

BTI 2008 | Angola Country Report

Status Index	1-10	3.82	# 105 of 125	
Democracy	1-10	3.97	# 91 of 125	↗
Market Economy	1-10	3.68	# 111 of 125	➔
Management Index	1-10	3.13	# 108 of 125	

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

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	15.9	HDI	0.44	GDP p.c.	\$	2,077
Pop. growth ¹	% p.a.	2.9	HDI rank of 177	161	Gini Index		-
Life expectancy	years	41	UN Education Index	0.53	Poverty ³	%	-
Urban population	%	53.3	Gender equality ²	-	Aid per capita	\$	27.7

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Despite its rich endowment in natural resources such as oil and diamonds, Angola remains one of the world's least developed countries. In Angola, which has been ravaged by 27 years of civil war, resources appear to be more a curse than a blessing for the majority of its population. At least 65% of the country's urban population lives in poverty. This report focuses on the role resources have played in Angola's political development since independence, their impact on its process of pacification and democratization. Currently, Angola finds itself at a critical juncture in democratization. The "Memorandum of Understanding" signed in April 2002 marked a return to the Lusaka peace agreements between the Movimento Popular pela Libertação de Angola (MPLA) and União pela Independência Total de Angola (UNITA), ushering the country toward the peace needed to embark upon successful democratization. However, it remains unclear whether Angola will travel the path of most oil-producing countries characterized by roll-back and authoritarian rule, or whether it will succumb to citizens' demands for transparency, accountability and service delivery.

The oil boom in Angola has unleashed some worrying effects on relations between government and society. By decreasing the government's reliance on non-oil taxes, oil revenues have severed the link between the Angolan people and their government. Elections have been postponed several times. Civil society and opposition parties remain weak in their watchdog function and have been unable to exert the necessary pressure to get the ball rolling for elections. The government's creation of an off-shore economy has been a key factor in girding the state's ability to decouple itself from society on socioeconomic issues. Shortly after independence, the MPLA formed strategic alliances with multinational oil corporations. The Angolan government has financed its military and economic projects almost entirely through incoming oil revenues, which has rendered the productive capacities of most of the population

irrelevant to the government. Failing agricultural policies of collectivized state-owned farms and declining industrial outputs have been compensated for by increased oil outputs.

So-called “oil windfalls” as well as unconditional oil-backed loans by the Chinese government render ineffective the international donor community’s attempts to tie financial aid and development assistance to criteria of good governance. Angola has managed to successfully consolidate its macroeconomic situation. The government has brought inflation down, GDP growth rates are one of the highest in the world, and despite widespread corruption, Angola remains one of the favorite destinations for foreign direct investment flows on the continent. Under pressure by multilateral institutions from 2002 to 2004, the Angolan government began to show slight transparency regarding oil revenues, external debt and SONANGOL transactions. However, further recommendations – particularly those advocating for more transparency – have not been implemented since. Monitoring and control of public expenditure remains weak and barely permits any evaluation of fiscal information. Transparent regulations and legal institutions that enforce property and contractual rights are needed to create a business environment conducive to economic growth beyond the oil sector. At the moment, the private sector is underdeveloped and remains under governmental influence. Angola’s key challenges, however, are to hold its elite accountable in the forthcoming elections, to guarantee its citizens their civil and political rights and to establish the proper mechanisms needed to prevent clientelistic networks from looting state coffers.

History and Characteristics of Transformation

Angola has suffered almost continual war since the early 1960s – first in its war of independence against the Portuguese colonial regime, followed by civil war battles between primarily the Movimento Popular pela Libertação de Angola (MPLA) and União pela Independência Total de Angola (UNITA). Peaceful conflict resolution has clearly been an essential precondition for the country’s democratization. Angola’s transition became a twofold and interdependent process in which the introduction of democratic reforms constituted also a condition for peace negotiations. As the Angolan conflict had been deeply embedded in the Cold War, exogenous factors played a crucial role. However, as events later on showed, it was the role and behavior of national actors that proved decisive.

Changes in the international environment as well as a military stalemate (Cuito Cuanavale 1988) enabled the 1988 New York Accords to take place, which linked Namibia’s independence with the withdrawal of Cuban troops from Angola. Cuba put pressure on the MPLA to negotiate with Jonas Savimbi’s UNITA. Militarily weakened

by the loss of Cuban troops and the end in Soviet military aid, the MPLA government also faced an economic crisis brought on by decreasing oil prices. However, the United States continued to veto IMF and World Bank assistance for Angola. Peace negotiations thus began in Bicesse (1990 – 1991) within a framework that had been shaped primarily by external interests. Both the United States and the Soviet Union participated in these negotiations that were moderated by Portugal. Both the MPLA and UNITA continued to jockey for power by carrying out military actions against each other during negotiations, demonstrating their lack of interest in peace. The MPLA proved itself resistant to reform as attempts to liberalize the political system were as hesitatingly conducted as the peace negotiations. Only the exclusive vesture of power in the MPLA could guarantee the nomenklatura's privileges and enable their access to state resources. In June 1990, Angolan President Eduardo dos Santos stated, “[...] que no caso de Angola a instituição de um regime pluripartidário, nas actuais condições poderia revelar-se muito perigoso.” (“..that in the case of Angola the implementation of a multiparty system under the current circumstances could turn out to be very dangerous.” *África*, Lisbon, 6 June 1990).

However, during the peace process, the MPLA was forced to agree to UNITA's demands and introduce a multiparty system. At the third MPLA party congress (4 December 1990) the Angolan constitution was amended accordingly and the official Marxist-Leninist party doctrine was replaced by democratic socialism. The Bicesse Accords had prescribed not only a cease-fire and the demobilization of both armies but also the new army's composition, requiring recruits from both sides and the re-establishment of state structures in formerly UNITA-controlled areas. Elections were scheduled for November 1992, and the United Nations mission UNAVEM received the mandate to monitor the peace process (UNAVEM I). However, the peace and democratization process was enfeebled by several factors: an inappropriate mandate; weak support for the mission (\$132 million); an over-ambitious timetable; the “winner-takes-all” option in forming a new government after elections; and the fact that demobilization was not completed before elections. When the MPLA (54%) won the parliamentary elections against UNITA (34%) and Savimbi only managed to get 40.1% of electoral support, he decided to pull out of the process with allegations of electoral fraud even before a second round in the presidential elections could have been conducted. Both parties immediately reverted to a military solution with heavy fighting under way, even in the capital Luanda.

A lasting peace agreement was finally signed in April 2002, shortly after UNITA leader Jonas Savimbi's death in February 2002. For the first time in over 30 years, a degree of political stability and hopes of institutional development could be realized. Issues such as constitutional reform, judicial reform and elections have been on the government's agenda since Savimbi's death. However, the government's repeated promise to hold elections have yet to be fulfilled, as they are constantly postponed by attempts to reconstruct the country's infrastructure.

Transformation Status

I. Democracy

1 | Stateness

Although the MPLA government had no monopoly on the use of power over the Angolan territory during the years of civil war, it nevertheless demonstrated a surprising resilience to survive. The Angolan state shows the typical features elaborated by Terry Lynn Karl (2004) for states highly dependent on revenues from commodities. States that are dependent on taxation and domestic revenue collection need to develop the organizational capacity to collect taxes and fees – a functioning public service that reaches out to the citizen must be in place. However, to motivate citizens to pay taxes, the state, in return, must also provide its services and needs to deliver on promises. Dependence on foreign aid or revenues drawn from the sell-out of natural resources proves in most cases detrimental to the establishment of a citizen-state relationship. In the case of Angola where the government's main source of income was derived from the petroleum sector, prolonged civil war hindered the government in performing its functions, but the state also failed to deliver social services due to a growing decoupling of the state from Angolan society.

Monopoly on the use of force

The state's monopoly on the use of force is challenged by liberation fighters seeking autonomy for the enclave of Cabinda. Although the liberation movement Frente Nacional de Libertação de Enclave de Cabinda (FNLEC) temporarily changed its strategy after the reunification with FLEC-R, the level of resistance against everything Angolan remains high in Cabindan society. The public rejection of the new Bishop of Cabinda, who was from Luanda and appointed by the Episcopal Conference of Angola and São Tomé, revealed the aversion to domination by a central power that prevails in the province. The Angolan government signed a Memorandum of Understanding (MoU) in August 2006 regarding the demilitarization and integration of FLEC cadres into the Angolan state apparatus with the leader of FLEC-Renovada, Antonio Bembe. However, the agreement was rejected by the FLEC leadership in exile, who alleged Bembe had been bought off by the Angolan state. As a result, Bembe was discharged as

secretary-general of a united FLEC. In the months following the MoU, resistance and acts of sabotage against Angolan authorities mounted again. The Cabindan civil society organization Mpalabanda and selected representatives of the Catholic Church in Cabinda became victims of oppression by the Angolan state. The circulation of small arms remains a problem and could, in future, jeopardize the state's efforts to provide safety and security to its citizens.

Despite the fact that the Portuguese colonial regime had introduced segregation into natives and the so-called "assimilados," which reinforced discrimination between whites, blacks and people of mixed race, an Angolan identity nonetheless has developed since independence. The MPLA's revolutionary discourse has concentrated primarily on the differences between social classes, not ethnicity, which was identified instead as an enemy of national unity. Although UNITA and the MPLA, both of which have drawn their support from separate ethnic groups (the Ovimbundu in the south and the Mbundus respectively), have been engaged in what appears to be a civil war along ethnic cleavages, this fact has not prevented the emergence of overarching Angolan identity that spans the country's various other identities. The Angolan government seeks to promote a sense of "Angolanity" and pride in being Angolan through a campaign of national patriotism (*exaltação e afirmação de patriotismo nacional*). Opposition parties are in general very careful about using tribal, ethnic or race issues as a political tool in rallying support. The population of Cabinda, which refers to accords signed in 1835 with the Portuguese in Simulambuco in insisting upon its right to independence from the Angolan state, poses a limitation to the current government's attempts at nation-building. The sense of being Cabindan is very strong in the enclave, anything that comes from Angola is considered foreign and is treated with contempt.

State identity

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

No interference of religious dogmas

Despite the fact that the constitution, in its seventh chapter, addresses the issue of local government and provides for autonomous self-governed entities, it does not affect substantially the centralist orientation and administrative division of the public administration inherited from the one-party state past. Although the Angolan government began a decentralization project in 2002/03 with the strong support (and pressure) of international partners, as of 2006, the necessary legislation was still not in place. Currently, the government limits itself to the rhetoric of bringing more life and efficiency to the local/municipal administration as it considers changing the number of provinces.

Basic administration

2 | Political Participation

The Angolan government has not held elections since 1992, which effectively prevents the public from having the opportunity to hold their government accountable. The government has cited the civil war and pointed to the need for a peace process before allowing elections to take place. However, the government has shown no interest in calling for elections, even though peace has been achieved since 2002. During the last MPLA meeting, Central Committee President Dos Santos confirmed rumors that parliamentary elections are not to be expected before 2008 and presidential elections no earlier than 2009. He also indicated that presidential elections could be held only after the MPLA party congress in which the party's candidate would be determined. Clearly, the period between legislative and presidential elections should give the party ample time to analyse and assess the results in preparation for the presidential campaign. The ruling party's exclusive access to resources is clearly one aspect of their limited will to speed up the process. However, the fact that the government has thus far proved unable to significantly improve the ordinary public's lives provokes fears amongst the ruling elite that they could lose out in the elections. The timetable mentioned above was presented at the end of 2006 before the Council of the Republic (Conselho da República), where leaders of opposition parties are represented. The main arguments cited before the Council referred to the electoral calendar and the late start of the voter registration process in November 2006, which would hardly allow for elections in 2007. The process must show sufficient transparency if the credibility of Angola's elections is to be ensured. The capacity and professionalism of the electoral commission, which is overwhelmingly dominated by the MPLA and government appointees, will prove decisive. Only three out of eleven members come from the opposition.

Free and fair elections

At the moment, Angola does not have democratically elected rulers and the established power structures in Cabinda continue to be challenged by the separatist movement under the leadership of FLEC.

Effective power to govern

The Angolan government introduced new regulations for NGOs via presidential decree in December 2002 (No. 84/02). As the decree limits the relatively open space created by the law (14/91) it appears to be more an instrument of disciplining NGOs. The decree obliges NGOs to abstain from "political and partisan actions" and highlights their role as partners of the government under the "guardianship" of the Ministry of Social Affairs. Thus, government intends to reduce the independence of NGOs and to keep NGOs restricted to humanitarian and emergency programs only. According to the law, demonstrations must be announced at least three days in advance. The regulation as such does not contravene international law or customs. However, Angolan authorities tend to

Association / assembly rights

abuse the clause so as to prevent any form of legal protest. Inter alia the law allows that police can intervene and terminate a previously authorized protest if acts or statements tarnish the honor of the Angolan government or top public officials, especially the president. Recent demonstrations concerning the Angolagate trial in France as well as the cause of Cabinda did not receive authorization by the Angolan state and ended in arbitrary arrests of demonstrators and of those complaining against the non-authorization. Twenty-six members of the opposition party PADEPA were detained and sentenced to one month in prison for disobedience as they were demonstrating in front of the French Embassy. The authorities' stern handling of public expression constitutes an issue of concern for most observers, especially in advance of elections. Though the legal framework provides for the basic freedoms of association and assembly, the fact that the government appears to turn a blind eye to perpetrators of acts of political intolerance (e.g., disruption of opposition demonstrations) and its unwillingness to reprimand law enforcement officers who have harassed opposition leaders and supporters constrains political parties and civic organizations' ability to fully exercise such rights.

According to the Angolan constitution (Lei No. 23/92, 16 September 1992) the rights to freedom of expression, assembly, demonstration, association in all forms of expression are guaranteed (Artigo 32 (1)). However, the gap between constitutional theory and democratic reality remains substantial. Although the end of the civil war has encouraged Angolans to exercise their rights anew, the government and agents of the ruling party have continued to deprive citizens of their rights. Conditions have changed primarily in the capital and along the coastal region, but the situation also remains precarious in the interior of the country. The national legislative body itself is the first to place serious limitations on the fundamental rights guaranteed by the Angolan constitution. For example, an individual's right to honor is guaranteed by sanctions that can be invoked for defamation. These laws easily enable influential members of the elite to silence criticism. Additionally, statements of facts or opinion that might be disagreeable to the president of Angola constitute a criminal offense punishable by prison. So-called "desacato" laws further impose sanctions on disobedience to authority and thereby undermine the democratic principle of oversight of governmental authority by public scrutiny. As elaborated, press freedom is heavily constrained by the aforementioned regulations. During the review period, journalists have been arrested for reporting on corruption, the violence of state agents against street vendors and on the prevalence of self-enrichment among the national elite. In order to avoid problems, journalists self-censor their work in advance. Working conditions for journalists are particularly bad in the provinces, as authorities there are not as exposed to public scrutiny as in the capital and therefore react often swiftly. Although a new media law was passed in 2006, the situation has not changed much. Abuses of press freedom still fall under the

Freedom of
expression

criminal law that allows for the suspension of journals and detention of journalists. As the aforementioned defamation clauses remain valid, journalists continue to act with caution. However, under the new media law, the journalist accused of having written a defamatory article is at least allowed to present the facts of his article before the court, which was not possible beforehand. Nevertheless, it still remains up to the judge to decide whether the evidence presented by the journalist can be accepted in his defense.

The government continues to control and heavily subsidize the media sector – both print and broadcast media (89.9% of all operational subsidies for state-owned business). There have also been recent initiatives by the government to co-opt or buy off the private media sector or to support the creation of new government-friendly organs. The only nationwide operating radio station is the voice of the state Rádio Nacional de Angola (RNA). Radio Ecclesia, which is one of the few private radio stations and confined to operate in Luanda only, has not yet succeeded in obtaining a license to broadcast on short airwaves, which would allow its broadcast to reach beyond the capital. Run by the Catholic Church, this radio station instead faces regular waves of intimidation.

Despite the emergence of several new private weeklies over the last two years, the print media sector remains dominated by the state-owned daily journal “Jornal de Angola.” The private weeklies are regularly constrained by technical and financial weaknesses that are in part attributable to political obstacles. Even established journals such as “Actual” have had to shut down due to serious financial problems. In the absence of a requisite infrastructure for distribution, the outreach of private journals is limited mainly to Luanda. Price also limits private media outreach, which in turn means that media diversity is found primarily in the capital. The country’s high illiteracy rate (59.9%) also effectively limits popular participation in the decision-making process. Only 38% of the population own a radio and only 14% are the owners of a TV set. The phone-in programs first introduced by Radio Ecclesia and later copied by RNA and other commercial stations enjoy widespread popularity and have opened up space for public debate. However, the climate of denunciation and intimidation resulting from over three decades of civil war and Marxist-Leninism remains prevalent.

3 | Rule of Law

There is no separation of powers in practical application. The parliament has a very weak mandate emanating from elections that took place over a decade ago. Its autonomy is limited and its institutional capacity weak. Most legislation – almost 90% – emanates from the executive and not from parliament. A political culture of conflict, of administrative secrecy and confidentiality, of clientelism and favoritism (including the co-optation of political rivals) has further weakened

Separation of
powers

the political basis for a democratic parliament. Coupled with the MPLA's history of one-party rule and the established informal tactics of presidential domination, it thus seems that Angola has instituted a political practice in which the parliament only marginally exercises its power of checks and balances in the political system. There is equally a high degree of presidential intervention in the day-to-day management of state affairs. Presidential advisers often have greater influence than ministers, leading to a situation in which ministers are not able to assert their authority. Although a substantial number of human rights cases are brought before the Human Rights Commission and the latter serves quite well to compensate for the deficits in the judicial system, it is nonetheless worrisome that a commission established by the executive and located within the National Assembly fulfills a judicial mandate. The likelihood of cases against the state brought successfully before this commission remains questionable.

The judicial system remains highly dependent on the executive and suffers from political interference. There are reports that the governing party, the MPLA, seeks to influence judges, especially in the provinces, in ways that have included financial inducements. Considering that the entire judicial pyramid is under the formal tutelage of the Ministry of Justice, such actions are in flagrant disregard of the constitution. The Supreme Court has little to no influence on the government.

Independent
judiciary

The Angolan ruling elite is able to loot the coffers of the state without any fear of being reprimanded. Nevertheless, there is a fear among the elite that, in the event of democratic change, justice eventually might be served concerning crimes of the past. The elite thus continues to cling to power by any means. One of President Dos Santos' political tools is to remove political adversaries that might become too strong or might have too much knowledge about subjects not meant to reach the public. One of the most prominent cases in 2006 involved the removal of General Fernando Miala from his office as head of the Foreign Intelligence Service under vague allegations that he had abused his position, which left the public guessing about the true reasons behind this political charade. Anti-corruption measures and practices within the government continue to be rhetorical at best.

Prosecution of
office abuse

There are several obstacles in the access to justice through the court system, particularly for the poor. First, people in Angola generally lack knowledge of their legal rights and thus have no formal legal strategy for seeking redress. Second, the courts lack the requisite resources to properly fulfill their function of responding to claims, which hinders justice from being served. Third, political interference in the administration of justice makes access and redress additionally difficult. Levels of trust in the formal legal system are generally low and, especially outside Luanda, people seek solutions for through traditional means and procedures instead. According to a survey conducted, even in Luanda, only 85% of the population had a vague knowledge of their rights but did not know

Civil rights

what to do in the event of a violation. Fifteen percent had no knowledge of their rights whatsoever. The absence of practicing lawyers practising in the provinces impedes access to justice for many Angolans. A scarcity of criminal defense lawyers and prosecutors contribute to delays in detainees being brought to trial, a situation that is perpetuated by a lack of judges. Salaries are low and deter law students from entering the judicial service. In addition, inadequate remuneration fosters corruption. With only 23 of 168 municipal courts operational, most cases end up in the provincial courts where they contribute to a tremendous backlog of cases. To date, the government has failed to set up a constitutional court as stipulated by the Angolan constitution. As recent studies have highlighted, the violations of civil and human rights are particularly severe in the diamond-rich areas of the Lunda provinces. Private security companies which effectively control the territory on behalf of the diamond industry, have established practices of humiliation, whipping, torture, sexual abuse and, in some cases, assassinations (Marques, 2006). The situation concerning socioeconomic rights has appeared to have deteriorated since the end of the war. Despite the peace dividend and large increases in oil revenues, Angola's Human Development ranking has stagnated since 2001. Ranked 146th out of 162 countries in 2001, it ranked only 161th out of 177 countries in 2006.

4 | Stability of Democratic Institutions

To date, parliament has yet to fulfill its function as an organ of control and oversight on the executive. It neither proved to be proactive nor did it demand greater transparency, particularly on budget issues. Extra-budgetary titles in the past have enabled the president to corrupt those that could pose a challenge to his own rule. As UNITA is part of the Governo de Unidade e Reconciliação Nacional (GURN), since April 1997, parliamentary opposition has been weak and UNITA struggles to strike a balance between being the major opposition party while holding ministerial positions at the same time. Considering that the parliament has exceeded its mandate more than three times, even the parliament's representative role has been jeopardized – let alone its inability to promote any kind of popular participation of the people in governance processes. The institutional weakness of political bodies such as parliament and ministries vis-à-vis the presidency, as well as an impotent and often co-opted civil opposition have failed so far to counteract further alienation between those in power in Luanda and Angolan society. The inefficiency within the public service must be considered a major factor in weak state capacity to fulfill core functions. In the past, public administration constituted a support network for MPLA cadres who were provided cheap access to transport, housing, electricity, water, telephone etc. Meager salaries force most public servants into other rent-seeking activities outside their official job desk. Evaporating wages, therefore, must be seen as one

Performance of
democratic
institutions

of the main reasons for the implosion of social services at their base. Low salaries have also fostered corruption among officials in all sectors and levels. The justice system is not only seriously hampered by the lack of infrastructure, skilled personnel and financial resources, but also by the lack of public statements and judgements. Supreme Court judgements used to be published annually, but this has become much less regular and the judgements are not distributed automatically to provincial courts. Although the reference material is essential and publishing and distributing them does not demand exorbitant resources, this is carried out only upon request.

The Angolan military – although it does not have veto powers as such – remains a powerful actor. Leading generals of the Defense Forces were the main beneficiaries of the civil war (arms deals, civil engineering and construction as well as diamond trade) and continue to pursue their economic interests. For example, many joint ventures of foreign business initiatives in Angola have a military general on board. For the regime, this is a convenient way of ensuring the military leadership's access to resources and satisfying their appetite for power economically. With the integration of UNITA cadres into the ranks and files of FAA (Forças Armadas Angolanas), the Angolan Defense Forces seem to have undergone a transformation process toward a professional non-partisan army. The crucial question for Angola's democratization process, however, remains whether the military leadership might develop an appetite for increased political influence, despite the integration of UNITA cadres into the FAA.

Commitment to
democratic
institutions

5 | Political and Social Integration

Deputies voice the interests of their local constituencies to a very limited degree. Deputies depend on their political party and are not allowed to cross the floor. Party discipline is therefore quite strong and famous opposition party members such as Jorge Valentim or Eugénio Manuvakola of UNITA have been removed from parliament by the party leadership as a consequence of diverging opinions on political issues. With the power shift towards the "Futungo" and the presidential circle, the MPLA lost much influence and capacity to determine Angolan politics. Also, the rule by presidential decree undermines and weakens party structures. As a result, most MPLA's cadres – the intellectual backbone of the party – have shifted their attention to private life and private businesses. Therefore, the party's capacity to remain a decisive political force and serve as a connective link to society has been weakened further. Nevertheless, and particularly on the lowest level of state administration, the symbiosis of state and party remains prevalent and maintains the nominal link between the party and the people. In 2006 the Angolan government spent \$16.2 million in support for 135 parties that are not represented in parliament. This generosity, however, must be seen in the context of the forthcoming elections and might certainly be motivated by the aim to either co-opt some of them and to bring them into a coalition with

Party system

the MPLA, or to further fragment the opposition and thus to weaken their position. Nevertheless, the Angolan party system is characterized by its bipolar nature and the only real challenge for the ruling party comes from the main opposition UNITA.

Considering that the Angolan government is not being held accountable through elections, Angolans have few other means to express their policy preferences but through civil society organizations, the media and direct action. However, opposition parties and Angolan NGOs are not able to fill this gap and to serve as a bridge to society. As a consequence of a relationship between state and civil society that is shaped by prohibition and control, interaction between the two is limited. Although there are trade unions and business associations, they are generally not independent actors and are linked in one or the other way to the political establishment.

Interest groups

As a survey conducted by NDI (2003) has shown, Angolans want to live in a democratic environment that they associate primarily with the freedom of expression, and a government chosen by the people. They remain rather skeptical of the current state of democracy in Angola. Main deficiencies include the lack of participation among the majority of the population and the absence of freedom of the press. The lack of political tolerance is cited as the main reason preventing individuals from participating in political activities, particularly alongside the opposition. The level of trust in political parties remains limited, and criticism focuses on the large number of parties and their lack of will to form coalitions. In an additional survey about perceptions of the forthcoming elections, 68% of the respondents confirmed their willingness to vote. However, only 14% still believe that elections will bring about social change. Although Angolans fully subscribe to democratic norms and procedures when asked, one should not ignore that the paternalistic concept of the state as our “father” who should “sustain” us and who “punishes” us as well is deeply embedded in Angolan society, thus constituting an obstacle to building responsible citizenship.

Consent to democratic norms

Nongovernmental organizations are mainly perceived by government as self-help and service delivery organizations. They are perceived as partners of the government as long as they remain within the above-mentioned parameters. This means that there is only limited space for activities with a political connotation and outside government programs. Some ministries tend to exercise authoritarian control over NGOs. Organizations providing social services as well as relief and emergency organizations generally keep their distance from politics to protect their sectoral interests. They are rather unwilling to engage in “hard” political issues such as transparency, budgeting or revenue monitoring, because of the hostile climate for NGO work and the persistent fear of a backlash. As a result, civil society organizations in the country are weak and unable to make an effective contribution to socioeconomic and political issues.

Associational activities

II. Market Economy

6 | Level of Socioeconomic Development

There are at least four factors that have shaped the development of Angola's private sector: a protracted war, the political setup that emerged after a failed socialist experiment, a weak and dilapidated state, and an exceedingly large endowment of natural resources. Commercial activity outside oil, construction and diamonds remains rather limited. Angolans continue to suffer from a government that failed for decades to care for the people. Poverty in Angola contrasts starkly with the country's resource potential and its proven mineral wealth. Sixty-eight percent of the population live below the national poverty line and of those, 28% are classified as living in extreme poverty. This stands in contrast to an increasingly opulent elite. Some of the worst poverty derives from wartime dislocations and is concentrated in rural areas particularly amongst the rural non-farming population. High urban unemployment rates particularly among women and the youth are of particular concern. Many of them have insufficient education (only 54% of women are literate compared to 85% of men) and marketable skills for the formal economy. Thus 70% of the labor force in the informal sector are women. In the urban areas, poverty is associated with widening social inequality. Between 1995 and 2000 the richest 10% of the population increased their share of total urban household income from 31.5% to 42.2%. In the same period, the Gini coefficient rose from 0.45 to 0.51. An effective poverty reduction strategy would have to go beyond the current approach. To reduce the absolute number of the poor, an annual economic growth rate of above 7.3% is needed. The government, under pressure from the Bretton Woods institutions, approved in 2004 a PRSP (Estratégica nacional de combate à pobreza-ECP), which attempts to visualize successful poverty reduction as a result of social reintegration of the (rural) population, massive investment in social and technical infrastructure as well as structural reforms, including decentralization. Given current surplus oil revenues, an adaptation of the PRSP strategy is essential.

Socioeconomic
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	11,432	13,956	19,775	32,811
Growth of GDP	%	14.5	3.3	11.2	20.6
Inflation (CPI)	%	95.6	98.2	43.5	23
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	14.6	25.1	7.3	-4.0
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	-150.1	-719.6	686.2	5137.9
Public debt	\$ mn.	7,530.9	7,620.0	8,109.9	9,427.9
External debt	\$ mn.	8,739.2	8,695.0	9,324.8	11,754.7
External debt service	% of GNI	14.7	12.1	10.9	7.8
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.2	2.2	1.5	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.6	2.2	4.2	5.7

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

7 | Organization of the Market and Competition

The small private sector is hindered both by deficient infrastructures, an inadequate regulatory environment and a poor business climate. Establishing a company in Angola takes an average of 146 days, more than twice the regional average. The time needed to comply with all licensing and permit requirements is estimated at 326 days. Although informal trade is a common phenomenon in war economies and post-conflict environments, the parallel economy in Angola dwarfs the official market extensively. With international scrutiny on the oil

Market-based
competition

sector, the diamond sector is becoming increasingly important as a tool for hidden payments to members of the elite. As highlighted, the most distinctive feature of Angola's parallel economy remains its incorporation into the clientelistic network of the ruling elite. It is once again the party nomenklatura that benefits from an only rudimentary visible informal economy. Still, there is hardly any transparency over revenue flows and budgets. In the case of oil revenues, one even speaks of a "Bermuda triangle," comprising SONANGOL, the Futungo and the Finance Ministry. Audit reports of SONANGOL have not been published yet, and also ENDIAMA remains prone to conflicting interests resulting out of its portfolio.

Both production and distribution in the private sector are characterized by monopoly and oligopoly, the result of preferential business licensing, the award of large import contracts by the state, and privileged access to foreign exchange at the official exchange rate. These oligopolies are known as the *Empresários de Confiança*. They are dominated by a few extended families with roots in the colonial administration, the independence struggle or with links to the public service during the socialist period. They have close connections with the government and the party, and benefit from their ability to mobilize foreign commercial and political contacts. They have a strong lobby known as the *Associação Industrial de Angola* which favors protectionism and is generally hostile to reform. In the oil industry, the state-owned company SONANGOL, which has the sole concession for oil exploration and production, still dominates the sector. SONANGOL operates by means of joint ventures and production-sharing agreements with foreign partners. The same applies for SODIAM in the diamond field.

Anti-monopoly
policy

Priority is given to export-promoting or import-reducing investments. Angola's massive FDI investments are mainly destined for the capital-intensive oil sector and particularly the deepwater extractions. But also investments into the telecommunications sector and hydroelectric projects (Capanda dam construction at the Kwanza river) have gained momentum. To attract FDI flows, the government has established guarantees and special privileges for foreign investors such as the right to repatriate dividends and profits. In addition, tax advantages (e.g., acquisition of real estate through investment project) and financial incentives (e.g., annual grants to create permanent employment in the initial phase of the project) are in place to make Angola attractive for private investors. However, with the new law on commercial activities passed by parliament in 2006, which allows only Angolan citizens to engage in small-scale commercial activities, the government has shown clearly that it is only interested in big capital. Foreigners are forced to invest in large projects such as supermarkets with a commercial extension of over 200 squaremeters or shopping malls with more than 12 individual boutiques. Considering the FDI flow over the last years, the government's strategy appears at first glance to be successful, but

Liberalization of
foreign trade

the statistics camouflage a distorted situation, as much of these FDI flows go into the oil sector.

An important condition for private sector development is the existence of a minimally working financial sector. In Angola, the financial sector has been developed through the establishment of Portuguese banks rather than through the privatization of existing financial institutions. The state-owned banks are weak with large portfolios of bad loans due to privileged access of state and state-affiliated companies to loans and concessionary rates. Difficulties and delays in closing its commercial bank activities have hampered the Banco Nacional de Angola's (BNA) focus on its new central bank functions. The BNA takes many of its decisions directly from the president and his council of advisors, bypassing the Ministry of Finance to which it is formally subordinate. The complicated and nontransparent relationship between BNA, the Ministry of Finance and SONANGOL has been a permanent contentious issue in discussions with the international finance institutions. Currently, Angola's rapidly growing banking sector consists of seven commercial banks, one investment bank (partially state-owned), one small agricultural bank, one small-business fund (partially state-owned). The banking sector's nonperforming loan rate is currently 5 to 7%.

Banking system

8 | Currency and Price Stability

Since liberalizing its monetary and exchange policy in 1999 and particularly in the last two years, the Angolan government has tried to stabilize the exchange rate for the Angolan kwanza and inflation with a restrictive monetary policy (e.g., reduction of fiscal burden, rationalisation of public expenses, control of liquidity). In order to guarantee the balance between aggregated finances and fiscal activities, BNA coordinated closely with the national treasurer. To enhance transparency, particularly in debt management, a new computer system was installed with the assistance of the World Bank and IMF. A less expansive fiscal policy, together with currency appreciation, brought the rate of inflation down from 43% in 2004 to 18.5% at the end of 2005. Since September 2003, the rapid accumulation of foreign exchange earnings has allowed the government to intervene through open-market operations, stabilize the kwanza's nominal exchange rate against the dollar and to dampen inflationary pressures. But, on the other hand, the government continues to undertake substantial expenditures that inject large amounts of kwanzas into the economy and threaten to spark inflation.

Anti-inflation /
forex policy

During the last three years, the Angolan government has reformed its fiscal accounts in order to reflect also most off-budget expenditures such as transfers to the military, quasi-fiscal operations carried out by SONANGOL on behalf of the government and the central bank's operating deficit. In 2004, the fiscal deficit fell to 1.5% of GDP as a result of tighter control of current expenditure, higher oil

Macrostability

revenues and measures to improve budget execution procedures. Efforts to contain and monitor expenditure continued in 2005, notably through the phasing out of price subsidies on gas and public utilities. Increased oil production combined with high oil prices resulted in a 7.9% surplus in 2005. Foreign credits and high oil prices allowed Angola to almost double their budget spending from \$13 billion in 2005 to \$23 billion in 2006. The burden of external debt has eased in recent years. In 2006 the Angolan state needed \$3.4 billion to cover its budget gap. Public debt reached \$1.8 billion mainly due to liabilities in the social insurance sector. External debt obligations amounted to \$9.7 billion. Angola is still one of the few developing countries that has never received an IMF adjustment credit. Indeed, Angola is almost unique among transition countries in its limited borrowing from the fund. This has strongly contributed to a perverse profile in Angola's external debt, which is not exaggeratedly large as compared to the level of exports but strongly dominated by short-term liabilities. Lately, Angola has restructured its official bilateral debt obligations with several of its major creditors in a series of bilateral negotiations. Although these credit lines carry higher costs than official multilateral finance, the authorities are unwilling to weaken their operational autonomy, commit firmly to a range of structural reforms and reduce their current reliance on selling foreign exchange to contain inflation. At this stage, a likely compromise is the signing of a home-grown Policy Support Instrument (PSI) program that takes into account some of the IMF recommendations.

9 | Private Property

One of the greatest risks to businesses is that the rule of law cannot be guaranteed through the local justice system. Political interference remains common and negates a level playing field for any operation. With millions of internally displaced persons returning home, land has also become a controversial issue in Angola, as returnees find others already farming their previously owned land. Under the present constitution, the land belongs to the state but people have occupation rights. Whereas before, even without any occupation title, people had protection under the civil code, a new land bill that passed parliament in August 2004 renders the land tenure of most urban dwellers as illegal. In urban areas such as Luanda, many Angolans that had bought land on the informal market from people without title rights have to face evictions by government and the demolition squad. The forceful removals in the capital's suburbs, Benfica, Boavista, Cambambas, Kilamba Kiayi earned a lot of criticism during the last two years as people became homeless in order to make space for construction projects such as shopping malls, a new airport or luxury apartment compounds. Although the land law in order to protect pastoral communities sanctifies that areas inhabited or used by the population for cultivation and their livelihood are not to

Property rights

be used by third parties, Angola continues to suffer from land grabs by the elites. Senior government members have become landowners of former coffee plantations or engage in large-scale cattle farming particularly in southern Angola. The Angolan habit of not applying the law and the non-existence of legal recourse for victims also applies in the case of land. Also problematic for communities is the fact that most sobas (traditional leaders) are not in a position to serve the interest of their community anymore as they are either co-opted by the MPLA or totally marginalized.

Since the beginning of economic liberalization, the Angolan government has been successively withdrawing from direct participation in private sector companies and describes its role mainly as a facilitator. From 1995 to 2000, 272 state-owned companies and small businesses were sold. But particularly in the privatization of public banks and non-financial enterprises, little progress was made. During the privatization process, insiders with links to government, the army or the party acquired enterprises on favorable terms. To make things worse, many of these companies are transferred to people without the necessary entrepreneurial skills. The development of Angola's private sector is constrained by a number of factors: skilled labor is scarce, infrastructure and services are deficient and formal financial services are barely negligible. Additionally, foreign investors often lack a long-term strategy and are not very innovative in addressing and overcoming structural obstacles such as lack of transport infrastructure or lack of skilled labor.

Private
enterprise

10 | Welfare Regime

A cynical view would claim that Angola's welfare regime is restricted to the presidential clique and their patronage networks. While those with access to power and state resources can have a rather sophisticated safety net including medical evacuation to Western hospitals, the majority of Angolans rely on informal and sometimes even illegal survival schemes. A frequent survival strategy for the average Angolan household includes a husband in the public sector, which secures a small wage but valuable contacts that open opportunities for the informal sector activities of his wife. The average life expectancy in Angola is 40.1 years and in part reflects the failure of government to provide basic healthcare facilities. Particularly infant mortality remains one of the highest in the world (154 out of 1000 in the year 2004; World Bank, 2004). Overall, Angola's social spending is far below its regional neighbors and even after the end of the civil war remains at a 3.45% low of its annual budget. The shares of the 2006 budget allocated to health and education, however, have been reduced to 4.4 and 3.8 % respectively, from 4.9 and 7.1 % in 2005.

Social safety nets

Although reliable data on gender inequalities are still not available (a commissioned study by the government is due in 2007) the scarce information at

Equal opportunity

hand indicates that only 47% of girls compared to 53% of boys are enrolled in primary schools. Drop out rates amongst girls are particularly high in the provinces, mostly around 30%. School enrollment rates impact severely on the adult literacy rate, which differs significantly between men (82.1%) and women (53.8%).

11 | Economic Performance

On account of a booming oil sector, Angola's economy showed one of the highest growth rates in the world in the past years (e.g., 20.6% in 2005, estimated 26% in 2006). This is mainly due to the duplication of oil prices for a barrel of Brent crude and will only extend slowly to the productive sector growth. Currently, oil revenues account for more than 40% of the GNP, and constitute 80% of fiscal revenues for the state. Although the growth of the non-oil sector still lags behind the oil-economy particularly outside of Luanda, it nevertheless has picked up substantially (13.8% in 2006). Due to large de-mining operations and excellent weather conditions, the agricultural sector has increased its output as well and faces now its main difficulty in bringing its products to the local markets. Despite the booming economy Angola's unemployment rate is estimated by the UN to reach about 80%. Formal employment opportunities are mainly to be found in the public sector characterized by vast networks of patronage and rent-seeking. Public payroll enlargements in the last two years were mainly due to the recruitment of more health care personnel and teachers. Most subsistence income is generated in the informal sector by trading of imported goods. So far, the Angolan government has not taken advantage of the global boom in commodity prices in order to build a strong institutional basis for long-term growth. In the global competitive index Angola ranks last of 125 selected countries.

Output strength

12 | Sustainability

To guarantee the sustainability of development in environmental terms, Article 24 of the Angolan Constitution makes the state responsible for environmental protection. The mandate lies with the Ministry of Fisheries and Environment, which drafted a plan for sustainable development. Major concerns in Angola include deforestation (illegal timber cutting), soil impoverishment and erosion in the coastal regions of the southwest, desertification, and pollution by the oil industry as well as the depletion of fish stocks. For a long time and against the background of the decades-long civil war, environmental issues have not been an area of political interests, both domestically and internationally. According to UNDP reports, environmental politics in Angola suffer from a general lack of data and specific legislation and the fact that millions of landmines hamper not only agriculture but also concrete measures for environmental protection.

Environmental policy

Furthermore, the capacity of the Government for planning and environmental management is low. In 2004-05, a National Environmental Action Plan (NEAP) was developed by the UNDP in cooperation with the government but it has not yet been implemented. Although Angola has signed many international conventions to protect biodiversity and its natural resources, no concrete steps toward implementation have been made in most cases.

Education remains one of the most underdeveloped sectors. Although the situation of higher education improved with a new legislation granting full autonomy to the state university in 1995, financial funding still constitutes one of the major problems. A total of six higher education institutions and several institutes exist in Angola. Neither BA programs nor post-MA programs are functioning in the country. The main programs at the MA level are “licenciaturas” and a subsequent “mestrado.”

Education policy
/ R&D

Transformation Management

I. Level of Difficulty

Although Angola has made some progress in improving its sociopolitical and socioeconomic situation since the end of the war, it still faces numerous challenges in democratization. It is believed that more than 452,000 refugees have returned from neighboring countries and need to be re-integrated in Angolan society as well as in its economy. Additionally, the large number of internally displaced persons (total number of displaced persons approximately 4 million) might also create organizational problems in the run-up to the elections. Several years of high inflation rates have negatively affected the economic conditions of the country. Real wages have been eroded, real money balances have declined and the dollarization of the economy has reached very high levels. Rampaged by 27 years of civil war and the plundering of state coffers by the political elite, Angola faces severe structural constraints in terms of socioeconomic development and the infrastructural rebuild of the country. In a society as highly stratified as Angola's, with a weak tradition of political participation and low levels of awareness among the mass of the population, elite groups are in a favorable position to defend their specific interests. High rates of illiteracy, the day-to-day fight of survival and a lack of access to information exclude and further marginalize the poor.

Structural
constraints

Despite its bureaucratic constraints, the Angolan NGO sector saw a mushrooming of civil society organizations in the beginning of the 1990s. Most of them remained one-man shows that are predominantly based in Luanda. Only a few appear to be strong and with the necessary capacity but nevertheless remain highly dependent on donor funding. As most NGOs were operating in the field of humanitarian assistance during the war, they now have to engage in a thorough and often cumbersome restructuring process, developing new strategies and identifying new short- and medium term objectives. There are currently 360 NGOs registered with FONGA (Forum das Organizações Não Governamentais de Angola), but according to its president, Antonio Kiala, most of them exist only on the paper and an inventory and assessment of those that still exist and implement projects is needed. The development of a vibrant civil society has also been hampered by the legacy of the one-party state whereby the state tries to control the sector and engenders polarization.

Civil society
traditions

Although ethnic and social conflicts are not openly virulent at the moment – with the exception of Cabinda – the stratification of society and a further marginalization of the urban poor could turn into a destabilizing factor in the mid-term. Elections will also show whether ethnicity still transforms into party political cleavages.

Conflict intensity

II. Management Performance

14 | Steering Capability

The main institutions in charge of designing and implementing economic policies, the Ministry of Planning, the Ministry of Finance, and the Central Bank (Banco Nacional de Angola/BNA) have the reputation of being institutionally weak. Despite donor efforts in capacity building, they remain short of professional staff able to collect data and to formulate economic policy. However, a council of advisors at the presidency, known informally as the *homens do Futungo*, takes most decisions. This group reports directly to the president, bypassing the three institutions formally responsible for economic management and often reversing their decisions. As a result, ministries have a limited steering capability and are very cautious in implementing policy. Strategic planning in Angola is very poor. Policy recommendations are most often vague or inconsistent. Eventually, and only after much delay, a program finds often approval. By the middle of the year the program is usually abandoned and policy-making becomes paralyzed. Often long lists of projects are presented with little regard for their feasibility, finance or social value. Ministries put forward projects with almost no screening by the Ministry of Planning and social cost-benefit analysis is not used. Political influence rather than economic rationality drives implementation. The group at *Futungo* frequently imposes decisions that contradict or override the program's orientation (Aguilar, 2004:80ff). This creates an image that even when planning does take place there is no correlation between the plan and what the government ends up doing. In cases where a law of the president's disliking has been passed, he can choose to delay ratification, and he can either use the issuing of a presidential decree, or he can postpone and delay the process of implementing the new legislation. The latter method, for example, was used when parliament initiated the anti-corruption commission. The president ratified the law but there has been no follow-up, no actual establishment of the institution.

Prioritization

Reform approaches appear to be erratic, mainly motivated by particular political interests and characterized by a slow motion of implementation. As any reform towards greater transparency and efficiency has to deal with powerful vested interests and needs to confront extended rent-seeking activities, it faces severe political resistance from influential circles within the Angolan elite. For reforms to succeed, they need strong political support from the highest governmental levels. A transition to a market economy will only be possible if vested interests of the elite are dismantled. The crucial question in the Angolan context is, whether there is a political will for reform policy. In 2005, the Angolan government was about to sign a financing agreement with the IMF, which would have guaranteed that oil sector revenues are channelled towards social programs and it would have bound the government to take up measures against the fight of corruption. In the last minute and after having received a new and unconditional credit from the People's Republic of China, the ratification was postponed. Even in the diplomatic language of the UN, the Angolan "government stewardship is often marked by low delivery and slow processes. Over the years, it has become very clear for most international partners and agencies that the Angolan government emphasises its prerogative to be the decision-maker and the actor who is defining the institutional environment, the processes and timetables." (DP/DCP/AGO/1) From the to-do-list of the IMF's oil diagnostic study published in May 2004, the Angolan government has not yet tackled many issues. SONANGOL still continues as a hybrid entity, being regulator and commercial agent at the same time. Also the diamond sector remains highly nontransparent. Additionally, Angola's commitment to the Extractive Industries Transparency Initiative (EITI) needs to be enforced.

Implementation

Although shortcomings of the past in policy implementation or project realization have been acknowledged in official documents, such as the cooperation agreement of UNDP with the Angolan government, the capacity and willingness to bring about major changes still needs to be demonstrated.

Policy learning

15 | Resource Efficiency

Compared with international standards, the size of Angola's public sector is large but has very little impact on the development of the country (partly also a result of the civil war). Angola has an extremely large public payroll compared to other countries in the region and any increase in public salaries which might be enabled by an increase in public expenditure has to take into account "ghostworkers" remaining on payrolls and other gray areas of public spending. However, this necessitates that public expenditure monitoring is improved. So far, fiscal data remain extremely weak. Particularly the identified deficiencies in Angola's public financial management impair sound macroeconomic

Efficient use of assets

management. A distinctive feature and the greatest weakness of Angola's public management system constitutes a parallel spending process with one conventional system coordinated by the National Treasury and the nonconventional one centered around the national oil company Sonangol. Key problems that have been identified by the IMF include "an overriding lack of internal controls and ... an incomplete/inadequate accounting of central bank foreign assets and liabilities..." (Ministry of Finance in Human Rights Watch, 2002:82). Apart from the problems a parallel systems generates, there are the additional problems of a flawed conventional public expenditure system and with the government's weak coordination and forecasting skills. The projections of the general state budget are unrealistic and therefore difficult to comply with. As a result, budget approvals are ignored and commitments go beyond the initial ceilings. Public accounting in Angola is still cash-based and single entry. Planning becomes impractical for budget units on the bases of their month-to-month cash management. Shortage of cash results in arrears, selective invoice payments and it hampers transparency. Although legal provisions are in place for audit and control systems of the public financial management, they operate only partially in practice, and they have difficulties in imposing transparency in an environment awash in corruption. A case in point is the Supreme Auditing Office (Tribunal de Contas) which has only recently showed some "teeth" by beginning to audit the accounts of some ministries and provincial governments.

Although stabilization has been achieved in the macroeconomic realm, a stronger emphasis is still needed on improvements in policy design and implementation. Particularly fiscal policies need to be better coordinated with monetary and exchange rate policies. These policies need to consider the expected oil windfalls, while at the same time they should stimulate growth beyond the mineral sector. An example of coordinating conflicting objectives into a coherent policy could have been materialized if the authorities' decision to eliminate fuel subsidies would have been accompanied by appropriate measures to protect low-income households.

Policy coordination

In Angola, corruption remains very high. The political will of government to fight against corruption on a high level is limited. The Anti-Corruption Commission demanded by parliament has not been implemented, and political actors brought on trial for the embezzlement of funds by the Tribunal de Contas (Financial Court) still hold their positions. In its 2005 Corruption Perceptions index, Transparency International ranked Angola again at 151st out of 158 countries examined. The bilateral oil-backed credit agreements that the Angolan government secured in 2005 and 2006 have weakened multinational agencies' leverage in the fight against corruption.

Anti-corruption
policy

16 | Consensus-Building

The main political actors particularly amongst the ruling class still have to prove their commitment to establish a market economy and democracy in Angola. So far, neither the demand by the opposition for elections nor the ruling party's public pronouncements on democracy and elections have proven any serious commitment. Opposition may just be pressing for retribution of power while the ruling elite uses the discourse to ensure some level of legitimacy and credibility.

Consensus on goals

Reformers at this stage can only be found outside the circle of the ruling elite and are too weak to counteract any anti-democratic actors. For some Angolan analysts such as Rafael Marques, President Dos Santos is currently the main obstacle to true democratization.

Anti-democratic veto actors

The handling of the Cabinda conflict has shown that the strategy of co-optation without inclusion of the main challenging forces yields limited results. Substantial efforts by the political elite to overcome social and regional/ethnic cleavages have not thus far been undertaken.

Cleavage / conflict management

Particularly in the run-up to the elections and after the end of the civil war, the government tried to consult with relevant stakeholders. In the case of the elaboration of a new land law, consultative processes with civil society were initiated, but according to those involved, their inputs were not further considered. In the case of the land law, the request by a large number of NGOs to amend the constitution first and to deal with land rights later was ignored. Forces of opposition were consulted and included in the working group on constitutional reform, but when they did not subscribe to the MPLA's draft and no consensus could be reached, the parliamentary reform commission was dissolved. The ruling party's willingness to consult and to seek consensus appears based less on political will than on the desire to project the image of a liberal regime.

Civil society participation

Angola has yet to embark on a process of reconciliation dealing with the atrocities committed on both sides during a protracted civil war. Currently, there are no indications that it will do so in the future.

Reconciliation

17 | International Cooperation

Sonangol's reaction to BP's commitment to transparency, which implies the disclosure of revenues paid to the Angolan state as well as the diplomatic immunity granted to French arms dealer Pierre Falcone by President Dos Santos, show the limited political will of the Angolan elite to contribute to democratic accountability. The IMF was invited to assist in poverty reduction only when the

Effective use of support

ruling elite had evidently reached a cash crisis. In dire need of re-financing, the government even allowed the IMF to publish the KPMG-conducted Oil Diagnostic report as well as the results of the IMF Art. IV consultation exercise of 2003. Although this might be seen as a first step toward transparency, other reports that “paint a damning picture of the government’s fiscal impropriety and its deliberate obscurantism” cannot be ignored. In order to comply with the prerequisites for engagement with multilateral donors such as the IMF and World Bank, the Angolan government initiated in 2003 an interim poverty reduction strategy paper (I-PRSP) that demonstrated the problems of policy formulation in Angola. Despite a long list of spending initiatives, structural reforms aimed at tackling poverty sustainably (curbing oil dependence, creating an environment for labor intensive growth, increasing social service delivery) are lacking. Instead of acknowledging the importance of the informal sector for the survival of the poor, it lists this as a main obstacle.

Much to the lament of the Angolan government, the international community has shown surprising resilience to the calls for an international donor conference and has insisted on the preconditions of good governance that they would like to see in place before opening their purse. While missing out on donor money, the Angolan government in the meanwhile has established close links with the People’s Republic of China that has become the country’s main single buyer of Angolan oil. In 2004 the Chinese government granted Angola a credit of \$2 billion backed-up by oil supply and increased its loans further in 2005. Relations with multilateral institutions remain tense, but it seems that while the IMF continues to insist on greater budget transparency before negotiations can begin, the World Bank is preparing to hand out a large credit, much to the criticism of NGOs fighting corruption such as Global Witness. Nevertheless and despite the lack of transparency, rampant corruption, etc, the Angolan government has been forthcoming in debt repayment and has been successful in its bilateral debt negotiations.

Credibility

Angola cooperates fully in the main regional organizations such as the African Union (AU), the Southern African Development Community (SADC) and the Comunidade dos Países da Língua Oficial Portuguesa (CPLP). It nurtures a very close relationship with its neighbor the Democratic Republic of the Congo. Angolan police officers have been involved in the integration and transformation process of the Police Nationale Congolaise (PNC). Much to the dismay of Angolans, the Angolan government provided logistical support to the Congolese Electoral Commission when the voter registration process at home had not been accomplished yet. One strategic interest of both sides in this close relationship is to prevent anti-Kabila forces (and here most likely MLC veterans) from joining with the FLEC fighters in Cabinda, which would increase the likelihood of destabilization on both sides of the border.

Regional cooperation

Strategic Outlook

The end of civil war in 2002 presented a unique opportunity for democratization in Angola. However, the process of political transformation remains largely under control of President dos Santos and his ruling elite. In the absence of effective international pressure and engagement, the electoral process continues to be postponed as the government cites various excuses. Given that the Angolan government is spending revenues based on non-replenishable resources, a sound oil revenue policy that looks to the future should be developed and implemented. However, the combined factors of recent oil revenue surpluses, a booming economy and the Chinese government's unconditional support have made democracy-conditioned support from the international community redundant. At the moment, it appears that even the opposition parties favor another postponement of elections so that they may have the time to get their structures and strategies in place. However, recent arrests of demonstrators or even the detention of Global Witness researcher, Sarah Wykes, in Cabinda in February 2007 show that the ruling elite are trying to strengthen their grip on power and expand their control of society.

The fact that the government submitted two important laws, the new land law and the new petroleum law, before the permanent commission during holidays in 2004 and thus avoiding a full plenary discussion in parliament points to a lack of respect for formal procedures, the democratic institution of parliament and democratic principles as such. Nevertheless, the parliament itself has won some influence in the last few years. Internal as well as external pressures have made it impossible for the Angolan government to rule without having the parliament formally passing legislation on essential issues. In formal terms, the budget process has improved considerably over the last years, but parliamentary insight into state income and expenditure remains restricted and there is much to be done to institute full parliamentary oversight and effective budget control.

Angola enjoys high macroeconomic growth rates that could jeopardize the democratization process. The Angolan government has begun to provide greater transparency and show commitment to reforms only under tenuous financial situations and when debt service obligations had become too heavy. With a state economy based on oil revenue rather than taxation, state control of resources and economic development remains tight. Increased oil production and new oil discoveries will keep economic growth rates high. Government oil revenues are expected to double by 2010, which will provide the opportunity to increase public spending and foster a reduction of public debts. However, given the limited absorptive capacity of administrative structures, adverse macroeconomic

consequences must be considered carefully. Inefficiency and weak governance might hamper an efficient use of surplus revenues. In order to develop the non-oil and manufacturing sector it will become essential to provide a conducive investment climate with a clear legal framework, property rights, bureaucratic transparency and mechanisms of sanction to combat corruption.

The public sector is in particular need of undergoing thorough reforms. High costs, low production levels, a redundant staff structure, insufficient liquidity and the burden of accumulated state credits hamper its performance. To make the public sector once again a pillar of macroeconomic stability, the Angolan government has committed itself to the transfer of non-profitable and under-performing initiatives to the private sector.

Despite emphasis on these issues by external actors such as the IMF, World Bank, Human Rights Watch or Global Witness, the Angolan government's willingness to formulate and implement substantial reform is selective and generally quite weak.