



USAID | **ANGOLA**
FROM THE AMERICAN PEOPLE



A health worker administers a dose vaccine to a child.

Strategy Statement

August 2005

Table of Contents

Strategy Statement	2
Context	2
Angola as a Post War State	3
An Integrated Program.....	6
 Annex I: Strategy Statement Endnotes.....	 13
 Annex II: Illustrative Program Components by SO.....	 15

Strategy Statement: USAID/Angola

I. Context

Angola gained independence in 1975, following 500 years of colonial subjugation and 14 years of armed struggle between the Portuguese colonizers and a splintered Angolan nationalist movement. Upon independence, the nationalist groups – unable to reconcile their respective aspirations for national power but able to draw first on the largesse of respective Cold War sponsors and later on Angola’s abundant mineral wealth – plunged into a brutal, 27-year civil war. The two largest groups to emerge during the long period of struggle were the *Movimento Popular de Libertação de Angola* (MPLA) and the *União Nacional para a Independência Total de Angola* (UNITA). The battle between the MPLA and UNITA, interrupted by only a few short periods of peace or “quasi-peace,” lasted until the death of UNITA’s leader, Jonas Savimbi, in 2002. All told, as many as 1 million Angolans were killed, 4.5 million became internally displaced, and another 450,000 fled the country as refugees.

The prolonged war left the country’s infrastructure in ruins, its interior areas heavily mined, and much of its social fabric in tatters. Political and economic institutions, which during colonial times were centralized, were also impaired, as the war (and the Leninist-Marxist philosophy the Government adopted during the war) further entrenched the practice of centralized control and created conditions that promoted high levels of discretionary spending with little transparency or accountability. The effect of the legacies of colonialism and civil war is that Angola compares quite poorly with other countries on measures of good governance.¹ Not surprisingly, Angola also falls near the bottom on most global measures of socio-economic development.²

The tragedy is that this poor nation is an enormously wealthy country. Angola is the second largest oil producer in sub-Saharan Africa and the seventh-largest supplier to the United States. Production currently stands at 1.6 million barrels per day and is rising. Oil accounts for almost half of GDP and about 75 percent of Government revenue. It, along with the potential that a stable, prosperous Angola has for deepening stability and spurring economic growth in the region, gives the United States a strong stake in Angola’s stability and prosperity. Angola is also the world’s fourth-largest producer of rough diamonds.³ Less well known is Angola’s enormous agricultural, timber, hydroelectric, fishing, mineral ore, and tourism potential.⁴

With the war over, Angola is now on the path to harnessing its vast potential to the greater benefit of its citizens. Despite occasional, minor flare-ups in regions outside Luanda and in the oil-rich enclave of Cabinda, the peace has held and is likely to continue. Unlike earlier attempts to bring peace to Angola, the peace agreement of 2002 was signed following UNITA’s clear military defeat by the MPLA. Furthermore, after 14 years of armed struggle for independence and 27 years of civil war, the Angolan people are exhausted by war and determined to move forward. In three short years, the emergency response to the immediate post-conflict situation is now giving way to a more comprehensive focus on the actions necessary to support sustained, longer-term development.

The Government has generally succeeded in stabilizing the macro-economy.⁵ As part of doing so, it has also brought down inflation and stabilized the exchange rate.⁶ Moreover, the Government has taken several steps to increase transparency in the collection and use of revenues generated from oil reserves.⁷

Another positive development is that preparations for elections are underway. In passing bills related to the elections, the Government took into account the perspectives of both civil society and opposition parties. There also appears to be a commitment on the part of both the MPLA and UNITA to, after national elections, decentralize a number of government functions. The relatively inclusive process that led to new laws on land and the rights of people living with AIDS suggest further openings in political space.

Despite progress on numerous fronts, much remains to be done. The political will to create a fair and open economy, and a transparent, accountable and participatory political system, exists but is often weakened by a lack of institutional capacity; a genuine, and perhaps reasonable, fear of rapid change (a fear which the Government and the people share); and a political class that has no direct experience with democratic processes and a less-than-positive experience with foreign intervention. Nevertheless, incentives in favor of reform exist. Angolans now have the ability to focus on something other than the war, and there is a sense among many Angolan leaders that attention must be directed toward addressing the needs of the people. Other incentives for reform include: the Government's desire for international and regional legitimacy, its interest in access to international capital, its understanding of the oil industry's volatility, and its bad memories of the economic instability of the 1990s.

A. Areas of USAID Focus

Governance: In the short wake of prolonged war and centuries of colonialism, Angola's governmental institutions have been unable to develop strong technical or managerial capacities. Nor have they been nurtured in an environment conducive to practices related to transparency, accountability, and broad-based participation. Power is highly centralized in the executive, and there are few checks on or balances to central power. The legislative branch has few levers of real power. The Angolan judicial system is fragmented and underdeveloped, lacking adequate qualified workforce, equipment and management procedures. Consequently, courts are sometimes inefficient and unpredictable. Governments at the provincial and municipal levels lack the capabilities, authorities and resources to effectively deliver services or balance the center. With the exception of the churches, civil society remains in the nascent stages of maturity. Access to information is limited. While an independent print and radio broadcast media exists in Luanda and surrounding areas, other areas of the country have less access to independent media. Generally, low levels of institutional and individual capacity are pervasive and constrain both the supply of and demand for good governance.

The quality of governance in Angola influences, and is influenced by, the use of the country's enormous mineral wealth. On the one hand, weak systems of governance have allowed the leakage of resources away from activities that serve the general good. On the other hand, Angola's mineral wealth has created disincentives for the development of stronger systems of governance by creating interests that have a stake (at least in the short term) in maintaining weak systems of governance. Moreover, because of the country's mineral wealth, the Government does not need to rely on the taxation of its citizens to generate revenue, and an important incentive for responsive government, thus, is missing.

Good governance lies at the heart of a Government's ability to satisfy the needs of its people. In Angola, shortfalls in good governance have resulted in: (i) limited economic opportunity; and, (ii) inequitable access to quality services. Unaddressed, these symptoms of weak governance, combined with pressures described in B below, could become sources of political fragility.

Limited Economic Opportunity: Credible national unemployment statistics are unavailable, but it is estimated that 46 percent of the country's urban labor force – 48 percent in Luanda – is unemployed. The lack of economic opportunity in Angola is the result of a number of factors. Clearly during the

war, it was difficult for a conventional private sector to gain traction. While the war has ended, many of the legacies of the war will be difficult and time consuming to overcome. Among those that will most affect economic opportunity are the country's shattered infrastructure, a poorly educated workforce, an unfriendly policy environment, weak contract security, and costly levels of corruption. Further contributing to the lack of economic opportunity are the policy and other distortions created by easy and ample availability of oil and diamond revenues. For instance, large inflows of currency into any economy can lead to currency appreciation. When the currency appreciates, a country's exports of manufactured or agricultural goods become less competitive on world markets and domestic producers are forced to compete with cheap imports. This situation is exacerbated in Angola where, because of the post-war conditions, domestic producers in the non-extractive industries are already seriously handicapped. While its dominance weakens conditions for growth in other economic sectors, the oil sector provides relatively little in the way of employment. Moreover, it, along with the workforce demands of international organizations, exerts a magnetic tug on Angola's currently limited pool of trained professionals, further hobbling other sectors of the economy. Finally, the long shadow of the war and the dominance of the extractive industries have led to an extremely low level of economic diversification and a high vulnerability to economic shock.

Inequitable Access to Quality Services: Inadequate and inequitable access to quality services helps further explain some of Angola's dismal social indicators. The Government's *Estratégia de Combate à Pobreza* estimates that less than 35 percent of Angolans have access to services provided by the national health system. Net primary school enrollment is estimated to be 56 percent. Access to utilities is another area where Angola faces shortfalls.⁹ What is more, the poor are often forced to pay significantly larger sums than the rich for lower-quality services. For example, a study on Angolans' access to water found that the poor living in the peri-urban slums of Luanda pay up to 10,000 times more for clean water from private sellers than wealthier city dwellers who have treated water piped to their households by the provincial water company.¹⁰ Less obviously, poor access to utilities creates drains on alternative resources. For instance, in the *planalto*, due to unreliable access to electricity, firewood is used for cooking in 93 percent of the households, contributing to environmental degradation in densely populated areas. Not surprisingly, the unavailability of social services and utilities has serious consequences for national productivity.

The institutional, infrastructural, and human capacity to improve social service delivery in Angola is very limited. Lack of capacity makes it hard to effectively utilize even the low budgets currently dedicated to social services. Health and education expenditure as a percentage of GDP in Angola – less than two percent for health and less than five percent for education – remain among the lowest in Africa, which averages six and ten percent for each category, respectively.¹¹ Unfortunately, even that which is allocated to the social sectors does not always make its way from the center to the provinces and municipalities, and then on schools, health clinics, etc.

B. Additional Pressures

There are a number of pressures that, taken in some combination with the factors above, magnify the challenges Angola faces. Among these pressures are:

High Levels of Urbanization: Research suggests that countries in sub-Saharan Africa exhibiting unbalanced development, characterized by high levels of urbanization combined with low levels of GDP per capita, carry a risk of state failure that is five times higher than countries with relatively high development, holding other factors constant.¹² A INE/UNICEF survey carried out in 2001 estimated that two-thirds of Angolans live in cities. In and of itself, urbanization is not a pressure on stability. In Angola, however, cities lack the basic infrastructure necessary to support the numbers of people that live in them, and, in the cities, large, concentrated groups of disaffected people are more directly confronted by disparities in income and access to services.

Youth Explosion: The INE/UNICEF survey found that 60 percent of Angolans are under the age of 18. Angola therefore has one of the youngest populations in Africa. Largely undereducated and unskilled, with many growing up amidst the disruption of war, Angolan youth are often ill equipped to lead happy and productive lives. They are thus vulnerable to seeking what might seem to be quick and easy but ultimately destabilizing solutions to societal problems.

Slow Reintegration of Communities Affected by War: Since the war's end, over four million Angolans have been resettled. While subsistence agriculture has made a rapid recovery, many Angolans' lives remain fraught with hardship. As several minor flare-ups have already demonstrated, divisions between former MPLA and UNITA combatants, and between those Angolans who stayed and those who have returned, can be easily exploited. In the absence of improved livelihoods, opportunities for exploiting cleavages could grow.

C. Potential Triggers of Instability

Most observers agree that the exhaustion Angolans feel from war is deep and that the Government is strong enough to effectively counter any threats to peace, including separatist activity in Cabinda. Moreover, Angola has low levels of ethnic and religious animosity. One event, however, that might trigger conflict in some regions is the upcoming elections which, in combination with one or more of the factors described in Sections A and B above, could easily spark conflict. However, while localized violence is entirely possible, it is unlikely that the elections will result in a return to widespread instability. If Angola were to return to a state of conflict, it is most likely to be because the state has not followed a path toward good governance, and thus lost the opportunity to create the institutional and regulatory scaffolding necessary to support improved service delivery and increased opportunity before the maturation of the next generation of young people, who will have little personal memory of war and its hardships.

II. An Integrated Program

A. Program Overview

USAID's Program for Angola, covering the period 2006-09, has its underpinnings in the U.S. Department of State and USAID's 2004-09 "Strategic Plan." The Program will seek to have a positive impact on two of the Plan's Objectives:

- "Achieve Peace and Security," with an emphasis on that Objective's Goal of "Regional Stability;" and,
- "Advance Sustainable Development and Global Interests," with an emphasis on the aims described under the Goals of "Democracy and Human Rights," "Economic Prosperity and Security," and "Social and Environmental Issues."

More specifically, USAID's Program for Angola will contribute to the Agency Goal articulated in USAID's "Strategic Framework for Africa:"

"Manage Crises and Promote Stability, Recovery and Democratic Reform."

In determining how best to address the Goal, USAID, in co-sponsorship with Chevron, Esso and BP, held a number of roundtable discussions with Angolans from civil society, government, and the private sector, as well as with representatives of the international community, including donors, non-governmental organizations, and the private sector. It was clear from the discussions that stability, in the short-term, is contingent upon increased economic opportunity and improved service delivery. However, over the longer-term – for short-term gains to be sustainable, for the country to lock onto a path that will provide all citizens the opportunity to prosper, and for stability, thus, to become deeply rooted – transparent, accountable, participatory, and institutionally capable governance is essential. These conclusions led us to adopt three Strategic Objectives (SOs):¹³

- Inclusive Governance Reform Advanced (SO9);
- Basic Economic Opportunity Maintained/Restored (SO10); and
- Increased Provision of Essential Services by Local and National Institutions (SO11).

In tackling the three SOs, USAID proposes an integrated Program that will seek impact at the people level over the short-term; and impact on systemic reform over the longer-term. To facilitate people-level impact, we will be active at the community level of governance; to facilitate systemic reform, we will be active at the central level of governance. To the extent possible, because it will be critical to both our people-level and our systemic reform efforts, we will seek to fortify the bridge between the community and the central level of governance by strengthening systems at the provincial and municipal levels of governance as well. In all three SOs, key actors will include the Government, civil society, and the private sector.

We have chosen four areas in which we believe we have a strong chance of achieving short-term, people-level impact in a way that advances governance and systemic reform: improved health, expanded access to finance, increased access to property rights, and increased access to electricity. In selecting these four areas, we applied the following criteria: relative openness to reform; ability to attract resources from various USG, corporate, and other donor sources; USAID's historical relationships in the sector; the ability of the sector to serve as a vehicle around which to organize governance activities; and the ability of impact in the sector to reverberate positively beyond the sector.

There are other technical areas that would also qualify, applying these criteria. Our constraints to addressing other areas are budgetary and a strong desire to be deep rather than wide, as the profundity of Angola's development problems require intensive efforts. For instance, there is a strong rationale for engaging in education but we felt we could not afford to be active in more than one social sector, and our experience and relationships in Angola are in the health sector. We chose electricity over water because of its relationship to economic growth and service delivery, Angola's prominence in the Bush-Blair energy initiative, the potential for partnerships with the British Government and the private sector that electricity presents, and the welcome response we received from the utilities and Government when we first approached them. We chose governance as a general theme over rule of law because of the ability to link governance activities more directly to activities supporting economic opportunity and service delivery.

B. Strategic Objectives

1. Inclusive Governance Reform Advanced (SO9)

In embracing good governance as the linchpin of its program, USAID/Angola will ensure that every activity it supports has an impact in favor of all or some combination of the following aims, contingent upon USAID budgets matching USAID ambitions:

- increased participation, i.e., improvements in the supply/demand equation of Angolan democracy by strengthening the capabilities of government, civil society, and the private sector to perform their respective roles and to interact productively;
- increased transparency and accountability;
- more effective vertical linkages among the various levels of Government, with a focus at the national level on systemic reform; a focus at the community level on access to and quality of key social services and economic inputs; and a focus at levels in between, to the extent resources allow, on improving budgeting and planning, supervision, information, procurement, and other intra-governmental systems that might improve service delivery; increase economic opportunity; and improve transparency, accountability, and participation.

Activities managed under the SO9 umbrella will include on-going activities in elections support, rule of law, and media (all ESF-funded, with the latter two activities being small) and new activities for municipal and community capacity-building and civil society strengthening.

2. Basic Economic Opportunity Restored/Maintained (SO10)

Under this SO, USAID will support activities to improve both the macro- and micro-level economic environment. At the macro-level, USAID will continue harmonizing with the efforts of the IMF, the World Bank, and the European Commission to help build the capacity of the Ministry of Finance to

manage the national budget in a more effective, open, and transparent way; and to have access to the information and analysis that will lead to sound policy decisions. USAID will complement assistance to the Ministry of Finance with continued support to an economic think tank at a local university, which will strengthen the voice of civil society in the public-private sector dialogue on economic and other issues of national concern.

At the micro-level, USAID will support efforts that provide for greater access to productive resources, especially finance and property rights. With regard to finance, USAID will support activities at both the people and the structural level. At the people level, we will focus on increasing the availability of finance to farmers and input suppliers in the agricultural sector. By taking a value chain approach (i.e., providing support for production, processing and marketing), we hope to not only increase access to finance but also other inputs in order to ensure that those receiving finance are able to use it productively. At the structural level, we will, assuming the availability of resources, seek to expand the range of product lines available to consumers, improve the enabling environment for micro, small and medium credit, and increase the effectiveness of bank supervision. Our structural level activities will facilitate what we're trying to achieve at the people level and strengthen vertical linkages in the private sector. At the structural level, we will work with at the Central Bank level and the commercial bank level, providing technical assistance, training and, if feasible, a loan guarantee program through USAID's Development Credit Authority.

With regard to property rights, we will, assuming adequate resources, help facilitate land demarcation and registration, the productive use of registered land, strengthened mechanisms for conflict resolution, and improved quality of interaction between civil society and government.

3. Increased Provision of Essential Services by Local and National Institutions

USAID will promote the achievement of short-term, people-level results by helping to expand access to health care and electricity. In the health sector, we will: (a) take advantage of Angola's selection as one of three pilot countries to participate in a Presidential initiative to reduce the incidence of malaria; (b) support interventions to curb the spread and mitigate the impact of HIV/AIDS and other infectious diseases (particularly polio); and, (c) reinforce family planning efforts. In the electricity sector, we will expand access to power in a small number of communities, with a corollary objective of demonstrating how better planning can lead to electricity being more effectively utilized for productive and social purposes.

SO11's longer-term, systemic objectives are to improve the responsiveness of national providers of health care and electricity by:

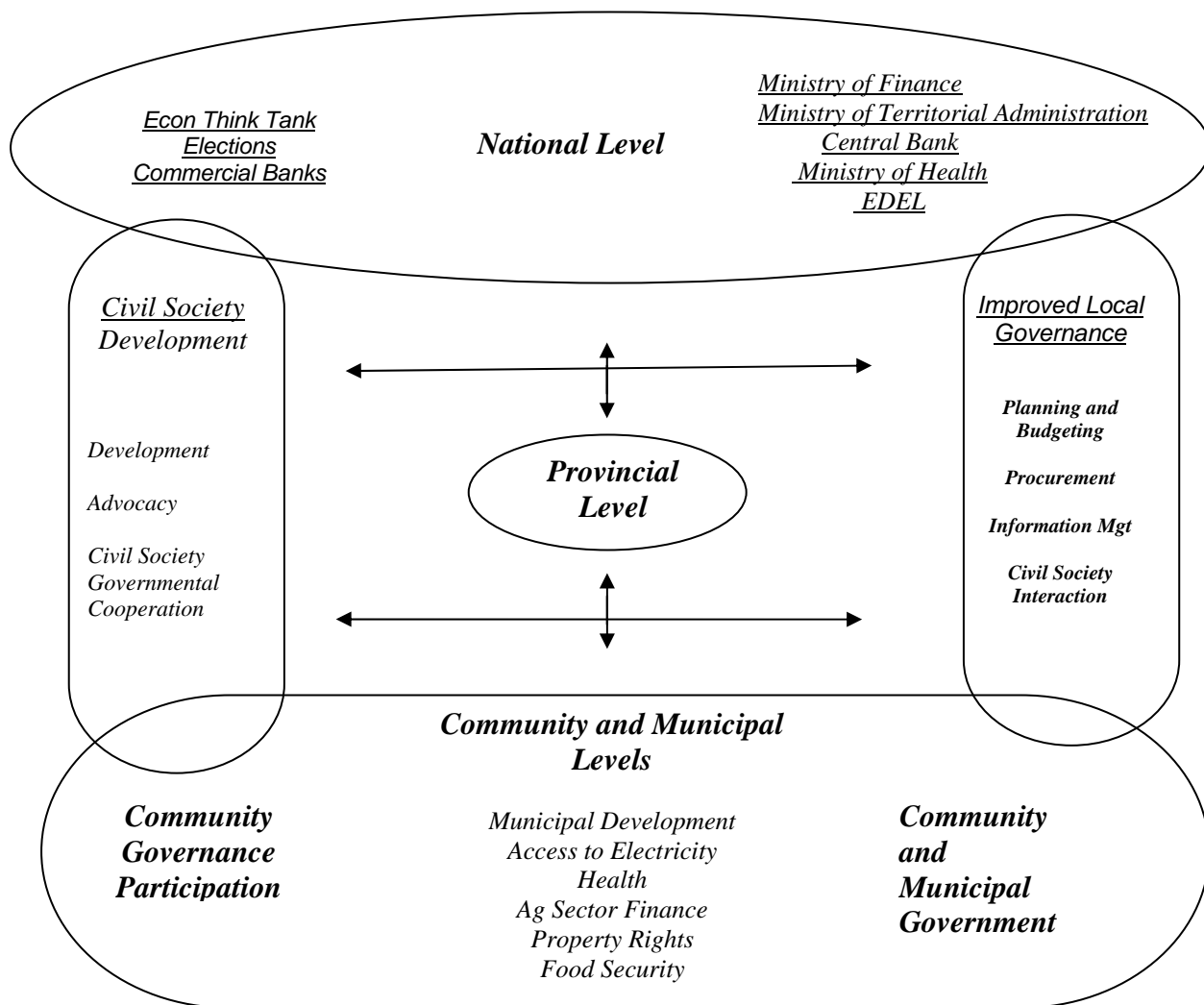
- improving technical capabilities and promoting systemic reform;
- helping improve civil society's ability to address health care and electricity needs through community mobilization efforts and improved access to Government channels; and
- promoting improved interaction between the Government and civil society.

C. USAID's Integrated Program: A Graphic

The following diagram demonstrates the interlinking nature of our program. The left-hand side of the diagram shows areas in which we will be strengthening civil society, including the private sector. The right-hand side shows areas in which we will be strengthening the Government. In all four sectors in which we're active (i.e., health, finance, property rights and electricity delivery), we

will seek to facilitate constructive relationships between civil society and government, thus the horizontal arrows.

As the diagram indicates, we will also be active at both the municipal (including community) and national level in our four sectors of interest. This reflects our will to increase the effectiveness of the vertical relationships between the various levels of government. Unfortunately, our will is unlikely to be matched by our budgets. The “Improved Local Governance” Activity is unfunded at the expected budget level. Without it, our best chance for achieving our objective of improving vertical relationships between various levels of government is in the health sector. Generally speaking, at the national level, we will be seeking to effect systemic reform. At the local level, we will be seeking to demonstrate people level results.



It is also useful to note that all of our activities will contribute to our Governance SO and that several of the activities will contribute to all three SOs. This is demonstrated in the Venn diagram at the end of Annex II.

D. Cross-Cutting Themes

In designing Program activities, USAID will be conscious of incorporating interventions to address the two cross-cutting themes of USAID's "Strategic Framework for Africa."

Gender: In Angola, the war had a profound effect on the gender balance: the INE/UNICEF survey conducted in 2001 found that there are only 91 men for every 100 women. Not surprisingly, over one-quarter of all households are headed by females. In the *planalto*, this level rises to approximately 36 percent of all households. Despite the increased responsibility and expanded roles of women this entails, traditional Angolan culture assigns women very low status, generally excluding them from positions of influence. The low status of women shows up clearly in various social indicators.¹⁴ To address gender disparities, USAID/Angola will seek to ensure that the activities it supports provide ample opportunities for women to benefit from improved service delivery and expanding economic opportunity, as well as opportunities for representation and participation in democratic processes.¹⁵

HIV/AIDS: Angola is surrounded by some of the countries with the highest prevalence rates in the world. While estimates vary, Angola's prevalence rate is far lower than those of its neighbors. The most reliable data available suggest a rate of 2.8 percent among pregnant women seeking pre-natal care. The relatively low rate is mainly attributable to the limited mobility of the population during the war years. With the war over, people now enjoy greater freedom of movement, and refugees from high-prevalence neighboring countries are returning. Angola thus faces the risk of an upward spike in infection rates if prevention measures are not taken quickly. Indeed, the data indicate that prevalence in provinces bordering neighboring countries, especially Namibia and the Democratic Republic of Congo, are higher than in other parts of the country. At current resource levels, USAID-supported HIV/AIDS activities will focus on prevention and will be incorporated as much as possible throughout our portfolio.

We will also seek to have a positive impact on the three Angola-specific cross-cutting themes identified as "pressures" in I.B. above, although we must emphasize that our budget levels are such that we are unlikely to have a significant impact on any of the pressures. We will provide models and seek to design the models in a manner which encourages replication; we will not, however, be able to fund the critical mass of activities necessary to rapid improvement.

High Levels of Urbanization: Our program will deal with high levels of urbanization by seeking to make life in selective rural and peri-urban areas more attractive and financially feasible, hoping to stem the flow of population to the urban areas. To a much more limited extent, we will seek to improve conditions in the urban areas.

Youth Explosion: We will support improved futures for youth through Youth Centers that will promote healthy sexual behavior and improved employment skills. Depending upon the availability of funding, we will also introduce Junior Achievement to Angola. We will seek to identify corporate funding for a youth activities in our Civil Society Development Program.

Slow Reintegration of Communities Affected by War: Our Municipal Capacity Building Program, our Property Rights Program, our Access to Electricity Program, and our Agricultural Finance Program will lead to improved livelihoods and improved abilities to avoid and mitigate conflict and, thus, accelerate the reintegration of communities affected by war.

E. Geographic Focus

Given the limited resources available to USAID/Angola, interventions will be carefully targeted to priority geographic areas. Three types of areas are considered to be most in need of assistance: (i) densely populated areas, such as Luanda, and, to a lesser extent, the *planalto*; (ii) areas where social reintegration is still occurring, primarily the *planalto* and certain areas along the Namibian border, such as Cuando Cubango; and (iii) areas where human rights abuses are more commonly reported, such as the provinces of Cabinda and Lunda Norte. Decisions regarding USAID/Angola's geographic focus will take these factors into account (for decisions related to HIV/AIDS, considerations of geographic risk will be added) and be made in coordination with partners (including the Angolan Government, corporate partners, and other USG agencies) and, in order to facilitate complementarities, with other donors.

F. Links to USAID Regional and Other Programs

Angola stands to benefit from several programs supported by USAID's Regional Center for Southern Africa (RCSA) in Botswana. The Okavango River Basin is shared by Angola, Botswana, and Namibia, and what happens upstream affects the people, wildlife, and ecosystems downstream. USAID/RCSA is strengthening the Okavango River Basin Commission to help it carry out its mandate of managing the river and its resources in a fair and sustainable manner. In addition, with Angola recently joining the Southern Africa Development Community (SADC), the upcoming parliamentary elections will be observed – and follow the norms and standards developed – by the RCSA-supported SADC Parliamentary Forum. Finally, the Southern Africa Global Competitiveness Hub established by RCSA will help ensure Angola is able to access benefits offered by AGOA.

USAID/Angola has historically been the recipient of PL 480 food aid and other resources outside of its planned Operating Year Budget, such as funds from the War Victims Fund and Displaced Children and Orphans Fund. Given that there remain Angolans vulnerable to food insecurity and that Angolans continue to suffer from high rates of physical handicap and war-torn families, we believe Angola should remain high on the Agency's list of priorities for such resources. In addition, the Africa Bureau-supported girls' scholarship program has allowed over 4,500 Angolan girls to attend school, and support from the Bureau for Economic Growth, Agriculture, and Trade has proved invaluable to USAID/Angola's electricity and property rights programs.

G. Global Development Alliances

USAID/Angola has, to date, been one of the Agency's most successful implementers of the GDA approach. The 2006-09 Program has been designed to expand without the addition of new activities, in part to accommodate partnerships, unless a private sector partner is able to offer a level of resources that justifies the addition of a new activity.

Strategy Statement Endnotes

¹ In 2004, Angola scored below the 25th percentile on the six elements of governance measured in the World Bank's "Governance Matters" data sets; and scored below the 10th percentile on the measures of regulatory quality, rule of law, and control of corruption. On Transparency International's 2005 "Corruption Perceptions Index," Angola ranks 151 out of 158.

² The UNDP's most recent Human Development Index places it 166 out of 177 countries. While the World Bank estimates average per capita income at \$740, relatively high for sub-Saharan Africa, Angola's poverty reduction strategy (*Estratégia de Combate à Pobreza* [ECP] in Portuguese), notes that 68 percent of the population lives below the poverty line of \$1.70 per day, with 28 percent living in extreme poverty on less than \$0.70 per day. Angola's health indicators are some of the worst in sub-Saharan Africa: the total fertility rate is estimated to be 7.2 births per woman, average life expectancy is only 40 years, the infant mortality rate is 154 per 1,000 live births, and the under-5 mortality rate is a staggering 260 per 1,000 live births.

³ Diamonds represent 95 percent of non-oil exports. Production is expected to reach \$1 billion in 2005, with Angola's diamond deposits still largely untapped.

⁴ Prior to 1975, Angola was a leading exporter of agricultural commodities. It exported over 400,000 metric tons of smallholder-produced maize annually and was the world's fourth-largest supplier of coffee. The central highlands, i.e., the *planalto* region, receive plenty of rainfall and historically have been the bread basket of Angola. Other parts of the country, generally dryer than the *planalto*, offer agricultural potential due to better soils and abundant natural irrigation sources. Angola's fertile land also nourishes one of the largest areas of planted forest in Africa which, to date, has been minimally exploited for productive purposes. Angola's many rivers provide it with significant hydroelectric resources, though these too have not been fully exploited. Its southern coast boasts some of the best fisheries in Africa. This is a resource that has been exploited – there is some concern that over-fishing has reduced stocks – but not always to Angola's benefit since policing coastal waters for unlicensed fishing fleets was a low priority during the war. Angolan mining companies are already exporting granite and marble to foreign markets, and mining may be one of the few non-petroleum sectors that could benefit in the short-term from the Africa Growth and Opportunity Act (AGOA). Finally, many regions of Angola are breathtakingly beautiful and it's not hard to imagine Angola as a tourist destination, once the country has recovered from the devastation of the war.

⁵ During the 1980s and 1990s, Angola suffered a series of hyperinflationary episodes. Annual inflation reached 3,000 percent in 1995 and spiked to 12,034 percent in July 1996. By February 2005, it was 28.5 percent and falling.

⁶ For virtually all of the 1990s, the exchange rate was substantially overvalued, with the parallel market premium reaching levels well above 1,000 percent at times. Since 2000, the parallel market premium has generally remained below one percent, and the Kwanza now holds its value against the dollar.

⁷ A significant share of Angola's famous "unexplained discrepancies" in its published budgets has been eliminated. In 2004, an oil-revenue diagnostic study was completed by the international consulting firm KPMG. The study was made public on the Ministry of Finance website. In addition, independent audits of Sonangol (the oil parastatal) and the Central Bank are occurring, and all government oil activity, including revenues and expenditures, is being unified into one budget at the Ministry of Finance.

⁸ A World Bank report notes that 29 percent of Angola's civil servants have only primary education or no schooling at all, and 64 percent have reached the secondary level of education. This leaves only 7 percent of all civil servants with higher levels of education.

⁹ A recent proposal from CARE indicates that in Kilamba Kiaxi, a municipality of Luanda, only one percent of households has access to the electricity grid. In the *planalto*, given the lack of electricity, petroleum/oil provides the main source of lighting for 83 percent of the households. Households in the *planalto* rely on the environment for drinking water, with rivers being the main source of water for 50 percent of households. See Tulane University, in collaboration with World Vision, 2005, "Food Security and Livelihood Survey in the Central Highlands of Rural Angola," a study conducted for the World

Food Program (June). Conditions in the east and parts of southern Angola are likely to be even worse than in the *planalto*.

¹⁰See Cain, Allan, 2004, “Livelihoods and the Informal Economy in Post-War Angola,” in Jenny Clover and Richard Cornwell, eds., *Supporting Sustainable Livelihoods: A Critical Review of Assistance in Post-Conflict Situations*, Monograph No. 102, Pretoria, South Africa: Institute for Security Studies, pp. 87-101 (August).

¹¹The budget for 2006 will increase amounts for education, health, and transport, but, in line with IMF recommendations, will use oil revenue windfalls to reduce the national deficit and not significantly increase social sector spending.

¹²Goldstone, Jack, et al., 2000, “State Failure Task Force: Phase III Findings,” McLean, VA: SAIC (September).

¹³The “Strategic Framework for Africa” has a fourth SO, which the Mission considered: “Reintegration of Persons Affected by Conflict.” We chose not to make this SO a focus of our attention given that the war will have been over for more than four years when the new Program begins. We do, however, expect to have a limited impact on the SO, particularly through community-level activities.

¹⁴For example, whereas 46 percent of women aged 15 or over are illiterate, the corresponding figure for men is 28 percent. This has serious implications for Angola’s children given the relationship between mothers’ education and various health statistics, such as the under-5 mortality rate. For mothers with no education, the under-5 mortality rate in Angola is 275 per 1,000 live births while for mothers with a secondary education it is 170 per 1,000 live births.

¹⁵Specific measures addressing gender – and youth – will be elaborated through activity-level analyses conducted to support specific activity designs that will be developed as the strategy is implemented.

Illustrative Program Components by SO

SO 9: Inclusive Governance Reform Advanced

- Promote and Support Free and Fair Elections (ESF)
Elections Program
- Strengthen Political Parties (ESF)
Elections Program
- Strengthen Civil Society (ESF, DA)
Elections Program (ESF), Civil Society Strengthening Program (DA), Electricity Delivery, Program (DA), Property Rights Reform Program (DA, perhaps ESF), Think Tank (DA, perhaps ESF), PL 480
- Strengthen Governance (ESF, DA)
Ministry of Finance (ESF), Municipal Development Program (DA, CSH), Health Program (DA), Electricity Delivery Program (DA), Property Rights Reform Program (DA, perhaps ESF)
- Improve Community-Based Reconciliation Efforts (DA)
Municipal Development Program (DA), Civil Society Strengthening Program (DA), Access to Electricity Program; Agricultural Finance Program; PL 480

SO 10: Basic Economic Activity and Livelihoods Maintained/Restored

- Protect and Increase the Assets and Livelihoods of the Poor (DA)
Municipal Development Program (DA), Land Reform Program (DA, perhaps ESF), Electricity Delivery Program (DA), Ag Finance Program (DA), PL 480
- Increased Access to Capital (DA)
Finance Related Activities (DA)

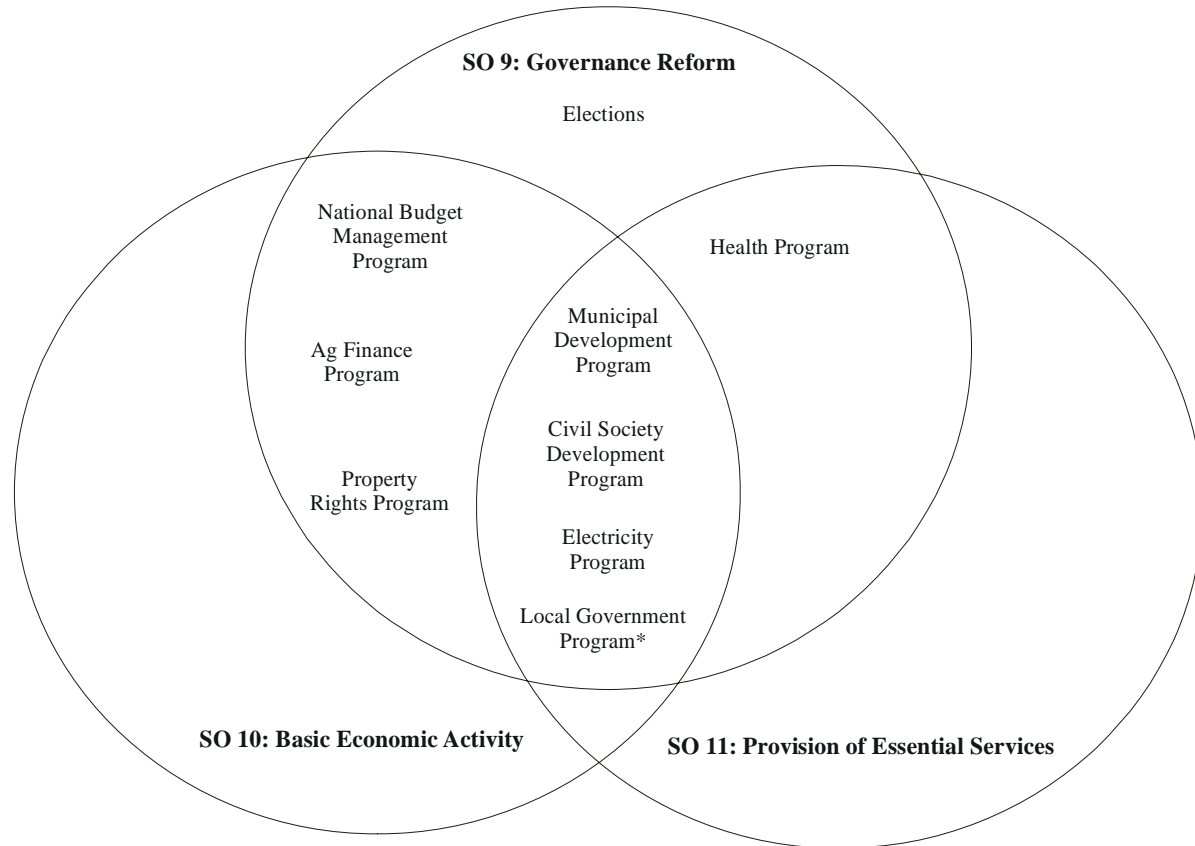
SO 11: Increased Provision of Essential Services by Local and National Institutions

- Expand and Improve Access to Economic and Social Infrastructure (DA)
Electricity Deliver Program (DA)
- Enhance Health Systems Capacity
Health Program (DA)
- Reduce the Transmission and Impact of HIV/AIDS
Health Program (DA)
- Prevent and Control Infectious Diseases of Major Importance
Health Program (DA)
- Reduce Unintended Pregnancy and Improve Healthy Reproductive Systems
Health Program (DA)

Cross-Cutting

- Promote Public-Private Alliances as a Principle Business Model

Per the chart below, our program will be an integrated one, with several of our activities expected to deliver results against more than one SO.



* If resources allow.

