

1. CONTEXT

Angola is potentially one of the richest countries in Africa with significant mineral reserves. Currently, it is the fourth largest petroleum producer in Africa, exporting one million barrels daily. The apparent wealth of Angola is in startling contrast to the poverty of the people of Angola. Angola Human Development Index, IDH places Angola 146 in a total of 174 countries.

In April 2003, the country commemorated one year since the end of a major armed conflict. The fourteen years of a just war of liberation against colonialism was followed by long years of war between domestic political factions. All of the conflicts were subject to interference from different international powers; the apartheid regime in South Africa made a direct military intervention in 1974, as did the intelligence agencies of the URSS and the USA. Subsequently, the URSS and the G7 countries supplied arms to both sides of the conflict, the MPLA and UNITA, throughout the Cold War. Especially in the last fifteen years, it is the cost of the war, which has contributed decisively to Angola's rising external debt. This debt has been contracted not only with the ex republics of the URSS but also significantly with the international oil companies. The latter process is described in "Angolagate" and in the report "Diamonds and blood oil" (OXFAM, 2001).

- All of the wars prompted the widespread exodus of Angolans and the internal displacement of large populations, including university trained and professionally trained cadre, intellectuals and young people. An estimated four million Angolans have been displaced or forced into exile as refugees by the war. The widespread nationalisation of the productive sector and the excessive concentration of investments in the petroleum sector paralysed industrial production. The on going conflict and widespread mines paralysed agricultural production. The war and the plundering of public finances allied to bad management of the national resources all contribute to a continuing stagnant economy, with the exception of the oil sector.
- The economy of Angola is an enclave economy dependent on oil and diamonds, which make up 65% of the GNP. Extractive industries offer immense opportunities to managers in national companies to benefit from corrupt rent seeking practices.
- Corrupt rent seeking behaviour extends to all state sectors and all levels in these sectors, where public servants salaries are consistently paid in arrears. Furthermore, the closure of large numbers of bankrupt state owned companies have pushed the official estimates of unemployment to 60% of the potentially economically active population. The only survival options open to the unemployed is to be dependent on international food aid or where possible to engage in buying and selling goods and services in the informal sector. Activities in the informal sector require long hours of work and produce very small income. Currently, more than 70% of the population in Angola live below a poverty line of 1USD per head of family.
- The war is not the exclusive cause of poverty in Angola and the end of the war, starkly reveals the nature and depth of the catastrophic humanitarian situation in which the majority of the population live.
- Poverty in Angola primarily affects women and children. Angola was considered "the worst place in which to be a child" in the UNICEF, 2002 State of the Children Report. Castello confirma isto. O original nao e do relatorio de Save. X% of Angolans have access to potable water. Melhora esta parte
- The HDI for Angola has dropped from.... *(especificam a queda, qual posicao quando ate a posicao actual. Acho que nao tem HDI para os ultimos 20 anos)*. Concurrently, Angola has been implementing an informal structural reform program in an attempt to

stabilise the economy. This program follows the framework for structural adjustment promoted by the Bretton Woods institutions, using the orthodox financial and monetary tools such as devaluing the currency and limiting public spending in an effort to contain inflation. The consequence has been a deepening poverty for the majority of Angolans.

- Privatisation in Angola is promoted as one of the pillars of economic liberalisation, contributing to the reduction of state expenditure and “the improvement of the efficiency of the economy, thereby contributing to the strategic development of the country”. In practice, in a non-regulated economy where traffic of influence impedes competition, privatisation has contributed to further plundering of public assets, whereby these assets are simply transferred from public ownership to the superstructure of political and military interests, which reign in Angola. The social consequences have been devastating for the workers and it has simply increased the numbers of the unemployed in a society where there are no formal safety nets.
- Angola is currently President of SADC but is otherwise poorly engaged in the international economic arena. NEPAD is not recognised by the government of Angola as a potential instrument of economic development. The poor performance of the economy means that the Bretton Woods institutions are reluctant to make loans to Angola, to consider the negotiation of the payment of Angola’s debt or to include Angola in HIPC initiatives. Similarly, Angola was not considered for the US sponsored AGOA package, in spite of the strong trade relationships between Angola and the US, based on the oil industry. The poor and the vulnerable in Angola continue to live in need of international assistance, which is also decreasing because of donor country dissatisfaction with the non transparent management of public monies and non compliance with IMF recommendations.

11. The Angolan Debt

2.1 Magnitude of the debt

In 2001, the international financial institutions estimated that Angola had a debt of 11 billion. The official government of Angola figures were less than 9 millions. ????? The current debt is 1.5 times the GNP and twice the value of??? Annual exports (??? *Que ano??*). In 1994, Angola’s exports were 342% of the national debt. Each Angolan, including children owes 800USD in external debt. The debt service is 1,600,000USD, approximately 30% of the national budget (???? *ano ou mês???*) and equivalent to 100USD per capita (??? *mês ou ano..???*), more than a monthly minimum wage and a little less than that earned monthly by a university graduate in the public service. 10% of the debt is accounted for in “interest on delayed payments” which indicates that a significant portion of the debt was contracted without any real guarantee.

2.2 Structure of the debt

The major part of Angola’s debt is bilateral and is contracted to private operators. 40% of this debt has been contracted by the state public sector. The source of the debt is military expenditures, investments and other expenditures in the oil sector, poorly conceived and badly managed mega projects such as the hydroelectric dam in Kapanda or the Mausoleum and recapitalisation of delayed payments. The major volume of the debt is medium term but the short-term debt is also significant.

2.3 Origin and evolution of the debt.

- Angola’s heavy external debt is due to poor public management, a prolonged conflict and the fact that the economy is an enclave economy based predominantly on a single

extractive industry. The war was sustained by the profits from the oil industry. Paradoxically, the context of the war and the non-transparent management of the national economy rendered it difficult for Angola to access regular loans and automatically meant that Angola's loans were contracted at extremely high interest rates. The Angolan economy expended enormous resources on the war. There are 2.5 soldiers in Angola for each primary school teacher. This comparison does not include the people in civil defence forces or in the intelligence gathering organisations.

- Furthermore, arms acquisitions were also effected through complex, multi layered operations with many corrupt intermediaries, as was the case for shares awarded for Block 33. These processes and mechanisms contributed to greater despoilment of the State resources and the creation and existence of parallel budgets facilitating extra budgetary expenditure. The exclusive, non accountable control of wealth has penalised Angola in terms of the external debt:
 - a) The interest's rates on the market are two points above the English "libor" rate, an international reference.
 - b) The payment periods are short-term, raising the volume of the short-term debt to Banks and loan managers. There is also a need to pay intermediaries where the loans, though guaranteed by oil production, are not for expenditure in the oil sector, as was the case with arms deals. Angola is essentially involved in financial speculation, where there was no concrete guarantee for the loans contracted.
- The external debt in Angola was not of a major dimension until the barrel of oil dropped in price in the mid eighties. At that point the debt was 3 billion USD. By 1994, the external debt was 11 billion USD and the subsequent annual evolution in billions of USD was: 11,7; 8,5; 8,6; 8,8; 9,6.*(Melhor apresentar esta informacao numa tabela) ...* The figures reported are official. The most recent figures for 2000 and 2001 indicate that it stands at 8.9 and 8.1. This drop is due to a predicted "debt pardon" for the military related debt contracted by Angola to Russia. *(nao e claro se refera se a um reconhecimento oficial da parte da Russia ou da parte de Angola ou ambas as partes)...* The debt service was equal to 37% of the revenue from oil in 1998, corresponding to an 18% increase from 1996 to 1998. Should Angola pay the totality of its debt, and not accumulate any further delays in payments, the debt service would be equal to 62% of the revenue from oil in 1999. In that year, if the barrel had stayed at 11USD, the IMF estimated that bill for Angolans debt service would consume nearly one half of the entire revenue from oil. (Human Development Report 2000, UNDP). The interest on delayed payments and the debt service has grown consistently since 1994, except for 1999. The national budget for 2003 indicates that debt service in 2000 and 2001 absorbed 30% of the revenue from oil exports. (To put this in context, the debt service in post war Germany was fixed by the international community at 5% of exports). For this year, Angola will pay??? 1,650 thousand dollars ?????? in external debt which corresponds to 28% of the total public spending for the year. The financial burden of debt for this year, including domestic debt is 39% of the national budget.

111. The Government Transition Program 2003-2004 and Poverty Reduction.

- With the conclusion of the war, the government was inspired to develop a Transition Program for 2003-2004, with assistance from the international financial institutions. The program, Strategy for the Reduction of Poverty, was premised on poverty reduction in the context of reconstruction of the country. The Government is suggesting that this Poverty Reduction plan is part of a longer-term plan for the development of Angola, but there is no indication that such a long-term development plan exists.
- The social consequences of the war are horrific: some 100,000 separated children, estimates of between 2 and 7 million land mines, 467,000 Angolan refugees in

surrounding countries, more than four million internally displaced peoples, a significant number of demobilised soldiers with no framework for integration into society, an adult literacy rate of 43% and a life expectancy of 45 years. Aligned to this social picture, the management of the economy continues to be delinquent and incompetent with an inflation rate of 106% in 2002 and rising, weak institutional structures with limited basic service provision (38% of the population are estimated to have access to safe water), a non reformed public sector and widespread rent seeking practices within the public sector.

- The poverty reduction perspective.... The government position is that “poverty reduction and social development are linked to a rise in the national income with improved wealth distribution”. The government postulates that economic growth will increase employment and redistribute wealth to the individuals in Angolan society. (Point 15). Following this logic, program objective number 2, (section 4.1, point 2, “Combating hunger and poverty and promoting social stability) aims to
 - a) Achieve economic stability.
 - b) Improve the provision of social services, particularly health and the prevention of HIV infection.
 - c) Improve the economic infrastructure.
 - d) Valorisation of the nations human resources.
- The primary objective of the government plan is to reduce inflation from 106% in 2002 to 30% in 2003. (*aconteceu ou nao?????*)
- Jubilee 2000 contests the vision of the government. The government does believe that poverty reduction requires an increase in national production. But statistics from studies completed by the National Institute of Statistics over the years show a growing pattern of disparity between the income of the rich and the poor in Angola.... **NUMEROS**. Without fundamental changes in the management of the economy, such disparities will be maintained. Jubilee 2000 argues that government should take steps, which would impact immediately on wealth distribution. **??? WHAT STEPS**. Secondly, the government premises the combat of poverty on the achievement of macro-economic stability. The primary tool used to achieve macro-economic stability is the reduction of public spending to reduce inflation. This translates into major delays in paying salaries in the public sector, an established minimum salary of \$50USD and continuing poor basic service provision, all contributing to deepening the poverty in Angola. Furthermore, the government would seem to be attempting to implement a furtive structural adjustment program, raising the cost of oil products domestically, increasing the payments for water and electricity without any concomitant improvement or extension of service provision. There are also indications of a rapid privatisation program in a non-regulated economy, which is contributing to increasing unemployment and facilitating the plundering of national assets. *Exemplos de empresas privatizado aonde o efectivo dos trabalhadores foram despedidos. A historia do senhor de Angonave ponha se numa caixa.*
- The international community has not demonstrated any faith in the Government of Angola Poverty Reduction Program to date and no international funding has been forthcoming for the implementation of the program, as it stands. The program is presented in sub-programs and sectors with corresponding budgets, which will be supported by the national budget. In its current presentation, the program projects a total of 12 billion dollars in government spending, a figure which is significantly higher than the total national budget. (*Explicar em numeros concretos..*) This is a glaring inconsistency, which completely undermines the program. Currently, consultants from the international financial institutions are assisting the government to revise the macroeconomic projections and to review the sectoral plans to assess the potential complimentary contributions of the government and the international community. There

is also a continuing dialogue between the government of Angola and the IMF on how to introduce the transparent and planned management of public monies, with a special emphasis on the relationship between the income from the oil sector, the Ministry of Finance and the National Treasury. The development of a credible Poverty Reduction Program is premised on widespread consultation with civil society groups. The government suggests that this consultation occurred but it is the opinion of Jubilee 2000, that the competent civil society groups were not sufficiently involved in the definition of programme priorities and implementation strategies.

IV. The impact of debt

- Angola continues to be plagued with a “paradox of potential”. Angola could realistically project the eradication of poverty in the medium term. But the reality is that Angola’s social indicators continue to stagnate and the comparative percentage spending in the social sector continues to decline. (Human Development Report 2000, UNDP). With the end of the war, it was expected that the government would
 - a) Transfer resources previously allocated to the defence (military) sector to the social sectors. In practice, it would seem that the transfer of resources was made in favour of “Security and Public Order”, (police and internal security). *????TABLE, 2000, 2001, 2002.????*
 - b) Improve its public image, demonstrating an increased commitment to the transparent management of resources and to the rescheduling of the short-term debt. In practice, the Tribunal against Corruption was established in law six years ago but has not yet begun to operate and the government continues to contract short-term loans outside the systems of the international financial organisations, paying interest rates above the Libor. Persisting practices, which flout economic wisdom, justify the IMF position, requiring Angola to pay back its entire external debt without benefiting from any rescheduling.

The National Budget and Debt Service

The major part of income is channelled to debt service. As already noted, 30% of petroleum exports in 2001 and 2002 were direct debt relief payments. Even when there is a rise in the price of the barrel of oil on the international market, such a gain is directed to short term debt relief payments. The justification offered by the government for stagnant spending on the social sectors is the increasing debt burden. *“It is not possible for the government to project an increase in the investments in the economic and social sectors because of the proportional increase in the financial burden of the debt service.”* In practice, an analysis of the projected spending for the National Budget for 2003, shows that 39% is attributed to debt relief (37% in 2002), while 16% is projected for spending in the social sectors. *....?? Quais ? Saúde e Educação ou mais outros ainda??? Não entendi a ultima frase???*

Economy

Angola has operated for some time with no financial reserves. In the latter seven years of the nineties, the national reserves covered, at any moment in time, no more than one month and some days of importations. During the period 2001 – 2002, this reserve fluctuated between 2 and 2.5 months. This clearly indicates an inability to generate sufficient savings to plan a coherent poverty reduction plan. The economy is projected to grow 2% from 2002 to 2003 but this growth is unlikely to be in development-orientated sectors of the economy. *(?? O crescimento ira acontecer em quais sectores da economia???)*

Debt and the implications for development

The current burden in debt relief has no corresponding benefit in investments in development for the country, such as investments in infrastructure, in human resource development or in diversification of the economy. The only investments covered by this heavy debt burden are in the oil sector. But income per capita is decreasing in inverse proportion to the increase in the number of barrels of oil produced.

.... Os ultimos dois paragrafos poderao ser sob o mesmo titulo...

Social ... Titulo incompleto

- Angola joins the list of very poor countries. In most communities, more than one third of children are chronically malnourished, the life expectancy was 45 in 2000, 57% of Angolans are illiterate and most live in states of severe food insecurity, eating only cereals.
- In recent years, the combined budgets of health and education have never exceeded 8% of the total budget planned and less than 5% of the total real spending. In more recent years, the budget allocations for health and education have increased somewhat but there continues to be a significant gap between the planned spending and actual spending. There are also glaring inequalities in comparative spending within budget categories. Until recently, almost 50% of health and education budgets were dedicated respectively to specialist hospital treatment overseas and education scholarships, also overseas.
- The debt burden in Angola falls more heavily on those who have no or limited access to health and education. In Sub-Saharan Africa, Angola has one of the highest rates of illiteracy and lowest rates of coverage for access to water and sanitation. (POSITION OF LIGA)
- The debt burden engenders a situation of absolute poverty, which is further aggravated by unjust national policies on wealth distribution. (POSITION OF LIGA)

V. ANGOLA IN THE GLOBAL CONTEXT AND THE INTERNATIONAL FINANCIAL INSTITUTIONS.

- Angola is a member of the Southern African Development Community (SADC) and assumes Presidency of SADC in 2003. Angola is also a member of the Central African Region, more for geopolitical reasons than for socio-economic reasons. Angola holds senior management positions in a number of African Economic organisations for coffee, agriculture and transports. Angola has not formally signed up to the NEPAD initiative and there is little institutional awareness in Angola of the potential of NEPAD. The country is a member of the Cotonou Agreement, as they were of the Lomé Agreements, with the European Union. Angola is also a member of the IMF and the World Bank.

Angola - IMF relations

Angola attempted to intensify relationships with the IMF in the nineties. The balance of payment deficit, the low price of oil on the international market, the on going war and the mismanagement of the national economy, all encouraged Angola to seek an understanding with the IMF. The perceived need for an Angola IMF agreement was accentuated with the fall of the Soviet block. The Angolan government were seeking to reschedule debt payments and to secure access to credits. The IMF agenda was to create an Angolan economy linked to the global economy, severing the anchors, which linked it in the past to the Soviet block. To-date, Angola has not benefited from any credit or grant from the IMF but the IMF continues

to heavily influence the Angolan economy, imposing conditions including that of timely debt repayments. The World Bank has advanced low interest loans for social investments.

The IMF executes monitoring and analysis missions in Angola, making recommendations for macroeconomic reform and maintaining a monitoring role with respect to the implementation of reforms. The last FMI report in late 2002, concluded that the management of the national economy was mediocre, that the financial flows between Sonangol, the Central Bank and the Treasury had not been consolidated and leaks to the press suggest that more than one billion dollars has not been unaccounted. The report has not been made public. The poor performance in terms of economic management means that Angola does not qualify for debt relief. The IMF suggests that improvements have occurred in terms of transparency and the stabilisation of the macro economy. The League of Jubilee 2000 is of the opinion that the mechanisms applied to control inflation are contributing to the deepening poverty of a very poor and vulnerable population. Today, any significant aid from the international community to Angola is conditional on a positive assessment from the IMF.

The IMF Position

The IMF prescriptions relate specifically to economic stability in the context of Angola's external economic relations and do not reflect a preoccupation with creating conditions for the broad based development of the national economy in Angola in the interests of the majority of the population.

The existing financial system is incapable of fomenting and sustaining certain reforms. The economy on the one hand is designed in the framework of a one party state and on the other hand, economic production is exclusively dependent on the oil sector. The oil sector absorbs all the countries financial resources, most external investment and real improvements in technology. The economy in Angola reveals serious functional disorders, which must be taken into consideration when attempting to design a reform program, which focuses on human development. Many of the current measures proposed by the IMF will generate deeper and wider poverty in a country already destroyed by four decades of war. It would seem that the current strategy of the IMF projects using the opportunity of the economic vulnerability of Angola to ensure that Angola becomes dependent on the international economy in such a way that Angolans resources continue to flow outwards without generating any benefits for the majority of Angolans, thereby generating widespread social instability and sowing the seeds for conflict in the future.

The International Financial Institutions and the combat of poverty.

IN response to pressure from the international financial institutions, the government is engaged in preparing a Strategy for the Reduction of Poverty. *????What Plano em cima*

.....

In 2002, the government expected that the poverty reduction program would provide the basis for an agreement with the Paris Club for debt rescheduling. The budget for 2003 shows no projected reduction in debt payments so it would seem that there is no real prospect for debt relief.Jubilee.... is of the opinion, that there can be no credible poverty reduction program without concomitant solutions for the debt burden.

Não entendi o que vem a seguir....

Qual é a contradição entre o PNUD e o FMI??? Quais são estas políticas restritivas???

Since the IMF and the World Bank have a clear preference for macroeconomic stability based on strict monetary criteria, they pretend not to notice that Angola's civil society has not been consulted to formulate a national poverty reduction strategy.

The Position of Angolans Civil Society

...*Proponha que haja*

1. Civil Society Programs in pursuit of a Poverty Reduction Strategy.
2. Position of Angola's Civil Society

In response to the desire of many civil society groups to participate in the formulation of a Strategy for the Reduction of Poverty, (PERP) the League of Jubilee 2000, organised a workshop in November 2001 and formed working groups which continue to work on issues related to the conception, management and monitoring of the PERP..... Experience suggests that the government is aligning itself with interest blocks represented by the UN, IMF, the World Bank and other bilateral interests to marginalize informed participation on behalf of Angola's civil society. The intention would seem to be to ensure that civil society becomes a non-critical appendage of government policies, which seek to concentrate wealth among the few at the expense of the many poor, depending on Malthusian principles of population control.

Jubilee 2000 is also promoting debate and information on NEPAD through provincial workshops with a view to
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O parágrafo a seguir deverá estar com o primeiro sobre o workshop PERP.

Follow up workshops are planned in the provinces of the interior to discuss tools for participatory evaluation of poverty reduction programs.

- The workshops aim to motivate central and local government to involve civil society groups as real partners in the development of a Poverty Reduction Strategy and to encourage the international financial institutions (IFIs) to engage with civil society groups. ...*ACTIVITY*.
- It is of major concern to Jubilee 2000, that the government of Angola and the major IFIs intend to develop a poverty reduction strategy isolated from a discussion on the impact of Angola's debt on poverty.
- Furthermore, the financial reforms, which are being furtively implemented, will further deepen poverty and generate a long-term dependency of the economy on the payment of an increasing debt burden.

Indicators for Angola

(Indicar as fontes...)

Indicator	Specification	Year	Source
Demographic			
Population			
Family size			
<ul style="list-style-type: none"> • More than 6 people • More than 10 people 			
Life expectancy			
Children less than 15 years			
??????????			
Under five mortality			
Development			
IDH			

Percentage primary school attendance			
Extreme family poverty			
Moderate family poverty			
Economic and Financial Indicators			
Total External Debt			
External Debt in relation to GNP			
Debt Service			
Debt service as a % of ????			
Debt burden in the national budget			
Capacity of reserves to cover imports			

Bibliographic References.

Points of Contact.