, while obtaining its legitimacy.

122. Traditionally, influence on the government has come from Lusophone countries, such as Brazil, to a degree Portugal and, in recent years, Mozambique, which has, among other support, advised Angola on its dealings with the international financial community. Russia and Israel have also been important because of a close economic relationship based on security procurement and diamonds, and the current pre-electoral period is being marked by a dramatic increase in commercial, political and military links with China, as discussed above in the main Summary and in sections 3.2, 3.7, 3.9 and 6. This is anchored in China's long-term ambitions in Angola. France has suffered in recent years; it has recently lost some of its smaller oil interests to Chinese companies as a result of corruption investigations in France. However, the rise of Chinese influence in Angola stems not so much from an absolute desire on the part of Angola to embrace that country, but more from a desire to *diversify* its international relationships. This will put natural limits on Chinese engagement – though it seems likely that such limits have not yet been tested.

#### **6.4 The incentive of international legitimacy**

123. Angola would like additional international legitimacy, similar to what might accrue from signing up to EITI, in large part because it wishes to attract greater investment. However, Angola is an observer to – not a member of – OPEC. This is because Angola's leaders – not surprisingly, given the many damaging foreign interventions of the past – like to take what benefits they can from international organisations but are reluctant to be bound by their rules. This factor could have important implications for Angola's willingness to embrace EITI fully, and is also consistent with the long-running difficulties between Angola and the IMF.

124. The desire for international legitimacy should not be underrated, however. Angola's élites, including President dos Santos, yearn for acceptance. Angolan trade flows are massively skewed towards the West, and this has inevitably focused attention in that direction, at the expense of the region. There has also been a flurry of efforts in 2004 to get Angolans appointed to key African multilateral posts. The premium put on President dos Santos being received at the White House in Washington in May 2004 illustrates that such visits are incentives, and they provide diplomatic space where concessions can be made. There is leverage potential in whatever messages are delivered during such an official trip; it is otherwise often hard to get messages past presidential advisers.

125. As Angola enters an electoral cycle the incentives for such diplomatic visits will grow. The presidency is anxious to depict itself as part of the international community – and welcome in the West. It would be highly risky during such visits, however, to mix pro-poor and governance messages with commercial solicitations. International endorsement of elections also provides a clear incentive, creating an area for dialogue and pressure.

#### **6.5 Donors.**

126. Although donor aid is equivalent to perhaps a twentieth of government oil revenue, its importance may be greater than might be deduced from this ratio. The government has few alternative ways of providing services to the neediest sections of the population because its service delivery system has broken down and there is a

critical need for skilled human capital. In a sense donor funds are, like oil-backed credit lines, and like elements of the decentralisation programme mentioned above, a way for President dos Santos to bypass his own broken government system to ensure delivery. Ahead of elections, donor funds (for which the MPLA can often take credit) are strongly desired.

127. Angola is keen to hold a post-conflict international donors' conference for pledges for post-conflict reconstruction. To the government's frustration, this has been much delayed for over 18 months in the absence of agreement with the IMF over a Staff Monitored Programme. The government's anxiety to hold a donors' conference is tied to attracting alternative funds and gaining international legitimacy.

128. Many Western donors say significant assistance is only possible if Angola reins in corruption. For Angola, the incentive is in the prospect of attracting foreign investment and better access to international capital that are the stronger incentives here. Some hard-liners hope this can be achieved while bypassing the IMF, but this would be difficult. Angola is seeking an international credit rating, to start the process towards gaining access to international capital markets, and especially bond financing – something that would be greatly assisted by the credibility associated with an IMF programme. This could, Angola's leaders hope, enable a move away from current expensive (short-term and high-interest) oil-backed borrowing towards less onerous financing, providing the possibility for even larger infusions of money than before. Such a shift would also signal normalisation of Angola's international economic standing, which the Angolan leadership yearns for.

129. Angolans complain that donor engagement is often n fickle and short term, such as in the European Union's recent termination of certain projects. The earlier analysis here shows that change is a long-term and often very slow process, and some of the most important changes that donors might influence will take many years to take root. Angola's post-conflict reconstruction needs long-term commitments, which will also lead to increasing trust and ability to influence.

130. Donors have invested in building up civil society's understanding of, and ability to participate in, political processes. However, there has been relatively little attention paid to economic processes, which tend to be viewed as specialised territory. There is, for example, very little understanding in Angolan civil society, the media, or the government, of the mechanisms of the "Resource Curse" whereby oil and other extractive industries appear to have seriously harmed many developing countries, and how solutions (such as oil funds) have been applied elsewhere.

## **6.6 Summary**

131. Oil and diamonds have given Angola's rulers the ability to resist pressure from Western donors. However, the international community does provide legitimacy in three main arenas: in the run-up to elections, in enhancing Angola's access to investment and capital, and in Angola's quest to be recognised as a regional power in Africa. The country has also been seeking international assistance for its post-war reconstruction. This provides opportunities for international engagement around reforms in governance, economic management and service delivery.

## 7. KEY OBSERVATIONS AND STRATEGIC POINTERS

### 7.1 Key observations

132. Change in Angola is driven to a very large degree by President dos Santos and the ruling MPLA. It is also very likely that the MPLA will be in power for many years to come. While these Angolan decision-makers have strong incentives to promote economic growth, they generally lack incentives and tools to make this growth pro-poor, or to open space towards more participatory politics. What is more, Angola's rulers deliberately resist external pressure. Few examples exist where civil society actors, opposition parties or Western donors can demonstrate that they have directly caused rapid and substantial policy change. Generally, change that has been externally influenced has been indirect.

133. Key observations noted in this report so far are:

- In contrast to many aid-dependent African countries, oil and diamonds assist Angola's rulers to resist pressure for poverty-reduction strategies from Western donors.
- These natural resources have also distorted and damaged the Angolan economy, curbing activity in other sectors.
- A national development vision has emerged which focuses on big infrastructure projects and natural resources based growth that barely takes the welfare of poor people into consideration. More broadly, there is no discernible "national project" – beyond the agendas espoused by the MPLA - to build a common, inclusive vision and national unity, within which the economic vision could be framed alongside matters of political rights and reconciliation, social progress, citizenship and national unity.
- Angola's economy is strongly controlled by a presidency that wields power through personalised networks which, as in many African and other countries, can be more important than the formal institutions. In these networks, money and favours are allocated by patrons to clients, in exchange for political support.
- Political and economic reforms are aimed, above all, at adapting to change while remaining in full control. This has negative implications for political openness.
- Though official Marxism-Leninism has long been abandoned, the notion that the state should provide for all remains potent.
- The roots of current civil society in Angola can be traced to the early 1990s, when it emerged to a hostile environment. Even with these limitations, civil society is growing in fits and starts and is able to widen the political space.
- The worst historical outcomes for Angola's poor stemmed ultimately from government weakness.
- Angola would like additional international legitimacy as it enters a new electoral cycle. It seeks new investment and a new prominent role in Africa.

134. The implications for the common assumptions about change in Angola – listed in Section 2 – are the following:

- **Peace brings change.** There is clear evidence that with the end of the war there is growing political space for reform, and that this process has begun to shape

- new institutions, although the government is attempting, with some success, to determine the pace and openings. Economic reform was not brought by peace but started earlier, stimulated by a crash in world oil prices and the renewal of the war. The main visible peace dividend is freedom of movement across the country.
- **Civil society is a major driver of change.** Civil society in its current form only emerged in the 1990s and is neither strong nor monolithic. However, it continues to grow; it has been able to create political space and start new processes such as that on land. Donor dependence has at times weakened its effectiveness and credibility. The private media and the churches are particularly important. However, growth in the influence of civil society has been generally slow.
  - **Democracy and elections will bring change.** Many Angolans hope that with elections expected in late 2006, this process will create space for political and constitutional reform and broader pro-poor change. There are significant challenges ahead; the party and state are mostly equated, opposition parties lack funding and often face coercion or harassment, and media access is limited in the provinces. However, the MPLA clearly yearns for international legitimacy and this provides an important incentive for some reform.
  - **Natural resources distort the political economy.** There is clear evidence that oil and other natural resources have distorted Angola's economic and political structure and that this has reduced the scope for pro-poor economic growth. This is also affected by an outdated national vision of grand infrastructural projects and a closed market dependent upon patronage, which have also stunted growth in other sectors of the economy.
  - **International leverage is limited.** In contrast to many aid-dependent African countries, oil and diamonds give Angola's rulers and decision-makers some ability to resist pressure for poverty-reduction strategies from Western donors whose vision many of them do not share. However, the international community does provide legitimacy, at a premium in the run-up to an electoral process and important for enhancing Angola's access to investment and capital. This provides an opportunity for engagement around reforms in governance, economic management and service delivery.

## 7.2 Strategic pointers

135. Drawing from the sections above, there are a number of strategic pointers towards entry and engagement points on Angola.

### ***Change is a long-term process***

136. While short-term interventions have their place, change is ultimately a longer-term process, and should be seen as such by donors. Projects aiming to influence the government to promote better policies, or to systematically strengthen the emerging civil society are likely often to have time-consuming, indirect and diffuse effects. Similarly, any project to assist nation-building – creating an Angolan identity that transcends the historical and war-induced divisions – will take time.

### ***Spill-over effects are vital***

137. Although political space in Angola is rarely opened up voluntarily, pressure can be effective, and political space, once opened up, tends never to close down fully.

The first real opening occurred at the end of the 1980s and in the early 1990s as a result of international pressure and low oil prices. The opening was stunted by the return to war in the 1992 but never smothered. Following the Lusaka Protocol in 1994, there was a steady growth of civil society activities that continued even when the country returned to war in 1998. Now, open discussion in the private media of government shortcomings is a fairly regular occurrence, in stark contrast to the early 1990s.

138. In terms of opening space, Rafael Marques and Padre Pio are examples of successful change: both activists took a confrontational approach and punched out political space for others to follow. They succeeded for several reasons: first, each had an independent salary and, in Marques' case, wider funding; second, each followed their own agendas, without much direction from funders. This gave personal motivation, on the one hand, and domestic credibility, on the other. In each case, the actors found it hard to attract followers and came under pressure not only from the MPLA but also from others in civil society who are competing for political space and funding, and eventually their effectiveness diminished. However, by then each had created a new political space into which others moved. A third reason for their success hinges on the specific personalities of these actors. This is a common feature of processes in Angola and results from the logic of the patrimonial system, which means it often requires risk-taking individuals to break out of the prevailing logic and adopt a leadership role.

### ***Taking the cues from Angola***

139. It can be hard for donors to create strategies to promote change, given that anything seen as an external influence suffers from a lack of credibility inside Angola (and is often explicitly resisted), but giving Angolan actors greater influence over the design and direction of projects can help. In this respect it is important to consider incentives for Angolan actors, who will be more effective if they are confident in longer-term donor commitment.
140. It may become increasingly possible to influence change by supporting processes the government has already bought into, such as its recognition of the benefits of some form of decentralisation, microfinance, or creation of small and medium-sized enterprises. Collaborative educational projects with MPLA parliamentarians on, say, the land law, appear to have borne some fruit, too, although so far only in a limited way.
141. External actors can be effective in advocacy in certain ways. Tabloid interventions from groups such as Global Witness and the Committee to Protect Journalists have had positive effects on international consciousness, thus having indirect, long-term effects on Angolan policy-making. In this case, however, the influence of these particular actors is probably mature and thus waning in Angola, and national NGOs are likely to make more of the running. If aggressive interventions are considered, it is also necessary to consider the importance of carefully targetting interventions so as not to disrupt positive dynamics that have developed, such as the fact that successful economic reforms to date reinforce the political power of economic reformists.

### ***Inflection points***

142. Regarding a longer-term focus, it is also important to think about *inflection points*: moments (or short periods) which precipitate rapid change – for example, the death of Savimbi, the end of communism or a government reshuffle. Before such points, change is more difficult and fragmented, and this can be frustrating for donors. Afterwards, however, change can be large and rapid, and its direction influenced heavily by the advance preparation. Although there are no clear signs that President dos Santos is likely to leave office soon, efforts to promote debate and awareness now will influence who the MPLA eventually chooses as a successor, and how that person then acts.

### ***Credible engagement***

143. It is essential to note that donors should not promise what they cannot deliver. Government actors stated to DoC researchers that donors have promised support conditional on change, and then failed to provide that support when such change is forthcoming. The damaging effects of this kind of donor behaviour should not be underestimated. Again, interventions should be carefully thought out as part of longer-term planning.

144. Some donors say that support will only be forthcoming if Angola reaches an accommodation with the IMF. Currently this stance may have facilitated an indirect positive impact in helping promote some economic reform, but an IMF accommodation has not yet been formalised. Angola has had a deep-rooted scepticism about the motives of international donors.

145. In addition, donors are sometimes reluctant to improve incentives for Angola to improve its behaviour because they themselves would incur costs. Enhanced debt relief provides one example. This needs to be considered carefully, and the emphasis placed on this aspect in recent international debates, including the report of the Commission for Africa Report – in which the UK played a leading role – is encouraging. There are obvious concerns that writing off debts could undermine the long-term confidence of creditors, and the solutions are not simple. The issue is a critical one for Angola, however, as it begins to re-engage with the international community.

146. The UK, in fact, has a good deal of political capital to build on in such a process. It is one of the Western nations that did not (unlike some others) actively provide large-scale military support to Savimbi, and the Prime Minister's personal drive behind the Commission for Africa provides a powerful statement of the country's commitment to development in Africa in terms of an African agenda. Although Angola's rivalries within Africa – with South Africa and Nigeria for example – may mean that it is at times less than enthusiastic about the African agenda, there is a mode of operating behind the Commission for Africa approach that may give the UK a good entry point for a strategy in the country.

### **7.3 Entry points to begin reshaping structures, institutions and agents**

147. The Angolan public sector, civil society and prospective entrepreneurs outside the oil and diamond sectors clearly require capacity-building. It is also clear that

individuals such as the president and key MPLA and government officials hold considerable power, and are gatekeepers of the processes of change. A deeply embedded patrimonial system continues to exclude the majority of the population from a meaningful say in the political process, and the government cannot be held accountable in terms of a social contract or effective procedures such as the ballot box and mutually accepted means for civil society pressure. The working logic of the society has also been severely shaken by almost 30 years of war, and change processes to recover from the economic, social and political damage will take much time and effort and require a nuanced approach. Engaging with change in Angola must address capacity, the power of these agents, the lack of a social contract to hold them to account, and the devastating effects of the war.

148. Work at this level could cover many agents: political parties, government departments, the legislature, new local and provincial governments, NGOs and others. More crucially, however, engaging Angola means addressing the deep-rooted institutional relationships that sustain the current power structure and lack of accountability. This is fundamental to any efforts to enable agents to begin to address the structural realities related to natural resources, ideology and the effects of war. The key institutional relationships in this regard include:

- The relationship between party and state and the party system at large. The MPLA is advanced in its preparations for elections and benefits from this relationship. Opposition parties, by contrast, face big challenges.
- The role of service providers from the state and civil society, and possibly the private sector.
- The role of the media.
- The regulatory and contractual mechanisms in the mining sectors.
- The power of different levels of government (decentralisation).

149. Helping to reshape these institutional relationships requires an astute understanding of political trends and power relations. It is important to remain abreast of these trends and on that basis identify appropriate points of entry to enable reformers to begin to set an agenda for change and drive change processes that go beyond the capacity of individual organisations. A comprehensive list of entry points can never be completed but it needs to be developed as time goes by. At this point a few suggestions may be appropriate:

### ***Framing the national vision***

150. The Angolan national vision of economic development, as outlined in Section 3.2 above, is still in its infancy as a concept, and is not generally aligned with the interests of many Angolans. In addition to this, there appears to be a severe lack of clarity or consensus on how the country should progress politically and socially, and even on what it means to be an Angolan citizen. Citizenship wraps up notions of accountability, rights, peace-building, and group identity. Non-prescriptive ways of working with the government and national NGOs to widen these debates could have a big impact in the longer term. Over and above the economic development vision, the need for a national Angolan vision has only recently been recognized and as yet there is not a coherent process to push it forward. Even Jonas Savimbi, in the latter stages of the war, urged a “profound discussion” of the ethnic, historical and

economic causes behind the fighting – an idea welcomed by many Angolans, even among his many opponents. The end of the war lengthens Angolans' time horizons and opens up new avenues in this respect so this could rise in prominence on the agenda. It would be important to keep track of the drivers of such processes, and attempt to link up with their momentum. A “national project,” whether or not explicitly stated as such, would resonate with a wide diversity of actors -- from church and other groups who argue that peace-building is not simply about silencing the guns, to political parties concerned with the regional distribution of power.

### ***Building on existing initiatives***

151. It is also possible to influence change by supporting processes the government has already bought into. Again, several entry points exist. President dos Santos and the MPLA wish to improve service delivery, especially ahead of elections. Of course, statecapacity-building is important in many countries, but the need is especially acute in Angola at the moment: first, the end of the war provides many fresh openings for supportive interventions, and second, because the alternative route of using direct pressure or conditionality is weaker in Angola than elsewhere. President dos Santos still wishes to leave a legacy of better management, and to boost the MPLA's showing at elections. Other government projects, such as the provincial or municipal forums operating in Huíla and other provinces, also provide specific opportunities for support. A collaborative approach also allows donors to incorporate more specific objectives such as supporting government projects with a strong decentralisation element. Collaborative educational projects with MPLA parliamentarians on, say, the land law, will also bear fruit in the long term.

### ***Long-term dialogue***

152. Long-term dialogue between donors and non-traditional partners, such as Brazil or China, might also provide fruitful avenues for fresh thinking. In the current situation, there is a degree of competition that not only dilutes the impact external donors could have, but also provides scope for them to be played off against each other. Redressing this does not necessarily mean a fully united front, but serious attempts to build a unity of general purpose, and work around a strategic agenda in line with fairly similar development principles, could save costs, enhance impact and even make it possible to more purposefully develop a common agenda with Angolans.

### ***The pre-electoral period***

153. In the shorter term, the pre-electoral period provides openings. Initiatives attempting to level the electoral playing field, such as media monitoring, rights awareness and electoral education could have an impact.

### ***Building coalitions for change***

154. Civil society and private-sector activity is escalating, and as it does, it comes up against the constraints so pervasive in the Angolan system. The challenge is to understand the link between these constraints and the issues that are immediately important to Angolan interest groups across government, civil society and the private sector. With such an understanding it may then be possible to work with existing or

emerging coalitions of interests pushing for change around specific issues. These issues could vary from broader policy issues (regarding economic diversification, say, or transparency), to governance reforms or specific sector initiatives to deliver services from local to national level.

155. The choice of coalition partners poses many challenges. Donors want to focus directly on the poorest categories of Angolans, and may be inclined to ignore the potential of “middle class” champions of change. It seems important therefore to direct assistance at outcomes, pick the partners that will support those outcomes best, and then drive strategically towards those outcomes. Dealing strategically with Angolan actors, rather than only the intended direct beneficiaries of support programmes, requires a nuanced understanding of the political environment. Knowledge of political trends, alliances and issues provides a basis for tactical engagement that make it possible to move the reform agenda forward, rather than only concentrating on the specific details of projects.

156. The end of the war in 2002 provides a unique opportunity for Angola. It is clearly in a transition period and in the run-up to elections in 2006, the government seems to be conceding some space to non-state actors when pressured. The MPLA is well prepared, it wants to re-legitimize itself, and it regards international credibility as a premium commodity as part of this process. It is determined to stay in power for many decades, and is thus adopting a gradualist approach, but it is also pragmatic enough to know that it must modernise and allow change. A challenge is how to influence the vision of change. It is a long-term project.

## 8. List of Interviews and Bibliography

### 8.1 List of Interviews

Syanga	Abílio	Sonangol vice president
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Shri R.M.	Aggarwal	Ambassador of India
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Eduardo	Alvim	Catermar manager, responsible for Soyo operations
Matthias	Anderegg	Swiss Development Cooperation /SDC, country director
M'Bengani	André	PDP-ANA, provincial delegate, Huambo
Benedito	Angelino Lungi	Communal administrator of Luvemba, first communal secretary of the MPLA
Margaret	Anstee	British Angola Forum
Lugolau	António	FNLA provincial secretary for administration and finances
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Kate	Ashton	LUPP
Ann Helen	Azedo	Embassy of Norway
Gareth	Barrat	MSF – UK
Rick	Bell	US Embassy, London
Gerry	Bender	University of South California
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Carlos	Bessa Victor	BAI
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Peter	Brayshaw	Mozambique Angola Committee
Robert	Brinks	Netherlands Ambassador
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Bas	Brusche	Netherlands Embassy
Vergard	Bye	UN Human Rights Office in Angola
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Allan	Cain	Development Workshop, director
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Bernardo	Campos	Endiama, director for strategic planning and contracts
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Mário António	Carvalho	Member of the MPLA Central Committee
Siona	Casimiro	Jornal Apostolado
Benjamin	Castello	President of Jubileu 2000 and cadre of the Ministry of Agriculture

Augusto	Cawende	UNITA municipal vice-secretary of Bailundo
Luís	César Mundundi	PLD municipal delegate, Malange
Calisto	Cesário Chissalo	Municipal administration of Bailundo, chief of statistic cabinet
Pastor Mateus	Chaves	Baptist Church, Huambo
Almeida	Chikinga	UNITA youth secretary, Huila
Dinho	Chingunji	UNITA
João Marcelino	Chipingue	Member of Parliament and MPLA first secretary, Huila
Belmiro	Chissenguepi	Justice, Peace and Migrations Commission secretary
Abel	Chivukuvuku	UNITA member of Parliament
Michael	Comerford	Independent consultant
Cláudio	Lopes	OCHA-TCU representative, Malange
Nick	Corsino	World Food Programme
Manuel	Costa	Director, Bureau of studies and international relations, Ministry of Finance
Adalberto	da Costa Júnior	UNITA spokesperson
Pedro Luís	da Fonseca	Ministry of Planning, director of research and planning
Raul	Danda	Mpalabanda spokesperson
Adriano	da Silva	Vice-Governor of the province of Huila
Amberto	da Solva Alves	UNITA secretary for social affairs, Huila
Bebiana	de Almeida	Development consultant
João	de Assunção Agostinho	OCHA-TCU, national officer, Malange
Ana Maria	de Carvalho	World Bank
Maria	de Fátima	Former chief of cabinet of SECIL-Marítima
António	de Lemos	AAPCIL president, Lubango
José Luís	de Melo Marcelino	Instituto Marquês de Valle Flôr, provincial representative, Huambo
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D. José	de Queirós Alves	Archbishop of Huambo
Mário Cirilo	de Sá "Ita"	General, president of executive council, Centro de Estudos Estratégicos de Angola / CEEA
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Mariana	de Sousa	ACORD
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Katherine	Desderian	MSF - Belgium
Alberto	di Grazia	FAO land tenure consultant, Lubango
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